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Lobbyists say Perry aide pushing video lottery, cigarette tax

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Gov. Rick Perry's office has been telling business lobbyists that he favors reducing school property taxes and making up the difference by legalizing video lottery games, raising taxes on cigarettes and ending a business tax loophole.



**DAVE
MCNEELY**

While Perry has publicly remained mum on how he wants to change the state's school finance system, several lobbyists said Perry's chief of staff, Mike Toomey, briefed them Monday on a plan to end the so-called Robin Hood current school finance system while lowering property taxes for homeowners and businesses.

The lobbyists said Perry's office is suggesting a four-prong approach to raising additional money for schools:

- Legalizing video lottery terminals.
- Allowing gambling on Indian reservations.
- Passing an additional cigarette tax of \$1 a pack.
- Closing the so-called Delaware Sub exemption for business taxpayers. Some businesses have escaped taxation to the tune of some \$400 million a year by forming subsidiaries in low-tax states, such as Delaware, then bringing those subsidiaries together in a tax-free partnership in Texas.

During last spring's regular legislative session, state Comptroller Carole Keeton Strayhorn suggested all of the revenue sources except Indian gaming. But Perry turned a deaf ear to them at that time.

On Dec. 18, Strayhorn told the House Committee on Licensing and Administrative Procedures that Indian gaming should be included if video lottery terminals

are allowed at racetracks.

In the past, Perry has opposed expansion of legalized gambling, but has said that some expansion potentially could be taken to the voters in a referendum.

Robert Black, a press spokesman for the governor, said, "There is no firm plan ready for unveiling at this point, but there will be one in due course."

"I would characterize the discussions that the governor's office has had with many different groups as simply discussions," Black said. "When the governor has a school finance plan that he is ready to unveil, he will. And that time hasn't come yet."

Texas Association of Business President Bill Hammond said his group has been briefed on Perry's proposals and is studying them to decide where it stands. The group has already come out in favor of video lottery terminals.

"That's the easy part," Hammond said.

But TAB officials are still chewing on the rest of the proposals, he said.

"We don't have a position, pro or con, at this moment," Hammond said. "We are just inclined to examine the entirety of the proposal."

Hammond said Perry's office wants a response "the sooner the better" to the plan, and his group hopes to deliver its opinion "in a week or so."

One lobbyist who was at the briefing but asked not to be identified said Toomey made it clear that if there was no agreement on how to change the school funding system, Perry wouldn't call a special session.

The lobbyist said Toomey also told them the governor would not allow an increase in sales tax or creation of a general business tax.

Perry's proposals need approval from the Legislature, which will return for its next regular session in 2005.

The governor is weighing

whether to call a special legislative session on public education that would include an overhaul of the state's school finance system. The current system takes money from school districts with wealthier tax bases and gives it to districts that receive less in property taxes.

Perry is proposing cutting the property tax currently used to provide the bulk of public school funding by amending the constitution to have revenue from residential property taxes go to local school districts and business property taxes go to the state.

Perry would cap the residential tax rate at \$1.25 per \$100 property valuation for local school districts, and would allow for a local option vote to levy up to 15 cents per \$100 valuation for local enrichment. About 40 percent of school districts are already at the current cap of \$1.50 per \$100 valuation. Local governments would collect the taxes.

Business property tax would be capped at \$1.40 per \$100 valuation, and the tax would go to the state for public education. Local governments currently collect all property taxes.

Although the governor's plan says the local tax appraisal districts would not be permitted to favor residential taxpayers over the business taxpayers, some business tax groups fear that's exactly what will happen, if business property tax is no longer paid directly to school districts.

Bill Allaway, president of the Texas Taxpayers and Research Association, said keeping business and residential taxpayers at the same rate has been key to keeping the system fair.

On Thursday, Perry gave the last of three speeches outlining major education proposals, laying out a plan to put \$100 million into a fund for schools that improve performance and to make it easier for taxpayers to understand how schools spend





state money.

“This means a school that is a long way from achieving excellence but makes true progress towards that goal would benefit from money made available by the Student Progress Incentive.”

Perry said at the Texas Public Policy Foundation’s annual policy orientation for lawmakers.

Perry said new Education Commissioner Shirley Neeley would decide the goals schools would have to reach to qualify for part of the \$100 million.

His second proposal would

require schools to share information about their finances in plain language.

“I believe if taxpayers are going to foot the bill, they are entitled to look at every item on the receipt,” he said.

Earlier this week, Perry outlined proposals including payments to schools that lower high school dropout rates, graduate students in more challenging courses of study and increase the number of students scoring at least 90 percent on all Texas Assessment of Knowledge and

Skills tests.

For teachers, Perry has proposed a \$5,000 bonus for “excellence in the classroom” — a goal that still hasn’t been defined — and another \$5,000 for teachers in “struggling schools.” Perry said the state would put up half of the bonuses if school districts paid the other half.

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