

Testimony

HB 440 Testimony Before the Texas Senate Committee on Property Tax

by James Quintero, Director

Chairman and Members of the Committee:

My name is James Quintero, and I lead the Texas Public Policy Foundation’s Think Local Liberty project. Thank you for the opportunity to testify today. I am testifying in support of [House Bill 440](#).

As engrossed by the House, HB 440 proposes two important public debt reforms, including:

- Upholding the will of voters by requiring that unspent bond proceeds only be used for a separate purpose if approved by the voters of a political subdivision other than a school district or if approved by the school district’s board of trustees.
- Better aligning the maturity of a bond with the life of an asset.

If approved, these reforms would counter two poor practices that do not serve Texas taxpayers well, i.e., using unspent bond proceeds for projects not explicitly endorsed by voters and using long-term debt instruments to finance short-term expenses.

In tandem, these twin practices are aggravating an already difficult local government debt problem.

According to the Texas Bond Review Board: “As of fiscal year 2018, Texas local governments had \$230.00 billion in outstanding debt, an increase of \$34.60 billion (17.7 percent) over the past five fiscal years. Of that amount, 65.3 percent (\$150.22 billion) is GO debt secured by local ad valorem tax collections while the remaining 34.7 percent (\$79.9 billion) is secured by revenues generated by various projects such as water, sewer and electric utility fees.”

When compared with the top 10 most populous states in the nation, Texas’ local debt per capita (\$8,124) ranks as the second highest amount, behind only New York (\$11,035). Its aggregate debt outstanding (\$229.95 million) is also the second highest, behind only California (\$282.51 million).

LOCAL DEBT: CENSUS YEAR 2016					
	Population (thousands)	Amount (millions)	% of Total State-Local Debt	Per Capita Amount	Per Capita Rank
New York	19,849	\$219,039	61.4%	\$ 11,035	1
Illinois	12,802	\$ 85,874	56.6%	\$ 6,708	4
California	39,537	\$282,518	65.1%	\$ 7,146	3
Texas	28,305	\$229,953	82.3%	\$ 8,124	2
Pennsylvania	12,806	\$ 74,770	61.4%	\$ 5,839	5
Ohio	11,659	\$ 52,061	61.1%	\$ 4,465	7
Michigan	9,962	\$ 38,762	53.5%	\$ 3,891	9
Florida	20,984	\$105,615	75.9%	\$ 5,033	6
Georgia	10,429	\$ 44,808	77.3%	\$ 4,296	8
North Carolina	10,273	\$ 30,321	64.2%	\$ 2,951	10
AVG.	-	\$116,372	65.9%	\$ 5,949	-

The data shows that local debt is trending in a troubling direction. This, in turn, signals the need for strong structural reforms that improve the status quo.

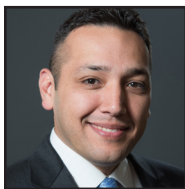
The proposals contained in HB 440 will do much to address some of the bad practices that are contributing to Texas' local debt addiction and protect taxpayers. In the event that the committee is open to opportunities to improve the House engrossed version, it may be worthwhile to consider the following suggestions:

- Reintroduce the provision establishing that early polling locations cannot be intentionally used to influence the outcome of an election. The provision was originally included in the introduced version of HB 440 and read:

In an election at which a political subdivision submits a proposition to the voters to approve the issuance of general obligation bonds, the entity that establishes early voting polling places under this section may not establish the polling places with the intent to affect the outcome of the election.

- For school districts seeking to use unspent proceeds from general obligation bonds, require trustees to disclose the estimated tax impact on the average area homeowner at the same public meeting that is held to vote on using the surplus proceeds.
- For all political subdivisions other than a school district, require officials to disclose on the ballot the estimated tax impact on the average area homeowner.

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



James Quintero is the director of the Think Local Liberty project at the Texas Public Policy Foundation. He's been featured in the *New York Times*, *Forbes*, the *Huffington Post*, Fox News, and Breitbart.

Since joining the Foundation in 2008, Quintero has focused his research efforts on state and local government spending, debt, taxes, financial transparency, annexation, and pension reform. Quintero received a bachelor's degree from the University of Texas at Austin and an M.P.A. with an emphasis in public finance from Texas State University.

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The public is demanding a different direction for their government, and the Texas Public Policy Foundation is providing the ideas that enable policymakers to chart that new course.

