

Bust the spending cap

Tax relief, by any name, should be pursued

By Michael Quinn Sullivan

For the sake of taxpayers, Texas' conservative lawmakers must vote to bust the state's spending cap. That's the only way Texans can be assured of receiving meaningful property tax relief.

Confused? You should be.

The current spending limit, which was called the Texas Tax Relief Act, has not actually limited spending. (Ironically, the only thing it has limited has been property tax relief last spring; more about that in a moment.) Adopted in 1978, the cap theoretically restricts the growth of government to growth in the state's economy. But it doesn't. Since its inception, state government has grown 500 percent, while the state's gross product has increased 366 percent.

The amendment left it to lawmakers to determine the definition of growth in the economy. Legislators opted to define it, very peculiarly, as growth in personal income.

Personal income is a very vague concept; that makes the "limit" bad for taxpayers, but good for tax spenders. For example, the current budget (adopted two years ago) grew 18.7 percent over the budget adopted in 2003. Did your take-home pay go up 18.7 percent? Very doubtful.

The current spending cap also lobs off from consideration large portions of true spending. Yet, of course, property tax relief is counted as part of the spending cap.

In the crazy world of state constitutional language, it does make sense to consider property tax relief as spending. Here's why.

Property taxes are collected locally, by local government entities. So for legislators to "cut" your property taxes, what they essentially do is give money to the school districts (or other taxing entities) with the condition that upon cashing the legislature's check, the taxing entity will lower your property tax rates.

So while the state had a record budget surplus last spring, lawmakers in the special session felt constrained – by the spending limit – from using most of it for property tax relief.

That was then, this is now. The surplus has grown even larger, and the little tax relief offered last year wasn't enough to be felt by most Texans.

It is imperative for lawmakers now to bust a meaningless spending cap for the purpose of providing meaningful property tax relief.

Permissible, but with one important caveat: The tax relief must begin on the low side of the cap, and then continue beyond it.

Tax relief, by any name, should begin well before, and continue past, the cap.

What isn't allowable, for those claiming the mantle of fiscal responsibility, is to spend every penny up to the cap on new, expanded or extended government programs, and then "bust" it for tax relief.

It is mildly reassuring some legislators are worried about the idea of busting the cap; they have clearly understood that voters are fed up with fiscal irresponsibility. But those same voters will be very worried about fretting legislators who stand in the way of property tax relief.

Indeed, their opposition not only denies immediate tax relief, but ensures higher taxes in the future. Make no mistake about it; if the cap is not busted for the sake of the taxpayer, lawmakers will find creative ways to spend those surplus revenues outside the cap and thus grow the size of government (and our tax burden) for years to come.

Fiscal conservatives committed to tax relief must encourage lawmakers to bust the spending cap. Granted, busting the cap may not feel good, but our state's economy – and our taxpayers – will greatly appreciate the significant property tax relief that results.

Make no mistake: the state's spending cap is already broken. Busting it for tax relief is good policy for Texas' taxpayers.

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