Written Testimony
SB 2
An Act Relating to Ad Valorem Taxation
Texas Property Tax Reform and Relief Act of 2019

Thank you for the opportunity to provide written comments expressing the City of Coppell's concerns related to SB 2.

While respecting the request for written comment on this Bill we believe that consideration should be given to school finance prior to any changes to the property tax code affecting municipalities. Case and point - residents and businesses in the City of Coppell through the Coppell Independent School District send more to the State of Texas in Recapture/Robin Hood, approximately $45.5 million, than the total property tax revenue collected by the City of Coppell, $43.2 million. Real relief for our local tax payers will only occur when the State of Texas addresses its funding responsibility to local school district tax payers.

Tangible negative impacts if a "tax cap" were in place:

As you are aware, every city's greatest annual expense is to provide for the public's safety, often encompassing well over 50% of a municipality's general fund. To ensure that our residents and businesses expected high level of public safety services are not diminished, the Coppell City Council would need to reduce the level of service in other departments. For example, after a tremendous amount of research and discussion the City Council in 2018 decided to move forward with the construction of a new fourth fire station primarily serving the thriving business sector of Coppell. With the new station, there is also the staffing requirement adding sixteen (16) new firefighters. All of this was accomplished through thoughtful planning and conservative budgeting while at the same time lowering the tax rate. This decision had it not been made could have negatively impacted the City's ISO 1 insurance rating, which in turn would have increased homeowners and specifically businesses in Coppell insurance premiums. A 2.5% property tax revenue cap would have prevented the Council from making this decision to go forward.

Another significant challenge facing Coppell and any city, particularly cities that are built out and will not experience any or very little new growth is the maintenance of infrastructure. To this end Coppell in the next five years will need to spend $43 million on street maintenance. The Coppell City Council is also considering over $71 million during this same period of potential projects to rebuild aging streets. Additionally, Coppell has identified $80 million in projects to fulfill federally mandated ADA compliance improvements.

These are costs that do not go away, and the passage of a cap will only contribute to deferring these expenses which assuredly will only increase in cost with inflation, resulting in diminished and failing infrastructure. Infrastructure, currently the main reason for business growth in Texas will no longer be so.

To compound this issue Moody's has identified revenue caps as a liability to a municipalities credit. In 2016 Moody's listed Houston's revenue cap as one of the four largest negative factors in Houston's credit rating and wrote the following. "Significantly limited revenue raising

flexibility with restrictions imposed by Proposition 1 and H; offsetting the potential effects of positive assessed valuation trends." Put plainly, not only would a cap further defer maintenance on infrastructure, but it would make and future debt issuance more expensive hurting the very tax payers a cap is supposedly going to help.

Finally, since 2012 the City of Coppell City Council has lowered the property tax rate by twelve (12) cents. If the proposed 2.5% tax cap had been in place beginning in 2014, property tax revenues would have been reduced by $9 million. Without these funds the City could not have invested in critically important equipment including but not limited to a replacement ladder truck ($1,100,000.00), replacement of four ambulances ($1,100,000.00), and replacement of Cardiac Monitors ($450,000.00). Because of conservative budgeting principals, the City Council was able to make these and other large purchases using current funds on hand. An option that would not have been available to them had the cap been in place.

 <u>Suggested solutions to help local tax payers</u>

There are several ways to increase transparency equity and fairness in the system that will specifically help all tax payers in a jurisdiction:

- Commercial Property Disclosure at time of sale to ensure a equal and uniform appraisal system.
- Commercial Property Settlement Statement at time of Appeal at Appraisal District.
- Create a litigation pool of funds at the State level for Appraisal Districts to draw from when fighting lawsuits over commercial properties suing to lower their appraised values.

These steps would ensure that the cost of government is born fairly by all.

- The State of Texas take its fair share of Medicaid funds, relieving the burden local tax payers current bear paying for indigent care through their property taxes.
- Cities currently pay the State 2% of their sales tax in administration fees to the state. Reducing this to a 1% administrative fee would directly have a positive impact on municipal revenues.
- Increase the local option sales tax by ½% to 2.5% following approval of a local election

One technical note about the proposed Bill. As it currently states, certain provisions of the Bill may not be applicable should the Governor not make a Natural Disaster Declaration for a particular City or County. There are times, because of wind storms or hail for example, that communities suffer tremendous damage and incur significant cost in providing services to the community, including damages to the jurisdiction's facilities, equipment and infrastructure, that don't meet the threshold for a Declaration. The proposed language does not take these types of situations, which are occurring more frequently, into account which will result as an additional restraint on local elected officials in serving their communities.

Respectfully submitted,

Mayor Karen Hunt

City of Coppell