PROPERTY TAX RELIEF ANALYSIS, ECONOMIC COMPETITIVENESS & COMMUNITY CAPACITY

Phase 2 Research & Analysis Report

Is Texas Creating the Conditions Necessary for Long-Term Prosperity?

Evidence, Case Studies, Comparative Analysis & Policy Framework

A Business Leadership Framework for Texas and East Texas

Longview Chamber of Commerce

Bold Leadership. Future Focused.

Prepared as a working briefing book for board discussion, elected official engagement, coalition alignment, and final report development.

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Executive Summary

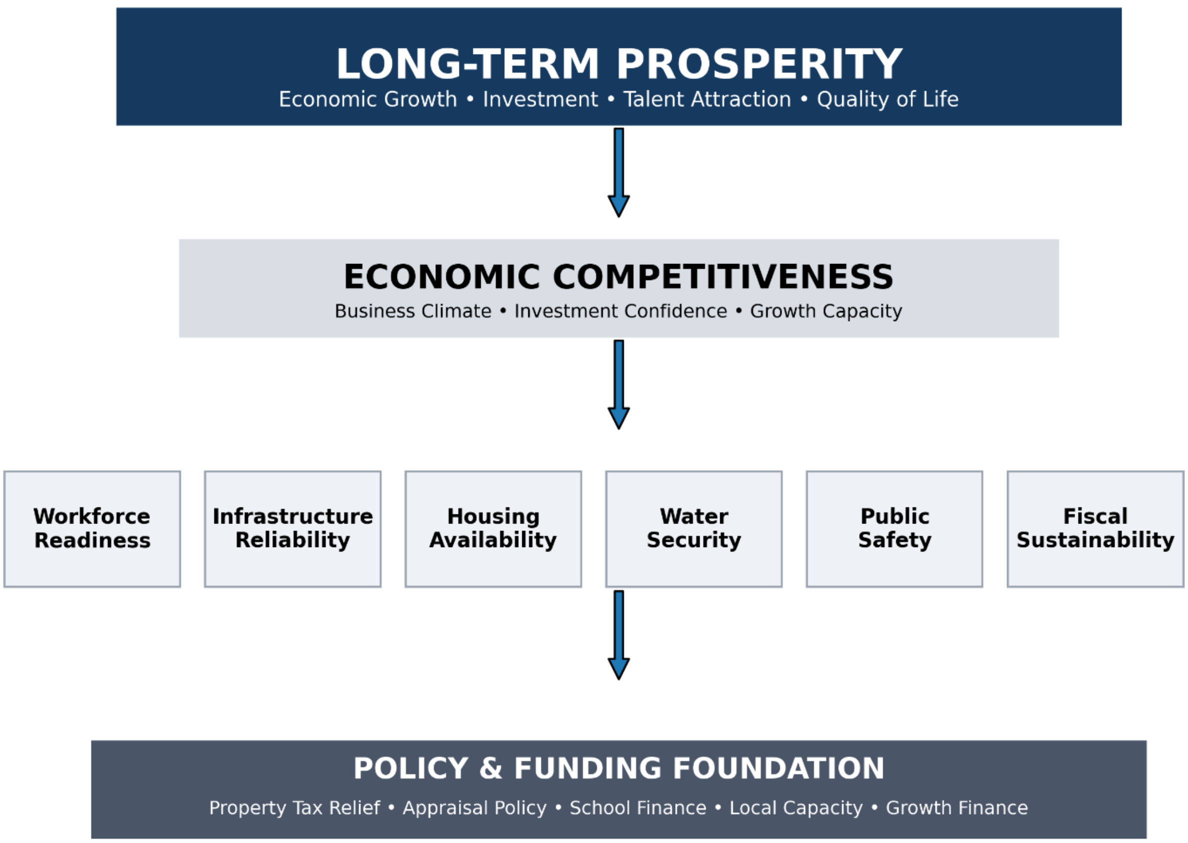
Texas is entering a new phase of the property tax conversation. The debate is no longer solely about tax bills. It is increasingly about whether Texas can provide meaningful taxpayer relief while preserving the workforce systems, infrastructure, water resources, public safety, housing, and fiscal capacity required to support long-term prosperity.

The state has already delivered significant relief through expanded school homestead exemptions, school tax compression, appraisal limitations, business personal property exemptions, and taxpayer process reforms. The next question is how future reforms affect affordability, competitiveness, and long-term fiscal capacity. The next question is whether future reforms create a more affordable, predictable, reliable, sustainable, and growth-ready environment for businesses and communities.

For the Longview Chamber of Commerce, this is ultimately a competitiveness issue. Employers and investors evaluate more than tax rates. They also evaluate workforce quality, infrastructure reliability, water and utility capacity, public safety, housing, development readiness, and the predictability of the operating environment.

The evidence suggests Texas is solving for affordability, especially for homeowners, but the state must also solve for sustainability, valuation predictability, local fiscal capacity, and long-term growth readiness. If future reforms reduce tax burdens while preserving the systems that support growth, Texas strengthens its competitiveness. If reforms create uncertainty, distort values, or narrow local capacity without durable replacement funding, the business climate may become less predictable over time.

This Phase 2 report provides the research, evidence, comparative analysis, and strategic context supporting future business leadership discussions. It organizes the issue into six systems that shape long-term prosperity: taxpayer relief, property valuation and appraisal policy, school finance and workforce competitiveness, municipal and county capacity, growth and infrastructure readiness, and business competitiveness. Each system includes evidence, case studies, comparative state lessons, policy analysis, identified risks, and questions for further evaluation.


LONG-TERM PROSPERITY
Economic Growth • Investment • Talent Attraction • Quality of Life
ECONOMIC COMPETITIVENESS
Business Climate • Investment Confidence • Growth Capacity
Workforce Readiness
Infrastructure Reliability
Housing Availability
Water Security
Public Safety
Fiscal Sustainability
POLICY & FUNDING FOUNDATION
Property Tax Relief • Appraisal Policy • School Finance • Local Capacity • Growth Finance

Why This Report Exists

Property tax reform is the catalyst for this discussion, but it is not the destination.

The Longview Chamber developed this report because business leaders increasingly face a broader question:

Are Texas and East Texas creating the conditions necessary for long-term prosperity?

Tax policy influences those conditions, but so do workforce readiness, educational quality, infrastructure reliability, water security, housing availability, public safety, fiscal sustainability, and leadership capacity.

This report uses property tax policy as a lens through which to examine those interconnected systems and evaluate how future reforms may influence regional competitiveness.

The purpose is not to advocate for a predetermined outcome.

The purpose is to help business leaders evaluate whether future policies strengthen or weaken the conditions required for long-term prosperity.

Why This Matters to East Texas

While property tax policy is debated at the state level, its consequences are experienced locally.

East Texas communities compete every day for investment, talent, housing, infrastructure funding, healthcare resources, and economic opportunity. The Longview trade area is positioned for continued growth. Manufacturing expansion, healthcare investment, logistics, technology, energy, housing development, and workforce development initiatives all depend on the region's ability to maintain the conditions necessary for long-term competitiveness.

Property tax reform influences those conditions. Decisions regarding exemptions, appraisal policy, state replacement funding, local revenue flexibility, and growth financing affect more than tax bills. They affect workforce readiness, infrastructure reliability, public safety, water capacity, housing availability, and the ability of communities to prepare for future growth.
The purpose of this report is not to advocate for a predetermined tax outcome.

The purpose is to evaluate whether current and future reforms strengthen or weaken the conditions required for long-term prosperity in East Texas.

For business leaders, the question is not simply whether taxes are lower.

The question is whether Texas and East Texas are creating the conditions necessary for long-term prosperity. Those conditions include affordability, predictability, workforce readiness, infrastructure reliability, water security, housing availability, public safety, fiscal sustainability, and the capacity to support future growth.

Bottom Line for Business Leaders

- Taxpayer relief matters.
- Predictability matters.
- Community capacity matters.
- Competitiveness requires all three.

The strongest business position is not taxpayer relief versus public investment. The strongest business position is taxpayer relief supported by the workforce systems, infrastructure, public safety, housing, water resources, and fiscal capacity necessary to sustain long-term growth.

Purpose of This Research Report

This report is intended to serve as the research and analytical foundation for future business leadership discussions regarding property tax relief, community capacity, and long-term competitiveness. It is designed to help Chamber leaders, board members, business investors, elected officials, and coalition partners move beyond talking points and evaluate long-term consequences.

The Phase 2 framework should be used to test assumptions, identify missing data, shape board discussion, inform legislative conversations, and prepare the final publication. The findings presented in this report inform the leadership framework contained in Volume III.

Business Relevance

Property tax policy influences business competitiveness through its effects on workforce readiness, infrastructure, housing, public safety, and long-term investment conditions. Property tax policy influences operating costs, but it also influences workforce readiness, infrastructure investment, housing availability, public safety, and economic development readiness. The business community therefore has an interest not only in taxpayer relief, but in ensuring that the systems supporting economic growth remain competitive over time.

The Six Systems That Shape Long-Term Prosperity

The purpose of this framework is to understand how policy decisions affect the conditions required for long-term prosperity. The purpose is to understand how changes in one system influence every other system. Business leaders should evaluate policy not through a single outcome, but through its impact on the broader conditions required for long-term prosperity.

No single system operates independently. Decisions affecting taxpayer relief influence school finance. School finance affects workforce readiness. Workforce readiness influences economic competitiveness. Economic growth increases demand for housing, infrastructure, water, and public safety. The purpose of this framework is to evaluate the entire system rather than any single policy in isolation.

