



Business willing to pay for better education

Report suggests raising sin taxes, expanding sales tax base

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AUSTIN — Business officials told state lawmakers on Monday that they would support paying more taxes if it leads to improved public schools and a better-educated work force.

"Our current school finance system can't meet our current needs or our future needs," said David Laney, chairman of the Dallas Chamber of Commerce's School Finance Task Force.

The Dallas business community supports a business activity tax, even if some businesses end up paying more so long as the tax burden is equitably spread to all businesses, Laney said.

Laney was among those who testified Monday at the Joint Select Committee on Public School Finance. Lawmakers are examining ways to reduce property taxes and still fund Texas' public schools.

The committee was seeking public comment on its recently released report, which advocates stronger accountability standards and a fund to reward teachers and schools for improved student performance.

The report suggests the state can raise revenue to pay for property tax reductions by raising cigarette and other sin taxes, creating a business activity tax and allowing video lottery terminals at racetracks. It also suggests broadening the sales tax base and increasing the rate.

Texas Instruments supports paying more in taxes if lawmakers improve education so the state has a more educated work force, which should translate into a stronger economy, said Philip Ritter, a senior vice president for the Dallas-based semiconductor company.

The company annually examines whether it should restructure to avoid paying the corporate franchise tax, Ritter said. Many Texas corporations have restructured to out-of-state limited liability partnerships to avoid paying the tax.

"But it's more important the state have the means to fund education," Ritter said.

Texas Instruments officials advocated a business activity tax at a low rate but which is paid by all businesses. They support adding \$2 billion to \$3 billion a year in school funding to education, and they want the state to improve on early childhood and bilingual programs.

Ritter said creating a business activity tax wouldn't discourage new business investment because lawmakers can create additional incentives for industries.

Laney urged lawmakers to preserve equity in school funding, reduce property taxes 50 percent and increase overall school funding by \$2 billion to \$4 billion annually.

The state should adopt a new tax structure because short-term fixes send the wrong message of uncertainty to business and out-of-state business prospects, Laney said.

Laney disputed arguments that a business activity tax would drive industry out of Texas.

"Under-spending on education will definitely deprive us of a quality work force," Laney said. "Texas businesses need to expand and under-spending on education is shortsighted."

But not everyone agrees that schools need more money.

"We need to work within existing resources," Byron Schlomach, an economist with the conservative Texas Public Policy Foundation, told lawmakers.

"We are a high-spending state when it comes to public education. There is no one in this state suffering from an impoverished education. I think it was the case in the past, but not today."

If the state adds money to education, then revenues should go to incentive and education reform programs such as vouchers, Schlomach said.

Weston Ware, a spokesman for Texans Against Gambling, told lawmakers that they should not legalize video gambling at race tracks, which the committee proposed in its report.

"The idea of funding the education of Texas children through promotion of a vice is very disturbing to me," Ware said. "Video lottery is considered to be the crack cocaine of gambling."

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