



Property Tax, Financial Transparency, and Local Debt

*Submitted Testimony before the House Committee
on Special Purpose Districts*

by James Quintero, Director, Center for Local Governance

Chairman Miller and Members of the Committee:

My name is James Quintero and I am the director of the Center for Local Governance at the Texas Public Policy Foundation, a free-market research institute based in Austin, Texas. Thank you for providing me with this opportunity to introduce the Foundation's new local government initiative and offer a few brief recommendations on special purpose district reform.

Briefly, the Center for Local Governance was launched in July 2013 with the goal of advancing conservative, liberty-minded reforms in Texas cities, counties, school districts, and special districts. Together with my colleague, the Honorable Jess Fields, the Center offers research, analysis, and guidance with a free-market perspective to communities and stakeholders around the state.

Thus far, some of the Center's major research initiatives have focused on topics such as: local government debt, property taxes, economic development, financial transparency, annexation, and municipal pension reform. Within the context of many of these policy areas, special purpose districts play a prominent role.

My remarks today will focus on three policy areas—property taxes, financial transparency, and local debt—and offer some suggestions as to how each area might be improved via special purpose district reform.

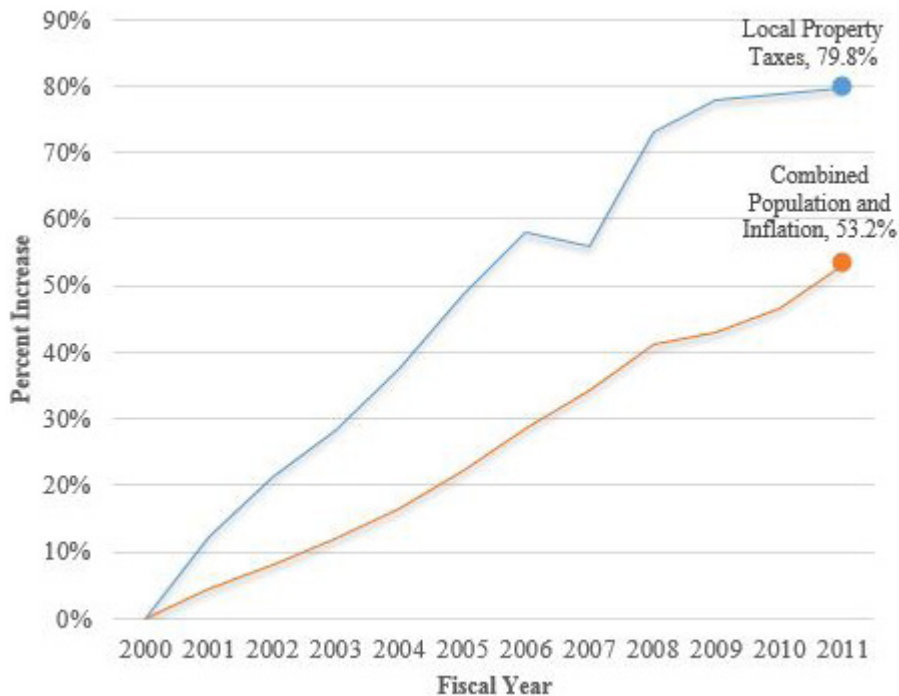
Property Taxes

Texas' local property tax system is one of the nation's most punishing. According to the Tax Foundation's latest national rankings, Texas' local property tax system ranks as the 15th worst in the nation and collects about \$1,557 per Texan.

What's more, Texas' growing property tax burden continues to outpace reasonable economic measures, like population and inflation. Consider that from fiscal years 2000 to 2011, property taxes levied across the state increased by almost 80 percent. During the same period, population and inflation increased by only a combined 53.2 percent. The accelerated trajectory of the state's property tax beyond population and inflation growth suggests that the trend is unsustainable over the long term.



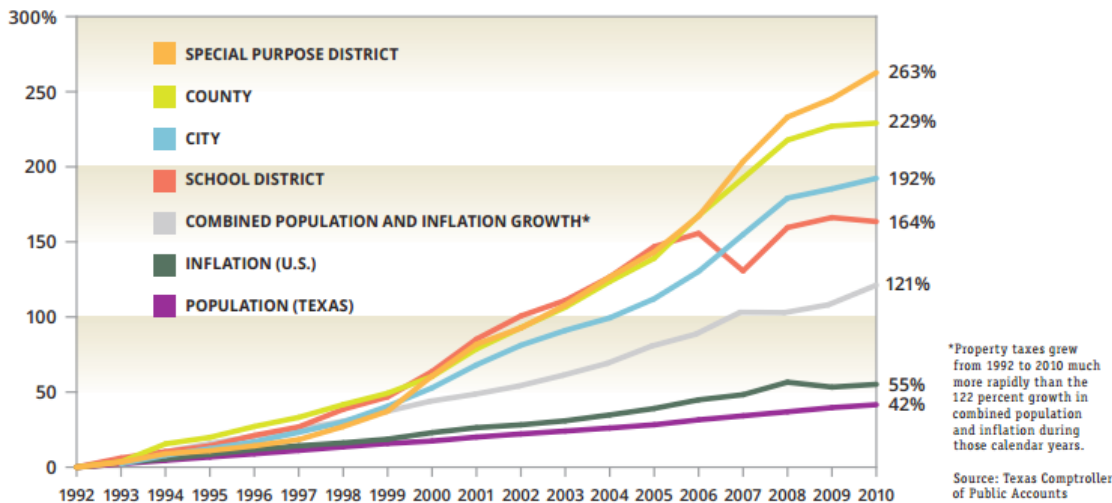
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Source: Texas Comptroller of Public Accounts, Bureau of Labor Statistics, U.S. Census Bureau