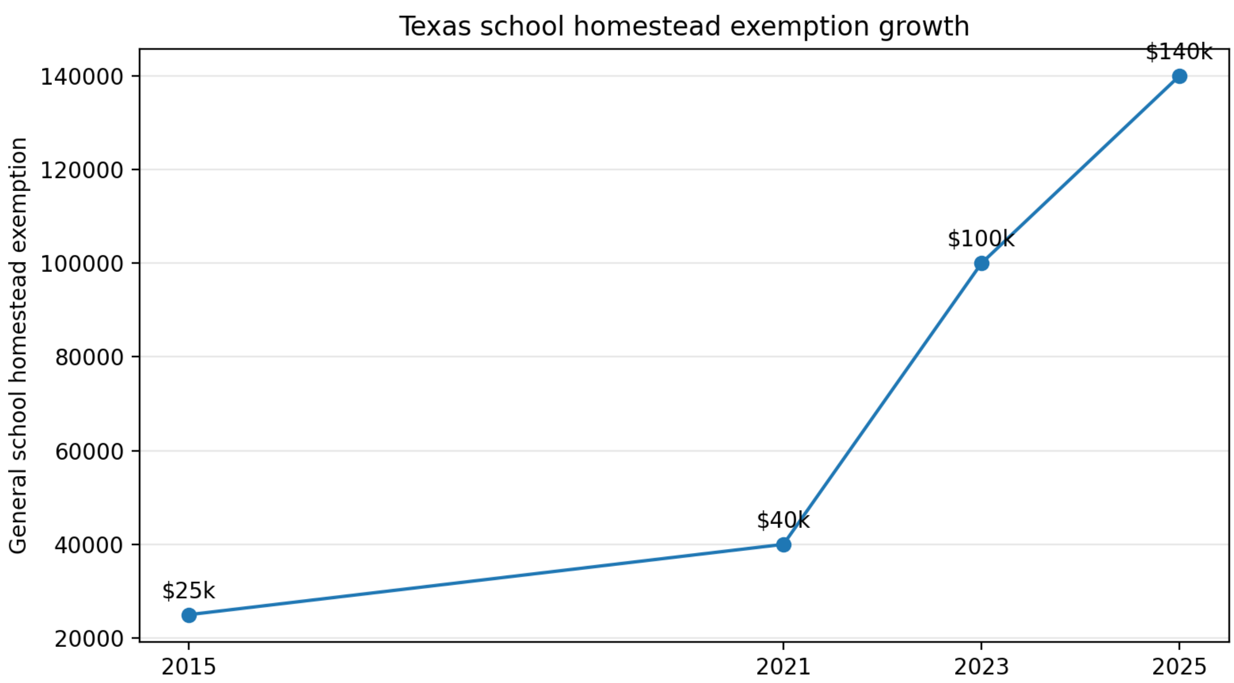
System	Core question	Business relevance	Primary risk if ignored
Taxpayer relief	Who receives relief and how is it measured?	Affordability, workforce attraction, taxpayer confidence	Relief becomes politically visible but fiscally fragile
Valuation and appraisal	Are values predictable, transparent, and fair?	Investment certainty, development feasibility, capital planning	Caps and exemptions create distortions or uneven burdens
School finance	Can education capacity survive funding shifts?	Workforce readiness, CTE, teacher recruitment	Talent pipeline weakens over time
Municipal and county capacity	Can local governments sustain core systems?	Infrastructure, public safety, permitting, roads	Service levels decline or costs shift elsewhere
Growth and infrastructure readiness	Who pays for growth and where?	Site readiness, utilities, housing, mobility	Growth occurs without matching revenue or capacity
Business competitiveness	Does the system create confidence to invest?	Long-term investment, expansion, jobs	Low taxes coexist with low capacity

System One: Taxpayer Relief

Taxpayer relief is the most visible component of the property tax debate, but it is not the only measure of success. The business community benefits when relief improves affordability while preserving the workforce, infrastructure, education, and public safety systems that support economic competitiveness. For business leaders, the key question is not whether relief occurs, but whether relief remains sustainable across multiple economic cycles.

Evidence Base

- Texas has expanded the school homestead exemption repeatedly, from $25,000 in 2015 to $40,000 in 2021, $100,000 in 2023, and $140,000 in 2025.
- The 2023 package included school tax rate compression and a temporary 20 percent appraised-value limitation for certain non-homestead real property.
- The 2025 relief package increased the general school homestead exemption to $140,000 and increased the business personal property exemption to $125,000.
- Because Texas does not levy a state property tax, state action reshapes local tax burdens through school finance statutes, constitutional amendments, and Tax Code changes.



Case Study or Local Application

Longview ISD reports that under the current exemption structure, approximately 78 percent of senior homeowners and 52 percent of all homeowners in the district no longer pay school property taxes. This local example demonstrates that relief is not theoretical. It is already materially changing tax liability for a significant share of homeowners.

Pine Tree ISD currently provides an additional 20 percent Local Option Homestead Exemption. Spring Hill ISD currently provides an additional 15 percent Local Option Homestead Exemption. These local choices further reduce homeowner tax burden, but they also raise questions about long-term hold harmless treatment and state replacement funding.

Comparative State Lessons

- Florida pairs homestead protections with a Save Our Homes assessment limitation and portability, creating taxpayer predictability but also widening differences between long-time owners and new buyers.
- California's Proposition 13 created significant taxpayer predictability through rate and assessment limits, but it also fundamentally changed local revenue systems and created long-term differences between market values and taxable values.
- New York's levy cap focuses on limiting the growth in total tax levy rather than directly capping individual property values, creating a different kind of restraint on local revenue growth.

Policy Analysis

Tax relief can support affordability and confidence, but repeated increases in exemptions and compression also shift more responsibility to state revenue. That creates a sustainability question. If relief depends on strong state revenue cycles, future downturns could create pressure on education, infrastructure, or other statewide priorities.

Business leaders should distinguish between relief that is durable and relief that is only affordable during high-revenue periods.

Risks to Test

- State replacement funding may become harder to sustain during downturns.
- Visible relief may obscure who ultimately pays for local and state service obligations.
- Relief concentrated in one property class may shift pressure elsewhere.

Questions for Business Leaders and Policymakers

- How should Texas measure the success of relief beyond tax bill reduction?
- Which taxpayers benefit most under each proposal?
- What revenue source replaces reduced local property taxes over multiple biennia?
- What happens to replacement funding during a recession or stagnant sales tax period?

Competitiveness Question

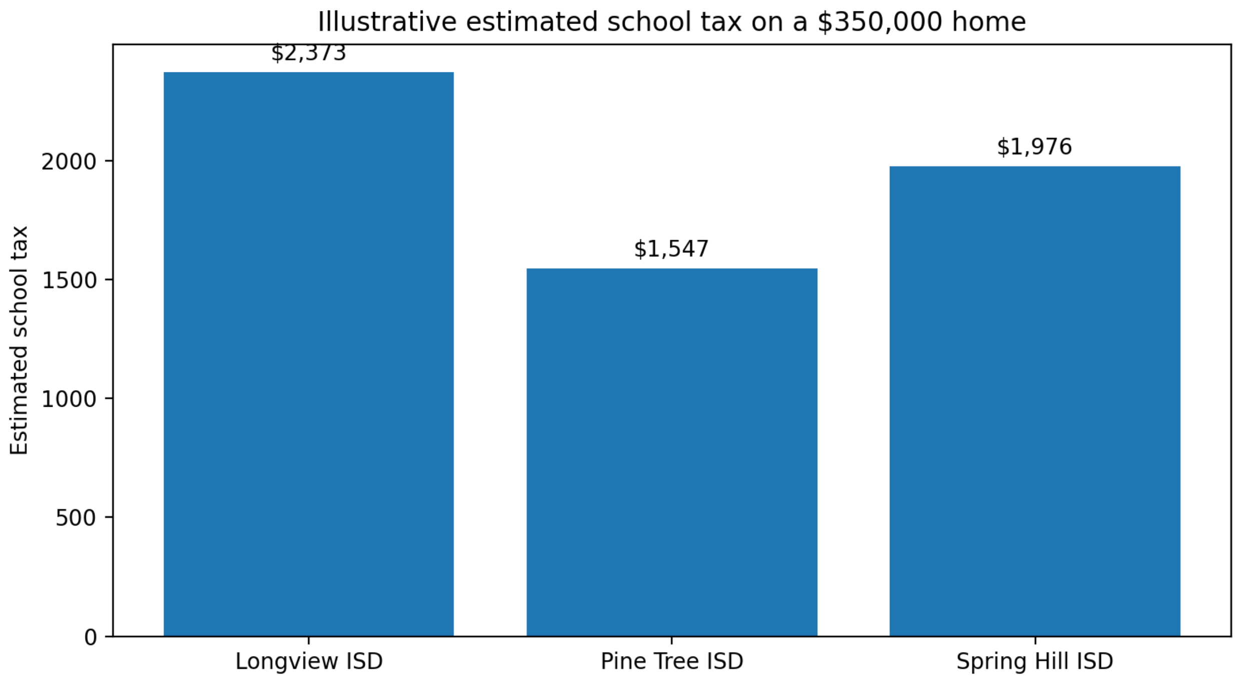
Does this issue strengthen or weaken East Texas' ability to remain affordable, predictable, reliable, sustainable, and growth-ready over the long term?

System Two: Property Valuation and Appraisal Policy

The property tax debate is not only about rates and exemptions. Much of the pressure felt by homeowners and businesses comes from valuation growth and appraisal volatility. For business, the appraisal system shapes investment certainty, lending, development economics, expansion planning, and perceived fairness.

Evidence Base

- Texas law already limits annual increases in appraised value for residence homesteads under the homestead appraisal cap framework.
- Tax Code Section 23.231 limits annual increases in the appraised value of certain non-homestead real property to the lesser of market value or the prior appraised value plus 20 percent and new improvements during the temporary period.
- Appraisal districts determine market value, while taxing units set tax rates. Public confusion often merges with these two functions.
- The Comptroller's Property Tax Assistance Division conducts ratio studies to evaluate appraisal uniformity and appraisal levels by major property category.



Case Study or Local Application

In the Longview-area school tax example, a $350,000 home results in different illustrative taxable values and estimated school taxes across Longview ISD, Pine Tree ISD, and Spring Hill ISD because district tax rates and local exemptions differ. This shows that taxpayer experience is shaped by appraisal value, exemptions, tax rate, and jurisdictional boundaries, not by one variable alone.

Comparative State Lessons

- California demonstrates that strict assessment limits can provide predictability while also creating major gaps between market value and taxable value over time.
- Florida demonstrates that assessment caps can protect existing homeowners while portability attempts to reduce lock-in when residents move.
- New York demonstrates a levy-growth model that focuses on total collections rather than appraisal caps, which may avoid some parcel-level distortions but constrains local fiscal growth.

Why It Matters to Business

Businesses make investment decisions based on future expectations. When property valuation systems become difficult to understand, difficult to predict, or subject to frequent policy changes, uncertainty increases. Predictability is often as important to investment decisions as the actual tax burden.

Policy Analysis

The business issue is not simply whether appraisal caps are good or bad. The issue is whether reforms improve predictability without creating inequity, market distortion, or hidden cost shifts. For commercial and industrial taxpayers, valuation certainty can influence decisions about expansion, redevelopment, equipment investment, and site selection.

A strong appraisal framework should be transparent, administratively consistent, and understandable to taxpayers. If market value and taxable value diverge too far, communities may gain short-term taxpayer relief but lose transparency regarding the real cost of public services and property market dynamics.

Risks to Test

- Caps may improve predictability for capped properties while shifting pressure to uncapped property classes.
- Taxable value may diverge from market value, complicating equity and future revenue planning.
- New businesses and new homeowners may face different burdens than long-time property owners.
- Frequent rule changes may make long-range business planning harder.

Questions for Business Leaders and Policymakers

- Do appraisal caps improve predictability or merely defer tax pressure?
- How do reforms affect commercial, industrial, residential, and rental property differently?
- How should Texas balance predictability with equity and market transparency?
- What data should local appraisal districts and taxing units publish to improve taxpayer understanding?

Competitiveness Question

Does this issue strengthen or weaken East Texas' ability to remain affordable, predictable, reliable, sustainable, and growth-ready over the long term?

System Three: School Finance and Workforce Competitiveness

School finance sits at the center of Texas property tax reform because school district taxes represent the largest portion of many homeowners' property tax bills and school property taxes fund a major share of public education. For business leaders, this is a workforce competitiveness issue.

Evidence Base

- School districts account for more than half of local property tax collections statewide according to the Longview Chamber brief's cited Comptroller context.
- School property taxes support Maintenance and Operations, including instruction, compensation, transportation, utilities, technology, and student services.
- School property taxes also support Interest and Sinking debt for facilities, safety upgrades, CTE facilities, buses, technology infrastructure, and long-term capital needs.
- As local property values rise, state aid formulas may reduce the state's share of M&O funding, meaning higher appraisals do not necessarily create a comparable net operating gain for school districts.

