

A New Texas

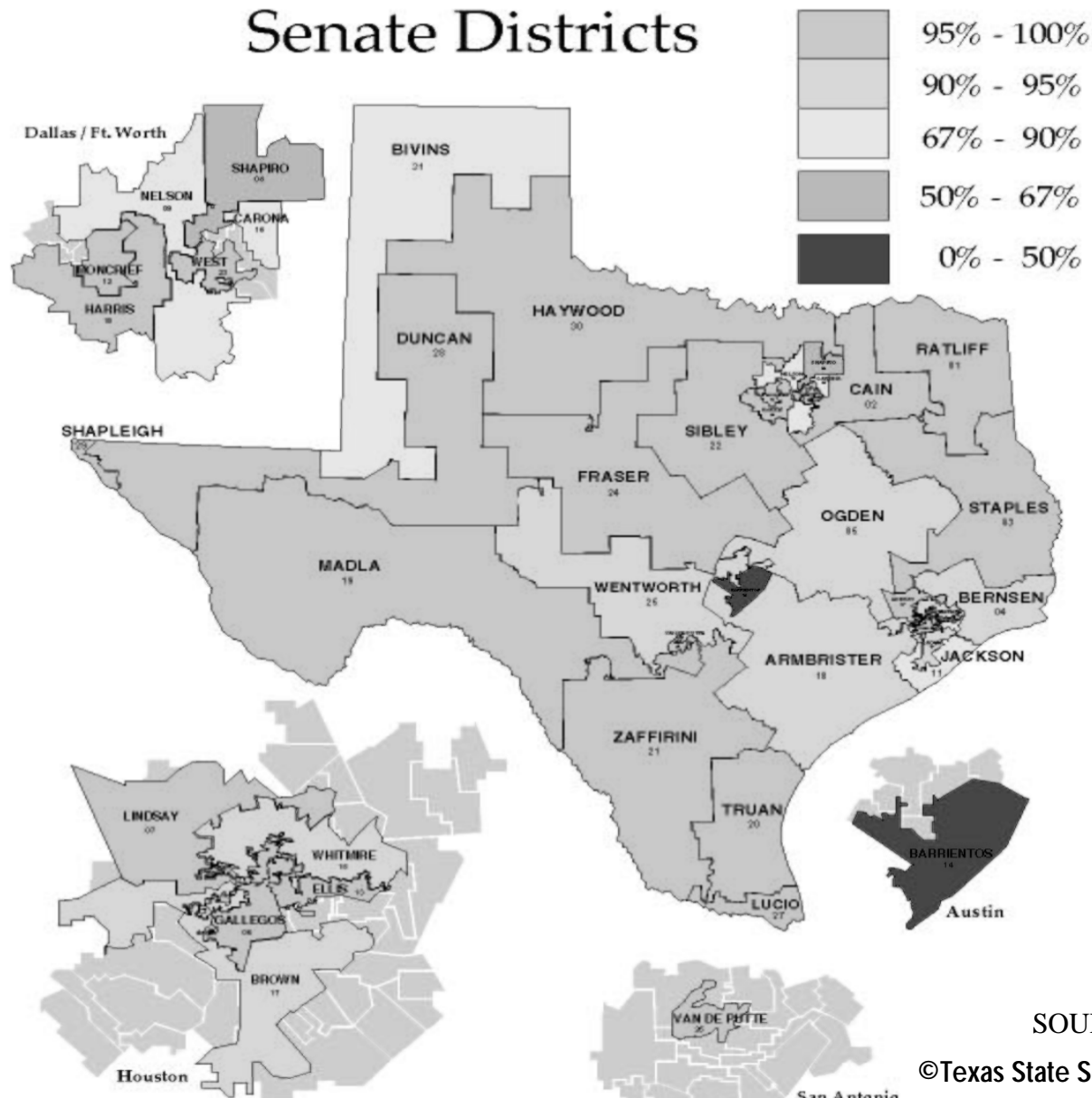
‘Invest in Our Kids, Invest in Our Future’



State Senator Eliot Shapleigh
1-800-544-1990

Do You Live in a Robin Hood District?

Percent of Students In Property Poor Districts, 2000-01



SOURCE: Equity Center

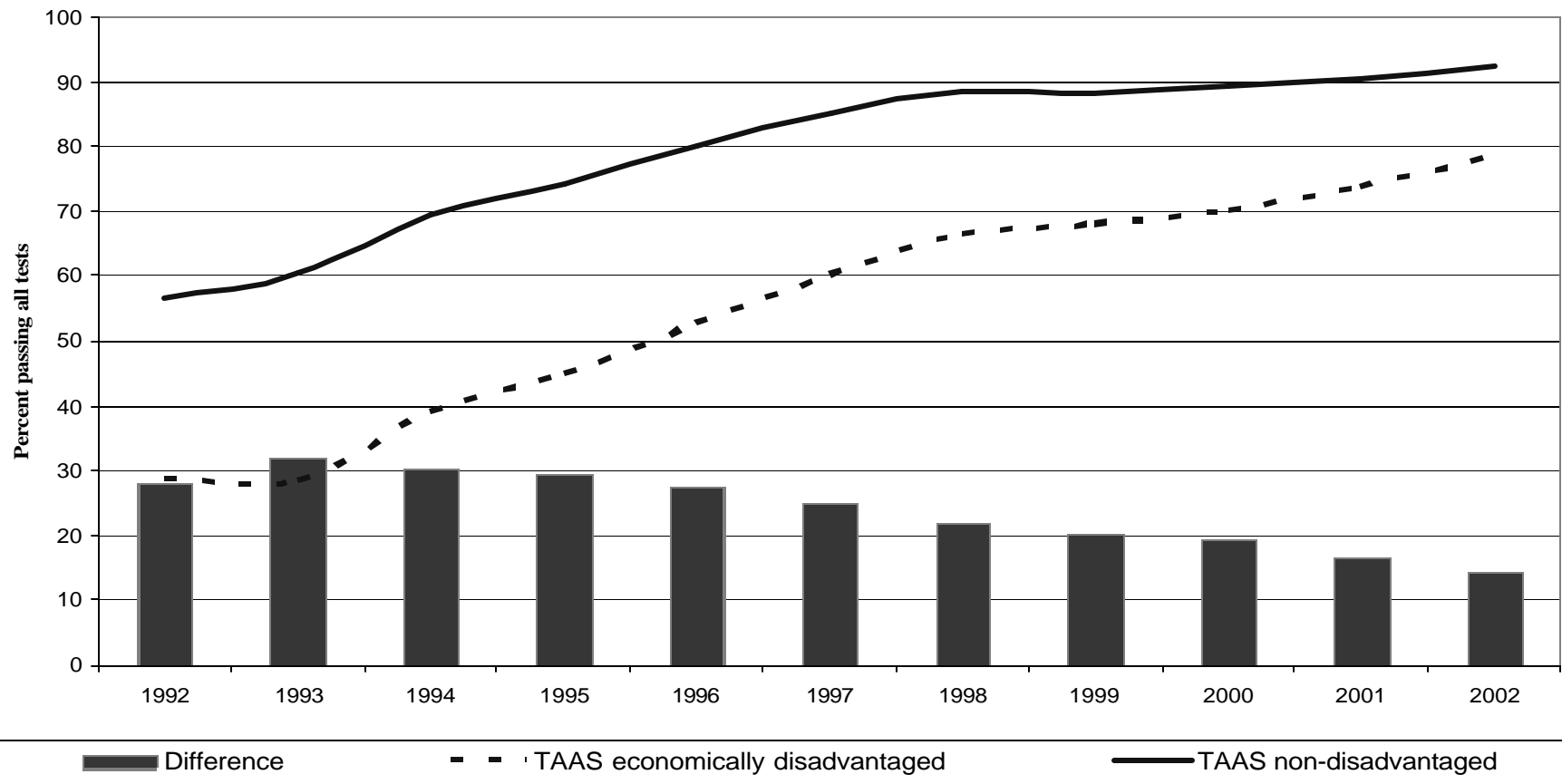
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Does Robin Hood Help Your Child?

