

## Governor Calls Special Session

On Tuesday of this week, Governor Abbott called for a special legislative session to begin on July 18<sup>th</sup>. Of the 20 topics added to the special call, at least eight would restrict or preempt Texas cities.

The city-related topics added to the call include:

1. Revenue caps (the governor urged the legislature to pass S.B. 2 from the regular session – a four-percent property tax cap – or an even “better law”).
2. Spending caps for both the state and cities equal to population growth plus inflation (this bill was not filed during the regular session).
3. Annexation reform.
4. Tree ordinance preemption.
5. City permit vesting reform.
6. City permit streamlining.
7. Union dues checkoff prohibition.
8. Cell phone/texting preemption (presumably to the extent that city ordinances are stricter than the just-passed state texting while driving ban).

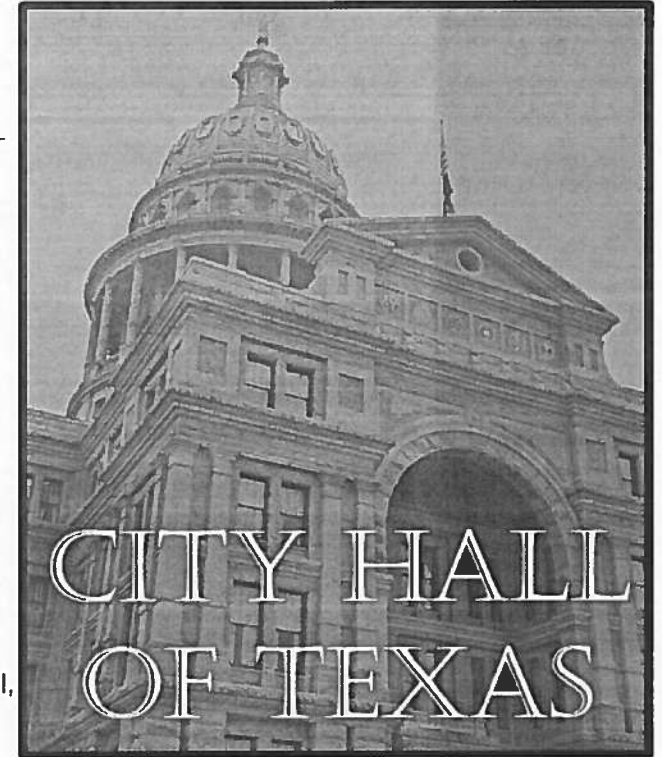
There were many other issues added to call that do not directly affect cities, including school finance, abortion, voter fraud, and bathrooms.

Obviously, Texas cities have our work cut out for us this summer. Centralizing power at the state level, as the eight items above seek to do, would be a disturbing development. Seventy-four percent of Texans live in our 1,215 cities, and the decisions they have made at the local level have put Texas cities at the top of the nation in economic and infrastructure success. Stifling their voices through an all-powerful, overreaching state government is a recipe for disaster.

City officials who visit with their legislative delegation during the short break between sessions should consider discussing the following: (1) thank them for leaving local decision making largely intact during the 2017 regular session; (2) urge them to continue that trend during the special session by focusing on core state issues and not on local ones; and (3) invite them to come take a tour of your fire and police facilities so they can better understand that caps and other artificial restrictions will have the greatest effect on public safety.

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## House and Senate Committee Hearings: The End of Annexation?

Home rule cities that annex property should contact their legislators now in opposition to Senate Bill 715 (Campbell) and House Bills 299 (Larson), 424 (Huberty), and 2272 (Schofield). Each of the bills was heard in committee this week, one (S.B. 715) was voted out, but they all have one thing in common: they would end municipal annexation by requiring voters in an area to approve the annexation at an election.

League staff, along with several city officials, testified against the bills in the House Land and Resource Management and Senate Intergovernmental Relations Committees on April 5. In spite of that opposition testimony, Senate Bill 715 was immediately voted out of the senate committee. City testimony focused on the effect annexation restrictions would have on the state's economy:

1. Texas annexation laws have been fine tuned over the past 100 years to provide an efficient and orderly way to deal with population growth, which is now increasing more than ever.
2. And the proof that annexation is working well is in the results: Year after year, Texas cities are among the national leaders in attracting new businesses and new residents.
3. When cities are prevented from expanding their boundaries, as we've seen in other parts of the country, the city core declines and the region enters a slow economic death spiral.

At the League's request, an economic analysis firm, TXP, Inc. ([www.txp.com](http://www.txp.com) (<http://www.txp.com/>)), prepared a report titled "*Annexation Policy's Impact on the Economy and Tax Revenue of Texas Cities* (</TML%20TXP%20Annexation%20DRAFT%20April%202016%201.1.pdf>)", which was presented to the House committee. The study compared several southern states' annexation policies. It found that states with "municipal determination" annexation policies (i.e., those where the city council, after input from citizens, decides whether to annex adjacent areas) had better personal income and economic growth and higher municipal bond ratings than states that limit annexation authority. Even more interesting, the study found that municipal determination cities grow physically more slowly than those in other states (presumably because city officials have to prudently deal with the political response to annexing).