Case Study or Local Application

Longview ISD's validated local data shows substantial relief already occurring: 78 percent of senior homeowners and 52 percent of all homeowners no longer pay school property taxes under the current exemption structure. Pine Tree ISD and Spring Hill ISD provide additional local option exemptions, with Spring Hill noting that future continuation may depend on state hold harmless treatment for revenue impacts.

Comparative State Lessons

- California's experience shows that property tax limitations can increase state responsibility for school finance and alter the relationship between local property wealth and education funding.
- New York's school levy cap provides taxpayer restraint while requiring school districts to operate within levy limits unless overridden by voters.
- States that reduce local school property taxes must identify durable replacement revenue or accept pressure on school operating and capital capacity.

Business Reality

For employers, school finance is not primarily an education issue. It is a workforce issue. The quality of a region's talent pipeline influences business attraction, expansion decisions, entrepreneurship, innovation, and long-term economic growth.

Policy Analysis

The Chamber's strongest business argument is that school finance is workforce policy. Tax relief must be paired with a durable education funding structure that supports teacher recruitment, CTE, career pathways, dual credit, technology, and facility modernization. A community can have lower school taxes and still weaken its long-term competitiveness if talent pipelines erode.

The key business test is whether reforms improve affordability while preserving workforce readiness over multiple economic cycles.

Risks to Test

- Replacement funding may not keep pace with operating costs, enrollment changes, capital needs, or workforce competition.
- Debt capacity and capital planning could be constrained if I&S revenues or taxpayer appetite for bonds are affected.
- Education funding debates may become increasingly dependent on volatile state revenue sources.

Questions for Business Leaders and Policymakers

- How will state replacement funding be guaranteed across economic cycles?
- How will reforms affect teacher recruitment, CTE, and facility modernization?
- What happens if local option exemptions are eliminated due to lack of hold harmless treatment?
- How should business leaders evaluate school finance as part of workforce competitiveness?

Competitiveness Question

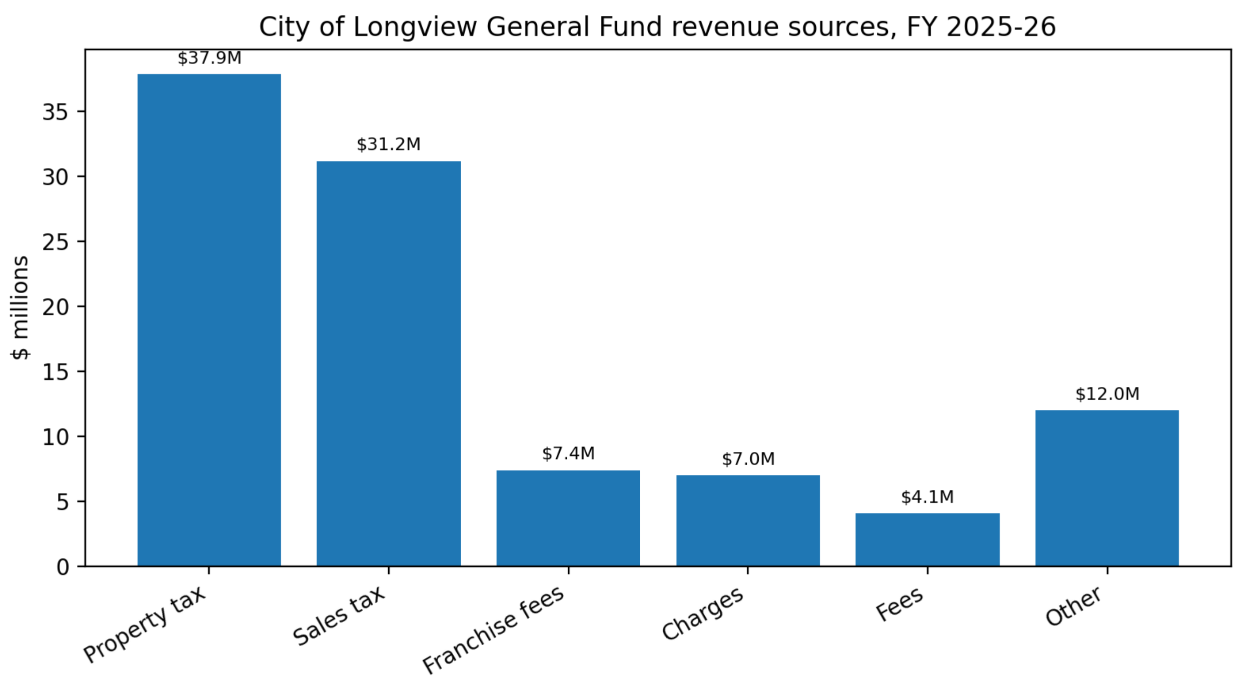
Does this issue strengthen or weaken East Texas' ability to remain affordable, predictable, reliable, sustainable, and growth-ready over the long term?

System Four: Municipal and County Capacity

Cities and counties operate many of the systems that businesses depend upon every day. Roads, public safety, permitting, utilities, emergency response, planning, and infrastructure maintenance all contribute to economic competitiveness. The business question is whether future reforms preserve the capacity necessary to maintain those systems.

Evidence Base

- The City of Longview FY 2025-26 General Fund totals approximately $99.8 million.
- Property tax contributes approximately $37.9 million and sales tax contributes approximately $31.2 million to the General Fund.
- Public safety operations total approximately $63.9 million, and Public Works operations total approximately $7.6 million.
- The City supports 941 authorized positions, including 444 positions in public safety and 217 in public works.
- Gregg County's FY 2026 adopted budget projects property tax collections increasing by approximately $3.36 million, driven in part by new construction and expanded values.



Case Study or Local Application

Longview illustrates the municipal capacity question. Property tax revenue does not fund abstract government. It supports police, fire protection, streets, permitting, infrastructure, technology, and the workforce required to deliver services. Gregg County illustrates the regional competitiveness question through roads, bridges, courts, law enforcement, emergency response, and freight corridors that support manufacturing, logistics, and distribution.

Businesses often experience local government through outcomes rather than budgets. Safe streets, reliable infrastructure, efficient permitting, emergency response, transportation networks, and utility reliability all influence economic competitiveness. Capacity should therefore be evaluated through the services businesses rely upon rather than through spending levels alone.

Comparative State Lessons

- New York's levy cap shows how limits on total property tax growth can operate as effective spending limits for local governments and schools.
- Colorado's TABOR model shows how revenue limits tied to population and inflation can require refunds or voter approval unless governments receive authorization to retain revenue.
- California's Proposition 13 demonstrates that major property tax constraints can have long-term consequences for local revenue structure and state-local fiscal relationships.

Policy Analysis

The business issue is not whether local governments should be efficient. They should. The issue is whether tax reform preserves enough local capacity to maintain the systems that support business operations and investment. The most constructive business position is to support accountability and relief while also insisting that infrastructure, public safety, and development readiness remain competitive.

Risks to Test

- Service demands may rise faster than revenue tools.
- Cities and counties may rely more heavily on fees, sales tax, partnerships, or deferred capital replacement.

- Public safety and infrastructure staffing may become harder to sustain in tight labor markets.
- Economic growth may appear strong while operating budgets remain under structural pressure.

Questions for Business Leaders and Policymakers

- What services are most critical to business competitiveness?
- What level of local fiscal flexibility is needed to compete for talent and maintain infrastructure?
- How will cities and counties fund service demands created by regional growth?
- Where can efficiency, transparency, and capacity be advanced together?

Competitiveness Question

Does this issue strengthen or weaken East Texas' ability to remain affordable, predictable, reliable, sustainable, and growth-ready over the long term?

System Five: Growth and Infrastructure Readiness

Growth creates demand before it creates revenue. This is especially important in Texas because development increasingly occurs outside city limits, in ETJs, and along regional corridors. Property tax reform should be evaluated alongside growth management, infrastructure finance, water capacity, and regional planning tools.

Central Question

Growth is often celebrated, but growth without capacity can create new challenges. The central question is whether Texas possesses the financing tools necessary to align growth with infrastructure, housing, workforce, water, and public service demands.

Evidence Base

- The Longview Chamber brief identifies a growing fiscal disconnect: development can occur outside city limits while still depending on city-centered infrastructure, workforce systems, transportation corridors, and economic activity.
- Annexation reforms beginning with Senate Bill 6 in 2017 materially changed municipal authority over annexation and long-term ETJ planning in many Texas communities.
- Properties can leave ETJs and annexation authority has narrowed, creating new questions about who plans, funds, and maintains infrastructure for growth.

- Fiscal consequences can include traffic demand, utility extension pressure, emergency response complexity, planning workload, and housing demand without proportional municipal revenue.

Case Study or Local Application

For Longview and the broader East Texas trade area, growth pressures may emerge along industrial, logistics, residential, and infrastructure corridors. If growth occurs outside municipal boundaries while demand still flows back to city-centered systems, businesses inside city limits may indirectly support regional systems without proportional revenue alignment.

Comparative State Lessons

- Fast-growing states commonly face a local growth finance problem: infrastructure needs appear before tax base, and service areas do not always match jurisdictional boundaries.
- States and regions use different tools, including special districts, impact fees, revenue sharing, service agreements, municipal utility districts, and regional infrastructure authorities.
- The lesson is not that one tool fits all communities. The lesson is that growth requires a financing architecture.

Policy Analysis

For business leaders, growth readiness is not optional. Site selectors and investors evaluate whether transportation, utilities, water, housing, workforce, and public safety can support investment. Property tax reform that narrows local flexibility without modernizing growth finance may unintentionally weaken capacity in precisely the communities attracting growth.

A pro-business approach should encourage modern infrastructure finance tools that align growth with long-term public investment.

Risks to Test

- Growth outside city limits may increase service demand without matching revenue.
- Infrastructure may lag development, creating congestion, utility constraints, and public safety challenges.
- ETJ and annexation reforms may weaken coordinated planning unless alternative tools are created.

- Businesses may face delays or higher costs if site readiness falls behind growth.

Questions for Business Leaders and Policymakers

- How should Texas finance growth outside municipal boundaries?
- What regional service or revenue-sharing tools should be explored?
- How should infrastructure impact agreements or special districts be structured to protect competitiveness?
- What role should business leaders play in identifying growth-ready corridors?

Competitiveness Question

Does this issue strengthen or weaken East Texas' ability to remain affordable, predictable, reliable, sustainable, and growth-ready over the long term?

System Six: Business Competitiveness

The ultimate test is whether the policy environment strengthens long-term business competitiveness. Businesses need affordable costs, but they also need predictable rules, reliable infrastructure, skilled workers, safe communities, housing, water, and confidence that growth can be supported over time.

Evidence Base

- The Longview Chamber brief states that tax competitiveness is not simply about paying less. It is about operating in a community that works.
- Businesses compare infrastructure reliability, public safety response, water capacity, workforce pipelines, permitting speed, school quality, and regional growth readiness.
- Sales tax already represents approximately 31 percent of Longview's General Fund revenue, underscoring the role commerce plays in supporting municipal operations.
- Commercial and industrial taxpayers do not experience all property tax reforms equally. Caps, exemptions, and compression can shift burdens, defer costs, or move pressure elsewhere.