- 9 in 10 Texas students, or 88%, receive state aid from Robin Hood.
- 3,700,000 students attend a Robin Hood school; only 490,000 students attend a non-Robin Hood school.
- Nearly half of the students who would benefit from the elimination of Robin Hood live in only 5 school districts – Austin, Plano, Richardson, Round Rock and Spring Branch ISD.

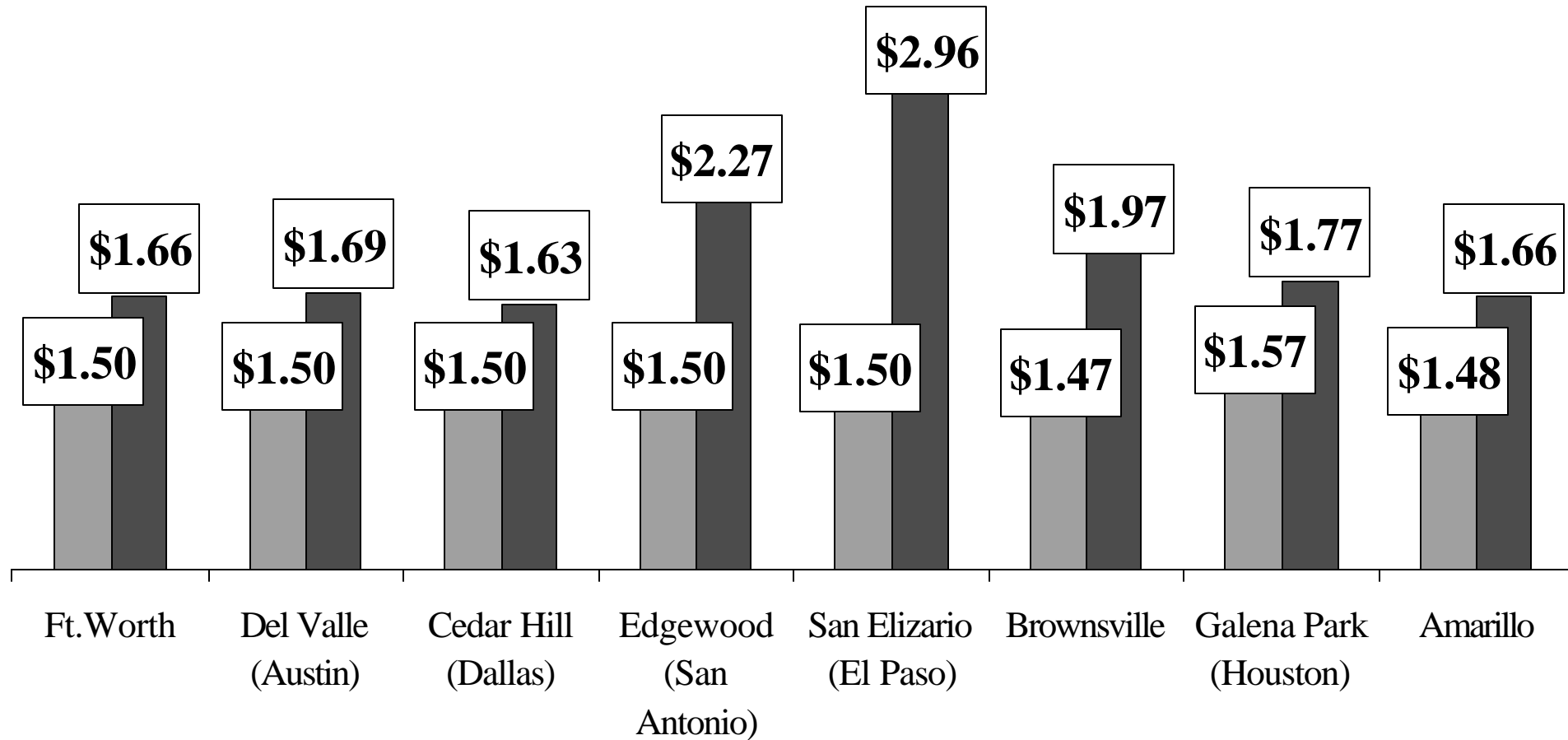


The Gap In Passing Rates Between Poor Students and Other Students Is Shrinking





Property Tax Increases Needed if There Was No Robin Hood

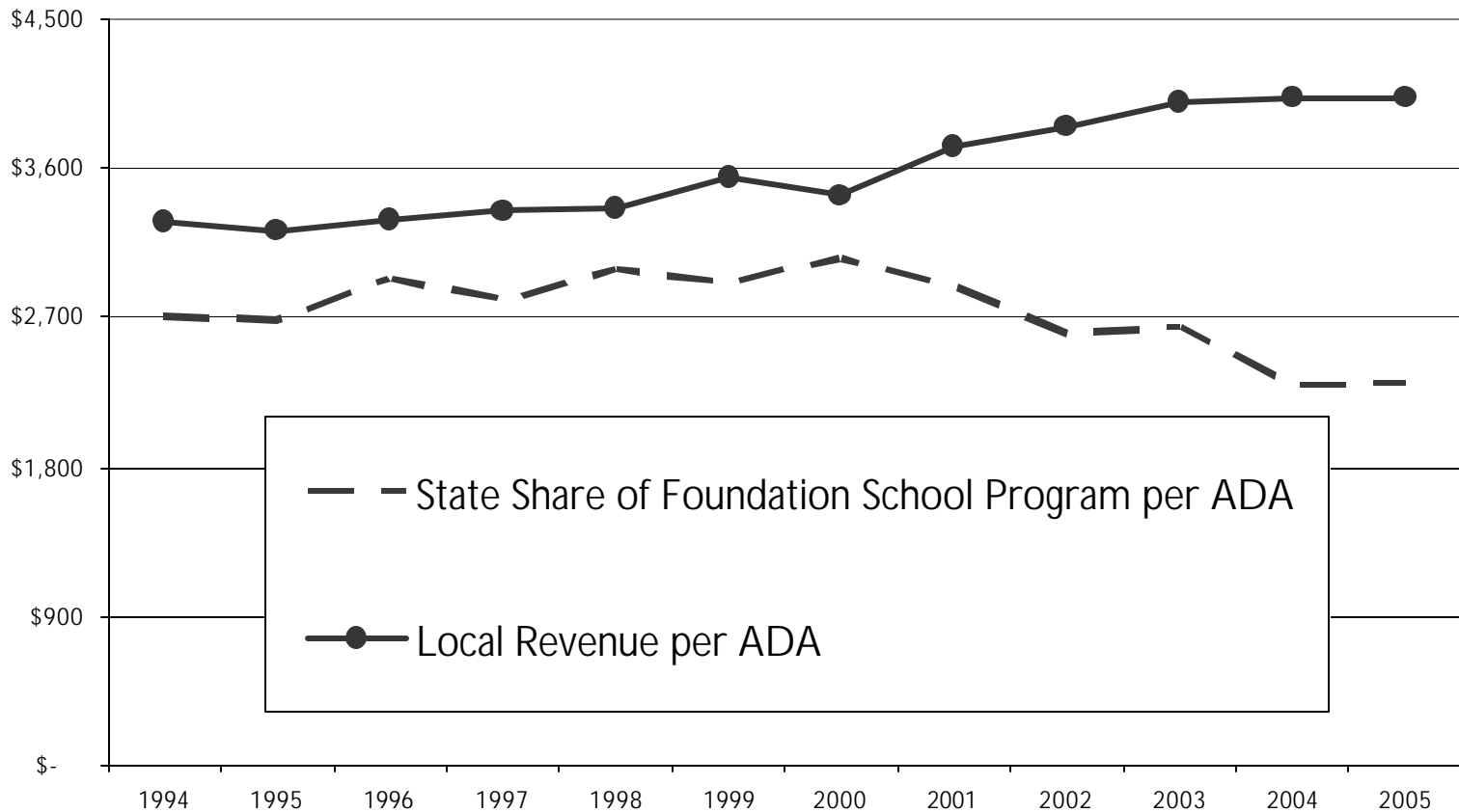


NOTE: Illustrated for School Year 2003-04,
Using Texas Education Agency 2002-03 Database

SOURCE: Equity Center
©Texas State Senator Eliot Shapleigh, 2005

State Share Down, Local Share Up

Inflation-Adjusted Spending per K-12 Pupil



Sources of Information: Legislative Budget Board for Spending and ADA; U.S. Bureau of Economic Analysis for Implicit Price Deflator for State/Local Govts. Chart by Center for Public Policy Priorities, April 2004.

