



**Highlights of Testimony of Richard Vedder, Ph.D.  
Select Committee on Public School Finance  
August 22, 2003**

**Major points made by Prof. Vedder include:**

- **Texas's tax system is pretty good and not in grave need of radical change; caution should be used in changing something that works well;**
- **The biggest educational problem in Texas is not financial, but relates to the fact that many students are forced to attend under-performing monopoly public schools; funds should go to the consumer, not the producing school districts;**
- **Any tax reform should be revenue neutral (or revenue reducing); rising aggregate tax burdens are associated with low economic growth;**
- **Individual income taxes are extremely detrimental economically and should not be considered;**
- **One option would be to significantly lower local school property taxes and replace lost revenue with a lower rate state property tax and some expansion of the sales tax base, and possibly a modest rate increase (to perhaps 7 percent);**
- **Another option is to totally replace local school property taxes with a lower rate state property tax - if progressive vouchers are introduced – and supplement with an expansion of the sales tax base and modest rate increase;**
- **Expanding the sales tax to business services is unwise on economic as well as other grounds.**

---

**Richard Vedder is Distinguished Professor of Economics at Ohio University and Adjunct Scholar at the American Enterprise Institute. He has spoken and advised officials on tax issues in many states and foreign countries, and has authored several studies on Texas's tax system for the Texas Public Policy Foundation.**