Case Study or Local Application

East Texas is pursuing growth in manufacturing, healthcare, logistics, energy, technology, and workforce development. These sectors require more than lower taxes. They require infrastructure, water, talent, housing, safety, and speed. The region's competitiveness will depend on whether state and local policy create the conditions to support long-term investment.

Comparative State Lessons

- California, Colorado, Florida, and New York show that tax limitation systems can create predictability and relief, but each also creates tradeoffs around equity, local flexibility, revenue stability, or state-local fiscal balance.
- The strongest competitive environment is not necessarily the lowest-tax environment. It is the environment where businesses can plan, invest, hire, expand, and rely on public systems that support growth.

Policy Analysis

The business narrative should be clear: support taxpayer relief, demand predictability, protect capacity, and evaluate reforms based on long-term competitiveness. The Chamber should avoid framing the issue as a binary choice between taxpayer relief and community capacity. The better frame is whether Texas is building a system that remains affordable and growth-ready. The better frame is whether Texas is building a system that remains affordable and growth-ready.

Every proposal should be tested against five criteria: affordability, predictability, reliability, sustainability, and capacity.

Risks to Test

- Short-term tax savings may mask long-term capacity erosion.
- Businesses may face higher indirect costs if infrastructure, permitting, public safety, or workforce systems weaken.
- Unstable state replacement funding could create uncertainty for schools and local governments.
- A narrow tax-only narrative may miss the conditions that actually drive investment.

Questions for Business Leaders and Policymakers

- Does the proposal improve or reduce predictability for employers and investors?
- Does it strengthen infrastructure reliability and workforce readiness?
- Does it preserve the capacity required for growth?
- Does it make East Texas more competitive in 2035, not just less expensive today?

Comparative State Lessons

Comparative states do not provide a cut-and-paste model for Texas. They do provide useful warnings and design questions.

State	Mechanism	Business benefit	Tradeoff to watch	Texas relevance
California	Proposition 13 limits tax rates and assessment growth	High predictability for existing owners	Large divergence between market and taxable values; state-local fiscal shifts	Assessment limits can create certainty and distortions
Florida	Save Our Homes assessment cap and portability	Predictability for homestead owners with some mobility protection	Differences between long-time owners and new buyers	Caps should be evaluated for mobility and fairness
Colorado	TABOR revenue limits tied to inflation and growth	Taxpayer control and revenue discipline	Budget volatility and voter approval complexity	Revenue limits can function as spending limits
New York	Property tax levy cap tied to lower of 2 percent or inflation	Constrains levy growth for local governments and schools	May limit local flexibility during cost or service pressure	Levy caps affect total capacity, not just tax bills

Competitiveness Question

Does this issue strengthen or weaken East Texas' ability to remain affordable, predictable, reliable, sustainable, and growth-ready over the long term?

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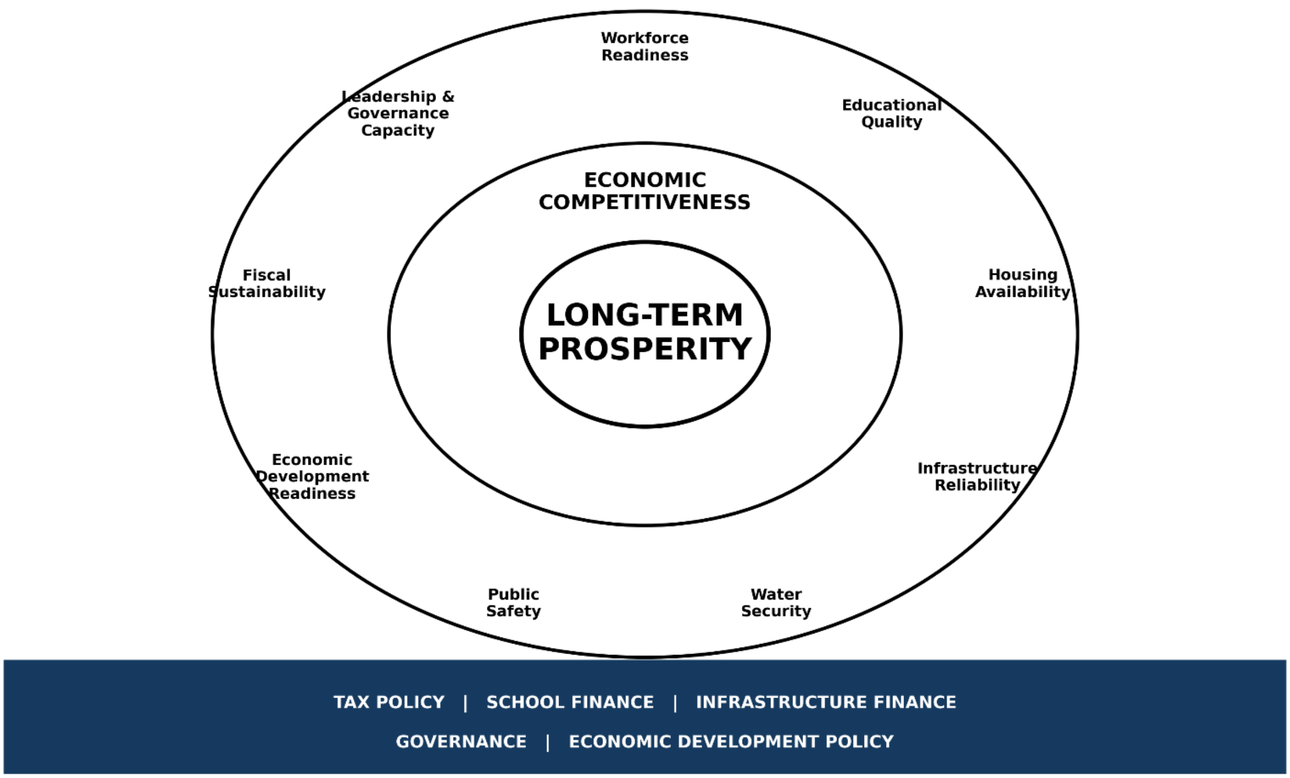
Community Capacity Framework

The Community Capacity Framework serves as the organizing model for this report. While property tax policy is the catalyst for discussion, the ultimate question is whether Texas and East Texas are creating the conditions necessary for long-term prosperity. The sections that follow examine how tax policy, fiscal sustainability, workforce readiness, infrastructure, housing, water resources, governance, and economic competitiveness interact to strengthen or weaken community capacity over time.

EXHIBIT 1: THE COMMUNITY CAPACITY FRAMEWORK



Property Tax Policy Influences Capacity • Capacity Influences Competitiveness • Competitiveness Influences Prosperity

The six systems explored throughout this report ultimately converge on a single question:

Do Texas and East Texas possess the community capacity necessary to support long-term prosperity?

Community capacity is the organizing framework for this report. It provides a business leadership lens for evaluating taxpayer relief, school finance, infrastructure, housing, water, governance, workforce readiness, and economic competitiveness as interconnected systems rather than isolated policy debates.

Businesses invest where communities demonstrate the capacity to support growth, adapt to change, and remain competitive over time.

The purpose of this framework is to connect the individual issues explored throughout this report into a single lens through which business leaders, policymakers, and community stakeholders can evaluate future decisions.

Workforce Readiness

A competitive economy depends upon a skilled, adaptable workforce.

Workforce readiness includes educational attainment, technical skills, career and technical education pathways, workforce training programs, apprenticeships, talent attraction, and labor force participation.

Employers consistently identify workforce availability as one of the most important factors influencing investment and expansion decisions. Communities that fail to develop and attract talent often experience slower economic growth regardless of tax advantages.

Key Question: Can the region produce, attract, and retain the talent needed to support future economic growth?

Educational Quality

Educational systems serve as the foundation of long-term competitiveness.

Educational quality includes student achievement, career readiness, dual-credit opportunities, workforce alignment, teacher recruitment and retention, educational innovation, and the ability to prepare students for a changing economy.

Strong educational systems support workforce readiness, business attraction, entrepreneurship, and long-term economic mobility.

Key Question: Are educational systems positioned to meet the future workforce needs of employers and the region?

Housing Availability

Housing is increasingly a workforce and economic development issue.

Housing availability includes workforce housing, attainable homeownership opportunities, rental housing options, housing diversity, and development readiness.

Communities that lack sufficient housing often experience workforce shortages, recruitment challenges, longer commute times, and reduced economic mobility.

Key Question: Can current and future workers find housing options that meet their needs and support long-term community growth?

Infrastructure Reliability

Infrastructure provides the foundation upon which economic activity occurs.

Infrastructure reliability includes transportation systems, roads, bridges, utilities, broadband, drainage, public facilities, and the maintenance of existing assets.

Businesses depend upon reliable infrastructure to move goods, access customers, support employees, and maintain efficient operations.

Key Question: Does the region possess the infrastructure capacity necessary to support future growth and investment?

Water Security

Water is a strategic economic asset.

Water security includes water supply, treatment capacity, distribution systems, conservation efforts, drought resilience, and long-term planning.

Population growth, industrial expansion, healthcare services, manufacturing, agriculture, and emerging technologies all depend upon reliable water resources.

Key Question: Can the region sustain future growth while maintaining reliable and affordable water resources?

Public Safety

Safe communities are competitive communities.

Public safety includes law enforcement, fire protection, emergency medical response, disaster preparedness, emergency management, and community resilience.

Businesses, residents, and investors seek communities where public safety systems are adequately staffed, equipped, and prepared to respond to emerging challenges.

Key Question: Are public safety systems capable of supporting a growing population and economy?

Economic Development Readiness

Communities must be prepared before opportunities arrive.

Economic development readiness includes site readiness, permitting efficiency, infrastructure availability, utility capacity, workforce alignment, regional collaboration, and strategic planning.

Successful communities often invest years in advance to create conditions that attract future investment.

Key Question: Is the region prepared to compete for future investment opportunities?

Fiscal Sustainability

Long-term competitiveness requires sustainable financial systems.

Fiscal sustainability includes stable revenue sources, responsible budgeting, infrastructure investment, debt management, financial flexibility, and the ability to maintain critical services through economic cycles.

Communities that lack fiscal sustainability may struggle to maintain infrastructure, recruit talent, or respond to changing economic conditions.

Key Question: Can current funding structures support both taxpayer relief and long-term community capacity?

Leadership & Governance Capacity

Strong communities require effective leadership and governance.

Leadership and governance capacity includes strategic decision-making, transparency, accountability, regional collaboration, civic leadership, and the ability to address complex challenges across jurisdictions and sectors.

The most competitive communities often demonstrate a willingness to think beyond immediate issues and focus on long-term outcomes.

Key Question: Do local and regional leaders possess the relationships, governance structures, and decision-making capacity necessary to navigate future challenges?

The Interconnected Nature of Community Capacity

Each component of community capacity influences the others.

Educational quality affects workforce readiness.

Workforce readiness influences economic development.

Economic growth increases demands on housing, infrastructure, water, and public safety.

Fiscal sustainability affects the ability to invest in all of these systems.

As a result, public policy decisions should not be evaluated in isolation. Tax policy, school finance, infrastructure investment, housing development, water planning, and governance decisions all influence the same underlying outcome: a community's ability to remain competitive over time.