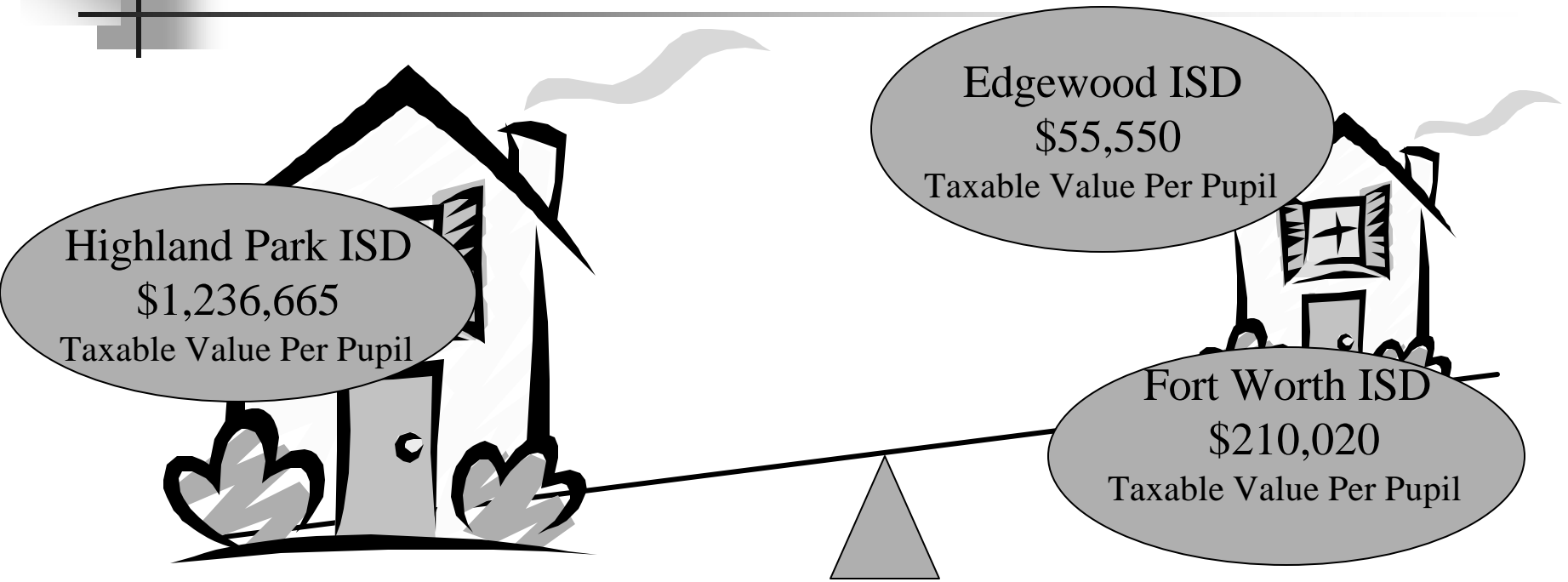
What does \$30,000 more per classroom buy for some schools?

- The Court in *Edgewood* said that wealthy districts can have \$600 more per weighted student than property poor districts.
- Right now, this “funding gap” is estimated to be over \$1,000 per student.
- This equals \$30,000 more per classroom which pays for a certified teacher and laptops for each student.



SOURCE: Equity Center

We will continue to see disparities....



...in a tax system that relies on the property tax.

SOURCE: TEA, 2003-2004, Academic Excellence Indicator Report

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Schools Would Lose Big without Robin Hood

- 867 school districts would **lose** approximately \$230 per student.
- 116 wealthy districts would **gain** \$1,969 per student.

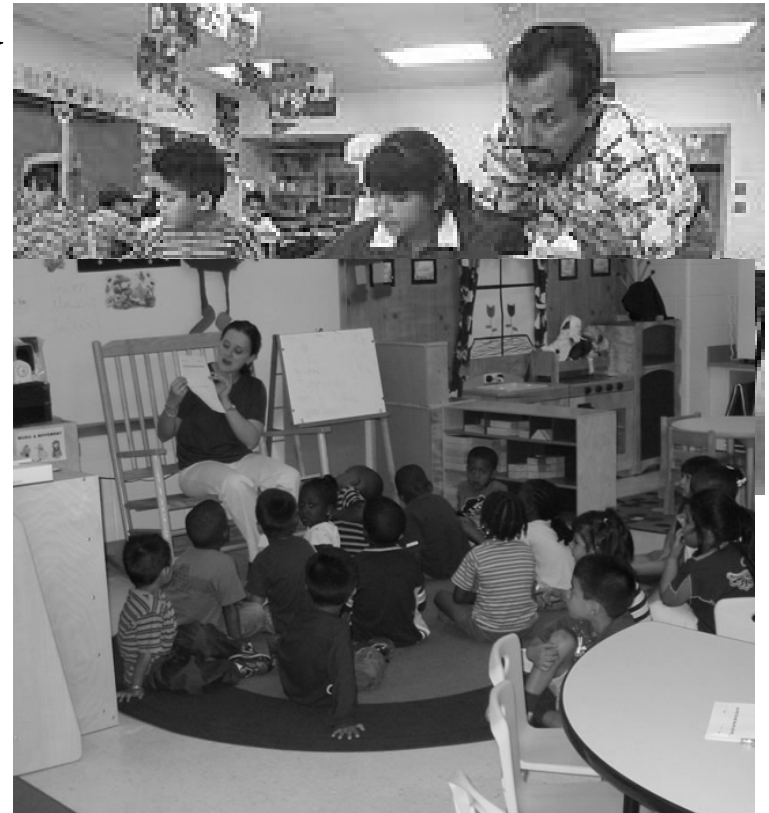


NOTE: Illustrated for School Year 2003-04 per weighted student,
Using Texas Education Agency 2002-03 Database

SOURCE: Equity Center 10
©Texas State Senator Eliot Shapleigh, 2005

What We Want

- ❑ Attract and Retain Motivated Teachers
- ❑ Smaller Classes
- ❑ Rigorous and New Academic Courses
- ❑ Enriched Early Education Programs





“Good schools are where Teachers know how to teach and love to do it and Students believe they can learn and they do it con ganas!”

---Senator Eliot Shapleigh

You Get What You Pay For

Avg. Teacher salaries¹

33rd



Pupil-Teacher ratio in public schools²

33rd

State Aid Per Pupil³

38th

Secondary Teachers w/Degrees in
the Subjects They Teach⁴

46th



Avg. SAT Scores⁵

48th



High School Graduation Rate⁶

50th



¹ National Education Association, 2004-05

² Texas Comptroller of Public Accounts, *Where We Stand* 2003

³ U.S. Dept. of Education, National Center for Education Studies, 2001-02
adjusted by Education Week Research Center for regional cost differences.

⁴ Quality Counts 2005, *Education Week*

⁵ The College Board, 2004

⁶ U.S. Census, *Educational Attainment in the United States*, 2003

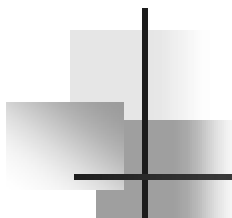
What is Texas' Future in 2030?

Household income will decline by \$5,000 – pulling \$60 billion out of the Texas economy.

For the first time in our history, the next generation of Texans will be less prosperous than the generation before them.



2003-2004 First Grade Enrollment



	Houston	Dallas	Ft.Worth
% African American	28%	27%	26%
% Hispanic	61.4%	66.2%	56%
% Native American	.03%	0.3%	.3%
% Asian/Pacific Islander	3%	1.1%	2%
% White	8%	6%	16.4%
% Limited English Proficient	47%	50.3%	41%

The Race to the Bottom: Are We Spending Too Much?

