

# Institutions Matter: Limit Spending for Property Tax Relief

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# Institutions Matter for Prosperity

➤ Smith, Hayek, Buchanan, North, Friedman

➤ Acemoglu and Robinson

Extractive institutions



Inclusive Institutions



# State Comparison

Measure	U.S.	Texas	Florida	California	New York
Economic Freedom of North America	11 <sup>th</sup> (World)	2 <sup>nd</sup>	2 <sup>nd</sup>	49 <sup>th</sup>	50 <sup>th</sup>
State Business Tax Climate Index	--	13 <sup>th</sup>	4 <sup>th</sup>	48 <sup>th</sup>	49 <sup>th</sup>
State-Local Spending Burden	--	37 <sup>th</sup>	48 <sup>th</sup>	6 <sup>th</sup>	3 <sup>rd</sup>
State-Local Tax Burden	--	46 <sup>th</sup>	34 <sup>th</sup>	6 <sup>th</sup>	1 <sup>st</sup>
U-6 Underutilization Rate (2003-17)	11.6%	10.5%	12.0%	14.3%	11.1%
Labor Force Participation Rate (2000-17)	65.0%	66.1%	61.7%	64.6%	62.1%
Emp-Pop 25-54 year old Ratio (2000-17)	77.6%	77.3%	77.5%	75.2%	76.1%
Civilian Emp (12/07-12/17), exclude TX	+5,723,000	+2,024,000	+979,000	+1,564,000	+132,000
Top 10% Income Shares (2000-15)	47.8%	47.0%	55.0%	50.2%	57.1%
Supplemental Poverty Measure (2014-16)	14.7%	14.7%	18.7%	20.4%	16.0%

Source: TPDF, [A Labor Market Comparison: Why the Texas Model Supports Prosperity](#) (updated), **Blue=Best, Red=Worst**



