

Key Takeaways on the Impact of Property Tax Revenue Caps



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THE CURRENT PROPERTY TAX REVENUE CAP SYSTEM

- The ***Effective Rate*** is the tax rate that would produce the same amount of *total* property tax revenue if applied to the same properties taxed in both years (net of certain adjustments).
- The ***Effective Maintenance & Operations Rate*** is the tax rate that would produce the same amount of property tax revenue *for maintenance and operations* if applied to the same properties taxed in both years (net of certain adjustments).
- The ***Debt Service Rate*** is the tax rate that will generate property tax revenue sufficient to cover the taxing entity's projected eligible debt service requirements.
- The ***Rollback Rate*** equals the ***Effective Maintenance & Operations Rate*** multiplied by 108%, plus the ***Debt Service Rate***.

REVENUE CAP SUMMARY: 85TH SESSION (2017)

	Regular SB 2	Special SB 1
Senate	<ul style="list-style-type: none"> • Filed: 4% all cities and counties • Passed: 5% all cities and counties 	<ul style="list-style-type: none"> • Filed: 4% large cities and counties • Passed: 4% large cities and counties
House	<ul style="list-style-type: none"> • Filed: 4% all cities and counties • Committee passed a bill with no rollback; changed it to a “transparency” bill • Died in Calendars (after being set but recommitted) 	<ul style="list-style-type: none"> • Filed: 5% (HB 4) • Full House passed: 6% large cities and counties • House didn’t appoint conferees, bill died



