

Tax reform and schools' role in it focus of talks

Giving districts more options is key, solicitor general says

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Without a wholesale overhaul of the state's tax system, Texas can expect legal challenges to the system well beyond any short-term fix the state Legislature might agree to this year, state Solicitor General Ted Cruz told the Texas Tax Reform Commission on Monday in Austin.

The hearing at Austin City Hall was the third factgathering hearing by the gubernatorial commission, which is expected to offer recommendations to the Legislature before a special legislative session this spring. It coincided with separate discussions about tax reform at a conference across town sponsored by the Texas Public Policy Foundation, a research institute that favors limited government.

The Texas Tax Reform Commission will make recommendations to lawmakers before a special session this spring. The commission, led by Chairman John Sharp, met Monday at Austin City Hall.

The Supreme Court has given the Legislature until June 1 to approve a plan that gives school districts more discretion in the taxes they levy.

Cruz, who would have to defend any new plan in court, warned that lowering property taxes would present a new funding challenge to lawmakers without addressing the court order that districts be free to set their own rates.

Lowering the school property tax cap of \$1.50 per \$100 of assessed property value has been the benchmark of numerous failed school funding proposals during the past three years. Lowering the cap won't make the system comply with what the Texas Supreme Court says would be legal, Cruz said.

Until districts have discretion to set their own rates, the tax remains illegal, Cruz said.

Cruz said the commission needs to give school districts real options, either by allowing them to tax more or spend more or by having the state shoulder a greater school tax burden.

At the Texas Public Policy Foundation's event, House Speaker Tom Craddick said that any tax bill for public school must be "revenue neutral" to pass the Texas House, meaning any money raised through new taxes should be offset by cuts in existing taxes.

Craddick also stressed that many lawmakers want to address changes in education policy as well as offset property taxes with state levies.

"Just dumping more money into the program is not what we should do," Craddick said.

The Midland Republican complained that since 1997, school spending has increased four times as fast as enrollment and that not enough money is getting to the classroom. He said many House members want more transparency and accountability on school spending; a teacher pay raise tied to performance; and greater involvement of taxpayers and parents, particularly moving school elections to November.

He also warned that the Legislature might face a budget deficit at the beginning of the 2007 regular session. He offered no details.

Another key lawmaker at the conference was clear which option will not be on the table this spring.

"I'm pretty much an over-my-dead-body guy on a state income tax issue," said Sen. Tommy Williams as the room erupted in applause. "I don't believe there's anything that's inherently fair about an income tax compared to other methods of taxation. "

Lt. Gov. David Dewhurst, who was slated to speak to the group Monday evening, expressed cautious optimism that the Senate and House can agree on school finance before the court-ordered deadline, something they have been unable to do despite several legislative special sessions.

"We've got to get it done," he said before his speech. "I think there's more in common in our positions now."

About 650 people, including legislators and lobbyists, were expected to attend the foundation's fourth annual Policy Orientation for the Texas Legislature, which concludes today. Taxes and education were the key issues at the forum; other topics included telecommunications and criminal justice.

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