**American Dream is not dead – it has simply moved to the **Lone Star State.****

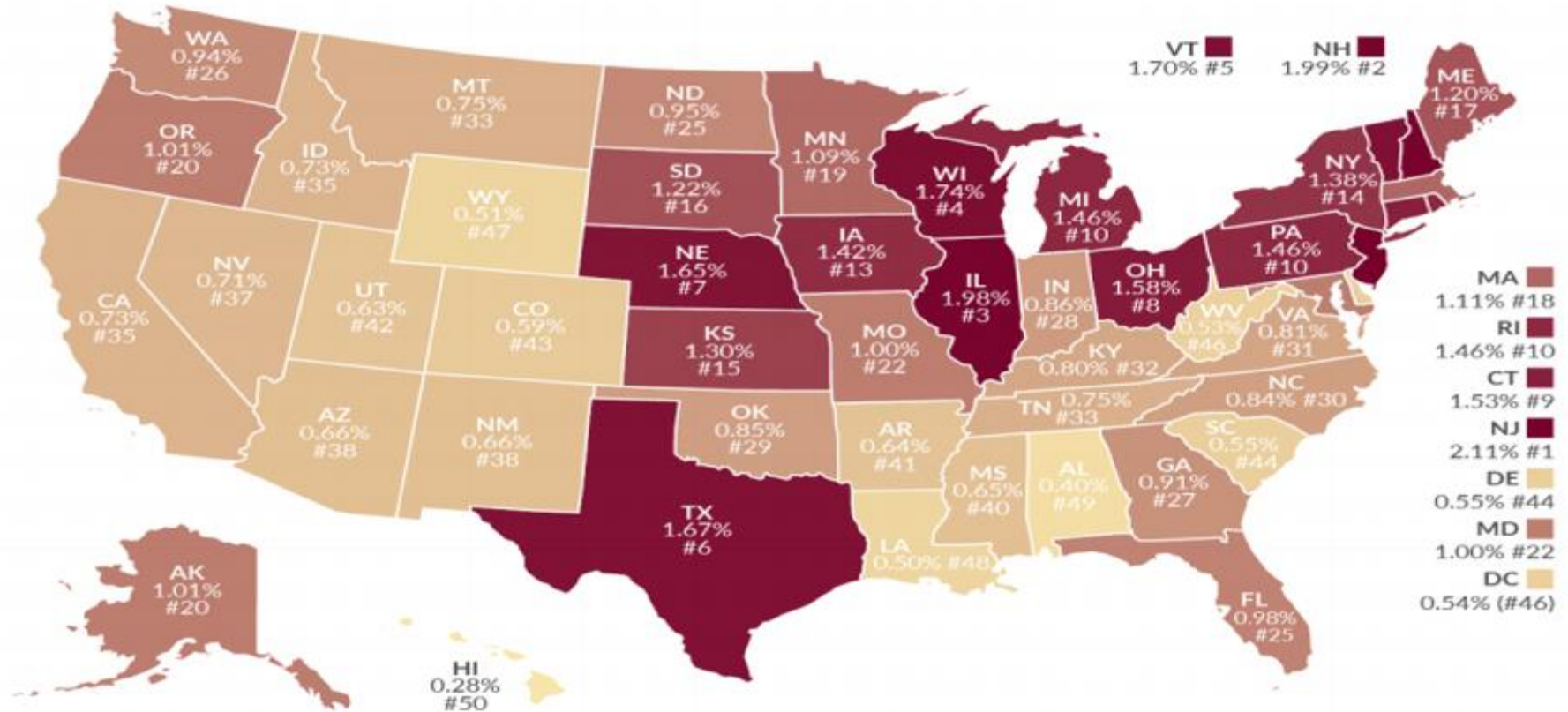


# BUT...Texas has Challenges

- TPPF's Texas Prosperity Promise
  - Eliminate Property Taxes: Start with school M&O
  - Education: Student-centered funding, Freedom
  - Spending: State & local spending limitations
  - Accountability: End tax-funded lobbying & government collection of union dues
  - Self Governance: Prioritizing civics education