Per Capita General Expenditures

New York	\$6,229.70	2
California	5,283.34	11
Massachusetts	5,114.91	14
Washington	5,007.09	15
Michigan	4,897.30	17
New Jersey	4,896.52	18
Ohio	4,609.83	23
Pennsylvania	4,474.88	25
North Carolina	3,987.90	34
Illinois	3,903.65	36
Virginia	3,848.01	38
Indiana	3,606.49	44
Georgia	3,517.44	45
Texas	3,232.94	49
Florida	3,105.31	50

SOURCE: U.S Bureau of
the Census, 2002.

To Stay Even, Texas Needs More Money For Education

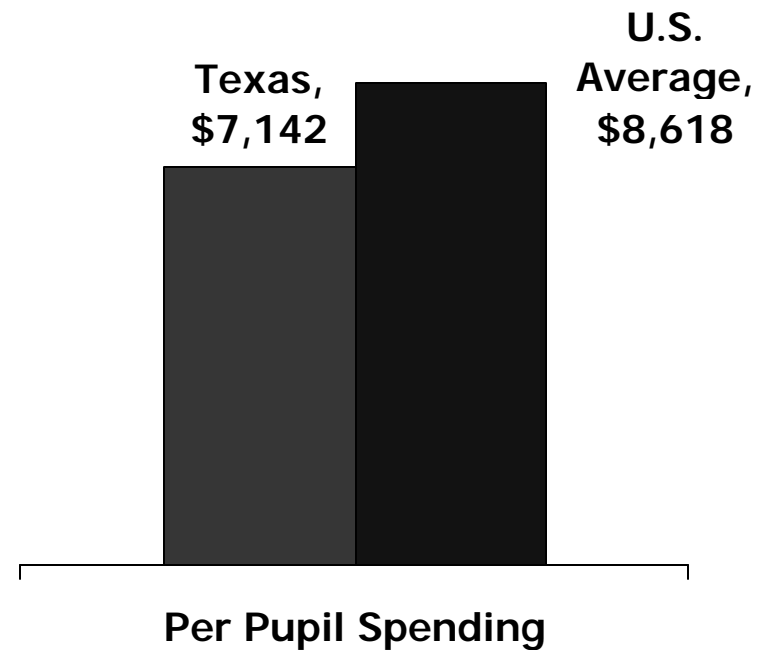
60,000-70,000 new students are
added to the system each year =
\$1.5 billion a biennium.



Fiscal Size-up, 2002-2003
Legislative Budget Board

To Catch Up, Texas Needs More Money For Education

- Texas spends \$1,476 less per pupil than the national average.
- Texas' per pupil spending declined \$72 per student between 2003-04 and 2004-05.
- To reach the national average would cost



\$6.4 billion more a biennium.



What Are We Willing to Pay For?

New students in the system = \$1.5 B¹

Replace Recapture money = \$2.2 B²

Get to the Average Per Pupil Spending = \$6.4 B³

Cut Property Taxes in Half = \$14.8 B⁴

¹*Fiscal Size-up, 2002-2003 Legislative Budget Board*

²Center for Public Policy Priorities, *Fast Facts About Texas School Finance*, January, 2004.

³National Education Association, 2002

⁴Legislative Budget Board, Fiscal Impact Statement of 78RSJR1

Principles for a Good Revenue System

- Raises enough money
- Everyone pays fair share
- Enhances state and local economic development
- Avoids over-reliance on any one tax or set of taxes
- Minimal compliance and enforcement costs for simplicity
- Withstands shifts in the economy and promotes certainty for taxpayers and government
- Broad based, even-handed treatment of all tax payers so as to keep tax rates low

Billy Hamilton, "What is a 'Good' Tax System,"
Select Committee on Tax Equity, *Rethinking Texas
Taxes, Volume 2 Analysis of the Tax System* (Austin, January 1989)

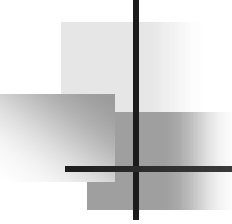


The Texas Property Tax



**One of the Highest
In the Country**

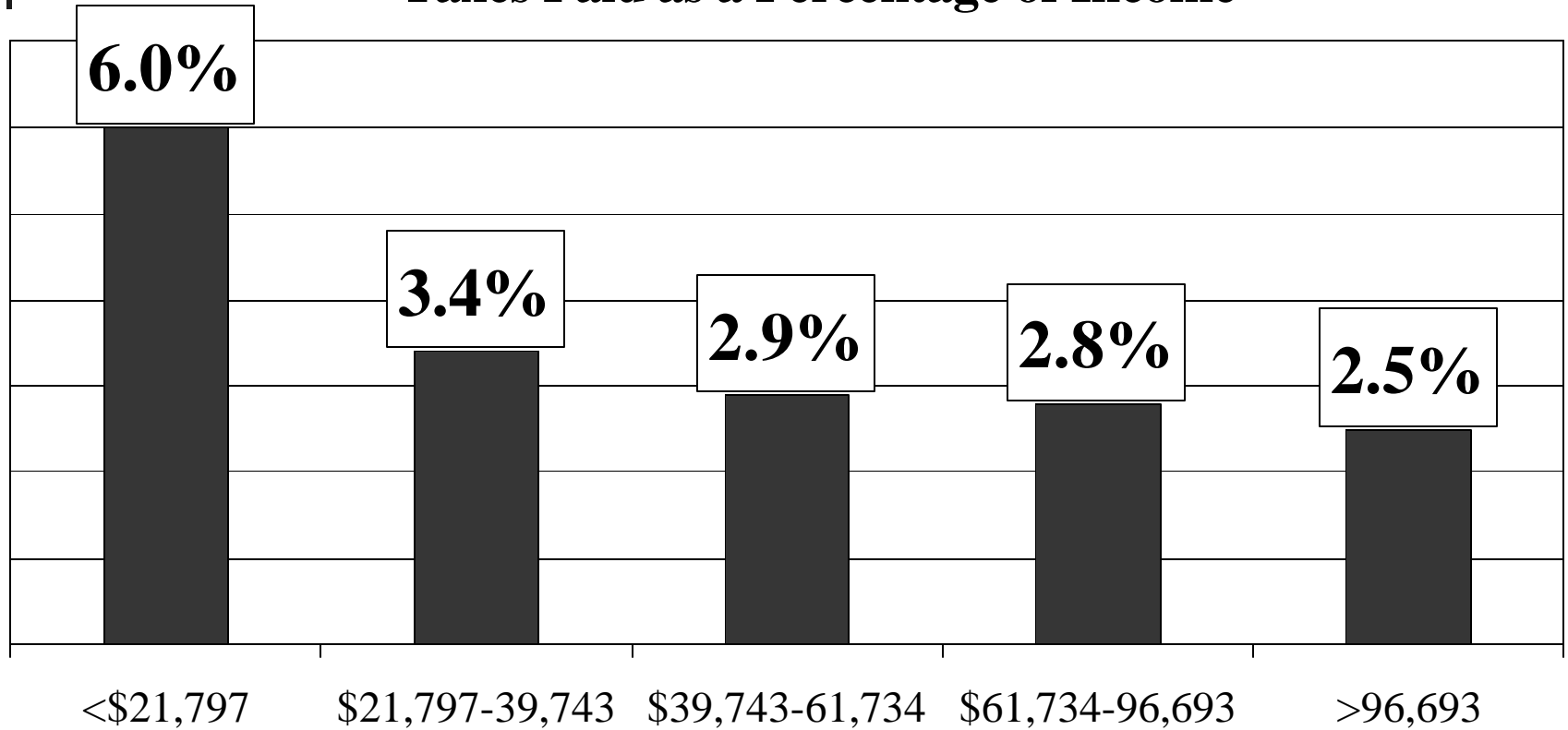
2000 Property Taxes (per capita)



