

# Special Session of Texas Legislature Achieves Nothing

by **Byron Schlomach**

A special session of the Texas legislature, called by Governor Rick Perry (R) to address school finance issues, closed on May 17 without accomplishing a thing.

The governor and state legislators had agreed on the special session's goals: to "eliminate the state's Robin Hood school finance system," where local property taxes are shared among school districts in order to equalize funding, and to enact property tax relief. Little agreement was reached, however, on how to achieve those goals.

## No Lack of Effort

The failure of the legislature to devise a new school funding system was not for lack of effort, which began more than a year ago during the 140-day biennial regular session of the Texas legislature. A school funding lawsuit loomed at the time, and a large freshman class in the House had promised to address the issue. Policymakers passed a stop-gap bill that pledged a new funding system would be developed by September 2004.

To make good on that pledge, 37 of the House's 150 members sat on a Select Committee to review school funding matters, hearing hours of testimony on school finance formulas, local property taxes, and state taxes. There was also a Joint Select committee, consisting of House and Senate members plus a handful of blue-ribbon appointees, including education researcher and economist Caroline Hoxby of Harvard University. No consensus emerged from either group.

Perry, who had made consensus a prerequisite, called the special session in the hope it would produce what the select committees could not. "I believe we can reform our school finance system with-

out a major tax hike, without a broad-based business tax, and without an across-the-board rate hike on the existing sales tax base," said Perry at the special session's start. He made clear his opposition to anything that smacked of an income tax. "I will further protect Texans by opposing a personal income tax in any shape or form," he pledged.

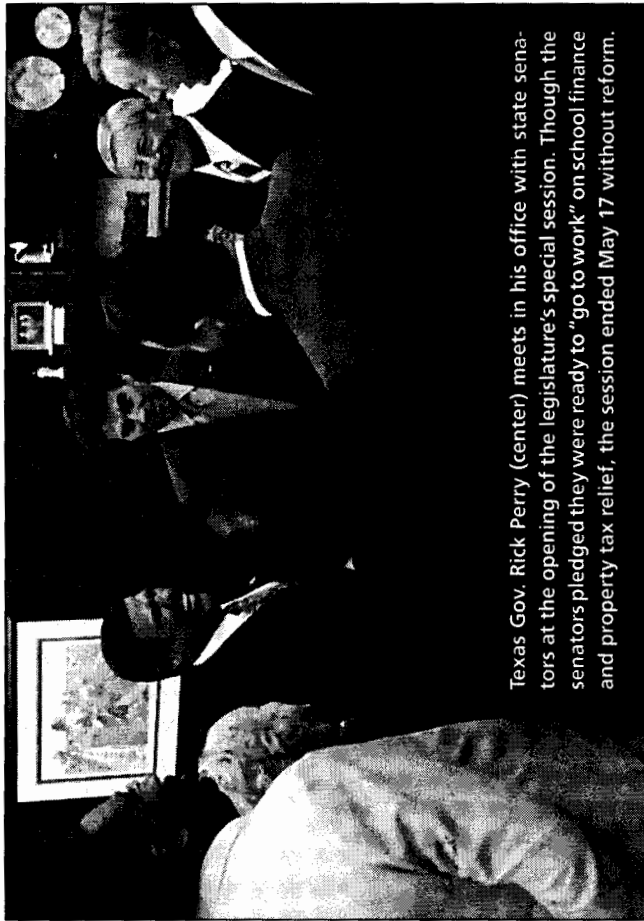
## Tax Alternatives Considered

Prior to and during the special session, many tax alternatives were considered. State Representative Kent Grusendorf (R-Arlington), chair of the House Select Committee on Public School Finance and co-chair of the Joint Select Committee on Public School Finance, floated the idea of a business activity tax on pay-rolls and profits. Whether to implement such a tax "is the \$64,000 question," Grusendorf said, "Or maybe I should say the \$64 billion question." Perry and others, however, strongly opposed the idea.

The governor's revenue proposals also seemed to invite more opposition than support. He proposed allowing video lottery terminals at race tracks and on Indian reservations and a series of "sin" taxes such as entry fees to strip clubs, which together he said would fund up to \$1 billion in new education spending.

## A Bill Emerges

The House Select Committee ultimately developed a 300-page bill that included a payroll tax, video lottery terminals, an increase in the sales tax rate, and a substantial cigarette tax increase. The package provided for property tax relief, ended the Robin Hood school funding scheme, and provided more money for public education. During debate over the bill, the payroll tax and video lottery provisions were stripped, so great was oppo-



Texas Gov. Rick Perry (center) meets in his office with state senators at the opening of the legislature's special session. Though the senators pledged they were ready to "go to work" on school finance and property tax relief, the session ended May 17 without reform.

sition to them. The state's franchise tax, which was to be repealed, was reinstated and the sales tax broadened to make up for the lost revenue.

After only a day of discussion, debate in the House was abruptly cut short and the bill was called for a vote. On the first vote, it was defeated. Several hours later, the vote was taken again, and the measure passed to the Senate.

The Senate took up the measure as a committee of the whole. After a week, it became clear the body would not take action on the bill. Lieutenant Governor David Dewhurst (R), who presides in the Senate, explained, "I cannot understand how difficult this is going to be. The House has sent us a bill that isn't balanced."

When the Senate debated the bill, the results were anti-climactic. Even a class of fourth-graders visiting the capitol,

who thought they would get a government and school finance lesson, were disappointed. Their teacher described the scene. "We didn't see anything in the chamber. They just, they started and then they stopped."

## Standstill and Clarification

In a nutshell, that describes the fourth special session of the 78th Texas Legislature. Perry put the best possible spin on the session saying, "Taxpayers should know that this session was productive because it clarified the challenge and focused the debate on the finer details of education reform and public school finance."

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