# Burdensome Property Taxes

Mean Effective Property Tax Rates on Owner-Occupied Housing, Calendar Year 2014



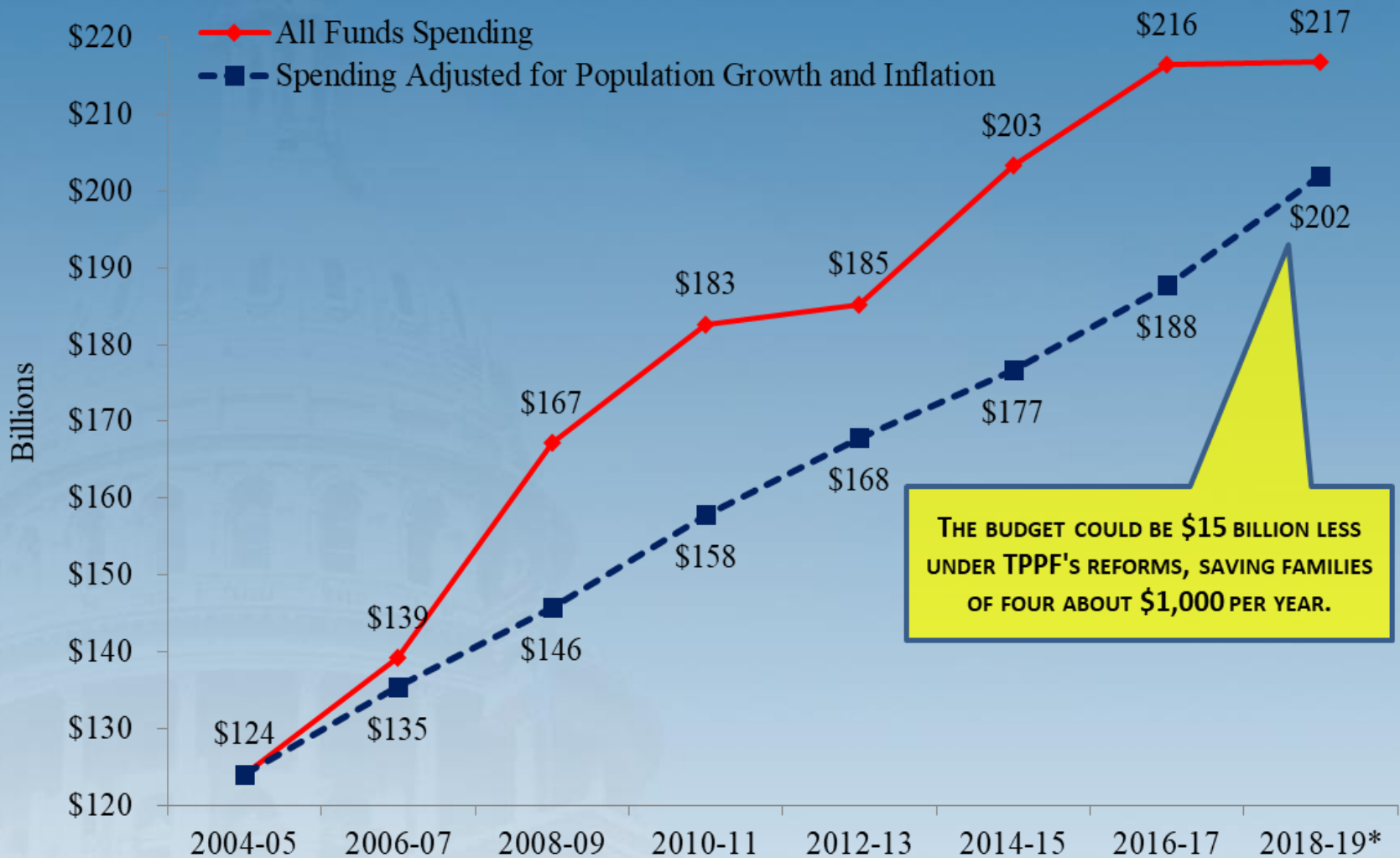
Note: The figures in this map are mean effective property tax rates on owner-occupied housing (total real taxes paid/total home value). As a result, the data exclude property taxes paid by businesses, renters, and others. D.C.'s rank does not affect states' ranks, but the figure in parentheses indicates where it would rank if included.

Source: 2014 American Community Survey, available from the Census Bureau; Tax Foundation calculations.



Source: Tax Foundation, [State-Local Tax Burden Rankings](#)

