Controlling Property Taxes

*Note - Gov. Perry frequently departs from prepared remarks.

Wednesday, March 10, 2004

Thank you Ray (Ray Miller, Houston radio and TV personality.) I am honored to be here today with several elected leaders who share my commitment to lowering and controlling property taxes, including Senator Kyle Janek, and State Representatives Elizabeth Ames Jones and Dwayne Bohac. It is good to be in the presence of some of the best and brightest leaders in county government, Judge Robert Eckels, Tax Assessor-Collector Paul Bettencourt, and Commissioner Steve Radack. And I am excited to see members of a great grassroots citizens group called C.L.O.U.T., “Citizens Lowering Our Unfair Property Taxes,” including its founders: radio personalities Dan Patrick and Edd Hendee.

For the last few months I have traveled this state and made clear four principles to guide any special session on education. First and foremost, we must shift the focus of our schools so we no longer define success based on the number of students who meet minimum standards, but based on the number of students who reach their maximum potential. We need more education for our money, not just more money for education. To achieve that goal, I have put forward a new educational excellence initiative that raises the bar of achievement in our schools, and makes educational excellence the focus of every school in Texas.

Second, while maintaining our commitment to funding equity for public education, we must eliminate the divisive funding scheme known as Robin Hood. Local taxpayers are fed up with their local school tax dollars being spent outside their local community.

Third, we must ensure any change to our tax structure sustains and enhances a healthy job climate. Tax hikes that kill jobs kill the revenue needed to sustain investments in education and other priorities.

And fourth, it is time we cut, cap and control school property taxes for millions of Texas residents and employers.

Today, I want to announce a new plan that will protect taxpayers and control property taxes by confronting the critical cost-drivers that cause many Texans to continue to pay more. Since 1999, total statewide property tax levies have increased an average of 10.4 percent each year, more than twice the combined annual rate of growth for inflation and our population. Texans have not only seen their property tax rates rise, they have been victimized by a property appraisal system that too often seems arbitrary, cumbersome, unfair and unaccountable. Texans are less worried today about “taxation without representation” than they are “taxation by valuation.”
For too long Texas homeowners and employers have been the victim of an insidious, back door property tax hike that comes in the form of higher appraisals. Instead of raising rates to generate more revenue, local governments are often dependent upon the local appraiser to generate additional money for them. I am here today to say enough is enough: We must learn from past experience that it is not good enough to provide property tax relief; We must also provide appraisal relief.

Texans were told a property tax cut was on the way in 1997, but when they opened their bills many found that their rate cuts were offset by appraisal hikes. I want a tax cut to be a tax cut, not a sleight of hand where the end result means Texans pay more.

Today I want to announce a four-part property tax reform plan that will ensure we not only cut property taxes, but cap and control them too. First, I want to join legislators from all across Texas in lowering the appraisal cap that is currently at ten percent. Some have suggested a five percent cap on annual appraisal growth. I think we can do a little better. It is time to cap appraisal growth on Texas homesteads at 3 percent each year.

The median value of a Texas home is just under $129,000. The annual property tax bill on that home is just over $3,500. Under current law, even without a property tax rate hike, that Texas homeowner could see their bill increase $350 in one year, and even more year after year. It’s a phenomenon called appraisal creep, and it is nothing less than a tax hike by any other name. And I’m betting most of the Texans in this room today know exactly what I am talking about. My plan controls property valuations at three percent growth. But it goes even further.

That’s because the second part of my proposal, and the most fundamental element of my reform plan, is a cap on the annual growth in property tax revenue made available to local governments. About half of all states cap the growth in property tax revenues for local government. I believe in a high-growth state like Texas we ought to use an “inflation and population growth index” to determine the property tax revenue cap for each taxing jurisdiction. This will allow property tax revenues for cities, counties, schools and special taxing districts to grow in proportion to their population and rising prices. Fast-growth communities with high enrollment growth and larges volumes of new construction will have more room in their budgets to keep up with growth. My plan allows for budgetary growth, but it doesn't fund bigger government for bigger government’s sake.

Today, cities, counties, and special districts can raise property taxes as high as eight percent without a vote of the people, and even then an election is not certain because local voters must first present a petition to have a rollback election. Under my plan, if local governments want to raise property tax revenue beyond what it costs to keep up with growth and inflation, they will have to take an important new step: they must convince the voters. My plan empowers the people to control their own taxpaying destiny.

There are two fundamental reasons why we need a revenue cap on property taxes. First, it will make government more accountable to the people because additional spending must be justified. Second, we cannot allow a school property tax cut to be undermined by other property tax hikes or valuation spikes. When we reduce school taxes, it will be very tempting for other taxing entities to fill the void. But Texans deserve a property tax cut, not a property tax charade.