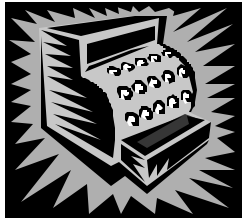
<u>Rank</u>	<u>State</u>	<u>In Dollars</u>
1	New Jersey	\$1,717
2	New Hampshire	1,641
3	Connecticut	1,588
4	New York	1,328
5	Rhode Island	1,297
6	Vermont	1,284
7	Maine	1,254
8	Alaska	1,214
9	Massachusetts	1,204
10	Illinois	1,168
11	Wisconsin	1,061
12	Wyoming	1,038
13	Montana	1,007
14	Michigan	956
15	Texas	\$ 950

The Property Tax is a Regressive Tax

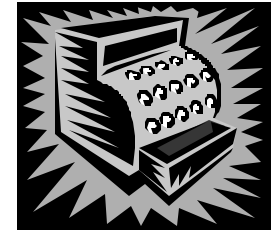
Taxes Paid as a Percentage of Income



(Each bar represents 1.6 million households)



The Texas Sales Tax



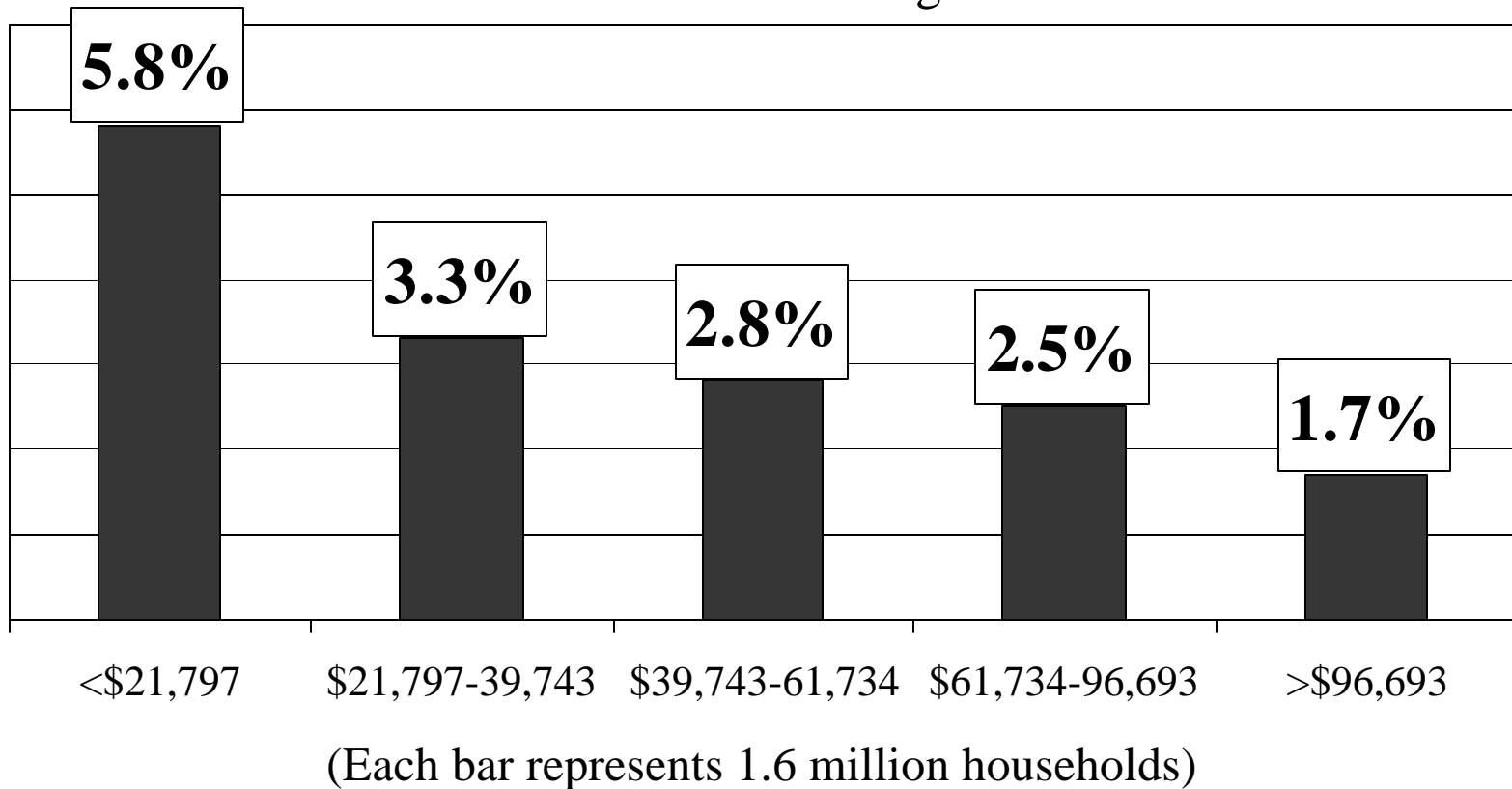
**One of the Highest
In the Country**

Sales Tax Rates in the Ten Biggest States

<u>State</u>	<u>State Rate</u>	<u>Max. Local</u>	<u>Max. Total Rate</u>
1. Illinois	6.25	3.00	9.25%
2. California	6.00	2.75	8.75%
New York	4.25	4.50	8.75%
3. Texas	6.25	2.00	8.25%
4. Ohio	6.00	2.00	8.00%
5. Florida	6.00	1.50	7.50%
6. Pennsylvania	6.00	1.00	7.00%
Georgia	4.00	3.00	7.00%
7. Michigan	6.00	----	6.00%
New Jersey	6.00	----	6.00%

Sales Taxes Are Even More Regressive

Sales Taxes Paid as a Percentage of Income



Note: Percentages include sales, gas, and motor vehicle tax

Source: *Tax Exemptions & Tax Incidence, 2005;*
Texas Comptroller of Public Accounts

