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Growth in “Government Jobs” Not Necessarily a Blessing

Texas, I’m proud to say, wins regular praise as a top location for new jobs. We have added more than a million new jobs over the past four years, with most of them in the private sector. That’s why the latest July employment statistics for Texas look so odd.

“Odd” meaning what? Even though July employment increased in Texas by 17, 500, the great majority of the growth – roughly 16,000 jobs – came from growth in the government sector. The private sector grew by a mere 1,500 jobs. Where is this “government growth” coming from then since state spending has been held in check in recent years by Governor Perry and our legislative leaders who have resisted the temptation to grow state government faster than inflation plus population growth?

A recent study by the Texas Taxpayers and Research Association (TTARA) may give us a clue as to the source of “government growth” in Texas. You all know about that one-third cut in school property taxes which Gov. Perry and the Texas Legislature got passed into law back in the spring of 2006. A new TTARA study reveals that local taxing entities have taken away most of the property tax relief we received through a combination of the “stealth tax” of skyrocketing appraisals, higher tax rates, and bond elections. This has led to total property taxes in Texas being \$1.7 billion higher today than they were in 2005.

As the TTARA study points out, the restructuring of our state’s business tax was designed to increase state support for public education in an amount “sufficient to provide an overall net tax cut of \$2.5 billion a year. In fact, House Bill 1 provided Texas property taxpayers with a savings in 2007 of nearly \$7 billion by reducing school maintenance and operations tax rates.”

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Why then are we not seeing our promised property tax relief?

I would suggest that a major reason for that is because local taxing entities in Texas have gone on a spending spree since the passage of that legislation, adding government jobs and increasing public spending at a pace far in excess of the growth of inflation. For example, property taxes necessary to repay school bonds increased by 37 percent from 2005 to 2007, according to the TTARA study. Appraised values on property are way up during the last two years: “The overall increases in the assessed value of property in Texas in 2006 (12.3 percent) and in 2007 (12.1 percent) were the highest in recent memory,” reports TTARA.

While the rate for public school taxes fell significantly due to the school finance reform legislation, local taxing entities have proceeded to make those property tax cuts disappear.

Again, the TTARA study is enlightening on that issue: “since 2005 the average annual tax growth in these jurisdictions (city, county, and special districts) has accelerated to roughly 11 to 12 percent – well above the 3.6 percent inflation increases in the municipal cost index (American City and County Magazine) and the 2.2 percent average annual Texas population growth.”

A significant reason why states like California, New Jersey, and Michigan have gotten themselves in such serious financial jams is that they ignored the importance of sound fiscal and tax policies designed to encourage job creation in the private sector, not the creation of more government jobs. Our current state leadership in Texas understands that low taxes and fiscal prudence encourage economic development.

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Unfortunately, many of our local taxing entities seem to have forgotten that important economic lesson as they continuously keep raising our local property taxes and increasing the number of government employees. That's why the growth of 16,000 "government jobs" in Texas in the month of July may not be such good news after all if we are concerned about the long term economic future of our state. The only good news coming out of the TTARA study is that the property taxes would be \$7 billion higher today but for the passage of the school finance reform legislation. Nonetheless, appraisal reform and property tax relief need to be at the top of the agenda during the next session of the Texas Legislature in January 2009 if we are going to ever get local property taxes under control.

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Tom Pauken is the Chairman of the Texas Workforce Commission. Pauken also served as Chairman of Governor Perry's Texas Task Force on Appraisal Reform.

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The Texas Workforce Commission is a state agency dedicated to helping Texas employers, workers and communities prosper economically. For details on TWC and the programs it offers in unison with its network of local workforce development boards call (512) 463-8556 or visit www.texasworkforce.org.