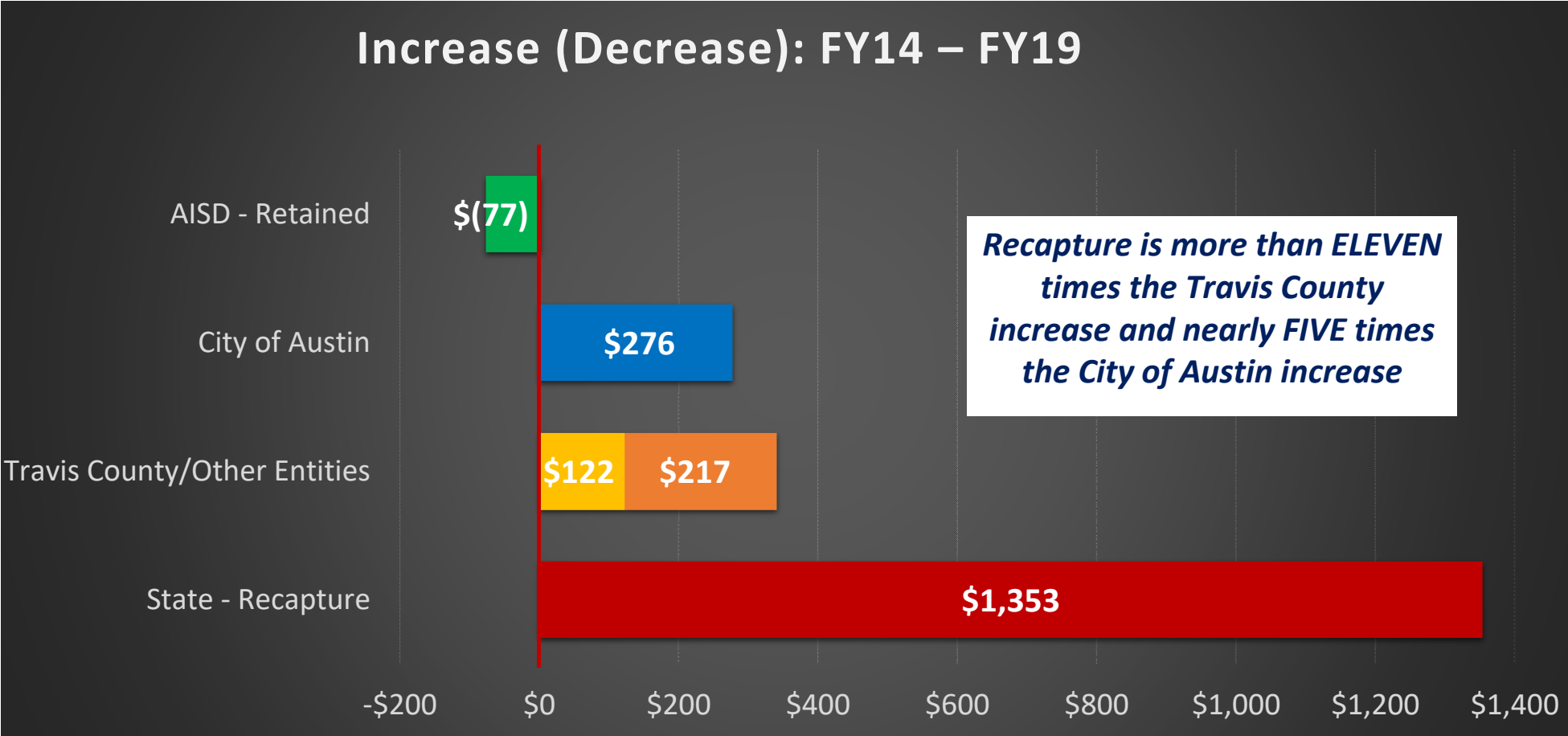
GOVERNOR ABBOTT'S PROPERTY TAX PROPOSAL



- Jan. 16, 2018, Texans for Greg Abbott releases a “Property Tax Reform Bicentennial Blueprint
- **2.5%** rollback rate to ALL taxing jurisdictions (including school districts)
- Cap can only be exceeded for certain expenses -- “public safety and critical infrastructure”
- Even then, only with a supermajority approval at council and at an election
- But can never exceed rate of **statewide population growth + inflation (4.4% in 2017)**

Typical Austin Resident Property Tax Bill

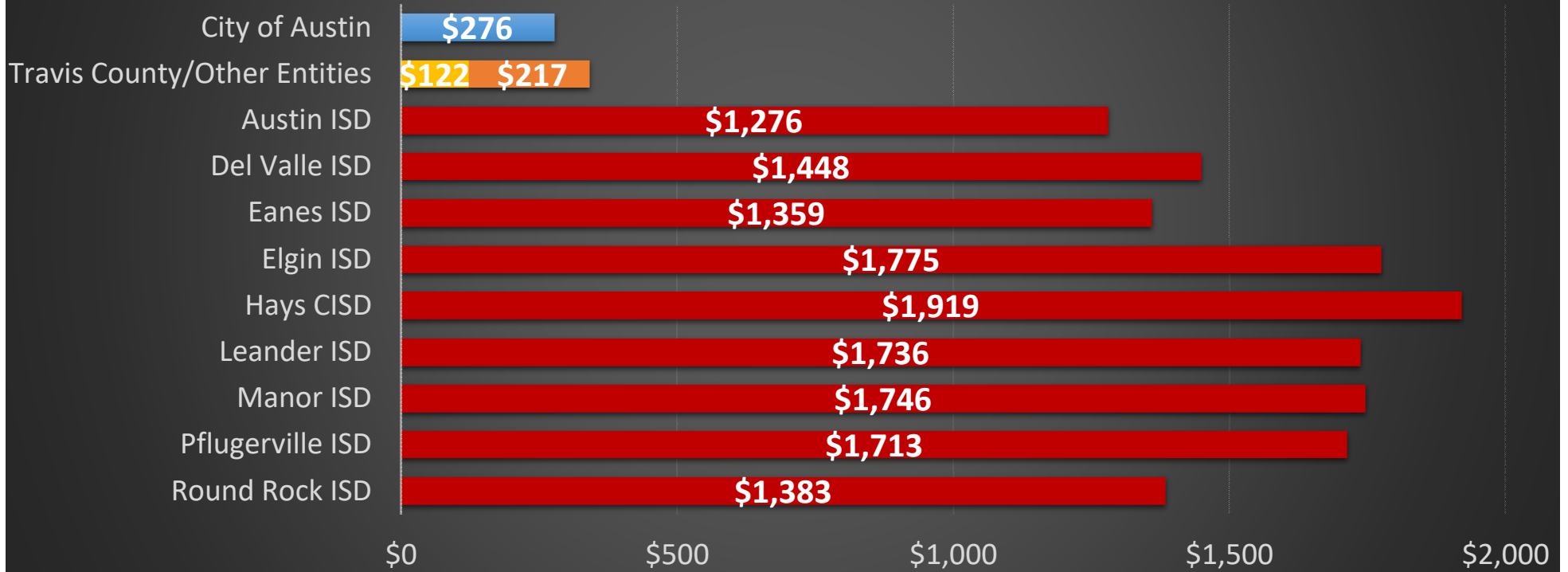
Increase (Decrease): FY14 – FY19



The typical Austin taxpayer is defined as the owner of a median-value home that does not receive the senior/disabled exemption. This typical home had an assessed value of approximately \$332,000 in FY19, before accounting for each entities' homestead exemptions.