The Average Texas Family Pays 32% More in Sales Taxes than Property Taxes

Sales Taxes

\$1917

(General, motor vehicle, gasoline)¹

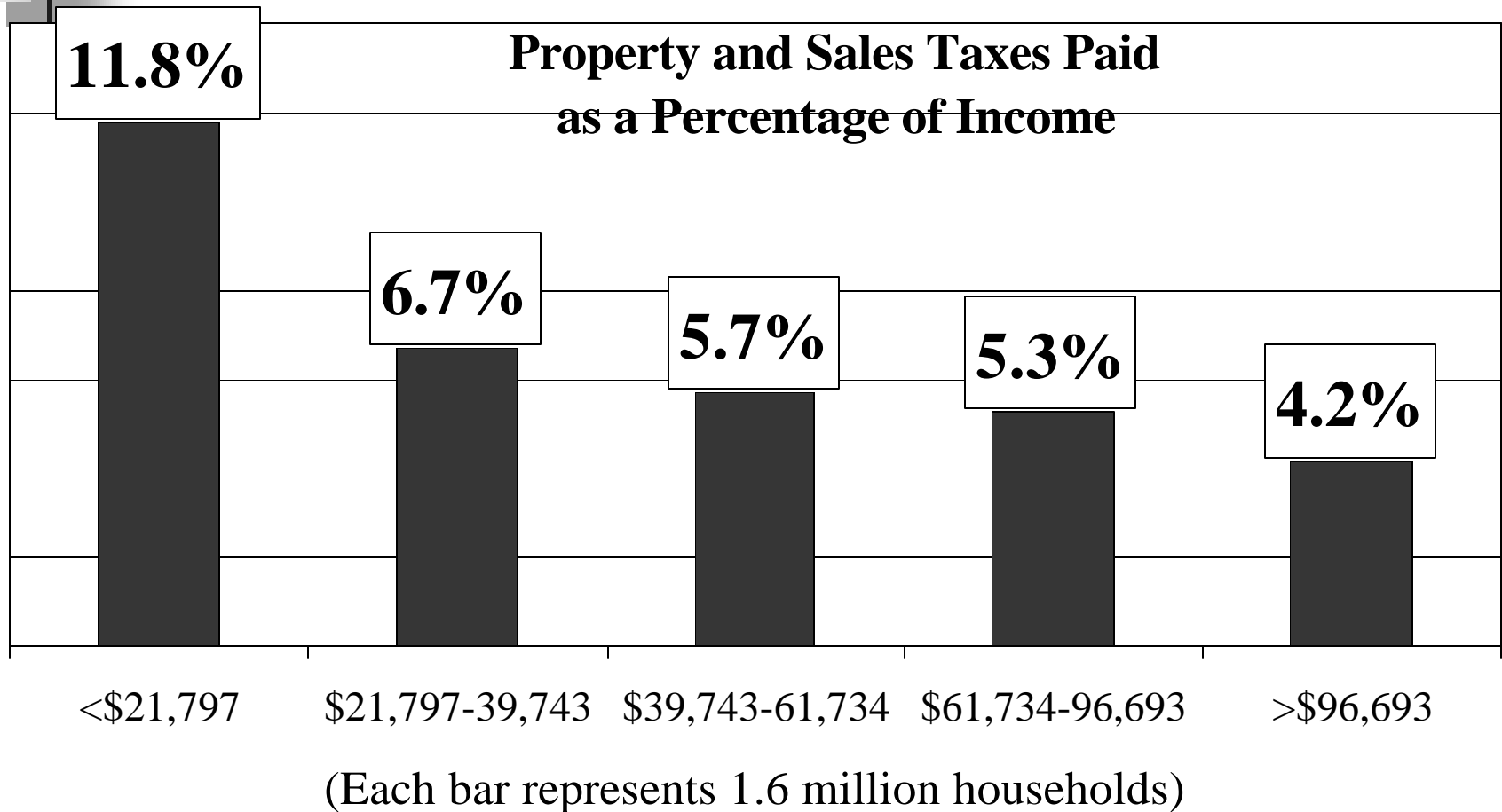
Property Taxes

\$1455

*Average Income = \$50,643

¹General = \$1,416, Gas = \$261, Motor Vehicle = \$240

Texas' Tax System Is Very Regressive





To Raise What We Need...

What Are Our Choices with the Property Tax?

- **Raise Rates**
- **Eliminate Exemptions**
- **Statewide Property tax**

Do We Increase the Property Tax?

A \$1.50 Statewide Property Tax?

Raises \$520 million a biennium¹

End the Homestead Exemption?

Raises \$2.27 billion a biennium

End the 10% Cap on home values?

Raises \$542 million a biennium

End the Over 65 and Disabled Exemption and Freeze?

Raises \$1.2 billion a biennium

¹Based on Texas Education Agency 2002-03 school data

Replace the Property Tax with the Sales Tax?

Austin
American-Statesman

MAR 01 2005

Senate candidate: End school property tax

■ Comptroller's staff says
plan could push sales tax
to as high as 17.3 cents

would increase the sales tax in
Austin as high as 14.25 cents.

Shields asked the comptroller's
staff to estimate how much sales
tax it would take to abolish school
property taxes while keeping
school revenue at current levels.
The staff estimated that state and
local sales taxes could go as high as



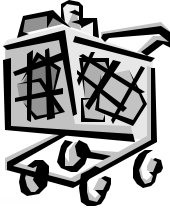
To Raise What We Need...

What Are Our Choices with the Sales Tax?

- **Raise the rate**
- **Eliminate Exemptions**
- **Broaden the Base (services)**



Sales Tax: What Do We Want to Keep Exempt?



<u>Exemption</u>	<u>millions</u> (biennial amt.)
Food for home consumption	\$2631.0
Medicine & health care supplies	\$852.6
Residential gas & electricity	\$1301.3
Equipment used in manufacturing	\$1087.8
Agriculture feed and supplies	\$493.6
Water	\$520.4
Aviation fuel	\$408.8

Should We Tax Services?

(biennial amounts)

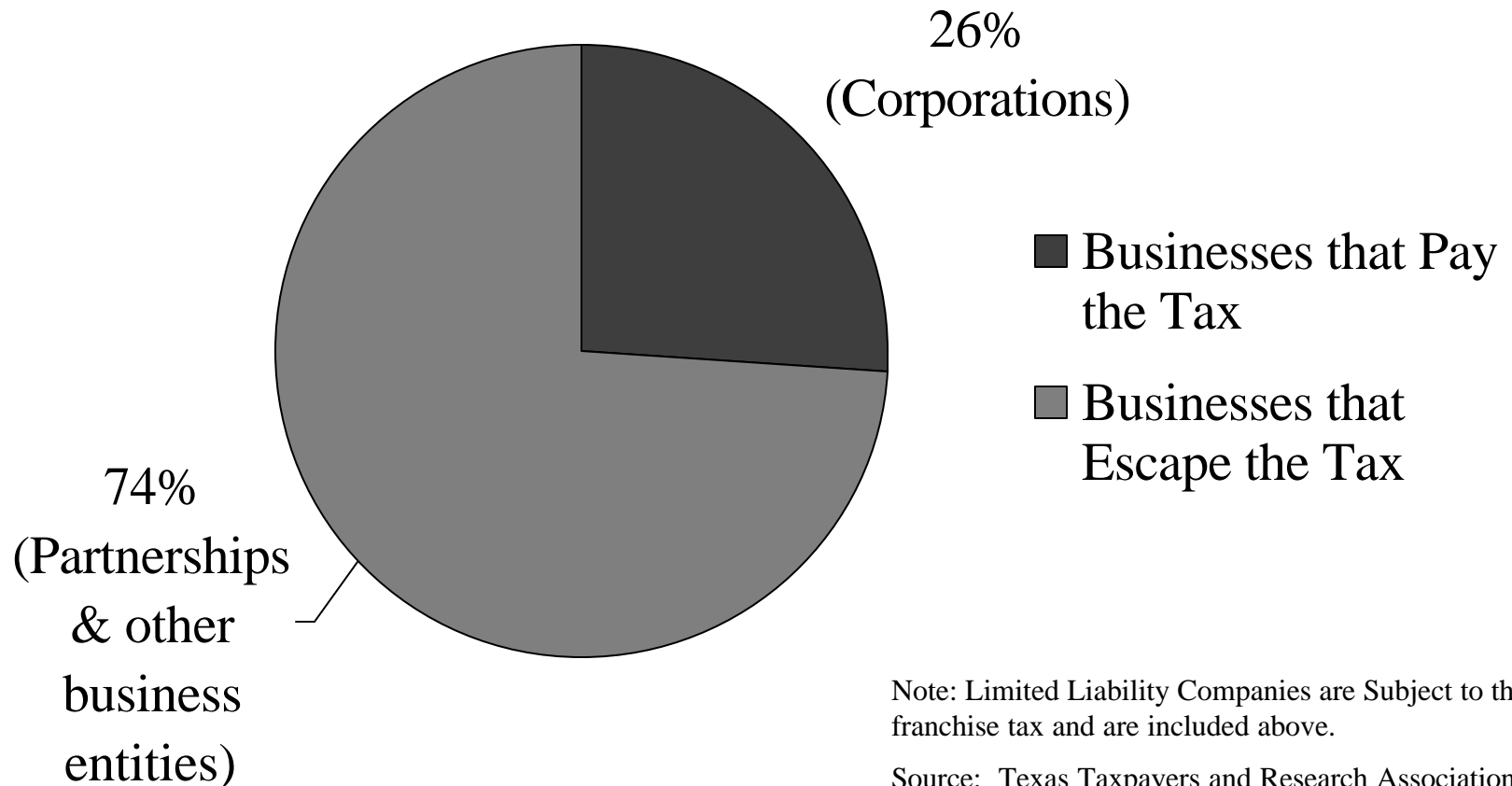
Physicians services	\$1420.8 million
Legal services	\$706.8 million
Architectural & engineering services	\$601.3 million
Auto maintenance & repair	\$425.1 million
Real estate brokers	\$373.3 million



To Raise What We Need...

**What Other Choices
Do We Have?**

Making All Businesses Pay, Raises \$500 million a biennium¹



Note: Limited Liability Companies are Subject to the franchise tax and are included above.

Source: Texas Taxpayers and Research Association, before the Senate Finance Committee, February 2002 (Texas Secretary of State and Comptroller of Public Accounts)

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¹Texas Comptroller of Public Accounts; includes the “Delaware Sub” loophole of \$320 million.