If your city is concerned about this issue, either because you intend to annex or you appreciate the importance of annexation authority to the Texas economy, it is time to contact your state legislators in opposition to the bills mentioned above.

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## Permit Vesting on Steroids?

The Texas governor's recent plan to abolish home rule city authority took a step forward this week in the form of H.B. 3787 by Cecil Bell (R – Magnolia). The bill, which was voted out of the House Committee on Land and Resource Management, would provide that a city may not enforce an ordinance related to land use or business regulation if the ordinance was not in effect on the date the property owner acquired title to the property.

The bill is certainly in line with the governor's recent comments. "It would be far simpler and frankly easier for those of you who have to run your lives and businesses on a daily basis if the state of Texas adopted an overriding policy and that is to create certain standards that must be met before which local municipalities or counties can establish new regulations," he said. He characterized his proposal as a "broad-based ban on regulations at the local level..."

House Bill 3787 is permit vesting on steroids (the current permit vesting law is triggered at the time of a permit application, rather than land purchase). Its passage would mean that a city couldn't even protect neighbors from a sexually oriented business or a pig farm being put right next door to their home. It's a bad idea any way you slice it.

Another permit vesting bill, H.B. 898 by Paul Workman (R – Austin), would also be detrimental to cities. That bill would provide, among other things, that a political subdivision that has been found by a court to have violated the permit vesting statute is liable for actual damages, reasonable attorney's fees, administrative and court costs, and the applicant's portion of the cost of any mediation that did not result in an agreement.

City officials with concerns about the bills above should contact their House members now.

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## “Ridiculous” Numbers on Revenue Caps

This week, *Politifact Texas* dealt yet another blow to the argument that revenue caps provide meaningful property tax relief. *Politifact's* analysis (<http://www.politifact.com/texas/statements/2017/may/23/dan-patrick/dan-patricks-20000-tax-savings-claim-proves-incorr/>) was focused on the truthfulness of a revenue cap proponent's statement that revenue cap legislation would “save the average homeowner in Texas \$20,000 a year over the next 20 years or so.” Staff later claimed that what was meant was \$20,000 cumulatively over the next 20 years.

*Politifact* concluded that the statement was not only false, but “ridiculous.” The statement earned the label of “Pants on Fire,” which is reserved for only the most outrageously false claims. According to the article, even the revised statement about cumulative savings contained “major flaws” and is “at best, a wild guess.”

Using faulty data is nothing new for proponents of revenue caps. As reported in a previous issue ([/legis\\_updates/revenue-cap-committee-oas-math-o-worse-than-meaningless-oy](#)) of the *Legislative Update*, the *Dallas Morning News* recently picked apart the foundation upon which the supposed need for revenue caps was built – namely that local property taxes have increased three times faster than median household income. Citing an independent economist who called the comparison “worse than meaningless,” the article also included an objective comparison using federal data showing that median household income has actually outpaced the median property tax bill in Texas.

For many years, the League and its members have refuted the false property tax relief claims of revenue cap supporters. Independent observers are finally recognizing revenue caps for what they are: a false promise of meaningful tax relief, promoted for political purposes, that would limit the ability of cities to provide essential services to their residents.

With only four days left in the 85<sup>th</sup> Legislative Session, property tax reform is still front and center. Last weekend, the House voted to include numerous property tax transparency measures that were present in the House's version of S.B. 2 in a new vehicle—S.B. 669 by Senator Jane Nelson (R – Flower Mound). Notably absent was any form of a revenue cap, which did not have adequate support amongst members of the House Ways and Means committee or House Calendars committee. S.B. 669 now goes back to the Senate, where the Senate can either concur with the House version of the bill, or choose not to concur, forcing a conference committee negotiation and possibly opening the door to revenue caps once again.

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## Revenue Caps Harmful to Credit Ratings

Senate Bill 2 (and H.B. 15) would impose a cap on city budgets. Either bill could be heard any day in the House Committee on Ways and Means. A revenue cap would seriously damage public safety, economic development, and transportation. And, property taxes will continue to rise because school district taxes - the real cause of high property taxes in Texas - will continue to escalate.

According to S&P Global, a revenue cap on cities "could lead to unintended credit consequences" because it would limit the options local governments have to collect revenue. The *Austin Business Journal* reported that (<http://www.bizjournals.com/austin/news/2017/04/26/property-tax-cap-could-limit-texas-cities-credit.html>) "S&P notes potential problems with revenue flexibility in the face of growing infrastructure demands..."

Cities build the lion's share of our state's infrastructure. Bonds are one tool they use to do so. Our state population continues to grow exponentially, and the S&P warning is just one more reason that revenue caps are a bad idea.

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