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Property taxes should be cut by 33%, official says

But plan would require Legislature to raise \$5 billion a year to meet needs of schools

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AUSTIN - The head of a new tax study commission said Monday he would like to see property taxes for school operations cut by about one-third, an effort that would require the Legislature to raise more than \$5 billion a year in new state taxes or other revenue.

But former Comptroller John Sharp said it would be a mistake for the Legislature to impose a permanent, lower cap on school taxes because it could soon land the state back in court over school funding.

The Texas Supreme Court in November declared the current finance scheme unconstitutional and gave the Legislature until June 1 to correct the problem.

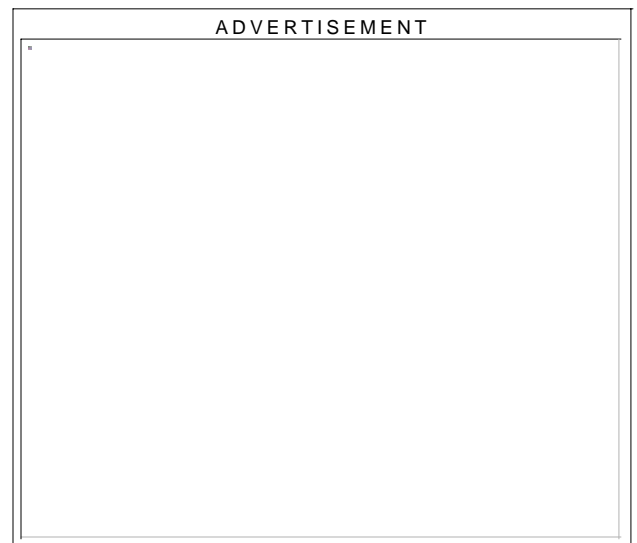
Business tax

Gov. Rick Perry appointed Sharp to chair a 24-member commission to make tax recommendations to lawmakers, whom Perry is expected to call into special session this spring.

Sharp predicted the high court ruling will finally motivate lawmakers to agree on a new, broad-based business tax as a major revenue source. Disagreement over a business tax was a major stumbling block against efforts to change the school funding system during three sessions last year.

"The devil is always in the details. ... But I think that, in order for this to work, you cannot have a situation where only one in every 15 or 16 businesses in the state of Texas pay anything at all into a business tax. It's going to have to be something that everyone participates in," Sharp said.

"I think the Supreme Court deadline goes a long way and maybe is the crucial link in getting this to pass," he



added. "The worst that could happen in this situation is that all of a sudden you wind up with schools shut down, and I think that's going to be an impetus in making it work."

The commission, most of whose members are business people, also heard from witnesses during a public hearing Monday advocating an expanded sales tax and higher cigarette taxes.

Local limits

Present law limits local property taxes for school maintenance and operations to \$1.50 per \$100 valuation and allows additional property taxes for school construction, if local voters approve.

Ruling in a lawsuit brought against the state by more than 300 school districts, the Supreme Court held that the \$1.50 cap amounted to an unconstitutional statewide property tax because it didn't provide districts enough discretion in setting local taxes.

Many districts are at or near the cap because the Legislature, in recent years, has let the state's share of education funding slide, putting more pressure on local taxes.

Sharp said he hopes the commission will recommend enough funding to the Legislature to cut school maintenance taxes to \$1 per \$100. Paying for those cuts would cost the state \$5.2 billion to \$5.5 billion a year, he said.

Seeing limits

But, he added, it would be wrong, based on the Supreme Court's ruling, for the Legislature to impose another arbitrary cap, even a significantly lower one, because eventually it too may limit districts' options.

"If you're going to cap it, you've got to do it in different ways," he said, suggesting the Legislature, instead, could reward districts with more state money for keeping their property taxes low.

"That would put a burden on the state, but then that's kind of what we're talking about anyway, making sure that it (school funding) doesn't go back to where the state is the minority player," he added.

In a related development, Speaker Tom Craddick said he will push again in the spring special session for a package of educational changes opposed by school administrators.

"I believe very dearly that just dumping money into the program is not what we need to do. I really believe that without the reforms ... we're doing an injustice to the people we're representing in this state," Craddick told members of the Texas Public Policy Foundation, a conservative think tank.

Craddick's wish list

Craddick wants to tie at least some teacher pay raises to performance, to establish a uniform school start date and schedule school board elections on the same day as general elections in November.

"If we don't start looking at the reforms that change the districts as well as just money, you and I might as well put our heads in the sand," he said.

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