

**DART'S SALES TAX REVENUES:
A REVIEW AND OUTLOOK**

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Introduction

In addition to the fare box, DART's operations are funded through a one percent sales tax levied by member cities¹ on all retail transactions as permitted by state law. During the 1990s, DART's sales tax receipts grew at a healthy clip. But between 2001 and 2003, taxable sales in the DART service area declined, falling 7.2 percent in 2002 and .02 percent in 2003 (see Table 1 and Figure 1). By contrast, for many non-DART suburban cities, taxable sales continued to expand during the 2001-2003 period, with the most dramatic growth—nearly 26%--occurring in Frisco (see Table 2 and Figure 2).

Table 1

Gross Sales Subject to State Sales Tax – DART Cities

DART Cities	2001	2002	% Change	2003	% Change
Addison	\$1,043,329,608	\$799,363,326	-23.38%	\$790,772,466	-1.07%
Carrollton	1,460,247,722	1,457,882,273	-0.16	1,471,612,860	0.94
Cockrell Hill	2,750,082	2,496,828	-9.21	2,839,310	13.72
Dallas	24,193,577,584	22,375,277,790	-7.52	21,855,940,228	-2.32
Farmers Branch	1,250,189,894	1,220,594,352	-2.37	1,102,653,937	-9.66
Garland	1,607,400,727	1,472,208,909	-8.41	1,423,023,574	-3.34
Glenn Heights	7,446,726	7,885,435	5.89	7,666,833	-2.77
Highland Park	129,615,533	124,446,199	-3.99	126,961,814	2.02
Irving	4,183,422,573	3,710,284,793	-11.31	4,228,989,253	13.98
Plano	3,901,674,343	3,933,807,948	0.82	4,003,020,937	1.76
Richardson	1,976,548,475	1,763,652,241	-10.77	1,862,785,699	5.62
Rowlett	172,680,896	184,438,064	6.81	185,839,270	0.76
University Park	184,272,906	167,367,774	-9.17	151,386,010	-9.55
Total	40,113,157,069	37,219,705,932	-7.21	37,213,492,191	-0.02

Source: Texas State Comptroller of Public Accounts

¹ Current DART members include Addison, Carrollton, Cockrell Hill, Dallas, Farmers Branch, Garland, Glenn Heights, Highland Park, Irving, Plano, Richardson, Rowlett, and University Park.