The Central Question

The central question explored throughout this report is not whether taxpayer relief should continue.

The central question is whether Texas and East Texas are creating the conditions necessary to maintain and strengthen community capacity over the long term.

Communities that successfully balance affordability, predictability, reliability, sustainability, and growth readiness will be best positioned to attract investment, retain talent, support entrepreneurship, and sustain prosperity.

For East Texas, the challenge is not simply preparing for growth.

The challenge is ensuring the region possesses the capacity necessary to sustain it.

Testing Future Scenarios Through the Community Capacity Lens

A framework for evaluating public policy through the lens of long-term competitiveness and community capacity.

Scenario	Description	Business impact	Signals to monitor
Relief + Capacity	Texas sustains taxpayer relief while protecting infrastructure, workforce, water, schools, and public safety.	East Texas remains affordable and growth-ready.	Durable state backfill, local flexibility, infrastructure investment, stable school capacity
Relief Without Capacity	Tax burdens decline but public systems fall behind growth demands.	Businesses face indirect costs through congestion, slower permitting, workforce gaps, and deferred maintenance.	Capital deferrals, staffing shortages, bond strain, reduced service responsiveness
Fiscal Realignment	Texas develops new tools to reduce property tax dependence while aligning growth with revenue.	New models may support regional competitiveness if transparent and predictable.	Revenue-sharing tools, special districts, impact agreements, sales tax flexibility

Evaluating Property Tax Reform Through a Competitiveness Lens

Use this scorecard to evaluate emerging proposals before the Chamber adopts any formal position.

Table 1: A proposal should not be judged solely by tax reduction. It should be evaluated based on its impact on long-term competitiveness and community capacity.

Test	Question	Positive signal	Warning signal	Data needed
Affordability	Does it provide measurable relief?	Clear savings by taxpayer class	Relief unclear or uneven	Taxpayer impact model
Predictability	Does it improve planning certainty?	Stable formulas and transparent appraisals	Frequent rule changes or valuation distortions	Appraisal trends and taxpayer examples
Reliability	Do core systems continue functioning?	Protected infrastructure and service capacity	Deferred maintenance or service pressure	Capital plans and service metrics
Sustainability	Can funding survive cycles?	Multi-biennium replacement funding	Reliance on one-time surplus or volatile revenue	State revenue stress tests
Capacity	Does it support growth readiness?	Aligns growth with infrastructure tools	Growth without revenue alignment	ETJ and infrastructure finance analysis
Competitiveness	Does it help East Texas compete?	Improves cost and operating environment	Lower taxes but weaker systems	Site readiness and workforce indicators

Core Competitiveness Indicators

The research presented throughout this report consistently points to a core set of indicators that provide insight into long-term competitiveness and community capacity. Collectively, these indicators help assess whether the conditions described throughout this report are strengthening or weakening over time.

Track annually:
- Population growth
- Labor force participation
- Housing starts
- Median wages
- Water capacity
- Infrastructure investment
- Public safety staffing
- Capital investment announcements
- Property tax burden

These indicators are not intended to measure organizational performance or evaluate individual policy decisions. They provide a consistent analytical framework for monitoring the long-term conditions that influence regional competitiveness and community capacity.

East Texas 2036 Scenarios

Scenarios are not predictions. They are tools that help leaders explore how different policy choices, economic conditions, demographic trends, and funding structures may influence future outcomes. Their purpose is to challenge assumptions, identify risks, and improve decision-making under uncertainty.

The following scenarios illustrate several plausible futures for East Texas. None should be viewed as inevitable. Instead, they provide a framework for evaluating how decisions made today may influence the region's competitiveness, capacity, and prosperity over the next decade.

Scenario 1: Competitive Growth

East Texas successfully balances taxpayer relief, workforce development, infrastructure investment, housing availability, water security, and economic development readiness.

Population growth continues at a sustainable pace. Employers find the workforce they need. Housing supply expands to meet demand. Infrastructure investments keep pace with growth. Water systems remain reliable and communities maintain the fiscal capacity necessary to support public safety, education, and quality of life.

Business Impact

- Strong business recruitment and expansion
- Increased capital investment
- Improved workforce attraction and retention
- Expanded housing options
- Reliable infrastructure and utilities
- Enhanced regional competitiveness

Signals to Monitor

- Workforce participation growth
- Housing starts
- Infrastructure investment levels
- Water capacity expansion
- Business formation and investment activity

Scenario 2: Affordability Without Capacity

Texas continues expanding taxpayer relief, but workforce systems, infrastructure, housing, water resources, and local capacity fail to keep pace with growth.

Tax burdens decline, but communities struggle to maintain critical systems. Employers face workforce shortages. Housing becomes constrained. Infrastructure projects are delayed. Water investments lag future demand.

Growth continues while supporting capacity fails to keep pace.

Business Impact

- Increased workforce shortages
- Housing constraints
- Longer permitting timelines
- Infrastructure bottlenecks
- Reduced site readiness
- Higher indirect business costs

Signals to Monitor

- Deferred maintenance growth
- Workforce vacancy rates
- Public safety staffing shortages
- Housing affordability deterioration
- Water project delays

Scenario 3: Fiscal Realignment

Texas continues pursuing taxpayer relief while developing new approaches to growth finance, infrastructure funding, and local capacity.

Communities increasingly utilize public improvement districts, municipal utility districts, tax increment reinvestment zones, impact fees, regional partnerships, and other financing tools to align growth with investment.

The state's fiscal structure evolves while maintaining a focus on competitiveness and taxpayer affordability.

Business Impact

- Greater use of targeted financing tools
- Increased emphasis on growth-ready infrastructure
- More regional collaboration
- Improved alignment between growth and investment

Signals to Monitor

- Growth finance legislation
- Regional infrastructure partnerships
- Special district utilization
- Public-private investment activity

Scenario 4: Capacity Constraints

Population growth, economic development opportunities, and service demands continue to increase while infrastructure, housing, workforce systems, water resources, and fiscal capacity struggle to keep pace.

Growth opportunities remain available, but communities increasingly face constraints that limit their ability to capitalize on them.

Economic development becomes more difficult because supporting systems have not expanded at the same pace as demand.

Business Impact

- Project delays
- Increased development costs
- Workforce attraction challenges
- Utility and infrastructure limitations
- Reduced competitiveness relative to peer regions

Signals to Monitor

- Infrastructure capacity shortages
- Housing inventory declines
- Water supply constraints
- Workforce participation declines
- Lost economic development opportunities

Key Takeaway

The purpose of these scenarios is to help leaders evaluate decisions under multiple plausible futures and identify the decisions, investments, and policies that increase the probability of Competitive Growth while reducing the risk of Capacity Constraints.

For East Texas, the most important question is not whether growth will occur.
The most important question is whether the region is intentionally building the community capacity necessary to sustain that growth over time.

Business Investment, Tax Competitiveness & Economic Growth

How Property Tax Reform Impacts Employers, Investment, and Economic Growth

Executive Summary

Property tax reform discussions frequently focus on homeowners.

Businesses, however, pay a significant share of property taxes and often experience reforms differently than residential taxpayers.

As Texas continues expanding homestead exemptions, appraisal limitations, and tax compression efforts, business leaders should evaluate an important question: How do property tax reforms influence investment decisions, business competitiveness, economic development, and long-term growth?

The issue is not whether businesses support taxpayer relief.

Most businesses support taxpayer relief. The question is whether reforms create a more predictable, competitive, and investment-ready environment.

The site selector rarely asks a single question about taxes. They ask whether a community provides a predictable operating environment, workforce availability, infrastructure capacity, utility reliability, housing options, and long-term confidence that growth can be supported.

Why Business Leaders Should Care

Property taxes influence:

- Capital investment
- Site selection
- Facility expansion
- Commercial development
- Industrial recruitment
- Housing production
- Retail growth
- Small business operations

- Economic development competitiveness

For many employers, property taxes represent one of the largest recurring operating expenses.

As a result, tax policy directly affects investment decisions.

The Commercial vs Residential Question

One of the most important issues often overlooked in tax reform discussions is how different taxpayer groups experience relief.

Residential taxpayers may receive:
- Homestead exemptions
- Appraisal limitations
- Tax ceilings
- Additional local exemptions

Commercial and industrial properties typically do not receive comparable protections.

This creates an important business question:
As residential relief increases, does a larger share of the tax burden shift toward commercial and industrial property owners?

Understanding Business Property Taxes

Businesses pay taxes on:

Real Property
- Land
- Buildings
- Improvements

Business Personal Property Depending on exemptions and valuation thresholds.

Inventory and Equipment In certain circumstances.

Leasehold Improvements For many commercial operations.

Property tax policy therefore affects businesses differently than individual homeowners.

The Investment Decision Framework

When evaluating locations, businesses typically examine:
- Operating Costs Property taxes Utilities Labor Insurance
- Workforce Availability Labor supply Skills Education Training systems
- Infrastructure Roads Utilities Broadband Transportation
- Predictability Regulatory environment Tax structure Future planning certainty
- The most competitive communities perform well across all categories.

The Predictability Advantage

Businesses consistently rank predictability among the most important economic development factors.

Investors can adapt to:
- Higher costs
- Lower costs
- Market cycles

They struggle to adapt to:
- Uncertainty
- Volatility
- Frequent policy changes
- Unclear future obligations

The business question is therefore not: "Are taxes lower?"

The business question is: "Can we accurately forecast our future costs?"

Economic Development Implications

Property tax policy influences:
- Industrial Recruitment Large facilities evaluate long-term tax obligations.
- Manufacturing Expansion Tax predictability affects capital planning.
- Distribution & Logistics Facility economics are sensitive to recurring costs.
- Technology Investment Data centers and technology projects often analyze long-term tax exposure.
- Healthcare Expansion Property costs affect facility investments.
- Housing Development Builders evaluate project feasibility based on expected tax burdens.

Potential Unintended Consequences

Business leaders should evaluate several potential risks.

Risk 1 Tax Burden Redistribution If residential relief expands without replacement revenue, greater pressure may fall on commercial taxpayers.

Risk 2 Reduced Economic Development Capacity Communities may possess fewer resources to support site readiness and infrastructure.

Risk 3 Infrastructure Constraints Deferred investments may affect competitiveness.

Risk 4 Housing Supply Challenges Growth-related infrastructure may become more difficult to finance.

Risk 5 Investment Uncertainty Frequent policy changes may complicate long-term planning.

Comparative State Lessons

Successful states generally provide:
- Competitive tax structures
- Predictable policies
- Reliable infrastructure
- Strong workforce systems
- Efficient permitting

Businesses evaluate the complete environment, not individual tax rates.

East Texas Business Implications

For East Texas, property tax policy intersects with:
- Manufacturing Existing industrial operations.
- Healthcare Hospital and medical facility expansion.
- Logistics Transportation and distribution investments.
- Retail Commercial corridor development.
- Housing Workforce housing availability.
- Technology Emerging technology and data center opportunities.
- The region's competitiveness depends on balancing affordability with capacity.

Business Competitiveness Scorecard

Future reforms should be evaluated against five questions.

1. Does it improve affordability?
2. Does it improve predictability?
3. Does it support investment?
4. Does it preserve community capacity?
5. Does it strengthen competitiveness?