# State Spending Problem

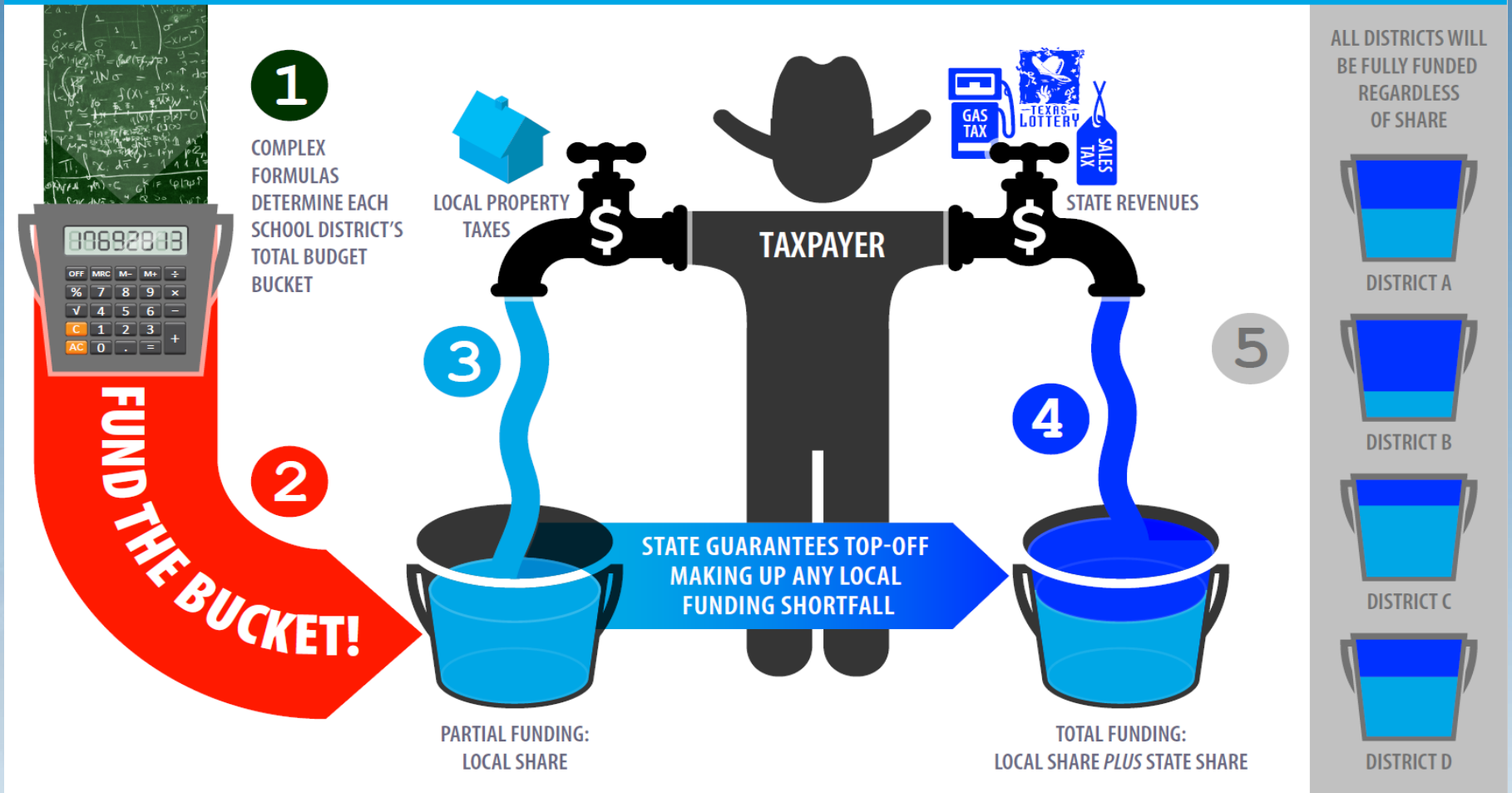


Source: Legislative Budget Board's *Fiscal Size-Up* and authors' calculations. \*indicates estimate.