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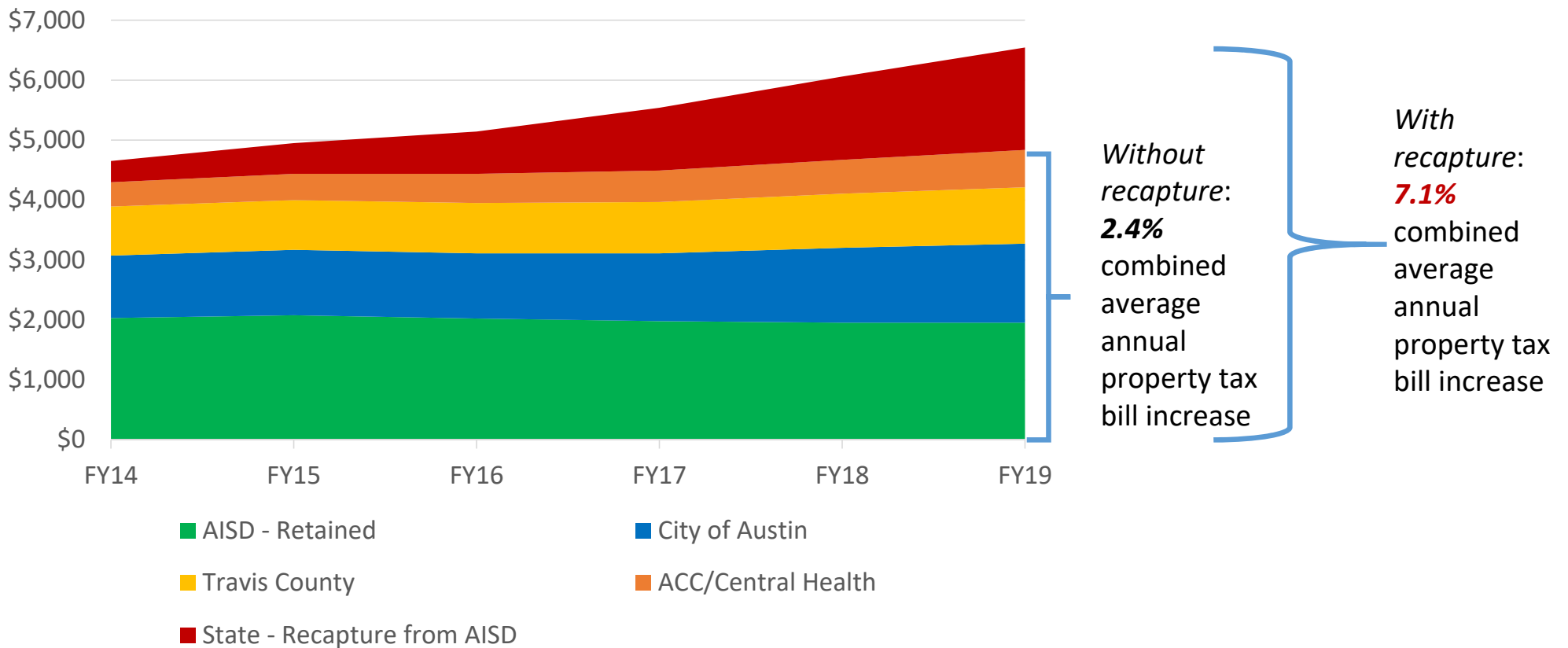
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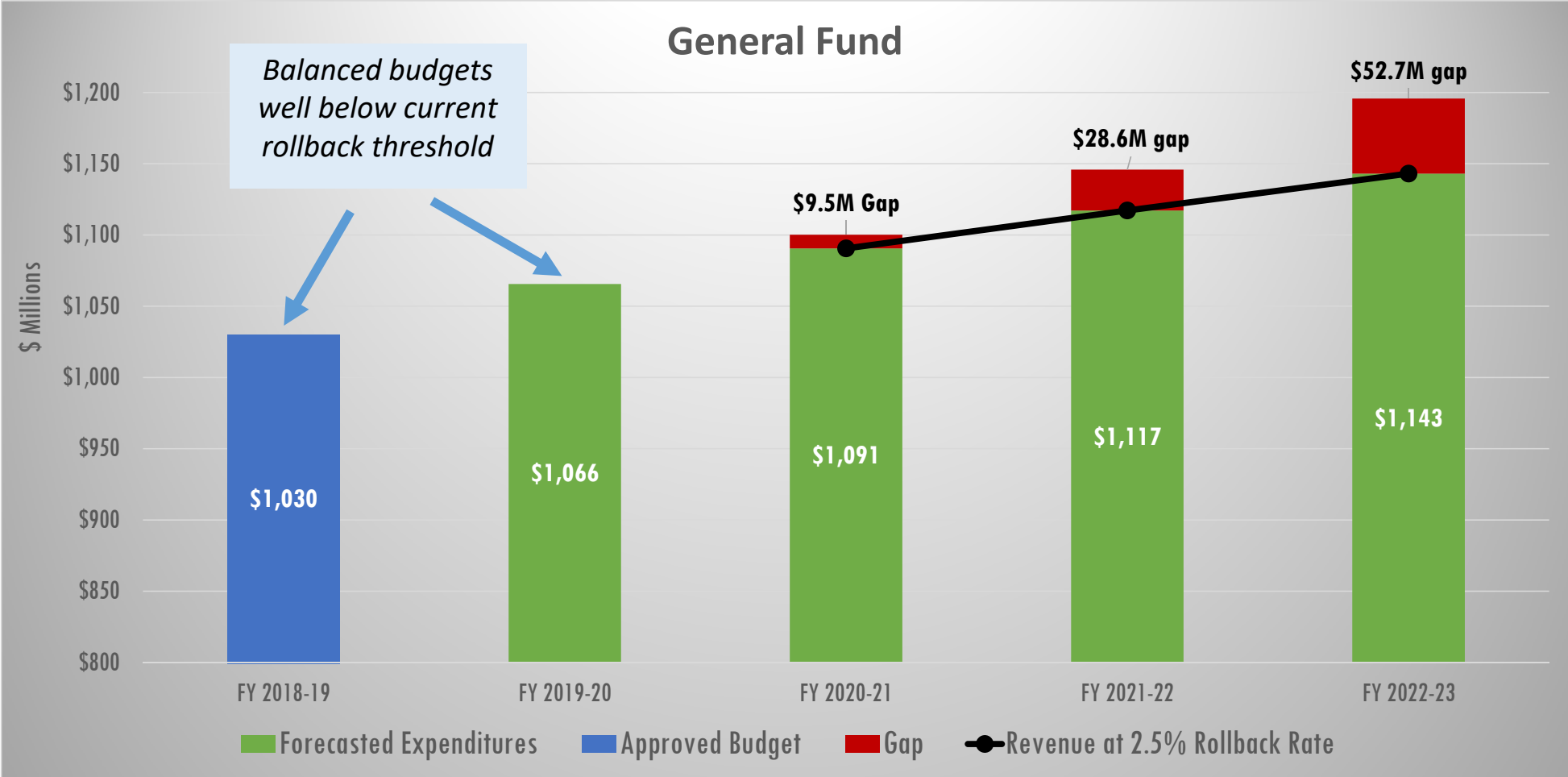
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Key Takeaway #1

Local entities are not driving runaway growth in property tax bills—it's the State's increasing overreliance on everybody's property taxes to fund public education that is.



City of Austin Base Expenditure Forecast



Lower Tax Cap: Minor Savings, Major Impacts

Had a 2.5% cap been in place for the prior five years, the City would experience \$93.2 million less revenue. \$93.2 million currently funds any one of the following:

- 991 Police Officers, over half of the current sworn workforce
- 1,104 Sworn Firefighters, enough to staff 69 stations
- All Parks Departments services, including aquatics, parks maintenance, recreation centers, and support staff





Key Takeaway #2



- Simply meeting base cost-driver increases and maintaining structural balance requires a rollback cap well in excess of 2.5%.
- Non-property tax revenue sources grow at a slower rate and are more volatile than base cost drivers—property tax must fill this gap to maintain structural balance.
- One size does *not* fit all: revenue sources vary from city to city.