

Analysis: Why rising property values don't lower school taxes

Rising property values in Texas should have lowered school property tax rates. But they didn't, and you can thank the folks who write the state budget for that.

BY **ROSS RAMSEY** DEC. 14, 2016 12 AM



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When your property values rise, your school property tax rates are supposed to fall, right?

That might be how you want it to work, but it's not the way school finance actually works in Texas.

Over the past decade, the Legislature has sopped up the benefits of rising property values to pad the state budget, forcing school districts to forgo cuts in property tax rates to make up the difference. All the while, legislators have made political hay of rising property tax bills, blaming the local districts that now pay a good chunk of the state's share for public schools.

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Taxable school property values rose 67.2 percent from 2005 to 2014, from \$1.22 trillion to \$2.03 trillion, according to the state's Legislative Budget Board and the comptroller of public accounts. Some of that was growth — new houses and buildings and whatnot — and part of it was demand for what was already here.

Over the past couple of decades, with a single exception, taxable school property values in Texas have risen every year. It quickly rebounded from a small property value decline in 2004. No news there. It's a boom state, a Texas Miracle — whatever you want to call a period of steady growth and success.

But steadily rising Texas property values haven't translated into what could have been a steady drop in school property tax rates. In fact, school tax bills have shot up over a decade when much more modest increases were required — largely because state lawmakers decided the benefits of rising values should go into the state's budget instead of taxpayer pockets.

Taxpayers are mad about it. State officials, sensitive to taxpayer anger, have proposed reining in school boards and other local governments — city councils, county commissions, hospital districts and the like — by forcing them to go to voters whenever they raise taxes more than 4 percent in a single year.

A few have proposed fixing the other end of the school finance seesaw by barring the state from sweeping up the benefits of rising property values to balance its own budget. State Sen. [Kirk Watson](#), D-Austin, has re-filed legislation that would bar the state from lowering its spending when property

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values rise. In 2015, that idea never got a committee hearing. Other lawmakers have proposed requiring the state to pay at least half the costs of public education.

School finance is complicated enough to give a regular human a headache, but this part of it is simple. The state pays part, the federal government pays part and the local government pays the rest. The local government's piece comes from property taxes. If property values are low, tax rates have to be relatively high. If values rise, the rates can drop.

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But tax rates in Texas have tended to stay up even as property taxes rose — even as overall spending per student remained relatively flat.

The culprit — that would be the state — is evident in the numbers. In 2008, the state took responsibility for 44.9 percent of the total cost, or about as much as the local districts spent. Now, the locals are paying 51.5 percent to the state's 38.4 percent.

State legislators took advantage of rising property values to avoid raising state taxes — shrinking the state's share and forcing property-tax-dependent local schools to keep rates high to make up the difference. State spending on a per-student basis is lower than it was 10 years ago, while local spending has risen to make up the difference and also to cover relatively small increases in overall spending.

The alternatives might be unpleasant — raising state taxes on purchases and other things to offset cuts in property taxes. Lawmakers have done that before, but they nearly always renege on promises to hold up their end of the deal. After they reworked business franchise and other taxes and lowered property taxes in 2006, the state and local shares of school expenses were about equal.

When property taxes rose, state budget writers didn't adjust, shifting the load to local taxpayers. And now, those legislators are blaming the locals for all that extra weight.

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