# School Finance Primer

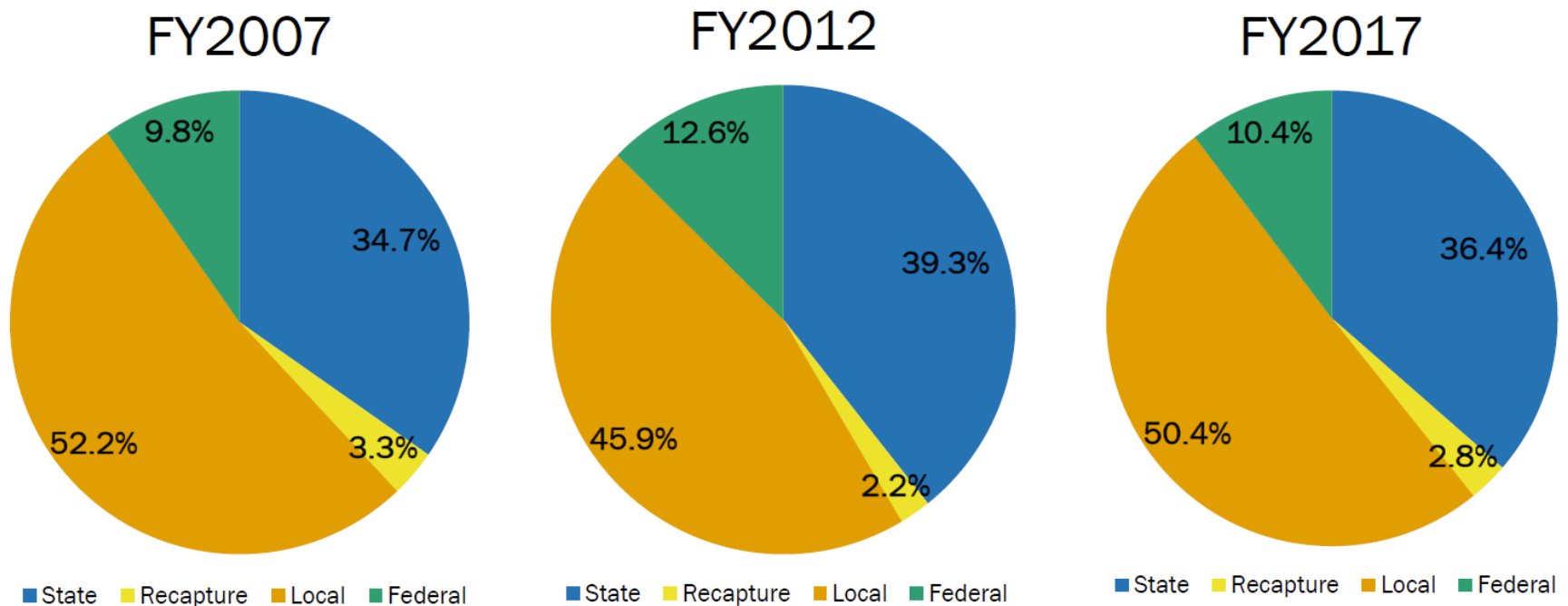
## LOCAL COMES FIRST: HOW A LOCAL DISTRICT'S EDUCATION FUNDING SHARE DICTATES THE STATE'S FUNDING SHARE



# State's K-12 Share Up Over Time



Comparison of the percentage breakdown of funding sources between FY2007 and FY2017



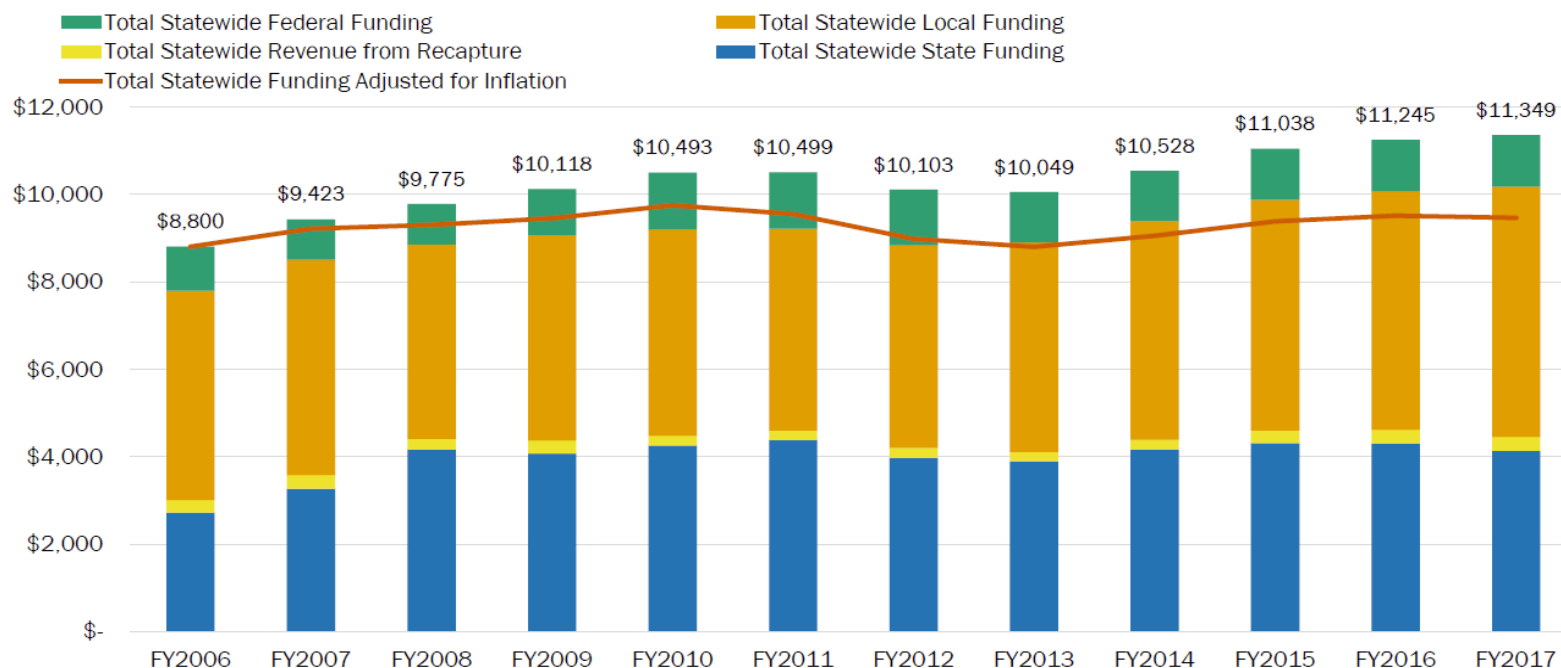
Data sources: TEA PEIMS Financial Data, TEA Payment Report, and the General Appropriations Act

