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FOR IMMEDIATE RELEASE

Tyler, Smith County, Texas – Today, Grassroots America released a statement regarding the proposed 2019 tax rate and fiscal year budget to fund Smith County government operations. Grassroots America is the largest statewide volunteer citizen-led conservative organization in Texas and was launched in Smith County in 2009.

Issues raised in this statement were discussed with Smith County Judge Moran last Friday, August 10.

The FY 2019 Proposed Tax Rate Increase

Executive Director JoAnn Fleming said of the proposed tax increase, “Most elected officials begin budget planning with the tax rate from the previous year. In most cases, this ‘lowballs’ the tax rate increase. **We do not start our assessment with the current tax rate because increased property values automatically yield more revenue to local government if the prior year’s tax rate is maintained. Any increase in revenue from property taxes is a tax increase – even if the tax rate does not change.**

“Instead, we begin our evaluation of the proposed tax rate with the **effective tax rate**, which takes the increased property values into account. The effective tax rate is the rate that would bring in the SAME amount of revenue as the year before. Only adoption of the effective tax rate can be considered a zero tax increase.

“We understood that a tax increase for the road bond debt was coming. The \$39.5 million road bond, plus an estimated \$5.9 million in interest, was passed in November 2017 by **4.69% of eligible** Smith County voters. The tax rate increase to make the bond payment is 0.7 cents (per \$100 of property valuation).

“Grassroots America opposes the 1.4599 tax rate increase above the effective tax rate, after taking into account the rate increase to pay the note due on the road bond.

33.7311 Commissioners Court proposed tax rate increase

-0.7000 rate increase for road bond payment

33.0311 proposed rate above the anticipated road bond increase

-31.5712 effective tax rate (yields SAME property tax revenue as 2018)

1.4599 is the true tax rate increase or 67.6% of the entire proposed tax rate hike

“After passing a road bond, which triggered a tax increase all by itself, we believe a **67.6% rate increase** beyond the increase for the bond is asking way too much of taxpaying citizens. **Local government is busy eating up a majority of the tax relief citizens and small businesses got from the income tax cuts passed by Republicans in Congress and signed by President Trump.**

The Proposed Raises for Certain Elected Officials

Fleming continued, “While we support cost of living raises for the employees, we do not support the huge ‘all at one time’ raises for the sheriff and tax assessor (\$12,000 each), the treasurer (\$3,351) and the constables (\$6,613 each). **The private sector rarely sees such steep percentage raises all in one year.** If Judge Moran wanted to make giant leaps in pay for these positions, he should have stated that at the beginning of the year

and planned to phase in the position increases. **Our opposition has nothing to do with the officials currently occupying these elected offices.** In fact, several have made tremendous positive changes since they've been in office. *We just believe government pokes its finger in the eye of taxpayers when they go so far beyond what the private sector does in the way of raises.* Our County Judge and Commissioners should always remember they are taking money away from families and owners of small businesses to fund these raises – most of which certainly have seen no such steep increases in their own income.”

Smith County is Sitting on Too Much Cash

Explaining Grassroots America’s position, Fleming continued, “For **several** years, Smith County has carried a higher than necessary reserve fund balance that is even **significantly above** the reserve fund balance shown on adopted budget reports! For example, on page 10 of Smith County’s CAFR - [COMPREHENSIVE ANNUAL FINANCIAL REPORT](#), the report states, ‘At the end of the current fiscal year [Sept. 30, 2017] the fund balance in the County's General Fund 10 was **\$30,897,396**. As a measure of the general fund's liquidity, we compare the fund balance to the total fund expenditures. The fund balance in the County's general fund (\$30,897,396) represents approximately **45% of the County's general fund expenditures**. *The minimum general fund budgetary target for reserves is 25% of expenditures.*’

Fleming explained, “The Smith County Commissioners Court has a **general fund balance policy** that sets a *minimum* level of reserve funds in the general fund at **25%** of current budgeted expenditures, yet in the 2019 proposed budget, the reserve fund is projected to be **28.41%**. (We do not agree that the reserve fund needs to be as high as 25%, but if that is the policy, they should stick to it.) Even worse, upon reviewing the annual CAFR reports, we find that the actual fund balance is *consistently* above 25%. As we have stated for the last few years, **Smith County needs to stop hoarding tax dollars above the reserve policy of 25% of expenditures** and allocate those funds to **pay cash for road and bridge improvements** instead of having the taxpayers vote on bonds, which increase our costs through accrued interest and grows our debt.

Finally, Fleming said, “Everywhere we look, the emphasis of government is on revenue – more and more revenue that goes far beyond the combined rate of inflation and population growth. There is too little planning followed by action to do the hard work of streamlining, ending wasteful practices, and eliminating duplicative effort. The goal of elected officials who call themselves conservatives should be to deliver the highest quality services at the very best price. **This is a continuous process.** We do not see nearly enough of this anywhere.

“It is long past time for Smith County government and the City of Tyler to get moving on the two decades old goal of working together to eliminate overlapping, duplicated services. The poster child for how this is not working? Exhibit A – the City of Tyler has an animal shelter and the County has a separate one that costs taxpayers almost a half million dollars a year to operate. **It’s time for local government officials to work together to lower costs for local taxpayers.**

“Meanwhile, Grassroots America will be on the front lines in Austin for the 86th Legislative Session pushing to pass [Governor Abbott’s property tax reform plan](#), which includes local revenue caps and automatic rollback elections. Local government was created by state government, representing The People. When local government fails to restrain itself, it is the duty of state government to hand the tools of restraint to The People. This will force all local government officials to rethink how and why they spend tax dollars. They’ll find themselves explaining things a whole lot more to the folks paying the freight. Two to four years is a long time to wait for corrections at the ballot box. The Governor’s Plan puts the ability to take corrective action in front of taxpayers every year. **Local control is not local elected officials. Local control is The People!**”

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