

## **MFSA Chapter Meeting Minutes 3/9/06** **St. John's United Methodist Church**

Mingle & Gather     6:30-7:00pm

Opening Prayer     7:00pm

Study Session     7:05-7:50pm     Judge Scott McCown  
A Discussion of Issues Relating to Funding Our Schools

- Explanation of "Robin Hood"
  - Have over 1000 school districts in Texas with a vast range of property taxes.
  - Property tax is by pennies per \$100 of value.
  - Max tax \$1.50 per \$100 of value. That means max property tax in TX for schools is 1.5% for operations.
  - Poorest districts have a hard time raising money per student.
  - Richest 2.3Million per student.
  - All are guaranteed \$2.50? per person.
  - Robin Hood line was started in 1989.
  - Rich districts can have great schools with low taxes, but poor districts can't afford great schools.
  - Robin Hood affects 2 areas of the state
  - If ended RH today, ½ of the money would flow back to just 7 districts. (2 in Travis Co, rest north Dallas).
  - Every RH district, after makes the RH payments still has more money/student than every non-RH district after they get their money.
- Tax Dilemma
  - Most states in the country have three sources of revenue: 1. Sales, 2. Property, 3. Income.
  - No Income tax in Texas pushes Sales and Property taxes very high.
  - 1961 adopted our sales tax, primarily a tax on sales of goods. In 1961 we made most of money off selling goods.
  - Now we make money selling services, which we don't tax.
  - State has not had a tax base to keep up with our growth & challenges of our population, so the state hasn't kept up with funding.
  - Rising property values and increasing property tax rate ->
  - State Aid has gone down, increase has come from local property tax base. 55% to 38% state funding for schools.
  - State spending has been fairly flat based on per capita.
- Center for Public Policy Priorities [www.cppp.org](http://www.cppp.org)
- What the State Government Pays for - Education is 37% of every dollar
- Local Gov't pays for – Education is 44%.
- Property Tax is 47% of our revenue, Sales Tax is 32%
- State – 35% from Federal, 45% Taxes, Lottery 3% (pays for 5 days of public education), Licenses/fees/etc 9%.
- \$735 Billion in personal income. ~9% went to state and local taxes. We are 41<sup>st</sup> in the country in what we put in with state & local taxes.
- #1 in % of children and adults without public or private health insurance.
- 49<sup>th</sup> in states with people over the age of 25 with a high school education.
- Not talking about becoming a high tax state, just become average.
- If increase from 9 to 10% = 7.35 billion more dollars a year into social good?

- Special Session
  - Two goals to meet
  - 1. Legal
    - Supreme court said we must eliminate the defacto property tax.
    - Create some tax capacity that local districts can choose to use or not use.
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  - 2. Political
    - Promise by the leadership to reduce property taxes. Promised voters (home owners) and promised capital intensive industry.
    - Where will they find the money to reduce property taxes?
  - Options:
    - Sin taxes – doesn't raise much money
    - Revised ??
    - Raise Sales tax – regressive, already highest in the country.
  - TX has 5<sup>th</sup> most regressive tax system in the country. i.e. the more money you make, the less taxes you pay. Top 20% pay 5% in S&L taxes, bottom 20% pay 14%.
    - Build wealth from the bottom and have a strong middle class. If you heavily tax the lower income class, they can accumulate enough wealth to move to the middle class.
    - Not taxing where the money is!
    - Heavy taxes on poor people doesn't raise much money.
  - House Proposed Tax Change (H.B.3)
  - How would a State Income Tax Work?
    - Kansas State income tax is a below ave tax. Would raise \$18Billion a year. Per our constitution would need to use \$12B of it to reduced property taxes, could cut to \$.50
    - 1/3 must go to education.
    - The bottom 60% of households would pay less in taxes.
    - Top 40% would pay more in taxes.
    - Rate is locked in unless voters approve an increase per our constitution.
    - 42 other states already have a personal income tax.
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Breakout Sessions 7:50-8:15pm

Announcements 8:15pm – 8:30pm