If the answer is yes across all five categories, the reform is likely to support long-term economic growth.

Strategic Questions For Business Leaders

1. Are we measuring tax relief or competitiveness?
2. How will reforms affect future investment decisions?
3. Are commercial and residential taxpayers being treated equitably?
4. Does the policy improve predictability?
5. Does it strengthen or weaken community capacity?
6. Will East Texas be more attractive to employers ten years from now?

Competitiveness Question

Does this issue strengthen or weaken East Texas' ability to remain affordable, predictable, reliable, sustainable, and growth-ready over the long term?

Conclusion

Property tax reform is often discussed as a taxpayer issue. For business leaders, it is also an investment issue.

The most successful communities will not necessarily be those with the lowest taxes.

They will be the communities that provide the most predictable, reliable, and competitive environment for long-term investment.

The question is not simply how much relief Texas can provide.

The question is whether Texas can continue creating the conditions businesses need to invest, expand, hire, and grow.

Growth Finance: Who Pays for Growth?

The Growth Financing Challenge

Executive Summary

One of the least discussed questions in Texas public policy is also one of the most important: Who pays for growth?

Population growth creates demands for roads, water systems, public safety, schools, parks, utilities, housing, and transportation infrastructure.

While growth expands the tax base over time, infrastructure investments are often required before revenue is realized.

As East Texas continues pursuing economic growth and investment, policymakers, business leaders, and taxpayers must consider how future growth should be financed.

Why This Matters to East Texas

East Texas is actively pursuing industrial investment, housing growth, healthcare expansion, logistics development, workforce development initiatives, and emerging technology opportunities. Each of these opportunities creates infrastructure demands that frequently occur before corresponding revenues are realized.

New manufacturing facilities require transportation capacity, utilities, public safety support, and workforce infrastructure. Housing growth creates demand for roads, water systems, drainage, parks, and public services. Healthcare expansion requires supporting infrastructure and workforce investments. Emerging technology and industrial projects may require significant utility and site readiness investments long before tax revenues fully materialize.

The region's long-term competitiveness will depend on whether growth and infrastructure financing remain aligned. Communities that successfully connect growth with capacity are more likely to attract investment, support employers, and sustain economic prosperity over time.

The central question is whether the region possesses the financial tools, governance structures, and long-term planning capacity necessary to support growth as it occurs.

Business Leadership Question

Growth is often celebrated as a sign of success. However, growth that outpaces infrastructure, housing, workforce systems, water resources, or public services can create new constraints on competitiveness. Business leaders should evaluate whether the region's growth financing tools are sufficient to support future expansion without creating capacity gaps.

The Traditional Model

Historically, growth-related infrastructure has been funded through a combination of:
- Property taxes
- Sales taxes
- Bonds
- State and federal grants
- Utility revenues
- Development fees

This model assumes that growth eventually generates sufficient revenue to support the services and infrastructure required.

Emerging Challenges

Several trends are disrupting this model:
- Increasing taxpayer demand for relief
- Infrastructure replacement costs
- Population growth
- Housing demand
- Water investment requirements
- Development occurring outside traditional municipal boundaries

Funding Tools Used Across Texas

Communities utilize a variety of mechanisms to fund growth.
Municipal Utility Districts (MUDs) - Allow infrastructure costs to be financed by new development rather than existing taxpayers.

Public Improvement Districts (PIDs) - Fund public improvements through assessments on benefiting properties.

Tax Increment Reinvestment Zones (TIRZs) - Capture future tax growth to fund infrastructure investments.

Impact Fees - Require new development to contribute toward infrastructure expansion.

Utility Revenue Financing - Allows growth-related infrastructure to be funded through user fees.

Strategic Questions

- Should existing taxpayers fund growth?
- Should growth pay for itself?
- How should costs be allocated among taxpayers, developers, and future residents?
- What funding tools are most appropriate for East Texas?

Business Perspective

The key question is whether communities possess sustainable financing mechanisms to support growth.

Competitiveness Question

Does this issue strengthen or weaken East Texas' ability to remain affordable, predictable, reliable, sustainable, and growth-ready over the long term?

State Fiscal Capacity & Sustainability

Can Texas Sustain Property Tax Relief?

A Business Perspective on Long-Term Fiscal Capacity

Executive Summary

Over the past decade, Texas has delivered historic property tax relief through school tax compression, homestead exemption increases, business property tax exemptions, and appraisal reforms.

Much of that relief has been achieved by shifting a larger share of public education funding responsibility from local property taxpayers to the State of Texas.

As policymakers consider future tax relief proposals, a critical question emerges:

Can Texas continue buying down local property taxes while maintaining the workforce systems, infrastructure, education, public safety, and economic development capacity necessary for long-term competitiveness?

For business leaders, this is ultimately a sustainability question.

The Shift from Local Funding to State Funding

Historically, local property taxes funded a significant share of public education and local government services.

Recent reforms have increasingly shifted that responsibility toward state revenues through:

- School tax compression
- Homestead exemption increases
- Hold harmless provisions
- School finance formula adjustments

As local taxpayers pay less, state taxpayers assume a larger share of the obligation.
The long-term sustainability of this model depends on the continued strength of state revenues.

Understanding Texas Revenue Sources

Texas does not levy a personal income tax.

As a result, the state's ability to fund property tax relief depends heavily upon several primary revenue sources.

Why This Matters to Business

Businesses value affordability. They also value predictability. The sustainability of property tax relief matters because employers make investment decisions that often span decades. If relief depends upon revenue sources that become unstable during economic downturns, future uncertainty may affect the business climate. The question for business leaders is whether the underlying funding model remains sustainable through future economic cycles.

Sales Tax

The Texas sales tax remains the largest source of state-generated tax revenue.

Strengths:

- Broad-based
- Benefits from population growth
- Benefits from consumer spending

Risks:

- Sensitive to recessions
- Sensitive to changes in consumer behavior
- Growth may slow as the economy matures

Key Consideration:

Can future sales tax growth continue replacing local property tax revenues?

Oil & Gas Severance Taxes

Texas benefits from significant oil and natural gas production.

Strengths:

- Major contributor during strong energy markets
- Supports Economic Stabilization Fund (Rainy Day Fund)

Risks:

- Commodity price volatility
- Global market fluctuations
- Energy transition pressures

Key Consideration:

Should long-term tax relief rely on one of the most cyclical revenue sources in the state economy?

Franchise Tax

The franchise tax provides another significant revenue source.

Strengths:

- Tied to business activity
- Broad economic participation
- Energy transition

Risks:

- Sensitive to economic slowdowns
- Legislative pressure for future reductions

Key Consideration:

How much future growth can realistically be expected from this source?

Federal Funding

Federal dollars support transportation, healthcare, education, and infrastructure programs.

Strengths:

- Supports major investments
- Reduces pressure on state resources

Risks:

- Not guaranteed
- Subject to federal policy changes
- Cannot be relied upon for ongoing operational funding

Key Consideration:

How much future state planning assumes continued federal support?

Key Assumptions Behind Continued Property Tax Relief

The Core Sustainability Question

The question is no longer whether Texas can provide property tax relief. Texas has demonstrated that it can. The more important question is whether Texas can sustain meaningful taxpayer relief while continuing to invest in the workforce, education, transportation, water infrastructure, public safety, healthcare, and other systems that support long-term economic competitiveness.

The sustainability of the current model depends on several assumptions.

Assumption 1: State revenues continue growing.
Assumption 2: Population growth remains strong.
Assumption 3: Texas continues attracting employers and investment.
Assumption 4: Future legislatures maintain replacement funding commitments.
Assumption 5: Infrastructure, water, healthcare, and education obligations remain manageable.

The sustainability of property tax relief will ultimately depend on whether Texas can continue balancing taxpayer affordability with the investments required to support a growing and competitive state.

Stress Testing the System

The purpose of stress testing is not to predict the future. It is to evaluate how a system performs when assumptions change.

Businesses routinely stress test strategic plans, financial models, and investment decisions against multiple future conditions. Public policy should be evaluated the same way. The long-term sustainability of property tax relief depends not only on today's fiscal conditions, but also on how the state's funding model performs during periods of economic change, slower growth, or increased service demands.

The following scenarios illustrate several conditions that could affect the state's ability to sustain both taxpayer relief and community capacity over time.

Scenario A: Texas Recession

Conditions

- Consumer spending declines
- Sales tax collections soften
- Business investment slows
- Franchise tax receipts decline

Potential Outcome

State revenues become constrained while replacement funding obligations remain.

Key Consideration

Can Texas maintain relief commitments during an economic downturn?

Scenario B: Flat Sales Tax Growth

Conditions

- Population growth slows
- Consumer spending moderates
- Retail activity stabilizes

Potential Outcome

Property tax replacement obligations continue growing while revenue growth slows.

Key Consideration

What happens if revenue growth no longer outpaces funding commitments?

Scenario C: Oil & Gas Downturn

Conditions

- Commodity prices decline
- Production slows
- Severance tax collections fall

Potential Outcome

Reduced contributions to state reserves and reduced fiscal flexibility.

Key Consideration

How much future capacity depends on energy markets remaining strong?

Scenario D: Continued Population Growth

Conditions

- Texas continues adding residents
- Workforce demand increases
- Infrastructure needs increase
- School enrollment expands in growth markets

Potential Outcome

Demand for services grows faster than available funding.

Key Consideration

Can Texas maintain relief while funding growth-related investments?

Emerging Capacity Pressures

The sustainability of taxpayer relief is influenced not only by revenue growth, but also by the growing demands placed on the systems that support economic competitiveness and quality of life.

Even under favorable fiscal conditions, Texas continues to face increasing obligations associated with population growth, economic expansion, aging infrastructure, and rising service expectations.

Several areas warrant particular attention.

Water Infrastructure

Texas faces significant long-term investment needs to secure future water supplies, modernize infrastructure, and support continued residential, commercial, agricultural, and industrial growth.

Transportation Infrastructure

Population growth and economic development continue to increase demands on transportation networks, requiring ongoing investment in capacity, maintenance, mobility, and freight movement.

Workforce Development

Long-term competitiveness depends upon a skilled and adaptable workforce. Continued investment in education, workforce training, career pathways, and talent attraction remains essential to supporting future economic growth.

Public Safety

Communities continue to experience rising personnel, equipment, technology, and operational costs associated with maintaining effective public safety services.

Healthcare

Healthcare workforce shortages, provider access challenges, and increasing service demands continue to create pressure on healthcare systems across Texas, particularly in many rural and regional communities.

Key Consideration

The central question is whether future funding structures can support both meaningful taxpayer relief and the investments necessary to maintain long-term community capacity and economic competitiveness.

What Business Leaders Should Monitor

Leading indicators include:

- State sales tax collections
- Economic Stabilization Fund balances

- Oil and gas severance tax collections
- Franchise tax collections
- State budget surpluses or deficits
- School finance replacement costs
- Transportation funding needs
- Water infrastructure commitments
- Workforce development investments

Monitoring these indicators provides insight into the long-term sustainability of tax relief.

Sustainability Scorecard

Future property tax proposals should be evaluated against five questions.

