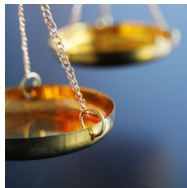




Local Spending



The Issue

Decades, local government spending has grown much faster than the ideal. According to the U.S. Census Bureau, local government spending in Texas totaled \$40.3 billion in 1992. By 2013—the latest available data—aggregate local spending had risen to \$126.4 billion, representing an increase of almost 215% over the period.

While some level of increase is to be expected—especially in a fast-growing state like Texas—the trajectory of local spending growth has been well in excess of traditional economic measures like population and inflation.

From 1992 to 2013, Texas' population grew from 17.7 million to 26.5 million, equating to an increase of 50.1%. Meanwhile, the Bureau of Labor Statistics' Consumer Price Index (U.S. All items, 1982-84) suggests that inflation simultaneously increased by 66%. Thus, population and inflation grew at a much more modest rate of 116.2%, suggesting a clear imbalance between the actual and ideal rates of growth.

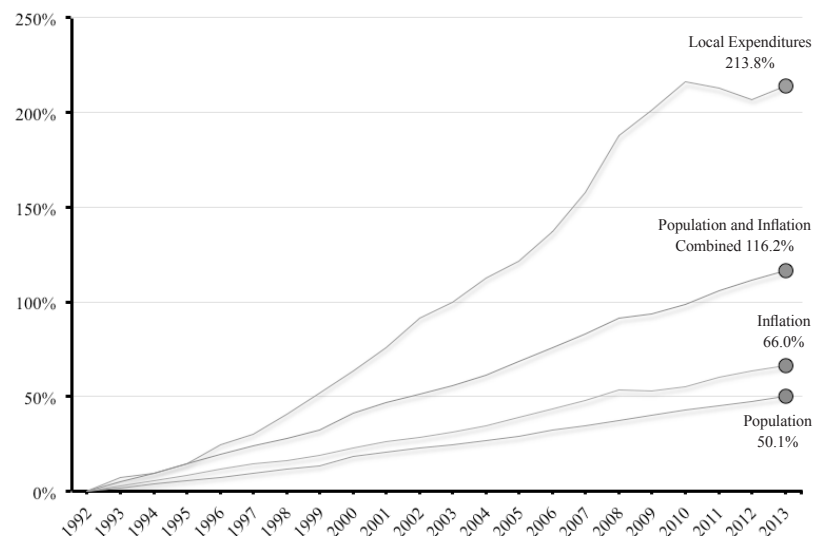
Accelerated spending growth at the local level has not been without consequences. The most obvious of which has been the imposition of a high and fast-growing property tax on homeowners and businesses. Less visible are the inefficiencies that tend to accumulate in budget structures that have no stringent spending requirements.

If Texas is to remain the nation's economic engine, then it is critical that Texas policymakers get a handle on local governments' spending problem.

The solution to controlling spending is controlling revenue. The Texas Legislature should change the current rollback system to require voter approval for property tax rates that result in property tax revenue increases of 4% or population growth plus inflation, whichever is less.

Dr. Arthur Laffer, one of President Ronald Reagan's chief economic advisors, said it best: "Government spending is taxation." If the Texas Model of low taxes and limited government is to be maintained well into the future, then it is critical that policymakers contain the growth of local spending and the tax increases that necessarily come along with it.

Growth Comparison: Local Spending, Population, and Inflation



Note: Totals may not add due to rounding.

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

The Facts

- There are few, if any, restrictions on the rate of growth of local government spending.
- Local government spending totaled \$40.3 billion in fiscal 1992. By fiscal 2013, local spending had grown to \$126.4 billion, representing an increase of 213.8%. Over the same period, population growth and inflation increased by just 116.2%.

- The accelerated rate of local spending growth helps, in part, to explain the high and fast-growing nature of property taxes in Texas.

Recommendation

Require voter approval for property tax rates that result in property tax revenue increases of 4% or population growth plus inflation, whichever is less.

Resources

[“Local government should follow state’s lean budget lead”](#) by James Quintero, *Austin American-Statesman* (Aug. 4, 2015).

[Reforming Texas’ Tax and Expenditure Limit](#) by Talmadge Heflin and Vance Ginn, Texas Public Policy Foundation (Jan. 2015).

[Shining a Light on Local Spending and Debt: Testimony to the House Appropriations Sub-Committee on Budget Transparency and Reform on House Bill 14](#) by James Quintero, Texas Public Policy Foundation (March 18, 2013).