Figure 1

Annual Percent Change of Gross Sales Subject to State Tax – DART Cities

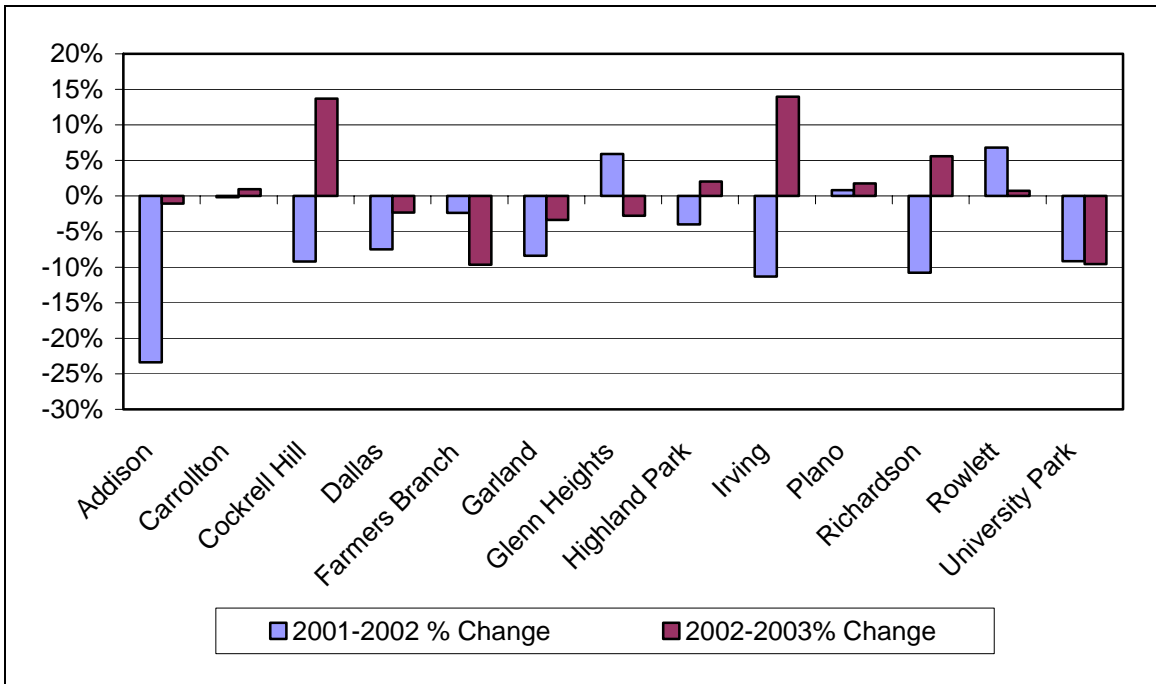


Table 2

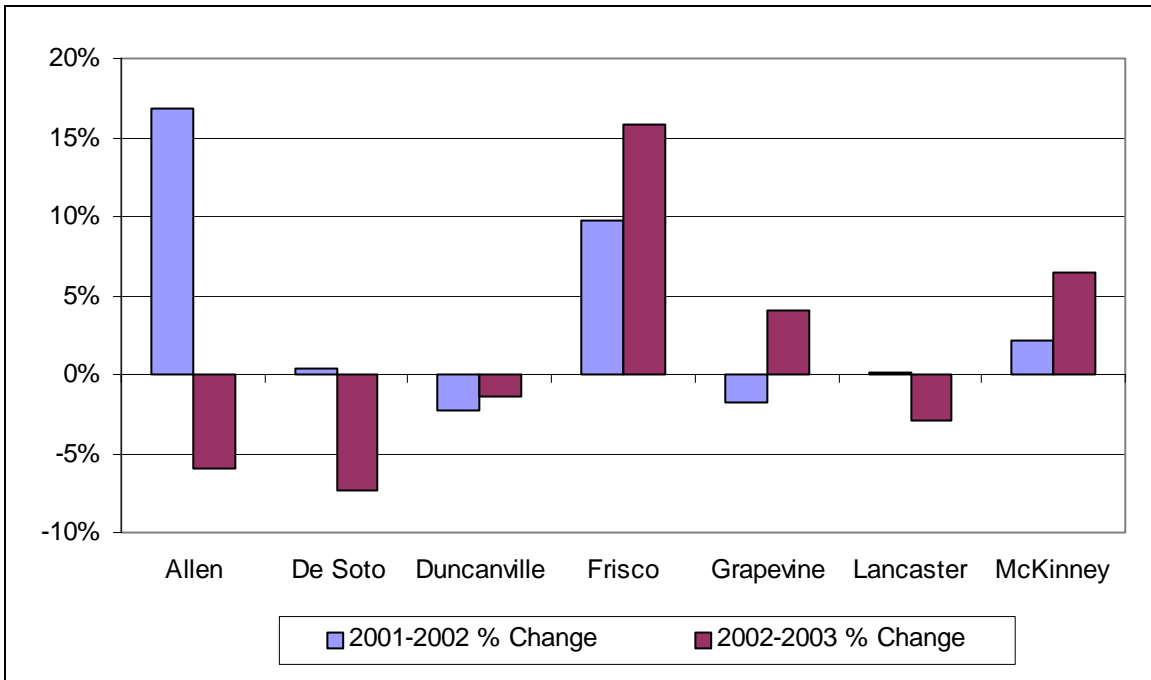
Gross Sales Subject to State Sales Tax – Non-DART Cities

Non-DART Cities	2001	2002	% Change	2003	% Change
Allen	\$510,715,196	\$596,718,034	16.84%	\$561,052,155	-5.98%
De Soto	217,326,013	218,189,873	0.40	202,241,195	-7.31
Duncanville	280,644,622	274,410,455	-2.22	270,588,191	-1.39
Frisco	789,699,722	866,273,604	9.70	1,003,286,752	15.82
Grapevine	1,201,069,757	1,179,278,815	-1.81	1,226,352,530	3.99
Lancaster	146,140,095	146,247,927	0.07	142,062,410	-2.86
McKinney	537,288,055	548,903,472	2.16	584,176,762	6.43
Total	3,682,883,460	3,830,022,180	4.00	3,989,759,995	4.17

Source: Texas State Comptroller of Public Accounts

Figure 2

Annual Percent Change of Gross Sales Subject to State Tax – Non-DART Cities



Several explanations can be offered for these trends: (A) the regional recession of 2001 to 2003; (B) the establishment of new retail and commercial venues outside the DART service area; and (C) the changing regional demographics of the Metroplex. Each is discussed in turn.