1. Affordability - Does it provide meaningful relief?
2. Predictability - Can taxpayers and communities plan around it?
3. Sustainability - Can it survive economic cycles?
4. Capacity - Does it preserve growth readiness?
5. Competitiveness - Does it strengthen Texas' long-term position?

Strategic Implications for East Texas

East Texas is pursuing growth in:

- Manufacturing
- Healthcare
- Logistics
- Technology
- Energy
- Workforce development

Future competitiveness depends on more than tax relief.

It depends on maintaining the infrastructure, workforce systems, educational capacity, public safety, housing, and utilities required to support investment.

The business community should therefore evaluate tax policy not only through the lens of affordability, but also through the lens of sustainability.

Competitiveness Question

Does this issue strengthen or weaken East Texas' ability to remain affordable, predictable, reliable, sustainable, and growth-ready over the long term?

Conclusion

Texas has demonstrated a strong commitment to taxpayer relief.

The next challenge is ensuring that relief remains sustainable.

The question is not whether property tax relief should continue.

The question is whether the underlying funding model can continue supporting both relief and growth.

For business leaders, the most important issue may not be today's tax bill.

It may be whether Texas is creating a fiscal framework capable of supporting long-term competitiveness, community capacity, and economic prosperity.

The future of Texas depends not only on what taxpayers save.

It depends on whether the systems that support growth remain strong.

Water, Infrastructure & Future Obligations

The Capacity Challenge

Executive Summary

Water is increasingly becoming one of the defining economic competitiveness issues facing Texas. Communities that secure reliable water supplies will be positioned for future growth. Communities that fail to do so may face limitations on housing, industrial development, energy production, healthcare expansion, and economic opportunity.

Population growth, industrial development, manufacturing expansion, energy production, healthcare growth, and emerging industries such as data centers all depend upon reliable water supplies and infrastructure capacity.

The challenge is determining how those investments will be funded.

Why Water Matters

Water supports:

- Residential growth
- Manufacturing
- Healthcare
- Agriculture
- Energy production
- Technology development

Without adequate water resources, economic growth becomes constrained.

Why This Matters to East Texas

East Texas is actively pursuing industrial expansion, manufacturing growth, healthcare investment, logistics development, housing construction, and emerging technology opportunities. Each of these sectors depends upon reliable water resources and infrastructure capacity. Communities that secure long-term water reliability will possess a significant competitive advantage. Communities that fail to plan for future demand may face constraints on growth, investment, and economic opportunity.

Texas Water Investment Needs

State water planning efforts have identified billions of dollars in future infrastructure requirements related to:

- Water supply
- Distribution systems
- Treatment facilities
- Reservoir projects
- Conservation programs
- System modernization

Infrastructure Beyond Water

Communities must also invest in:

- Roads
- Bridges
- Broadband
- Public safety facilities
- Utility systems
- Drainage infrastructure
- Emergency response systems

The Key Consideration

Can Texas continue expanding tax relief while simultaneously funding historic infrastructure obligations?

Risks

- Deferred maintenance
- Reduced reliability
- Capacity constraints
- Economic development limitations

Business Perspective

Reliable infrastructure is not a luxury.

It is a prerequisite for economic competitiveness.

Housing, Affordability & Workforce Attraction
Understanding the Full Affordability Equation

Executive Summary

Property tax reform is often discussed as a housing affordability solution.
While tax relief can reduce housing costs, affordability is influenced by multiple factors.
The business community should evaluate housing affordability through a broader lens.

Components of Housing Affordability

Affordability is influenced by:
- Housing supply
- Interest rates
- Construction costs
- Insurance costs
- Infrastructure costs
- Land availability
- Regulatory requirements
- Property taxes

Why Housing Matters to Business

Employers increasingly report workforce challenges associated with housing availability.

Workers must be able to:
- Live near employment centers
- Afford homeownership
- Access workforce housing options
- Remain in the community long term

Housing and Economic Competitiveness

Communities with limited housing availability often experience:
- Workforce shortages
- Reduced economic growth
- Recruitment challenges
- Increased commuting costs

Key Questions

- Is tax relief improving affordability?
- Is housing supply keeping pace with demand?
- What barriers limit housing production?
- How should affordability be measured?

Business Perspective

Property taxes are one component of affordability.

Housing supply and market conditions often have a greater long-term impact.

Competitiveness Question

Does this issue strengthen or weaken East Texas' ability to remain affordable, predictable, reliable, sustainable, and growth-ready over the long term?

Governance, Local Control & Decision-Making
Who Should Make Which Decisions?

Executive Summary

Many recent property tax reforms have shifted decision-making authority from local governments toward the state.

This trend raises important questions regarding governance, accountability, flexibility, and economic competitiveness.

The Evolution of Governance

Historically, many fiscal decisions were made locally.

Recent reforms have increasingly involved:
- State-imposed limitations
- State funding replacement mechanisms
- Uniform statewide standards
- Increased state oversight

Benefits of Statewide Approaches

Potential advantages include:
- Consistency
- Taxpayer protections
- Predictability
- Uniformity

Benefits of Local Flexibility

Potential advantages include:
- Responsiveness to local conditions
- Regional competitiveness
- Customized solutions
- Greater adaptability

The Business Perspective

Businesses benefit from:

- Predictability
- Accountability
- Transparency
- Efficient decision-making

The key question is whether the balance between state oversight and local flexibility supports long-term competitiveness.

Strategic Questions

- What decisions should remain local?
- What decisions are best made at the state level?
- How much flexibility should communities retain?
- How can accountability be preserved?

Business Test

The key question is whether decisions are being made at the level most capable of producing competitive outcomes.

Competitiveness Question

Does this issue strengthen or weaken East Texas' ability to remain affordable, predictable, reliable, sustainable, and growth-ready over the long term?

Conclusion

Strong governance systems align authority, accountability, and responsibility.

The most competitive communities are often those with clear governance structures and the flexibility to respond to changing conditions while maintaining long-term fiscal discipline.

Texas Competitiveness Case Studies

What Can East Texas Learn from Other Texas Communities?

Executive Summary

Property tax reform discussions often focus on statewide policy.

However, competitiveness is experienced locally.

Communities compete for:

- Employers
- Workforce talent
- Housing investment
- Infrastructure funding
- Industrial development
- Healthcare resources
- Entrepreneurial activity

The more important question is: "Which communities have successfully balanced affordability, growth, infrastructure, workforce readiness, and long-term community capacity?"

This section examines several Texas communities that have experienced significant growth and identifies lessons applicable to East Texas.

Why Compare Texas Communities?

Comparing Texas to California, New York, or Florida provides useful context.

Comparing Texas communities to other Texas communities provides practical lessons.

Texas communities operate under:

- Similar laws
- Similar tax structures
- Similar school finance systems
- Similar regulatory environments

Differences often result from local decisions regarding growth, infrastructure, workforce development, housing, and long-term planning.

Community Comparison Framework

Each community is evaluated using five competitiveness factors.

1. Affordability - Can residents and businesses afford to locate there?
2. Workforce Readiness - Does the community produce and attract talent?
3. Infrastructure Capacity - Can roads, utilities, and public services support growth?
4. Economic Diversification - Is the local economy resilient?
5. Long-Term Sustainability - Can growth be maintained over time?

Common Characteristics of Competitive Communities

While each Texas community has unique assets and challenges, the strongest performers consistently demonstrate several common characteristics:

- Long-term planning
- Infrastructure investment ahead of growth
- Workforce alignment
- Housing availability
- Regional collaboration
- Diversified economies

The following case studies should be viewed as examples of how communities have approached these challenges rather than models to be copied directly.

Case Study 1 – Frisco

Population Growth - One of the fastest-growing communities in Texas over the past two decades.

Key Characteristics

- Aggressive infrastructure investment
- Strong school systems
- Corporate recruitment
- Public-private partnerships
- Long-range planning

Business Lesson - Frisco demonstrates that competitiveness often results from capacity investments made years before growth occurs.

Key Question - What investments must East Texas make today to support growth ten years from now?

Case Study 2 – McKinney

Key Characteristics

- Managed growth strategy
- Quality-of-life investments
- Transportation planning
- Workforce attraction

Business Lesson - Growth requires intentional planning rather than simply reacting to development pressure.

Key Question - How should East Texas balance growth with infrastructure capacity?

Case Study 3 – Georgetown

Key Characteristics

- Rapid population growth
- Significant housing expansion
- Infrastructure challenges accompanying growth

Business Lesson - Growth creates opportunities but also increases demands on roads, utilities, public safety, and housing.

Key Question - Who pays for growth-related infrastructure?

Case Study 4 - Round Rock, Texas

Key Characteristics

- Economic diversification
- Major employer recruitment
- Strong educational partnerships

Business Lesson - Workforce readiness remains one of the strongest drivers of long-term competitiveness.

Key Question - How can East Texas continue strengthening workforce pipelines?

Case Study 5 - Midland, Texas

Key Characteristics

- Energy-driven economy
- Revenue volatility
- Rapid growth cycles

Business Lesson - Economic concentration can create both opportunity and fiscal risk.

Key Question - How diversified is East Texas compared to other Texas regions?

Case Study 6 - Odessa, Texas

Key Characteristics

- Energy dependence
- Infrastructure pressures
- Workforce challenges

Business Lesson - Strong economic growth does not automatically produce strong community capacity.

Key Question - Are investments keeping pace with growth?

Case Study 7 - Longview, Texas

Key Characteristics

- Regional trade center
- Diverse economic base
- Healthcare hub
- Manufacturing presence
- Transportation assets

Strengths

- Regional workforce center
- Existing infrastructure
- Educational partnerships
- Strategic location

Challenges

- Housing availability
- Workforce attraction
- Infrastructure replacement
- Long-term growth financing

Business Question - What must Longview do to remain competitive over the next twenty years?

Case Study 8 - Tyler, Texas

Key Characteristics

- Healthcare concentration
- Higher education assets
- Regional service center

Business Lesson - Anchor institutions play a significant role in economic competitiveness.

Key Question - How can East Texas better leverage anchor institutions?

Comparative Observations

Several common themes emerge across the case studies. The most competitive Texas communities typically share:

- Strong Workforce Systems
- Education and workforce development are aligned.
- Infrastructure Investment
- Capacity is built before growth arrives.
- Economic Diversification
- No single industry dominates the economy.
- Housing Availability
- Housing supply supports workforce growth.
- Long-Term Planning
- Leaders focus beyond annual budget cycles.
- Public-Private Collaboration
- Business, education, and government work together.

Competitiveness Dashboard

Recommended Metrics for East Texas

- Population Growth
- Workforce Participation
- Median Wage Growth
- Housing Starts
- Infrastructure Investment
- School Performance
- Water Capacity
- Public Safety Staffing
- Business Formation
- Capital Investment Announcements

These indicators provide a more complete picture of competitiveness than tax rates alone.

What East Texas Should Watch

Communities often experience declining competitiveness when:

- Infrastructure lags behind growth
- Workforce pipelines weaken
- Housing becomes constrained
- Public safety staffing falls behind demand
- Water capacity becomes limited
- Growth outpaces planning

These issues often emerge years before measurable economic decline occurs.

Strategic Questions for East Texas

1. Which Texas communities most closely resemble East Texas today?
2. Which communities represent where East Texas hopes to be in 2036?
3. What investments are those communities making today?
4. What risks are they experiencing?
5. What lessons should East Texas adopt or avoid?

