



# LEGISLATOR'S GUIDE TO THE ISSUES 2021-2022

## Local Spending Limit

### The Issue

The Texas Constitution restricts the growth of state government spending in four categories: debt, welfare spending, a “pay-as-you-go” requirement, and a limit on the growth of certain appropriations. But while there are multiple constraints upon state spending, city and county governments lack any similar controls.

The absence of a local government spending limit is increasingly of concern. In spite of mass unemployment and recession-like conditions following the COVID-19 pandemic, many cities and counties continue to tax-and-spend as though it is business as usual. This spendthrift behavior is alarming, especially in light of past research showing a [major discrepancy](#) between actual expenditure growth vs. population and inflation.

The problem with local overspending is, of course, that it invites high property taxes. Given what's happened, it should come as no surprise that [“Texas has some of the highest property tax rates in the nation.”](#)

With the situation out of hand, state lawmakers must help get local budgets under control. Lawmakers can move in this direction by expanding Texas's constitutional [Tax and Expenditure Limit](#) (TEL) to include city and county expenditures. The same fiscal discipline expected of state government should be demanded of local governments too.

Lawmakers should also work to strengthen the TEL. Instead of basing the limit on the growth of personal income, the limit should be based on population and inflation. This is a better measure of a person's ability to afford the cost of living. The current measure (personal income growth) means that government grows as people get wealthier. That makes for a poor restriction.

With these modest changes made, state lawmakers can get local governments back on track and help ease the burden of

sky-high property taxes over time. Getting spending under control is the key to getting taxes under control. As Dr. Arthur Laffer, one of President Ronald Reagan's chief economic advisors, said once: “Government spending is taxation.”

### The Facts

- Texas state government is subject to constitutional restrictions on spending. Local governments are not.
- The absence of a local spending limit is facilitating the rise in property tax bills.
- Texas constitutional TEL can be modified to include city and county government spending. Expanding the limit to include these political subdivisions would help ease the tax burden.

### Recommendations

- Expand Texas's constitutional spending limit to include cities and counties.
- Base any local government spending limit on population and inflation instead of personal income growth.

### Resources

[TEL It Like It Is: Why Texas Needs Spending Limit Reform](#) by Talmadge Heflin and Vance Ginn, Texas Public Policy Foundation (Dec. 2015).

[Legislator's Guide to the 85th Legislature: Special Session 2017, Local Spending Limit](#), Texas Public Policy Foundation, (July 2017).

[“It's Time for Big Government to Get Lean”](#) by James Quintero, *San Antonio Express-News* (June 7, 2020).