



# Panel OKs backup tax fix

'Get outta Dodge' bill would rely on surplus to help fund schools

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By **TERRENCE STUTZ / The Dallas Morning News**

AUSTIN – House tax writers approved a stopgap tax relief bill Wednesday, preparing a temporary fix to the state's school finance system despite arguments that it would mainly benefit rich school districts and block many other districts from raising needed money in the future.

Described as the "get outta Dodge" bill by Gov. Rick Perry and others, the measure is aimed at meeting a June 1 deadline set by the Texas Supreme Court to remedy unconstitutional provisions in the current funding law for schools. The House Ways and Means Committee approved the bill, 8-1.

Sponsors of the measure said it is a "safety net" for the Legislature to use if members cannot agree on a more comprehensive plan – such as Mr. Perry's proposal to swap lower school property taxes for higher taxes on businesses and smokers.

Under the legislation, school property taxes would be cut 11 percent this year – 17 cents per \$100 valuation – using funds from the state's budget surplus to replace the revenue. That action would give school districts more control over their local tax rates – something the Supreme Court said is now lacking and makes the system unconstitutional.

Most districts are now at or near the current \$1.50 cap on tax rates set by the Legislature.

"This bill virtually answers the Supreme Court order," Rep. Warren Chisum, R-Pampa, author of the measure, told the committee.

The lone no vote on the panel came from Rep. Mike Villarreal, D-San Antonio, who expressed concern that it could increase the funding gap between rich and poor school districts.

House leaders want to win approval for the plan so they have a solution if time should run out in their 30-day special session. They would then work on Mr. Perry's more ambitious proposal.

The simpler plan to reduce taxes gained momentum this week when Comptroller Carole Keeton Strayhorn announced the state had an \$8.2 billion surplus. The governor has tried to counter that by touting business support for his plan this week, and he did so again Wednesday, announcing support from health care

providers who previously had joined corporate lawyers in opposition to the plan.

Groups representing doctors, dentists, pharmacists, optometrists, nurses and for-profit hospitals and nursing homes – many of whom would pay a state business tax for the first time – backed the legislation after receiving assurances their members would be allowed to deduct all or portions of their charity and uncompensated care from their revenue subject to the revamped business tax.

A key concession by the governor and Mr. Sharp was that the state would factor into tax bills not only the amount of free care given but the growing gap between providers' actual costs and their reimbursements under government health insurance programs.

"Our hope is that these reforms will provide an incentive for more physicians to treat patients covered by these government programs," Mr. Perry said.

Mr. Perry has been critical of those who want to use the state surplus to reduce property taxes and then do nothing else. Also favoring more comprehensive legislation are the leaders of the Senate and House, Lt. Gov. David Dewhurst and Speaker Tom Craddick. But many conservative Republicans say they find it hard to justify enacting new taxes when the state is flush.

Defending his approach, Mr. Chisum said school districts would be able to raise their tax rates above the new \$1.33 ceiling with a popular vote, giving them the discretion the Supreme Court has demanded.

But critics – mainly school districts and education groups – said the legislation would give an unfair advantage to rich school districts, which could raise three or four times as much new revenue as other districts by increasing tax rates. That would result from those increases not being subject to the "Robin Hood" requirements of the current funding system.

Further, opponents said, many districts would find it much more difficult to raise tax rates because any increase beyond an initial 3 cents would require voter approval. In the past, school boards have been empowered to raise tax rates each year up to a certain amount without voter approval.

Scott McCown of the Center for Public Policy Priorities, who served as presiding judge in the state's long-running school finance case, questioned whether approval of the stopgap measure would make the Legislature less willing to pass more comprehensive legislation.

"If you pass a get-outta-Dodge bill, then who will be left in Dodge to pass any of the other bills?" he asked.

Mr. McCown said giving wealthy districts free reign to raise tax rates and keep all the revenue will result in "tons of money being sent to Anglo school districts" while lower wealth districts that are predominantly Hispanic struggle for new funds.

Several business groups voiced support for the measure, including the Texas Association of Business and Texas Association of Realtors. They also support Mr. Perry's plan, which has been split into several bills that the tax committee will consider this week.

Byron Schlomach of the conservative Texas Public Policy Foundation argued for the bill, though he said it may not go far enough.

"This bill would be better if it had a larger property tax reduction," he said, arguing that the budget surplus represents overpayment of taxes that should be returned to taxpayers.

*Staff writer Robert T. Garrett contributed to this report.*

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