

The Case for House Bill 2785

Cut the Property Tax Now

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The Texas Legislature has sufficient taxpayer funds in the treasury and enough future revenues to provide additional property tax relief as well as repeal the TIF tax now.

- ⊕ The state currently has \$7 billion in the treasury and \$1.2 billion in the Rainy Day Fund.
- ⊕ If the House and Senate conferees adopt the higher recommended spending levels for each budget article, the state will end the 2008-09 biennium with \$4.3 billion in the Rainy Day Fund and \$4.5 billion in surplus funds, for an ending balance of \$8.8 billion. (See back)
- ⊕ Assuming reasonable but generous budget growth and revenue growth less than the historical 5 percent growth rate for 2010-11, the state will end that biennium with \$2.2 billion in surplus funds and \$6.5 billion in the Rainy Day Fund for an ending balance of \$8.7 billion. (See back)

CUTTING THE PROPERTY TAX 9¢ WITH A TIF TAX REPEAL

- ⊕ A TIF tax repeal would barely affect estimated future balances in the state's surpluses. The 2008-09 ending balance would be \$8.4 billion. The 2010-11 ending balance would be \$8.2 billion. (See back)
- ⊕ A TIF tax repeal coupled with a 9¢ property tax cut would result in a 2008-09 ending balance of \$5.9 billion. The 2010-11 ending balance would be \$2.8 billion. (See back)

RISKS IN NOT CUTTING TAXES NOW

- ⊕ Funds kept by the state and not returned to taxpayers grow government later, when balances are even larger.
- ⊕ The state will lose the economic boon that comes from cutting taxes.
- ⊕ *Nine cents of property tax relief will cost more than \$2.5 billion in the future due to property value increases.*
- ⊕ The effects of the new business tax could be very negative; the offsetting effects of a property tax cut would be lost.
- ⊕ State concerns about home ownership rates and the manufacturing industry in Texas are only so much rhetoric if property tax rates are not reduced further.
- ⊕ Taxpayer confidence in the Legislature may be eroded if they believe there is no long term commitment to continue lowering property taxes.

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PREDICTIONS OF SPENDING AND STATE BALANCES

2008-09 and 2010-11 Biennia

- ⊕ The 2008-09 budget numbers below are the greater amounts for each article in comparing the House and Senate versions of the budget.
- ⊕ Spending that is not funded from revenues reflected in the Biennial Revenue Estimate are netted out to determine the 2008-09 ending balances.
- ⊕ One-time expenditures are netted out in order to determine the base amounts to estimate the 2010-11 budget.
- ⊕ Growth rates are based on an examination of 5- and 10-year past growth rates in non-federally funded spending for each article.

	HB 1 + HB 2						
	High-End Non-Federal	Less Spending from	Non-Federal 2008-09	Less One-Time	Net Budget for	Times Estimated	Estimated
	2008-09 Budget	Sources not in BRE	Tax-Supported Budget	Expenses	Estimating Purposes	Percent Growth	2010-11 Budget
Article 1	\$2,971,315,483		\$2,971,315,483		\$2,971,315,483	8.8%	\$3,232,738,695
Article 2	\$21,742,165,896	Income from Patients	\$21,742,165,896	FSP catch-up/	\$21,742,165,896	12.7%	\$24,502,742,193
Article 3	\$66,268,618,382	(\$4,900,000,000)	\$61,368,618,382	(\$1,100,000,000)	\$60,268,618,382	8.5%	\$65,391,450,944
Article 4	\$563,532,528		\$563,532,528		\$563,532,528	13.9%	\$642,028,640
Article 5	\$9,278,638,766		\$9,278,638,766		\$9,278,638,766	6.9%	\$9,918,864,841
Article 6	\$2,604,344,038	Bond Proceeds	\$2,604,344,038		\$2,604,344,038	8.8%	\$2,833,526,313
Article 7	\$11,338,710,213	(\$4,007,413,005)	\$7,331,297,208		\$7,331,297,208	13.8%	\$8,343,016,223
Article 8	\$731,473,113		\$731,473,113		\$731,473,113	5.5%	\$771,879,031
Article 9	\$689,116,402		\$689,116,402		\$689,116,402		\$689,116,402
Article 10	\$327,083,507		\$327,083,507		\$327,083,507	5.9%	\$346,487,582
EXPENDITURES	\$116,514,998,328		\$107,607,585,323		\$106,507,585,323	9.5%	\$116,671,850,864
		REVENUES				REVENUES	
		Starting Balance	\$6,987,332,000			Starting Balance	\$4,535,841,677
		Non-fed revenue	\$107,897,325,000			Non-fed revenue	\$116,529,111,000
		Rainy Day Transfer	(\$2,741,230,000)			Rainy Day Transfer	(\$2,200,000,000)
		Total	\$112,143,427,000			Total	\$118,864,952,677
		Surplus/Deficit	\$4,535,841,677			Surplus/Deficit	\$2,193,101,813
	Plus Interest & Beg. Bal.	Rainy Day	\$4,265,415,000			Rainy Day	\$6,465,415,000
		Ending Balance	\$8,801,256,677			Ending Balance	\$8,658,516,813
		Ending Balance with TIF				Ending Balance with TIF	
		Tax Repeal	\$8,432,107,677			Tax Repeal	\$8,246,888,813
		Ending Balance with TIF Repeal and				Ending Balance with TIF Repeal and	
		9¢ Property Tax Cut	\$5,904,107,677			9¢ Property Tax Cut	\$2,821,739,813

