



House Bill 2: Testimony Before the House Committee on Ways & Means

by the Honorable Ellen Troxclair, Senior Fellow

Mr. Chairman and Members of the Committee:

My name is Ellen Troxclair, and I am here today on behalf of the Texas Public Policy Foundation. I am testifying in strong support of House Bill 2.

In addition to spending the past four years serving on the Austin City Council, I also run a small residential real estate business. I had a client who was scraping together everything she had in order to achieve her piece of the American Dream by buying her first house. She was well qualified and ready to make an offer when we had a discussion about property taxes, to make sure she could afford them over the long-term. **After realizing that her property taxes in Austin would likely double every nine years and that she could, of course, never expect her salary to double over that same time, she decided she wasn't sure she could afford to buy after all.**

There are people like her all over Texas, who are not only being taxed out of their existing homes, but are also discouraged from ever buying a home to begin with. **There's no denying it: Property taxes are exceeding people's ability to pay, by greatly outpacing incomes.** And despite what you may hear today, property taxes aren't increasing to compensate only for growth in population. An LBB report from 2014 noted that **property taxes had gone up across Texas at a rate of 5 to 1 when compared to population.**

According to the Homebuilders Association, for every \$1,000 increase in the median home value, over 1,200 people are priced out of the market, and property taxes are a big reason why. **This is evident in Austin, where the city has more renters than homeowners!**

Keep in mind that fast growing cities across Texas are shoveling in new revenue each year from new construction, sales taxes, development fees, and other revenue that bolster city coffers. **The city of Austin brought in nearly \$50 million more than last year BEFORE raising property taxes a single penny.** So even at the effective tax rate, they still had 50 million additional dollars to put toward growth in services. **While the number above the effective tax rate is 2.5 percent, the actual growth in government spending in many cities could still be much higher.** This is more than enough to cover growth in core services.

If we take the difference between the 2.5 percent rate proposed here and the tax rate that the city of Austin adopted this year, it is approximately \$22 million. That's \$22 million of "lost revenue" out of a \$4 billion budget. **This represents about one half of one percent of the annual budget.** So, when you hear panic about not being able to make it work, keep in mind that this is a tiny percentage that we're talking about here. Local governments can and should look to things like cutting nearly \$1 million contracts for cleaning one single toilet, doing away with a handout for \$8,000 if you send an email saying you're starting a business, replacing city vehicles every three years, or reevaluating the \$167 million solar contract before they will look to cutting basic city services like public safety or transportation.

While public safety is, as it should be, a large part of Austin's budget, in order for the threat of cutting public safety if this bill passes to be true, it would have to encompass more than 99 percent of the total budget, which of course it does not. You only need to glance briefly at recent internal program audits to see all of the duplicative and wasteful spending in the city of Austin. **Threatening to cut public safety services is like deciding to lease a Porsche every month instead of paying your mortgage.** And I sincerely hope that that is not the kind of decision some leaders are admitting to making.

The state has a vested interest in ensuring that the low tax environment that has led to so much prosperity for the state is not undermined by an affordability crisis brought on by local governments.

This bill preserves the ability of taxing entities to make their case to the voters if more money is needed. To me, **this only strengthens what is the ultimate local control—empowering citizens to play a stronger oversight role in the government elected to serve them.**

This should not be a partisan issue. The people who called my office over the last four years desperate for help with their property taxes were Republicans, Democrats, and somewhere in between. Rather, the divide I saw while sitting through hours of testimony in the Senate was Texans who had travelled here on their own dime pleading with their leaders to provide relief, and on the other side, local elected officials and their lobbyists who are taxing them out of their homes. **HB 2 is a direct response to the pleas of people all across Texas from all sides of the political spectrum.**

I urge you to vote in favor of HB 2.

Thank you for your time. I look forward to answering any questions that you may have.

Suggested improvements:

- Adopt an across-the-board trigger at 2.5 percent, but allow a taxing entity that agrees to perform an efficiency audit the ability to go to 4 percent before triggering an election. This allows cities who say they need more flexibility to still provide transparency to voters, and may highlight a way that they can provide more efficient services.
- Override statements in local public safety contracts that say if the trigger rate is lowered, salaries will also be reduced. These clauses have been included in police contracts negotiated over the last year in order to use our public safety officers as political tools. They are being turned against property tax reform that many of them would absolutely benefit from because of false threats from their city councils.
- Change “no-new-revenue” tax rate to “no-new-taxes” rate.
- Make it effective this year to prevent taxing entities from raising the taxes to 8 percent this year. People will be expecting property tax relief after this bill passes and will be irate to see that kind of increase, and likely, they will direct their anger at their legislators instead of at the local elected officials who are responsible.
- Consider including provisions for debt, so that programs that should be paid for through the annual budget are not shifting to ballooning bonds.



Ellen Troxclair is a senior fellow in the Think Local Liberty project at the Texas Public Policy Foundation, working to enact meaningful property tax reform at the state level, providing sustainable relief from rising property taxes to all Texans.

After serving as a chief of staff in the Texas Legislature, Troxclair was elected to the Austin City Council, where she was an unwavering advocate for efficient and accountable government.

As a councilmember, Troxclair implemented the city’s first homestead exemption, providing property tax relief for homeowners across Austin; reformed the city’s hotel occupancy tax program to allocate more funding to parks, public safety, and historic sites; and advocated for common sense transportation solutions. She served as the chair of the Audit and Finance Committee and represented Austin on the Capital Area Council of Governments. Additionally, as the chair of American City County Exchange, a national organization for local elected officials and private sector members, she furthered transparency and effective government across the country.

Troxclair has a degree in business from the University of Texas.

