The Austin City Budget – How Can We Reform a Flawed Process?

By Bill Oakey
A Walk Through Austin’s City Budget and Property Tax Training Guide

• Prepared by Assistant City Attorney, Leela Fireside, dated February 2013

• Available online

• Instructs staff to raise property taxes to the legal maximum, at the beginning of the budget process

• Legal maximum is called the rollback rate, which equates to an 8% tax increase
A Walk Through Austin’s City Budget and Property Tax Training Guide

• Effective tax rate is the amount needed to generate same revenue as previous year

• Staff advises City Council that they can reduce the budget, but tax rate cannot exceed the rollback rate.

• A tax rate above the rollback rate could trigger a citizen petition for a rollback election

• When a publicized “budget shortfall” is eliminated, the tax increase just goes back down to the starting point of the legal maximum
The City Uses the Tax Rate to Hide Property Tax Increases

• Adopting the effective tax rate would result in a zero percentage tax increase
• Comparing a tax rate for the new budget to last year’s rate is highly misleading
• Keeping the tax rate the same gives you a large tax increase if your home’s tax appraisal went up significantly
• Year after year, the City touts small changes to the tax rate, while home appraisals skyrocket
Reform Needed for Truth in Taxation

• Last year’s City tax increase was 3.8%. That figure was not published anywhere except on AustinAffordability.com

• This year the City Manager has recommended a 7/10 cent drop in the tax rate. With no mention of how much that would actually raise taxes

• The City Budget should contain a Taxpayer Impact Statement

• This should include the true percentage of a tax increase, above the zero “effective rate.”
Taxpayer Impact Statement

• This should also include the dollar amount of the tax increase for homes valued between $100,000 and $1,000,000.
• It should also include a complete list of utility rate and fee increases
• If a “typical” or “average” home value is included, the data source should be identified
• Where in Austin can you still buy a house for $188,000?
Is It Really Possible to Cut the Budget?

• Historically, we’ve been told that budget cuts can only mean cuts to parks, libraries, and swimming pools. Or recreation centers

• There are typically hundreds of staff vacancies funded in the budget.

• This allows for programs to expand and for new programs to move forward

• Past policies should be reviewed with affordability in mind. It’s all a matter of setting priorities
Saving Revenue Is As Good As Cutting Expenditures

• **Budget surpluses** – We need a stricter policy to reduce the temptation to spend surpluses. Saving surpluses to help reduce tax increases should be an option in the written policy.

• **Major event fee waivers** – Tax incentives for big companies expire after a certain period. But millions in fee waivers are given away indefinitely to large for-profit companies.
A Proposed New Special Event Fund

- Council Member Kathie Tovo sponsored a special event fund resolution
- Funds could come from ticket surcharges and the hotel-motel bed tax fund
- Fee waivers would be evaluated on a matrix
- We need to consider setting expiration dates for fee waivers, and reducing and eliminating as many as possible
Policies and Transparency for All Other Fee Waivers

• Construction and other fee waivers pop up on City Council agenda nearly every week
• Many are buried below several layers on the City website
• These need to be strictly regulated with policy guidelines
• They should all be disclosed on the top page of the City Council agenda, with policy criteria and benefits to the city identified
• Fee waivers should become the exception rather than the rule. Taxpayers should be top priority
Economic Development Spending

• The City budget allocates millions of dollars per year to economic development projects to recruit new businesses

• Now that we are the fastest growing city in the country, private enterprise and the Chambers of Commerce should take over that role

• The City’s resources are already strained, trying to keep up with our current demands
Agenda Reform for City Council Meetings

• The citizens of Austin sit at the top of the City’s official organization chart
• We should not have to wait six hours to speak at citywide public hearings
• These include budget hearings and utility rate hearings
• Reforming the public hearing process is 30 years overdue, and should be a priority for the new City Council
Business As Usual Is Not Sustainable

- A joint committee from AISD, ACC, Travis County, Central Health and the City of Austin has issued a financial forecast through 2018.
- They estimate that a “typical homeowner” would see taxes, fees, and utilities increase from $7,030 to $8,227 over four years.
- Their “typical home” is valued at $178,327.
- Salaries and wages have not kept pace.
Does Austin’s Economic Model Make Any Sense?

• Local budgets are based on past practices that assume full-tilt growth and full-tilt spending
• Businesses base growth on the ability and willingness of their customers to buy their products and services
• Austin’s model assumes that young workers without families can sustain the escalating cost of living
• The rest of the population does not fit that model
New Zandan Poll Signals Serious Trouble Ahead

• 65% of Austinites are dissatisfied with the cost of housing
• 59% are dissatisfied with the cost of living
• 30% say Austin is headed down the wrong track (37% for ages 35+)

Austin cannot rely on young hipsters to carry the entire economy. We must insist on bold, innovative and decisive action to address affordability.