A. The regional recession of 2000-2003.

During the 1990s, the Dallas-Fort Worth region was the fastest-growing major metropolitan area in the nation, posting a population gain of nearly 34 percent between 1990 and 2001 (see Table 3). Employment growth was also impressive, with 603,000

jobs added between 1990 and 2002 (see Table 4). But employment actually peaked in the summer of 2001 at 2.88 million. By mid-2003, the Metroplex had lost about 182,000 of these jobs, with 148,000 of these losses recorded in the Dallas PMSA where all of the DART cities are located.

The Dallas-area unemployment rate rose from 2.5% at the end of 2000 to 6.0 % at the end of 2003. With more workers unemployed, less disposable income was in circulation, which, in turn, depressed retail activity. Though job losses during the regional recession occurred across all industries, the information technology sector was hit the hardest, especially telecom. Because tech employment is concentrated in Dallas, Richardson, Garland and Irving, it's not surprising that retail sales fell sharply in these cities. The non-DART cities, not as heavily dependent on IT employment, managed to grow their sales tax base slightly in 2002 and 2003.

Low rates of inflation, combined with falling prices for many consumer durables, have also retarded the growth of sales tax receipts in recent years.

B. The growth of new retail establishments in non-DART cities

With the inexorable northward march of population from the central city of Dallas, rooftops and retail have followed. The expansion of such venues—which add mightily to the sales tax base—has been most pronounced in Frisco, Grapevine and Allen.

Frisco, of course, has made itself into a major retail destination. Stonebriar Mall is the largest in the region and one of the biggest malls in the country. Just about every “big-box” retail establishment in the U.S. has put down roots within shouting distance of

Stonebriar, as have dozens of restaurants and specialty retail stores. In fact, the area encompassed within a half-mile radius of the intersection of Preston Road and State Highway 121 constitutes one of the largest concentrations of retail activity in the nation.

Without question, Frisco has drawn significant retail spending away from North Dallas shopping venues as well as many stores in the northern DART suburbs. The Galleria (Dallas) and Willow Bend (Plano) have both lost business to Stonebriar, which houses most of the upscale department stores found in those two malls. The Valley View Mall (Dallas) has moved down-market with lower price points, reducing the sales tax yields at that location. And the Prestonwood Mall (Dallas) no longer exists.

Grapevine has also emerged as a major retail destination. The Grapevine Mills Mall, with nearly 100 stores, opened in 1997 and has become a magnet for shoppers from across the Metroplex. Bass Pro and other sports-themed big-box stores have chosen to locate close to the mall, and the City has also attracted a dozen automobile dealerships. In 2003 alone, Grapevine added 146 retail establishments to its tax base. According to the Texas Comptroller of Public Account, total retail sales in Grapevine jumped from \$866 million in 1998 to more than \$1.6 billion in 2003.²

Earlier this year, the Gaylord Texan Resort, convention center, and theme park opened in Grapevine. With 1,511 guest rooms, 400,000 square feet of meeting space, shopping/entertainment venues, and restaurants—not to mention proximity to Dallas/Fort Worth International Airport—Gaylord Texan is already drawing visitors and conventions away from Dallas and Irving, the two largest DART cities. Dallas and Irving are both likely to record substantial dips in their convention business, and attendant retail spending, in the years ahead.

² Of this total, about 77 percent were taxable sales.

The City of *Allen* is growing rapidly, with population gains of nearly 20,000 since 2000 and a growth rate of 8.7 percent last year alone. Retail has followed the rooftops, as evidenced by a jump in city sales tax receipts from \$4.9 million in fiscal 2001 to \$7.3 million in fiscal 2003. Interestingly, in 2002 Allen's taxable sales increased nearly 17 percent, a larger percentage gain than any city in the Dallas area.

