



‘Bonds equal taxes’ message opposed by schools

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August 16, 2016

Watchdog’s poster boy for out-of-control school district spending showed up at the state Capitol on Monday to argue against a proposal requiring more disclosure of the full costs of school bonds.

Reformers say that Texas’ runaway local borrowing suggests that voters aren’t fully informed about bond costs, and that one answer would be including the full cost of a bond on the ballot, along with the size of the tax increase required to repay it with interest.

Representatives for local governments argued that focusing on costs could scare voters away from bonds, and defended the status quo.

An assistant superintendent for the Alvin Independent School District – which was made briefly famous by a widely read Watchdog [article](#) last fall headlined “Small town wants to build 5 of the costliest schools in Texas history” – told the state Senate’s Intergovernmental Relations Committee that his school district had provided its voters comprehensive information on a recent bond package, with ads, mailers, and meetings, which he said was a better approach than a limited ballot disclosure focused on costs.

“We’re doing that and more,” said Daniel Combs, who was also representing the Fast Growth Schools Coalition. “We’re doing it in a way that provides full context.”

The irony, of course, is that local voters had no idea just how expensive Alvin’s plan was, which was why the news article had more than 3,000 likes and shares on Facebook.

Combs was forced to defend some of the district’s expenditures Monday, after activist Peggy Venable confronted him about Alvin’s [record-setting](#) \$42.3 million junior high school. As Watchdog pointed out last year, the [next most expensive](#) junior high ever built in Texas was more than twice as big.

Venable said that voters often don’t realize the direct connection between bonds and higher property taxes, so the ballot should make the link clear.

“When entities are floating a bond initiative, call it what it is,” Venable said. “If it includes a tax increase, call it a tax increase.”

Other reforms she proposed: failed bond referendums shouldn't go back to voters for three years, and bond proceeds should be used only for the projects voters were promised.

Texans are swimming in \$338 billion of local debt, James Quintero of the Texas Public Policy Foundation told the committee. The figure includes principal and interest payments.

The state's debt figures are whopping, even adjusting for population.

For example, nobody does school bonds bigger than Texas. South Carolina is the only other state with school debt per capita anywhere close to Texas' debt loads, according to U.S. Census data.

Quintero proposed that ballots disclose the full cost of a bond, including projected interest, and that the state put an end to "rolling polling," the practice of holding early balloting at unusual times and changing locations. Some districts, for example, set up polling locations outside high school football games for bond measures to build new stadiums.

State Sen. Paul Bettencourt led much of the hearing, and plans to file a bill on bond disclosures much like his [SB 1041](#) last session, which passed the Senate 26-5, but died in the House.

Don Lee of the Texas Conference of Urban Counties objected to any proposal that "winds up making more bond measures fail." If the purpose is "to make bond propositions scary to the public, and more scary than it should be, it's going to become a game," he said.

Lee argued that the large local debt numbers are simply the product of the state's decentralized governance, which is true to an extent.

According to the [Freedom in the 50 States](#) study published this week by the Cato Institute, Texas has "local taxes at about 4.5 percent of personal income, above the national average, and state taxes at about 3.6 percent of income, well below the national average."

Despite those higher local taxes, cities and school districts still fail to live within their means.

Lee cited the example of Williamson County, which he said spent a half-billion dollars on highways while growing from 200,000 to 500,000 people.

"That wouldn't have been done at the local level a few decades ago," he said.

Yet Williamson County provides an example of why decentralization isn't nearly the whole story.

Take three independent school districts in the county – Hutto, Liberty Hill, and Leander – that have plunged themselves into ruinous debt.

All three are members of the Fast Growth Schools Coalition, which exists to justify huge bonds for growing school districts. Yet their growth has been nothing remarkable of late: 8.9 percent from 2011 to 2015. The average for growing school districts outside the coalition for the same period was 5.5 percent, according to a Watchdog analysis of state data.

Yet these school districts have debt-per-student levels way beyond the [national average](#) of \$8,597, or even the Texas average of \$13,876, third highest in the country. If we switch from apples (principal-only) to oranges (principal plus interest), the figures are staggering.

Hutto owes \$73,776 per student, Liberty Hill has approved a new bond since the last official figures came out, putting it somewhere north of \$80,000 per student, and Leander owes \$96,253 per student.

The principal-plus-interest figure is especially relevant in Leander's case, where a fiscally illiterate school board turned \$1 billion borrowed into \$3.3 billion to be repaid, through back-loaded financing with compounding interest. No other district in the state has done anything remotely similar on that scale.

By way of a general, apples-to-mangoes comparison, Puerto Rico's debt per capita is around \$20,000.

Bill King, the once and likely future Republican candidate for mayor of Houston, offered a sobering reminder that the debts that voters never even see on the ballot are actually the much bigger problem.

"I'm not an anti-debt zealot. I chaired a \$2 billion bond campaign that passed 70-30 percent," King said. "The problem, especially in the city, is increasingly that we've been allowing these local governments to incur debt without going to the voters."

King produced a pie chart showing that Houston owed \$23 billion, but only \$2.4 billion of it had been voter-approved.

Not by coincidence, Cato's Freedom in the 50 States study had two main fiscal policy recommendations for Texas: reverse course on municipal annexation, and raise requirements for local debt issuance.