Other Options to Raise Revenue

(Biennial Amounts)

Increase the Cigarette tax \$1.00/pack	\$1.7 billion
Increase the Gasoline tax \$.05/gallon	\$1.1 billion
Business Income Tax (Dewhurst proposal: Expands taxable entities to all partnerships except sole proprietorships; 4.25% earned surplus tax on all compensation; deduct lesser of 90% compensation or \$30,000 per FTE)	\$3.5 billion
Video Lottery	\$1.1 billion
Increase Motor Vehicle Rate 1%	\$786 million
Increase Mixed Beverages 1%	\$52 million
Increase the Beer tax \$1.00/gallon	\$748 million

Why Are Texas' Sales and Property Taxes So High?

(relative sources of revenue)

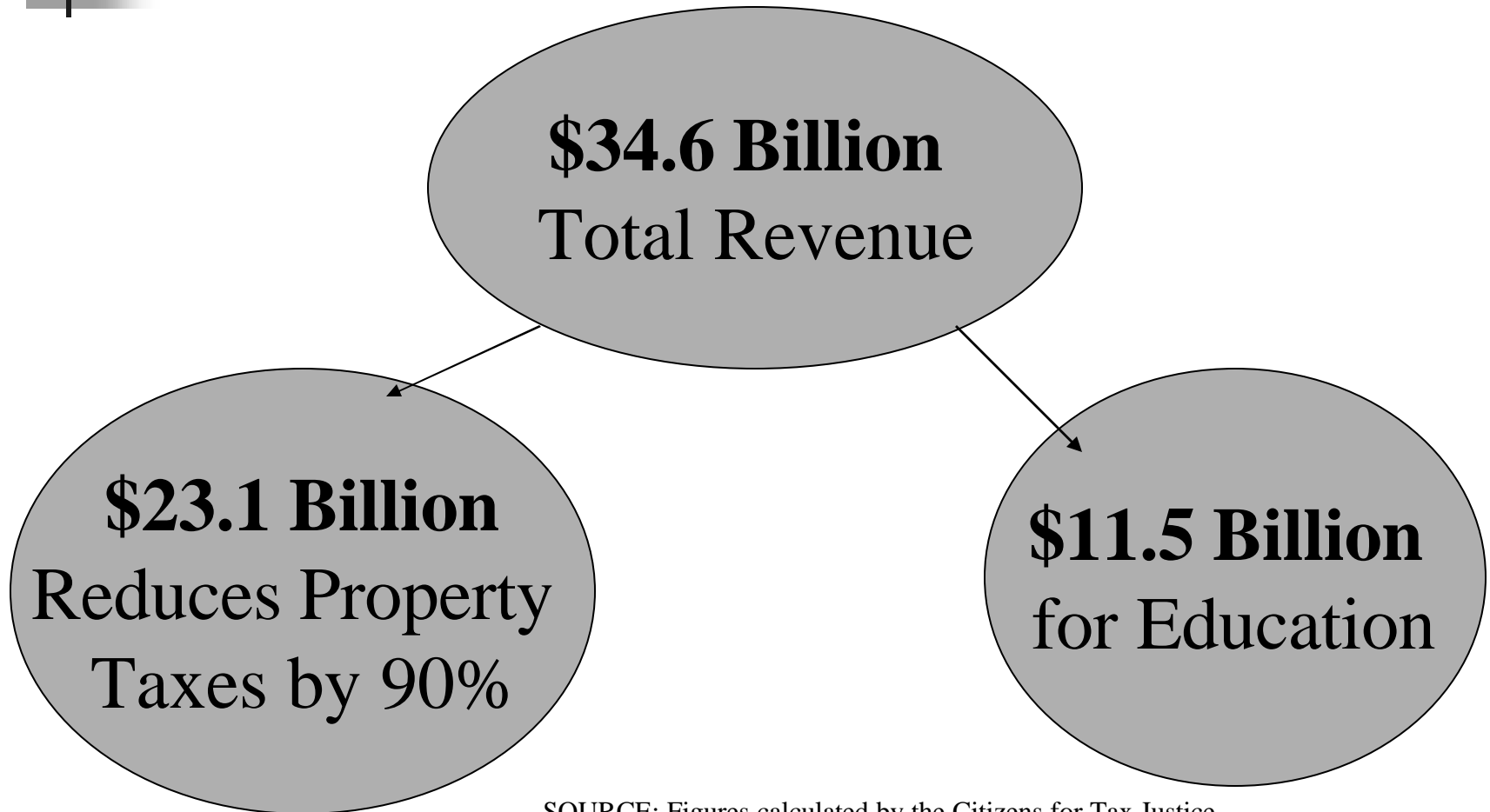
	<u>Property</u>	<u>Sales</u>	<u>Income</u>
Texas	42.7	57.3	0
Florida	38.8	61.2	0
Washington	32.4	67.6	0
Georgia	27.5	43.1	29.5
North Carolina	24.2	37.9	37.9
California	24.9	37.6	33.3
Illinois	40.8	37.7	21.5
Michigan	35.0	36.5	28.5
Pennsylvania	33.3	35.9	30.8
Ohio	30.4	33.0	36.5
Indiana	37.2	34.2	28.6
Virginia	31.9	31.8	36.4
New York	33.0	29.4	37.5
New Jersey	48.3	27.5	24.2
Massachusetts	35.0	23.6	41.4

How Would a State Income Tax Work?

The Texas Constitution requires that

- (1) an income tax rate has to be approved by the vote of the people;
- (2) 2/3rds of income tax revenue is dedicated to property tax relief;
- (3) the remaining net revenues are dedicated to education; and
- (4) Any increase to the rate also has to be approved by a majority of the voters. *Art. 8, Sec. 24*

What Additional Revenue Would a State Income Tax Produce?



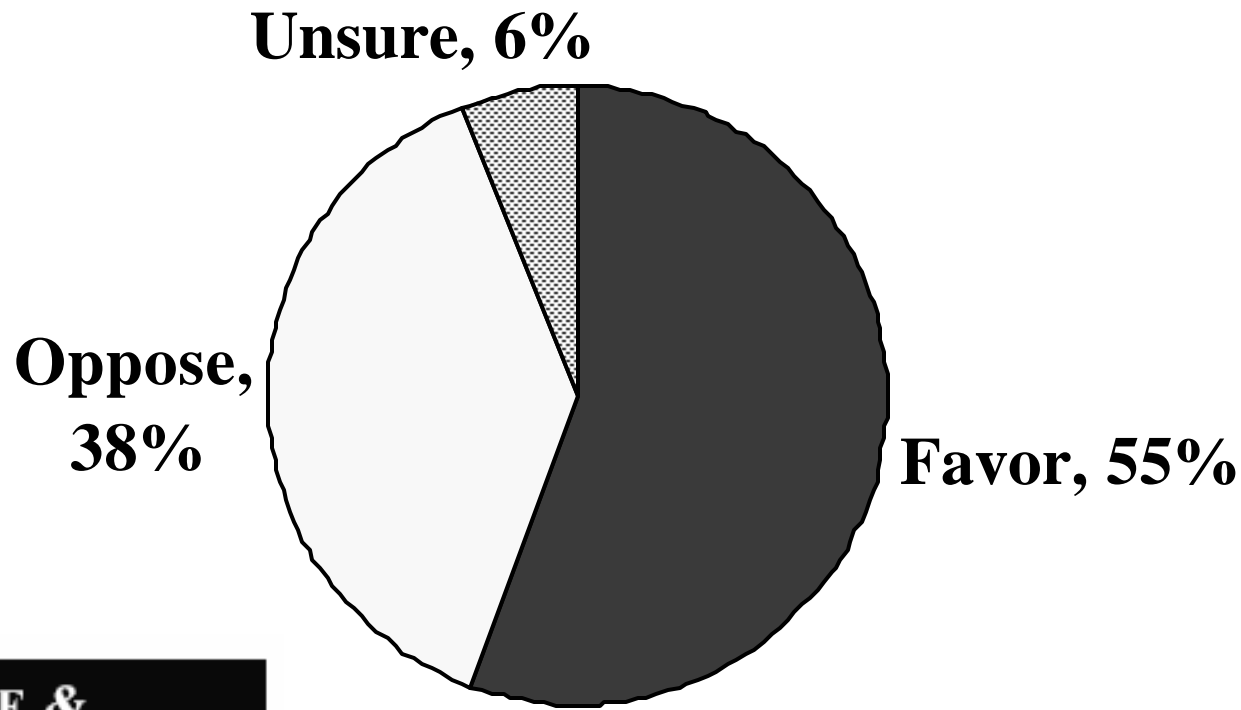
SOURCE: Figures calculated by the Citizens for Tax Justice
using the Kansas income tax rate

*All numbers are biennial

How Much More a Month Are Our Kids Worth to Improve Education?

