



Michael Sullivan

School funding increase will hit taxpayers hard

AUSTIN — With the hours ticking away, one wonders if anything good can come from this special session of the Texas Legislature. If you are a taxpayer, the future is especially bleak.

The legislating class here is committed to significantly increasing the amount of money spent on public education. One has to ask why.

Texas spends more on public education today than was spent on all state government in 1990. We have tripled per-pupil spending since 1970, on top of inflation and population growth. We currently have one teacher for every non-teacher in our schools, versus only a few decades ago when the ratio was three teachers to every non-teacher.

What do we have to show for it? Public schools are often the nicest buildings in town. We have multi-million-dollar athletic complexes. The highest-paid Texas superintendent has a five-year contract worth more than \$2 million; he's not even in a "wealthy" district.

And more is going to be spent; all to "help" the kids.

Of course, no one is talking tax increases. Just the opposite; politicians are falling over themselves to reassure us of impending cuts to our property taxes.

Pleasant rhetoric, just don't believe it. Government can only get revenue from the people. So if politicians are going to increase spending, new money must come from somewhere. Unless we are willing to cut spending in other areas of state government, that "somewhere" is your pocketbook.

Under proposals floating around the Senate last week, you'd pay more in taxes without knowing it. Two schemes, in particular, are especially insidious, representing a drain on both your personal

finances and the state economy.

One is a business activity tax. It has some theoretical appeal — being broad-based and hard to escape. A business would pay taxes based on wages, whether the company is making money or not; if they dare to show a profit, they get taxed on that, too.

There is abundant evidence the business activity tax will produce a net increase in tax burden, and a negative impact on economic growth. Only one state has had it for a sustained period — Michigan — and is phasing it out because of disastrous effects.

Legislators are also flirting with payroll taxes. Like a business activity tax, a great deal of money stands to be raised — in the short term — if such a tax is levied. Under this scheme, employers would be required to remit to the state either a percentage of the total compensation paid to employees, or a flat per-person fee depending on circumstances.

Either way, payroll taxes become a cost of production, and become (at least partially) reflected in product prices. They have all the negative effects of an income tax, worsened by the fact they are hidden from consumers and employees.

Gov. Rick Perry has stood correctly and firmly, if sometimes alone, against any new tax that could hurt the state's current competitive advantage in attracting businesses.

In the short-term, costs will be hidden. We'll see prices go up, and have less money at the end of the month. We'll scratch our heads and wonder why.

When the negative consequences hit the economy, legislators will have spent the money to fulfill questionable promises. Billions will have been drained from

our pockets.

Welcome to the future. Bleak, indeed.

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