We need a revenue cap so that Texans don’t see savings generated by school property tax cuts swallowed up by ever-increasing valuations, or tax hikes levied by cities, counties and special taxing districts. We have heard voices across the political spectrum calling for a property tax cut. Democrats, Republicans and Independents all seem to
agree in large numbers: property taxes are too high.

But Texans will be skeptical about any property tax cut that lacks appraisal and revenue controls. In 1997, because the Legislature raised the homestead exemption from $5,000 to $15,000, Texas homeowners were supposed to receive an immediate savings of more than half a billion dollars. But that same year, property tax revenues from city, county, school and special district levies increased by more than $800 million.

This was not the fault of the state’s leadership and the Legislature, they did their part to deliver property tax relief. But local governments more than filled that void, and Texans are paying more. In fact, from 1997 to 2002, Texans were hit with nearly $10 billion in higher property tax levies. Some will put forward the false argument that local governments raised taxes because the state passed on the cost of education to the local level. But that argument is specious: state and federal dollars for education have increased by nearly $7 billion in just the last four years alone. Had we implemented a revenue cap in 1997 tied to inflation and population growth, Texans could be paying about 20 percent less in property taxes today!

Before locally elected officials react to my plan, I ask them to do what leaders from the largest county in Texas have done, leaders like Harris County Judge Robert Eckels, Tax Assessor Paul Bettencourt and Commissioner Steve Radack. They have studied my plan in detail, and they support it, because they too believe government should live within its means. In fact, for a lot of local leaders, my plan will give them an opportunity to cut taxes, not raise them. And local leaders can know that I will not only fight for a revenue cap on local property taxes, I will fight to pass a law that prevents the state from passing any new unfunded mandates on to local governments.

I also believe we must shine new light on appraisal accuracy. The third component of my plan requires mandatory disclosure of sales price information when every home and business property is sold. If we are going to cap property tax revenue, we need a system that is fair so that all property owners pay their fair share. By disclosing sales price information to appraisal districts, a practice that is already done in some appraisal districts in Texas today, and in 35 other states, we can rid the system of inequities.

Lastly, we need to reformulate our appraisal boards so that elected officials, who are directly accountable to the voters, are made responsible for certifying the appraisal rolls. I propose the formation of five-member appraisal boards throughout Texas consisting of the county judge, the mayor of the largest city in a county, the mayor of another city selected by all other cities, the president of the largest school board, and the county tax assessor-collector. Those who spend our tax dollars should not only be accountable for how the money is spent, but how the money is raised.

These reforms will ensure property tax relief is real. The eventual size of a school property tax cut remains a subject I am debating with legislative leaders. In due time, I will announce my comprehensive plan to provide a meaningful school property tax cut, improve education, preserve the job climate, and return Robin Hood to its rightful status as a fictional character.

I full well expect the forces for ever-encroaching, ever-expanding government will denounce this plan. But they should keep something in mind: when they show contempt for my property tax control plan, they are not just thumbing their nose at me, but millions of homeowners and employers who have been under siege by skyrocketing property tax rates and valuations, Texans like Linda Lochli of Houston who once wrote: "appraisals, and related tax consequences, bring to mind the image of being on a roller coaster - with no brakes!"

Well, my message for Ms. Lochli, and millions of Texas property owners, is that we’re going to put the brakes on runaway property taxes. We’re not only going to cut, cap and control property taxes, we’re going to do so by
empowering voters to make the final choice in the matter. Voters can choose to raise taxes beyond what it costs to keep up with growth if local leaders make a strong case for more revenue. But they, not government, will be in the driver’s seat. And they, not government, will have their foot on the brake pedal.

I have a lot of friends in city and county government who are doing an outstanding job, and who run a tight ship. This plan will not adversely impact those who already make the most of taxpayer dollars. Others will say “just trust us” with your tax dollars. But as Ronald Reagan used to say, “trust, but verify.” And it is taxpayers who will verify in the voting booth. This is responsive government at its best, government that empowers the people and not the bureaucracy.

It is time to end the rate-gaming, appraisal creep, and the “robbing Peter to pay Paul” property tax doublespeak. It is time to provide real property tax relief with real reforms that control both appraisals and rates. If we do, Texas will prosper, and opportunity will abound for the citizens of this great state.

Thank you, God bless you, and God bless Texas.

It gives me great pleasure to introduce a real leader on the tax appraisal issue, Houston Senator Kyle Janek.