Competitiveness Question

Does this issue strengthen or weaken East Texas' ability to remain affordable, predictable, reliable, sustainable, and growth-ready over the long term?

Conclusion

The most competitive communities in Texas are rarely defined by a single policy.

They are defined by their ability to align workforce development, infrastructure, housing, public safety, education, and economic development around a long-term vision.

For East Texas, the challenge is not simply attracting growth.

The challenge is ensuring the region possesses the capacity necessary to sustain it.

Competitiveness is not built through tax policy alone.

It is built through the systems that support prosperity.

Business Principles Emerging from the Analysis

The Longview Chamber of Commerce believes public policy should be evaluated through the lens of long-term economic competitiveness, community capacity, and sustainable growth. The following principles are intended to provide a consistent framework for evaluating future policy proposals and informing future Chamber advocacy discussions.

While individual policy proposals may differ, the business community benefits from a consistent set of principles that can guide decision-making and help evaluate future reforms. They represent the conditions the business community believes are necessary to support long-term competitiveness and prosperity.

1. Support Meaningful Taxpayer Relief

Taxpayer relief remains an important public policy objective. Families, homeowners, employers, and investors benefit from policies that improve affordability and reduce unnecessary financial burdens.

The business community supports efforts that provide meaningful, sustainable relief while preserving the conditions necessary for long-term prosperity.

2. Support Transparent and Predictable Appraisal Systems

Property owners should have confidence in appraisal systems that are understandable, transparent, consistent, and predictable.

Predictability allows businesses and families to make informed investment decisions and plan for the future with greater certainty.

3. Preserve Workforce Readiness and Educational Competitiveness

Education and workforce development are foundational drivers of economic growth.
Public policy should support educational quality, workforce readiness, career and technical education, talent development, and the long-term competitiveness of the region's workforce pipeline.

4. Maintain Infrastructure, Water, and Public Safety Capacity

Economic growth depends upon reliable infrastructure, secure water resources, and effective public safety systems.

Communities must retain the capacity necessary to maintain critical services, support business operations, and accommodate future growth.

5. Encourage Long-Term Fiscal Sustainability

Sound fiscal policy requires balancing current priorities with future obligations. Public policy should promote stable funding structures capable of supporting essential services, infrastructure investment, and economic competitiveness through changing economic conditions.

6. Align Growth with Infrastructure and Service Capacity

Growth should be accompanied by the infrastructure, utilities, housing, transportation systems, and public services necessary to support it.
Communities that align growth with capacity are better positioned to sustain prosperity over the long term.

7. Preserve Local Flexibility While Ensuring Accountability

Texas communities face different opportunities, challenges, and growth patterns.
Public policy should seek an appropriate balance between statewide consistency, local flexibility, transparency, and accountability.

8. Evaluate Reforms Through the Lens of Competitiveness Rather Than Tax Reduction Alone

Tax policy should be evaluated based on its broader impact on workforce readiness, infrastructure reliability, investment attraction, housing availability, educational quality, public safety, and long-term economic competitiveness.

The ultimate objective is not simply lower taxes, but stronger communities and a stronger economy.

9. Measure Success Using Multiple Indicators

Effective policy evaluation requires more than a single metric.

Success should be measured using indicators such as:

- Affordability
- Predictability
- Reliability
- Sustainability
- Community Capacity
- Economic Competitiveness

Considering multiple indicators provides a more complete understanding of policy outcomes and long-term impacts.

10. Focus on Conditions Required for Long-Term Prosperity

The most successful communities create conditions that support investment, innovation, workforce development, entrepreneurship, and economic opportunity over time.
Business leaders should continually evaluate whether policy decisions strengthen or weaken those conditions.

Guiding Principle

The Longview Chamber believes the future of East Texas depends on maintaining an environment that is affordable, predictable, reliable, sustainable, and growth-ready.
The objective is not to choose between taxpayer relief and community capacity.
The objective is to ensure that both advance together in ways that strengthen long-term prosperity, economic competitiveness, and quality of life for future generations.

Early Warning Indicators

Early warning indicators help identify emerging risks before they become constraints on competitiveness and community capacity.

One of the primary responsibilities of business leadership is identifying emerging challenges before they become crises.

Throughout this report, a consistent theme emerges: long-term prosperity depends upon maintaining community capacity. Because community capacity is built over time and can erode gradually, leaders should monitor key indicators that may signal emerging risks to competitiveness, growth readiness, and long-term economic sustainability.

The following indicators are not intended to predict outcomes. Rather, they serve as signals that warrant additional attention, analysis, and discussion.

Workforce Readiness

Potential Warning Indicators:
- Declining labor force participation
- Persistent workforce shortages in critical industries
- Growing skills gaps between employer needs and workforce capabilities
- Teacher recruitment and retention challenges
- Reduced postsecondary attainment or workforce credential completion

Key Question

Is the region producing, attracting, and retaining the workforce necessary to support future growth?

Housing Availability

Potential Warning Indicators:
- Declining housing affordability
- Rising cost-burdened households
- Slowing housing starts
- Limited workforce housing inventory
- Increasing commute distances for workers

Key Question

Can workers at all income levels find housing options that support employment and quality of life?

Infrastructure Reliability

Potential Warning Indicators:

- Deferred maintenance growth
- Utility capacity constraints
- Increasing transportation congestion
- Delayed infrastructure projects
- Aging infrastructure replacement backlogs

Key Question

Is infrastructure investment keeping pace with population and economic growth?

Water Security

Potential Warning Indicators:

- Declining reserve water capacity
- Delayed water infrastructure projects
- Increased drought vulnerability
- Rising treatment and distribution costs
- Industrial or residential growth exceeding available supply planning assumptions

Key Question

Can water resources support future residential, commercial, industrial, and healthcare growth?

Public Safety Capacity

Potential Warning Indicators:

- Public safety staffing shortages
- Increased emergency response times
- Equipment replacement delays
- Growing service demands without corresponding capacity growth

Key Question

Can public safety systems maintain service levels as the region grows?

Fiscal Sustainability

Potential Warning Indicators:
- Increasing reliance on one-time revenues
- Reduced capital investment
- Deferred maintenance growth
- Structural budget imbalances
- Revenue growth failing to keep pace with service demands

Key Question

Can current funding structures support long-term community capacity and competitiveness?

Economic Competitiveness

Potential Warning Indicators:
- Declining business formation
- Slower capital investment growth
- Reduced site competitiveness
- Talent attraction challenges
- Loss of major projects to peer communities

Key Question

Is East Texas becoming more competitive or less competitive over time?

Leadership & Governance Capacity

Potential Warning Indicators:
- Reduced Regional Collaboration
- Increasing project delivery delays
- Difficulty achieving consensus on strategic priorities
- Short-term decision-making replacing long-term planning

Key Question

Are local and regional leaders maintaining the capacity to address increasingly complex challenges?

Why These Indicators Matter

The purpose of monitoring early warning indicators is not to create alarm. The purpose is to strengthen foresight.

Communities rarely lose competitiveness overnight. More often, capacity erodes gradually through a series of small decisions, deferred investments, and unaddressed challenges.
By monitoring these indicators, business leaders can identify emerging risks earlier, ask better questions, challenge assumptions, and help ensure East Texas remains affordable, predictable, reliable, sustainable, and growth-ready for decades to come.

Priority Questions Requiring Additional Research

- Gregg County Appraisal District data on the number and share of senior homeowners and all homeowners paying zero school property taxes by district.
- Five-year appraisal trend analysis for residential, commercial, industrial, and business personal property categories in Gregg County.
- Commercial versus residential impact model for appraisal caps, homestead exemptions, and business personal property exemptions.
- Stress test of state replacement funding under recession, flat sales tax, and high-growth scenarios.
- ETJ and regional infrastructure finance options applicable to East Texas corridors.
- Comparative benchmark of peer Texas regions on infrastructure, workforce, water, tax burden, and site readiness.
- Board-level survey of business priorities: tax relief, infrastructure, workforce, housing, public safety, water, and permitting speed.

What Success Looks Like

Success should be measured by whether Texas and East Texas are becoming more affordable, predictable, reliable, sustainable, and growth-ready over time.

A successful policy environment:
- Supports meaningful taxpayer relief
- Preserves workforce competitiveness
- Maintains infrastructure and water capacity
- Encourages housing availability
- Supports public safety and quality of life
- Creates confidence for long-term business investment

The ultimate objective is long-term prosperity, not tax reduction alone.

Conclusion

This report began with a discussion about property tax relief but ultimately arrived at a broader question:

Are Texas and East Texas creating the conditions necessary for long-term prosperity?

The evidence presented throughout this report suggests that taxpayer relief, workforce readiness, infrastructure reliability, water security, housing availability, public safety, fiscal sustainability, and effective governance are not separate policy issues. They are interconnected components of community capacity.

Property tax relief and affordability matter. But competitiveness depends on more than lower tax bills. Businesses, investors, employers, and families also depend upon reliable infrastructure, a skilled workforce, attainable housing, public safety, water security, and communities that possess the capacity to support growth over time.

The challenge facing Texas is not choosing between taxpayer relief and community capacity. The challenge is ensuring both advance together in a manner that is affordable, predictable, reliable, sustainable, and growth-ready.

For East Texas, growth opportunities continue to emerge across manufacturing, healthcare, logistics, energy, technology, and housing. The critical question is whether the region is intentionally building the workforce systems, infrastructure, water resources, housing capacity, and governance structures necessary to sustain future growth.

Ultimately, the most competitive communities will not be defined by a single tax policy or funding mechanism. They will be defined by their ability to align affordability, workforce readiness, infrastructure, housing, public safety, fiscal sustainability, and long-term planning around a shared vision for prosperity.

The communities that successfully balance affordability with capacity will be best positioned to attract investment, retain talent, support entrepreneurship, and remain competitive for decades to come.

Appendix A: Source Notes

Texas Comptroller of Public Accounts, Property Tax Exemptions and Property Tax Basics: No state property tax; local assessment and administration; exemption framework.

Texas Comptroller, Fiscal Notes, Property Tax Cuts as Large as Texas: 2023 relief package context, homestead exemption increase, school rate compression, and appraised value limitation.

Texas Comptroller, Valuing Property: Tax Code Section 23.231 non-homestead real property appraised value limitation.

Texas Comptroller, Property Tax Today: Ratio study role for appraisal uniformity and appraisal levels.

Texas Governor and Texas legislative materials summarized in Texas State Tax Law Changes Since 2011: 2025 homestead and business personal property exemption changes.

Final Property Tax Relief and Community Capacity Brief, Longview Chamber of Commerce: Longview, Gregg County, LISD/PTISD/SHISD, municipal finance, ETJ, county, and business competitiveness analysis.

Texas State Tax Law Changes Since 2011: Chronology and analysis of property tax and sales tax changes from 2011 through 2026.

California Legislative Analyst Office, Common Claims About Proposition 13: California assessment and property tax limitation context.

Florida Department of Revenue, Save Our Homes Assessment Limitation: Florida assessment cap and portability context.

New York State Comptroller, Real Property Tax Cap: New York levy cap model.
Colorado General Assembly and Legislative Council materials on TABOR: Colorado revenue limitation model.