



Local Government Spending



The Issue

Over the past decade, local government spending in Texas has risen sharply. In fiscal year (FY) 2002, cities, counties, school districts, and special districts spent a combined \$77.1 billion, according to the U.S. Census Bureau. Ten years later, aggregate local government spending had risen to \$125.8 billion, equating to a 63% increase over the period.

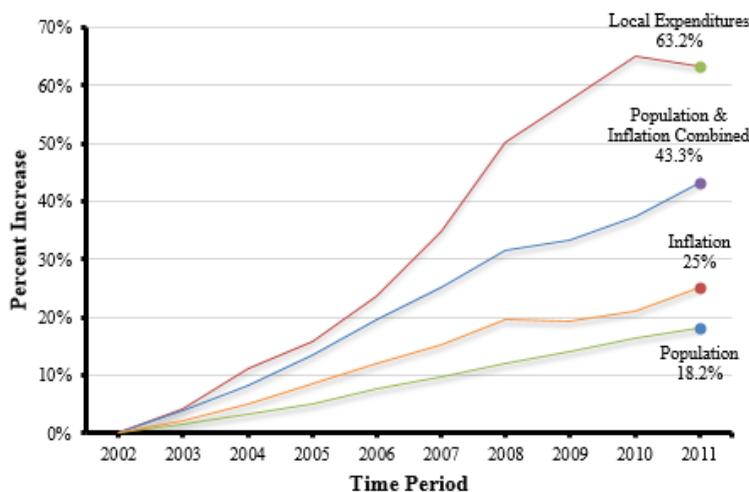
Per capita local spending also rose during the same period. In FY 2002, local spending per capita totaled \$3,552. By FY 2011, local spending per capita had grown to \$4,902, representing a 38% increase.

While some measure of growth is to be expected—especially in a fast-growing state like Texas—the trajectory of local government spending growth—both adjusted and unadjusted for inflation—is cause for concern as it outstripped important metrics like population and inflation.

Consider that from 2002 to 2011, statewide population grew from 21.7 million to 25.6 million, an increase of 18.3%. Meanwhile, the Bureau of Labor Statistics' Consumer Price Index (U.S. All items, 1982-84) indicates that inflation experienced only a nominal increase of 25%.

With spending out-running Texas' growth in population, there is the potential for instability over the long-run—a public policy outcome that calls for serious change in local spending trajectory.

Growth Comparison: Local Spending, Population, and Inflation



Source: U.S. Census Bureau, Bureau of Labor Statistics

A feasible solution could be expanding the state's constitutional Tax and Expenditure Limit (TEL) to include all levels of government in Texas (cities, counties, school districts, etc.). Right now, Texas' TEL is relatively weak and only applies to certain types of state spending; however, with modest changes, the state's spending limit could be strengthened and reformed to not

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only control the growth of state spending but also local spending. Relevant reforms would include applying the spending limit to all funds, and basing the limit on population growth and inflation, the growth in personal income, or growth in gross state product—whichever is less. Other local spending reforms that lawmakers should consider include: enhancing financial transparency (most local governmental entities should have a website and provide basic financial information); encouraging the use of zero-based budgeting; and improving economic development transparency.

With just these simple reforms in place, legislators could do much to slow the growth of local spending.

The Facts

- Local government spending for fiscal year 2011 was approximately \$125.8 billion (about \$5,000 per capita), the same annual amount spent by Texas state government in FY 2011. Education is the biggest category of spending, constituting more than 40% of all local expenditures.
- There has been a 63% increase in local spending from 2002 to 2011, the largest percentage increases come from public safety, and social services and welfare. This is outgrowing the rate of population (18% growth) and inflation (25% growth).
- These changes increase the cost of government per person, higher taxes, more fees, and overall more bureaucracy.

Recommendation

- To slow the growth of local government spending, state and local policy makers should reform Texas’ tax and expenditure limit, improve financial and economic development transparency, and encourage local governments to embrace the zero-based budgeting concept.

Resources

Update: Trends in Texas Government—Local Government Spending by James Quintero, Texas Public Policy Foundation (Aug. 2014)

Trends in Texas: Local Government Spending by James Quintero, Texas Public Policy Foundation (Nov. 2013)