Allen is also trying to market itself as a shopping destination, and has had some success thanks to the development of major retail centers including the Allen Premium Outlets, Allen Central Market, and Twin Creeks Village. With the U.S. 75 corridor likely to be a major growth vector for the foreseeable future, Allen hopes to capture a growing share of retail spending in Collin County and beyond.

C. The new demographic dynamics of the Dallas/Fort Worth region

As mentioned above, the Dallas-Fort Worth region has recorded explosive population growth over the past decade or so. But within the region, several important demographic shifts are underway.

First, population and job growth have not been spread evenly across the region, with the northern half of the Metroplex growing much faster than the southern half. What's more, most of the northern sector's population and employment gains have occurred along major highway vectors: US 75, the North Dallas Tollway, Interstates 35E, 35W and 635 (western extension), and State Highways 114 and 121.

A second important demographic trend is the tremendous growth in the region's Hispanic population, especially in Dallas and Tarrant Counties (see Table 3). During the 1990s, these two counties gained nearly a half-million Hispanic residents. For the most

part, the region's Hispanic population resides in the central cities of Dallas and Fort Worth, though Irving, Carrollton, Richardson and other first ring suburbs have recorded sizeable increases in their Latino populations in recent years.

Table 3

Hispanic Population Growth by County, 1990-2000

	2000	1990	Number Change	Percent Change
Dallas	662,729	315,631	347,098	110.0%
Tarrant	285,290	139,876	145,414	104.0
Denton	52,619	19,013	33,606	176.8
Collin	50,510	18,158	32,352	178.2

Source: U. S. Census Bureau

Perhaps the most significant demographic trend is the acceleration of domestic out-migration from Dallas County (see Table 4). During the 1990s, almost 129,000 persons emigrated from Dallas County to other U.S. locations. Preliminary data and analysis from the Census indicate most of these out-migrants formerly resided in the City of Dallas and relocated to other cities in the Metroplex, as opposed to moving to other states. Dallas County's huge domestic out-migration was nearly offset by net international in-migration of 111,000 persons with most migrants arriving from Mexico and Central America. Again, preliminary data and analysis from the Census suggest most of these international migrants have located in the central cities of Dallas and Fort Worth. The fact that Hispanics constitute more than 60 percent of the Dallas Independent School District's enrollment bolsters this conclusion.

Table 4

Population Growth by Selected Texas Counties, 1990-2000

	2000	1990	Number Change	Percent Change	NDM	NIM
Dallas	2,218,899	1,852,810	366,089	19.8%	-123,810	111,106
Tarrant	1,446,219	1,170,103	276,116	23.6	43,235	42,174
Denton	432,976	273,525	159,451	58.3	85,334	6,159
Collin	491,675	264,036	227,639	86.2	139,219	11,357
Harris	3,400,578	2,818,101	582,477	20.7	-122,506	190,775
Travis	812,280	576,407	235,873	40.9	55,570	22,964
Bexar	1,392,931	1,185,394	207,537	17.5	18,912	34,936
El Paso	679,622	591,610	88,012	14.9	-66,877	64,748

Source: U. S. Census Bureau

As the demographic mix has changed within the DART service area, so has the income profile of the residents. For example, overall median household income in Dallas County was \$37,628 in 1999. But household income for Hispanics was only \$34,111 compared with \$53,455 for non-Hispanic whites. Lower household incomes among the county's fastest-growing population group mean lower retail spending and lower sales tax collections for the cities as well as DART. What's more, many Hispanic households remit a sizable portion of their incomes to families abroad, further reducing the potential sales tax yield. With Hispanics projected to constitute a majority of the Dallas County population by 2015, the growth of taxable sales in the county is likely to remain modest in the years ahead.

Conclusion

Though DART's sales tax receipts may rebound somewhat in the years ahead as the regional economy regains steam, the double-digit increases that characterized the 1990s are not likely to reoccur. A growing share of the Dallas area's retail spending is

migrating to venues in Frisco, Grapevine, Allen and other suburban cities outside the DART service area. And this trend is not likely to be reversed in the foreseeable future. Finally, the increasing share of lower-income households residing, and spending money, in the member cities, will retard growth in DART's revenue.