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## **Texas Cities Are Worried Republicans Pushed Tax Cuts Too Far.**

(Bloomberg) — Texas's Williamson County hired hundreds of workers and ran up debt as it became home to two of the 10 fastest-growing U.S. cities. Now, state tax cuts threaten to crimp the revenue it needs to pay for the expansion.

"It scares the fool out of me," said Dan Gattis, a judge who helps oversee the budget for the county, an area north of Austin where farms gave way to congested roads as the population almost doubled since 2000.

"It takes so much money to run county government. We've got to have some way to pay the bills."

Energized by an expanded majority in the Texas legislature, Republicans want to slash billions from homeowners' taxes. That may squeeze funding for local governments that have borrowed \$205 billion for roads, schools and infrastructure as Texas added more residents than any other state.

Lieutenant Governor Dan Patrick, who helps to set the legislative agenda, on Feb. 24 unveiled a plan to shave \$2.4 billion over two years from homeowners' levies that pay for schools. One Senate bill would require local elections on whether to roll back property-tax increases if they exceed 4 percent a year. Another would keep officials from marking up assessed values by more than 5 percent.

### **Money's Flowing**

"As values go up, tax rates never come down," said Senator Paul Bettencourt, a Houston Republican who introduced the bill with the 4 percent limit. "The money's flowing too fast into government coffers."

The conflict is the latest between states and local governments over whether to buffer residents from the effects of rising home values. New Jersey Governor Chris Christie, a Republican, and New York's Andrew Cuomo, a Democrat, both enacted property-tax limits following complaints about escalating bills. On Tuesday, Pennsylvania Governor Tom Wolf, a Democrat, proposed reducing property taxes that finance schools.

While Texans pay no individual income tax, real-estate taxes were \$1,557 per capita in 2011, according to the Washington-based Tax Foundation. That was the 15th highest in the nation, ahead of California.

"At the state level there's really been a lot of receptivity to the conservative message, and lawmakers to a large degree have embraced the model of low taxes and less government," said James Quintero, director of the Center for Local Governance at the Texas Public Policy Foundation, an Austin nonprofit that favors smaller government. "At the local level there's been an absence of conservative ideas."

### **Ranked 48th**

City and county officials said the revenue is needed to make up for lack of money from the state, which ranks 48th in spending per resident, according to the Henry J. Kaiser Family Foundation.

Localities have borrowed to fill the gap. Of the 10 most-populous states, only New York has more local debt per resident, according to figures from the Texas Bond Review Board. The debt of Texas local governments swelled by 75 percent over the past decade, according to the state's figures, as officials poured more money into public works.

Williamson County is among them. An influx increased its population by almost 90 percent since 2000 to 471,000. Two of its cities — Cedar Park and Georgetown — were among the 10 fastest growing in 2013, according to the Census Bureau.

## **Government Grows**

Its payroll has swelled 40 percent since 2003 to about 1,500 employees. Jail bookings are up 50 percent. Even the county's miniature train has seen its ridership increase by more than one third since 2007. In 2013, Williamson County voters approved a \$315 million bond for roads and parks.

"The state is not appropriating the money," said Gattis, the county judge.

Standard & Poor's and Fitch Ratings both rank the county's bonds AAA, the highest level. Before an April 2014 bond sale, Fitch cited the county's property-tax growth in support of its rating. It said the county's \$3.4 billion in debt was elevated compared with the value of assessed property.

"Our debt is high here, I don't try to hide from that at all," Gattis said. "There was no way we could have built the infrastructure we needed to build without going out and leveraging money."

## **Taxman Tied**

While Williamson County's property-tax increases last year wouldn't have exceeded the 4 percent limit lawmakers may impose, its officials are wary of how the proposal would tie their hands in the future.

"It's extremely difficult to keep up with the growth in the demand for services when we have a capped rollback rate," said Larry Gaddes, the county's chief deputy tax assessor.

The property taxes of about one-third of 1,000 Texas cities would have exceeded that limit in 2013, according to the Texas Municipal League in Austin, which lobbies on behalf of local governments. If the cap were in place, it would cost McKinney, a Dallas suburb, \$1.4 million, enough to pay salaries and benefits for 11 police officers and firefighters, according to the league. Midland, in the western oil fields, would lose \$300,000.

Dallas Mayor Mike Rawlings said the tax-cut plans circulating in Austin would limit cities' growth.

About 61 percent of the city's budget is for public safety, so efforts to limit revenue growth would "be on the backs of our police and firefighters," he said. "But it would also affect quality-of-life issues like parks and libraries."

## **Local Control**

Local governments were anticipating the intrusion from Texas officials. Governor Greg Abbott, a 57-year-old Republican who took office in January, has said cities have gone too far in passing local measures, including bans on plastic bags and cutting trees on private property. He said such

developments were threatening to “California-ize” the state with unneeded regulations.

Bennett Sandlin, executive director of the Texas Municipal League, said cities should be left to manage their own money.

“Mayors rub elbows with citizens in grocery stores and churches every day,” he said. “They’re closer to the pulse of constituents than any other form of government. That’s the epitome of conservative government right there.”

by Lauren Etter

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