9

Source: TEA

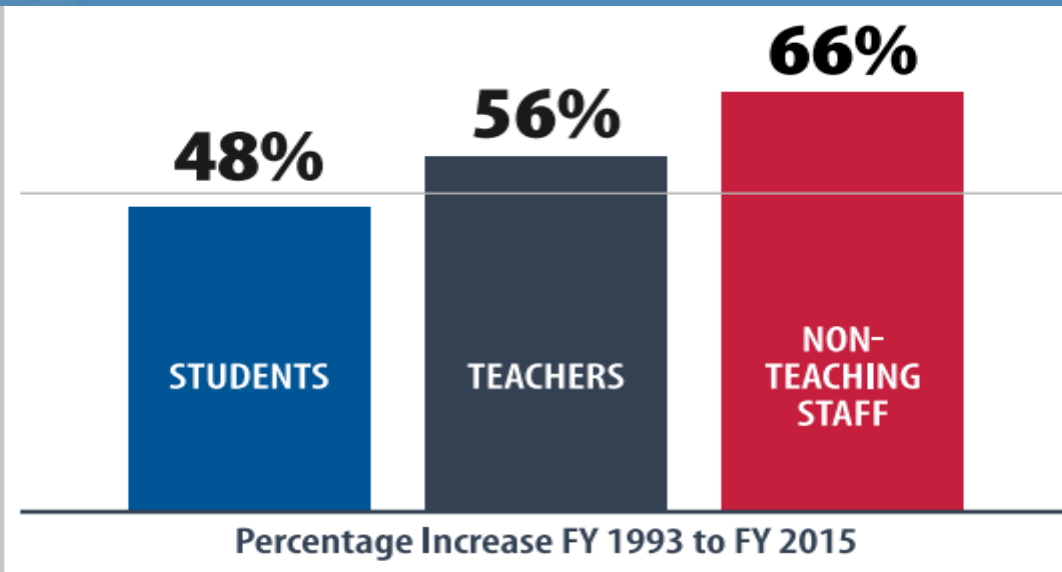
# K-12 Spending Problem?

Total funding per enrolled student has increased  
**29% (from \$8,800 in FY2006 to \$11,349 in FY2017)**



Data sources: TEA PEIMS Financial Data, TEA Payment Report, and the General Appropriations Act

# Spend Taxpayer Money Wisely



If public schools had limited the increase in non-teaching staff *to the same rate as the increase in students*, public schools COULD have done one of the following...