Average Income	\$9,923	\$25,533	\$41,121	\$65,925	\$141,768
Income Tax Paid	(73)	183	876	1,979	5,803
Property Tax Cut	(530)	(732)	(1,000)	(1,448)	(2,483)
Total Deductions	--	(1)	(11)	(7)	(673)
Annual Cost	(603)	(55)	(135)	524	2647
Net Monthly Tax Cost	(-\$50)	(-\$46)	(-\$11)	\$44	\$220

Do you favor or oppose a statewide education flat tax on income dedicated to public education which is deductible from federal income taxes?



**BASELICE &
ASSOCIATES, INC.**

March 29-April 5, 2004

9 in 10 Texans Get a Tax Hike, Pay More and Get Less

Decile	Expanded Family Range (Dollars)			Current Law Tax (millions)	HB 3 Tax (millions)	Change in Tax (Millions)	Percent Change in Tax
1	\$0	to	\$13,415	\$2,009.5	\$2,097.2	\$ 87.7	4.36%
2	\$13,415	to	\$22,833	2,315.9	2,402.6	86.7	3.74%
3	\$22,833	to	\$31,735	2,999.9	3,115.1	115.2	3.84%
4	\$31,735	to	\$41,463	3,303.0	3,423.4	120.4	3.65%
5	\$41,463	to	\$51,750	4,076.2	4,215.5	139.3	3.42%
6	\$51,750	to	\$64,325	4,734.5	4,875.8	141.3	2.98%
7	\$64,325	to	\$79,271	5,679.8	5,799.5	119.7	2.11%
8	\$79,271	to	\$100,593	6,860.2	6,950.7	90.5	1.32%
9	\$100,593	to	\$140,853	8,547.9	8,510.5	(37.4)	(0.44)%
10	Over		\$140,853	13,910.3	13,579.7	(330.6)	(2.38)%
	Total			\$54,437.2	\$54,970.0	532.8	0.98%

District	Current Law M&O Revenue per ADA (State & Local) 2007	HB 2 M&O Revenue per ADA (State & Local) 2007	Difference
Dallas	\$6,766	\$7,039	\$273
Edgewood	\$6,726	\$6,977	\$251
Houston	\$6,437	\$6,703	\$265
Lubbock	\$6,055	\$6,321	\$266
Ysleta	\$6,062	\$6,319	\$257
Highland Park	\$5,768	\$6,285	\$517
Kenedy County	\$13,432	\$14,463	\$1,031

Which is the Way to Raise Revenue for Public School Funding?

Is it Property Taxes?

Is it Sales Taxes? or

Is it the Income Tax?

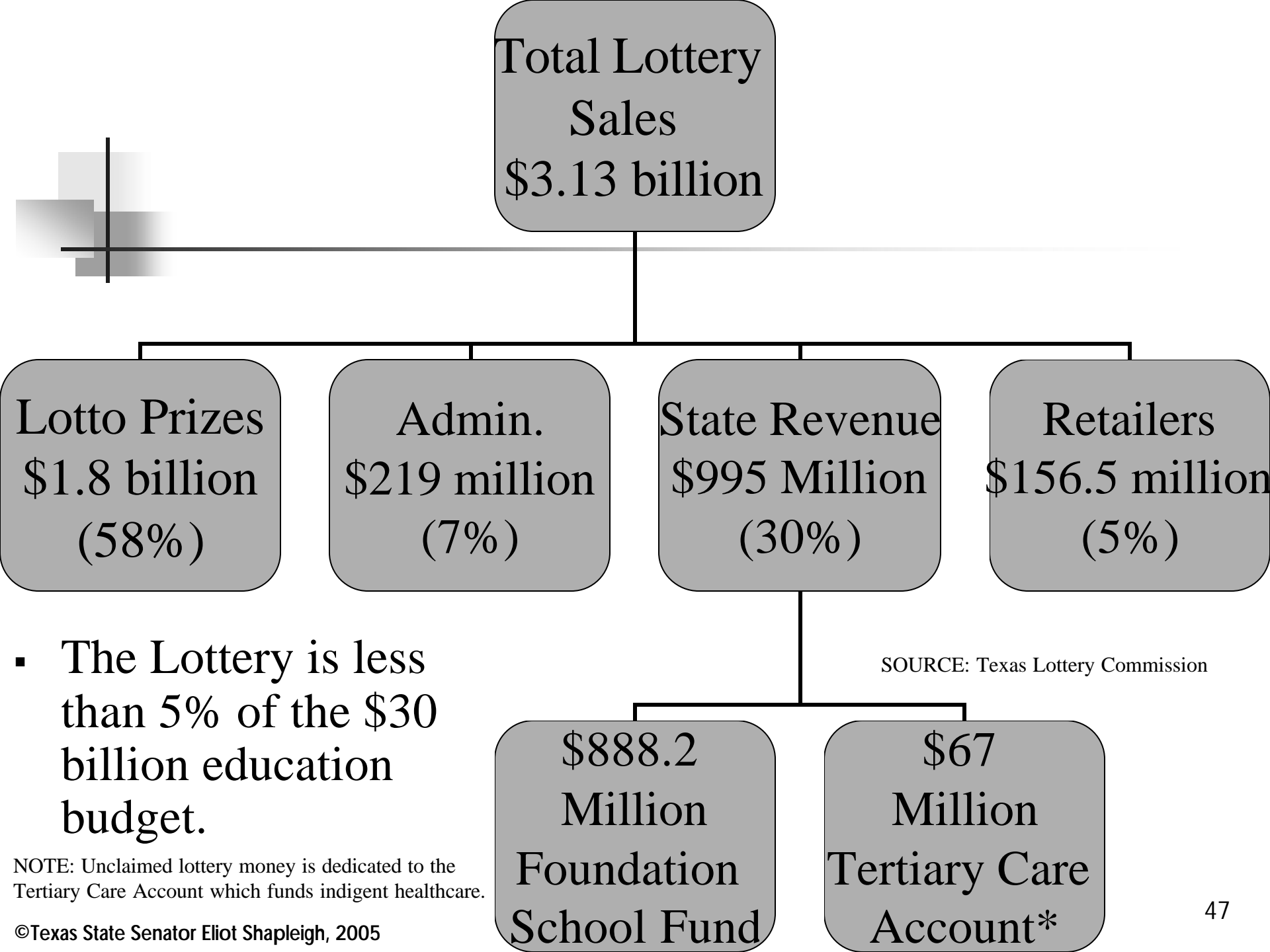
Let Texans Vote.



What Can I Do?



- Organize an event to give this presentation to a college class, your neighborhood association, PTA, or better yet, your Legislators!
- Have your School Board, Chamber of Commerce and local civic organizations pass a resolution that supports a state income tax as stated in Article 8, Section 24 of the Texas Constitution.
- Start a petition and deliver it to your representatives in Austin.
- Start a local ballot initiative to support a state income tax at your next ballot elections.



▪ The Lottery is less than 5% of the \$30 billion education budget.

NOTE: Unclaimed lottery money is dedicated to the Tertiary Care Account which funds indigent healthcare.



Kansas Income Tax

An Average Income Tax

- 26th in income taxes per capita and 33st in state and local general revenue per capita

Tax Rate for Taxable Income (after exemptions, deductions, etc.)

- | | |
|-----------------------|--------|
| ▪ 0-\$21,000 | no tax |
| ▪ \$21,001-\$51,000 | 3.5% |
| ▪ \$51,001 - \$81,000 | 6.25% |
| ▪ > \$81,001 | 6.45% |