



# Legislative UPDATE

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## **Continued from Last Week:** **Senate Property Tax Committee's Charade Continues**

Last week, the Senate Select Committee on Property Tax Reform met to discuss, among other things, “ways to enhance voter engagement in local government decisions around budgets and property tax rates through digital media and social media.” Several city witnesses testified at the hearing to discuss best practices in cities of all sizes.

While much of the testimony was well-received, the committee’s primary focus wasn’t on community engagement via social media (as indicated by the notice). Rather, the committee spent much of the hearing talking about property tax increases. In fact, the chairman spent the first ten minutes on a slide show explaining his belief that local property taxes are increasing at an unsustainable level. His presentation clearly indicates that property tax caps will once again be his priority next session.

We’ll call the chairman’s [slide show](#) what it is: a one-sided collection of cherry-picked data and partial-truths designed to form the policy debate around the committee’s preconceived notion of the “right” answer on property tax reform. Instead of promoting an open policy discussion to reach the best possible solution for Texas, the committee essentially shut off any reasonable deliberation on property taxes.

Take, for example, the committee’s [chart](#) on percentage increases in the total tax levy in the five largest cities over the last four years. The chairman called the increases “astonishing.” But what exactly does that chart say about the individual taxpayer’s burden? Nothing. The total levy figure includes *all* revenue from property taxes including revenue from *new property* added to the tax rolls. The revenue from new growth comprises a significant amount of the levy increase because of massive population increases in the five cities. New growth requires at least a commensurate

level of new services. Not to exclude these necessary new taxes—which have no effect whatsoever on existing homeowners or businesses—renders such a chart essentially useless for the purpose the committee was using it for.

Additionally, the total levy figure includes all property tax revenue from single-family property, multi-family property, commercial and industrial property, and any other type of taxable property imaginable. That means it's probably meaningless in relation to its impact on an individual taxpayer.

Finally, the use of a *percentage* increase, as opposed to an actual *dollar* increase for the average taxpayer, provides the wrong information in relation to taxpayer value.

Instead of rehashing misleading data, perhaps the committee should consider the [charts](#) from the City of Austin, which were presented to the Public School Finance Commission hearing earlier this year. The charts show that, over a five year period, city property taxes on a median-valued homestead in the city increased \$209. (That's the price equivalent of a cup of coffee at McDonald's per month.) School district property taxes, over the same time frame and on the same-valued homestead, increased \$1,024. And all of that increase went *directly to the state* in the form of "Robin Hood" recapture payments. Shouldn't these figures also be relevant to the committee's discussion?

The committee's also continues to rely on a [chart](#) showing school district property tax levies growing at a slower rate than city tax levies. Conveniently, the chart begins measuring levy increase in 2006. That's the year before the state revamped the state franchise tax to offset a large portion of school district property taxes. The chart would paint a truer picture if it instead measured tax levy increases beginning in 2007, the year following the state's artificial lowering of the school property tax levy. That set of figures shows that school property tax levies increased 70.3 percent compared to 65.2 percent for city levies.

Because school property taxes make up the bulk of property taxes paid in the state, the increase in school district levies cost taxpayers \$13.3 billion. The city levy increase, on the other hand, cost taxpayers \$3.8 billion. Once again, an appropriate "crunching of the numbers" would foster a more constructive conversation on property tax reform.

At one point in the hearing, the chairman commented that "we need to have good public policy discussions based on good data." We agree. But if last week's committee hearing is any indication, Texans won't be getting either.

## **FCC Adopts Small Cell Order**

On September 26, the Federal Communications Commission formally voted to adopt its final small cell order. The final copy had just been released prior to the time of this publication. Some provisions have been slightly modified, but the major preemptive ones remain in place.

Misinformation surrounding the order and its effect on small cell deployment is rampant. According to the FCC’s draft order, the right-of-way fee cap will save the industry \$2 billion in costs to operate in metropolitan areas. In other words, the FCC is mandating that city taxpayers provide a massive economic development incentive to providers. Strangely, the FCC also predicts that those savings will be invested into new systems in rural areas. According to one [article](#), the “order is based on a fallacy that no credible investor would adopt and no credible economist endorse.” The fallacy is that reducing or eliminating costs for small cell mounting on public property in lucrative [i.e., densely-populated, urbanized] areas of the country will lead to increased capital expenditures in less lucrative [i.e., less-populated rural areas] areas. The myth is clear: Why would a business invest in an area in which it would never make a profit?

Moreover, right-of-way rental fees represent only one cost of doing business. The focus on reducing or eliminating one (relatively marginal) cost of doing business “does not solve the challenging economics of broadband deployment and serves only to obscure the true challenges.” Assume as true the FCC claim above that right-of-way fee caps will save the industry \$2 billion. That amount is around *one percent* of what the FCC and industry claim is the necessary new investment needed for next-generation network deployments, and “therefore is not likely to have a significant impact.”

The League will report in more detail after reviewing the text of the final order. In the meantime, a National League of Cities [blog entry](#) may be of interest to city officials who are following the issue.

NLC reports that a city, or cities, will likely appeal the FCC’s order to federal court. Depending on that court’s decision, or if there are cases around the country with differing outcomes, the issue could move as high as the Supreme Court.

## **Let’s Get to Work: *Our Home, Our Decisions***

The Texas Municipal League’s “Our Home, Our Decisions” campaign is ready to roll! The goal of the campaign is to raise awareness about the State of Texas eroding the ability of Texans to have a voice in developing local solutions to local problems that affect their neighborhoods and their communities.



The League has developed informational materials for city officials to use in meetings with local groups and organizations. While the materials are suitable for any public use, they will likely be of greater interest to city residents who are already actively engaged in civic affairs through membership in

business, professional, social, charitable, and neighborhood organizations and individuals who serve on city boards and commissions.

The first components of “Our Home, Our Decisions” are now available for download and use by TML member cities. They are: (1) a three-minute video production; (2) a PowerPoint

Presentation that can be customized by cities for local presentations; and, (3) a two-sided handout in PDF format. The video production can be used as an introduction to the slide presentation, and the handout can be photocopied and distributed to attendees. The components, as well as a document with tips on how to use them, are available at [www.tml.org/ourhomeourdecisions](http://www.tml.org/ourhomeourdecisions).

Please feel free to modify all or parts of the materials to suit your city's needs. If you have questions about the materials or want additional advice on how to use them, contact [legislative@tml.org](mailto:legislative@tml.org).

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