A major contributing factor to Texas’ growing property tax burden has been the increase in the number of special purpose districts that can levy property taxes. According to the Texas Comptroller’s report [Your Money and the Taxing Facts](#), there were more than 500 special purpose districts created between 1992 and 2010 that “accounted for 87 percent of the growth in local entities levying property tax.” In terms of percentage growth, there has been a 263 percent increase from 1992 to 2010, whereas population growth and inflation combined for an increase of just 121 percent.

CUMULATIVE PERCENTAGE GROWTH IN LOCAL PROPERTY TAX LEVIES



Source: Texas Comptroller

- Recommendation: Conduct a comprehensive review of all existing special purpose districts to determine the original purpose, its current scope, and whether there are duplicative services that could be eliminated.

Financial Transparency

Regarding financial transparency, there is still plenty of room for improvement as it relates to providing the public with basic information about these governing bodies.

The Senate Research Center's report [Invisible Government: Special Purpose Districts](#) summarizes the hidden nature of these entities well:

There are approximately 3,300 special purpose districts in Texas. In general, most citizens know comparatively little about the jurisdiction, structure, functions, and governance of special purpose districts, thus making them the invisible governments of Texas. [emphasis mine]

In today's digital age, there is no good excuse for allowing a large segment of our local governing bodies to remain "invisible." Further, if an entity has the authority to tax and spend, then it should have the responsibility of transparency.

- Recommendation: Require a certain level of financial transparency from special purpose districts that includes: maintaining a website; posting five years of budgets and financial statements; creating a check register; and listing its board of directors.

Local Government Debt

Local government debt in Texas represents one of the state's greatest public policy challenges.

According to the most recent data from the Texas Bond Review Board, local government debt service outstanding in Texas totaled \$333.1 billion in fiscal year 2014. That's an increase of almost \$35 billion since fiscal 2009. On a per capita basis, Texas' aggregate local debt works out to be about \$12,500 owed per Texan.

Of the total amount owed, debt held by special purpose districts (SPDs) is not the largest but it is growing quickly.

In fiscal year 2009, local debt service outstanding among all special districts totaled \$84 billion. The latest data shows that special purpose district debt today has grown to \$94.3 billion, which is an increase of approximately \$10.3 billion for the period. In terms of raw dollar growth, that is the second highest increase, behind only school districts.

Total Debt Service: FY 2009 & 2014

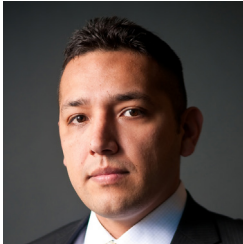
	FY 2009	FY 2014	\$ Increase	% Increase
Cities	\$ 92,718,206,208	\$105,143,320,107	\$12,425,113,899	13.4%
Counties	\$ 18,762,590,784	\$21,428,864,700	\$2,666,273,916	14.2%
School Districts	\$ 102,789,531,732	\$112,221,286,668	\$9,431,754,936	9.2%
Special Districts	\$ 84,045,539,661	\$94,335,146,082	\$10,289,606,421	12.2%
TOTAL	\$ 298,315,868,386	\$333,128,617,557	\$34,812,749,172	11.7%

Source: Texas Bond Review Board

- Recommendation: Texas voters should be provided with basic financial information at the voting booth which should, at a minimum, include: the projected total principal and interest payment due if the project is approved; the expected tax impact on the average area household; and the amount of total debt held by the asking entity. Ideally, this recommendation would extend to all local governments, not just special purpose districts.

Thank you for your time and I look forward to answering any questions. ★

About the Author



James Quintero is the director of the Center for Local Governance at the Texas Public Policy Foundation, one of America's premier conservative state-based think tanks. He has been with the Foundation since March 2008.

During his time with the Foundation, his work has centered on the budget, spending, debt, taxes, transparency, and pensions.

Before coming to the Foundation, Quintero was a graduate research assistant at Texas State University, where he worked to educate students on financial aid and scholarships.

Quintero received a B.A. in Sociology from the University of Texas at Austin and an M.P.A. with an emphasis in public finance from Texas State University.

He and his wife Tricia have three children and reside in Kyle, Texas.

About the Texas Public Policy Foundation

The Texas Public Policy Foundation is a 501(c)3 non-profit, non-partisan research institute. The Foundation's mission is to promote and defend liberty, personal responsibility, and free enterprise in Texas and the nation by educating and affecting policymakers and the Texas public policy debate with academically sound research and outreach.

Funded by thousands of individuals, foundations, and corporations, the Foundation does not accept government funds or contributions to influence the outcomes of its research.

The public is demanding a different direction for their government, and the Texas Public Policy Foundation is providing the ideas that enable policymakers to chart that new course.