Source: TPPF, [Texans Need More Education for Their Money](#)



# Questionable Uses of ISD Funds

\$11.8 B in Reserve & \$127 B in Debt



# Failed Property Tax Relief

Need 2.5% trigger for auto rollback election

Tax Year	Special Districts	County	City	School Districts	Total
1996	\$1,698,557	\$2,537,184	\$2,701,214	\$9,910,195	\$16,847,151
1997	\$1,759,623	\$2,658,308	\$2,847,081	\$10,394,500	\$17,659,513
1998	\$1,889,138	\$2,828,287	\$3,005,996	\$11,334,614	\$19,058,036
1999	\$2,041,041	\$2,979,279	\$3,247,964	\$12,009,923	\$20,278,208
2000	\$2,389,110	\$3,200,920	\$3,530,864	\$13,392,336	\$22,513,230
2001	\$2,703,512	\$3,566,857	\$3,884,829	\$15,155,218	\$25,310,416
2002	\$2,864,455	\$3,849,728	\$4,186,795	\$16,418,789	\$27,319,768
2003	\$3,092,285	\$4,121,759	\$4,415,213	\$17,264,154	\$28,893,411
2004	\$3,369,069	\$4,462,844	\$4,607,758	\$18,533,965	\$30,973,635
2005	\$3,609,630	\$4,772,652	\$4,901,792	\$20,194,916	\$33,478,989
2006	\$3,972,186	\$5,339,614	\$5,322,986	\$20,918,122	\$35,552,907
2007	\$4,513,060	\$5,836,990	\$5,890,307	\$18,874,240	\$35,114,597
2008	\$4,952,735	\$6,342,705	\$6,451,012	\$21,233,517	\$38,979,970
2009	\$5,133,821	\$6,526,724	\$6,593,755	\$21,780,056	\$40,034,356
2010	\$5,392,512	\$6,567,070	\$6,755,401	\$21,558,289	\$40,273,272
2011	\$4,926,074	\$6,742,913	\$6,810,049	\$22,001,561	\$40,480,597
2012	\$5,543,422	\$7,064,659	\$7,054,990	\$23,072,782	\$42,735,853
2013	\$5,529,434	\$7,537,750	\$7,324,431	\$24,854,671	\$45,246,286
2014	\$6,370,470	\$8,114,998	\$7,828,572	\$26,792,677	\$49,106,717
2015	\$6,954,137	\$8,696,387	\$8,380,436	\$28,176,466	\$52,207,427
2016	\$8,031,408	\$9,027,418	\$9,165,214	\$29,856,268	\$56,080,308
Average Annual Change	8.2%	6.6%	6.3%	5.8%	6.3%

Source: TPPF, [Abolishing the "Robin Hood" School Property Tax](#)



# Eliminate School Property Taxes

- 1) Limit Spending: State 4% biennial & Local 2.5% annual
- 2) Use state surpluses to eliminate school taxes in 11 years

**Table 3.** 11-Year school property tax replacement scenario (thousands of \$)

	2020-21	2022-23	2024-25	2026-27	2028-29	2030-31
<b>GRR Revenue (10.08% increase)</b>	118,146,662	130,055,845	143,165,475	157,596,555	173,482,287	190,969,302
<b>New GRR Available for State Spending (4% increase)</b>	4,293,120	4,464,844	4,643,438	4,829,176	5,022,343	5,223,236
<b>New GRR Property Tax Replacement Payment</b>	5,872,988	7,287,203	8,348,291	9,476,542	10,724,704	12,109,870
<b>Property Tax Replacement %</b>	11.5%	16.1%	21.9%	31.8%	52.6%	100%
<b>School M&amp;O Property Taxes</b>	45,402,951	38,115,747	29,767,455	20,290,913	9,566,208	0

Source: TPPF, [\*Abolishing the “Robin Hood” School Property Tax\*](#)

# **Institutions Matter: Prosperity in '19**

- Pass another conservative budget
- Strengthen state & local spending limits
- Eliminate property taxes—School M&O tax

**Government spending is ultimately paid for by taxation, so we must control spending for Texans to prosper.**



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