



In search of a world-class education . . .



Didja Know?



Special Session "A Taxing Issue"

Joe F. Smith – TexasISD.com

Friday, March 3, 2006

Issue.....

Unconstitutional Property Tax

Deadline for Correcting:

June 1, 2006



March 3, 2006

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**The Public School Property Tax
system is unconstitutional.**

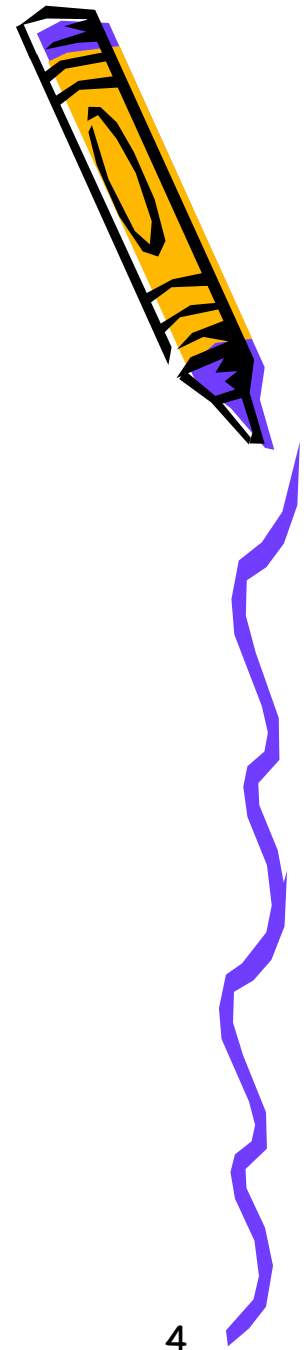


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Why is the system unconstitutional?



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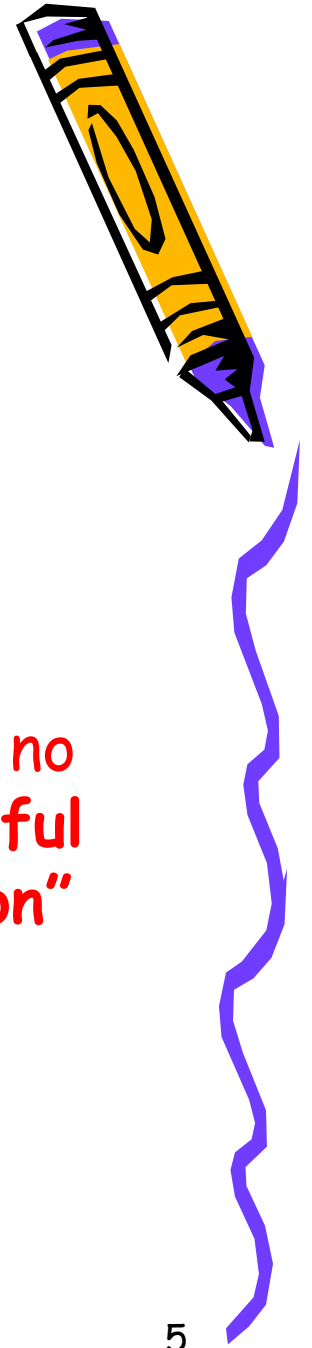
Current System

Tax Rate Cap
\$1.50

General Diffusion
of Knowledge



There is no
"meaningful
discretion"



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There is no local discretion...

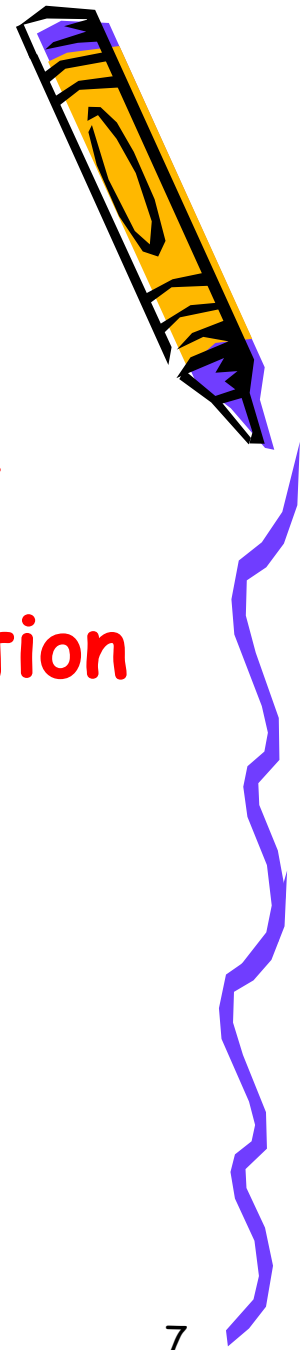
- School tax rate can't go up because of the state cap.
- School districts can't go down and still fund the required programs.



Property Tax Unconstitutional

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- Local property tax has become a *defacto* state property tax, prohibited by the state constitution (Art. VIII, section 1e)



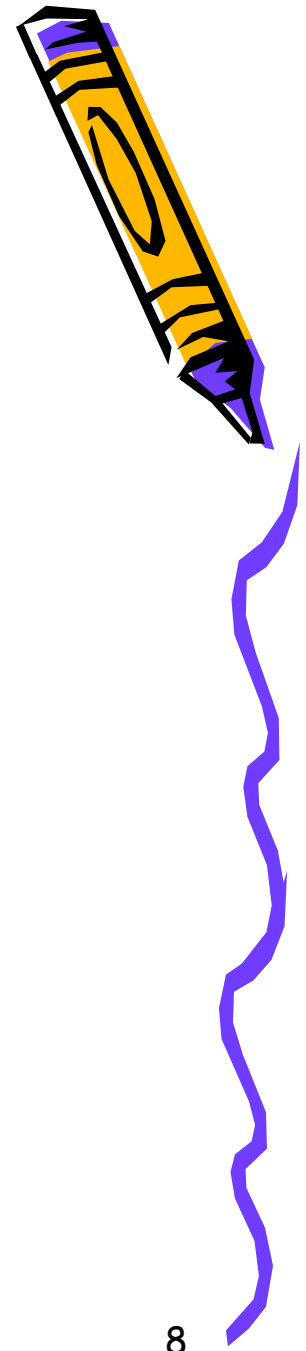
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What is needed to fix the system?

Local Discretion



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What is meaningful local discretion?

- Districts are entitled to meaningful discretion to reduce property tax rates and/or provide supplemental programs within any tax rate cap



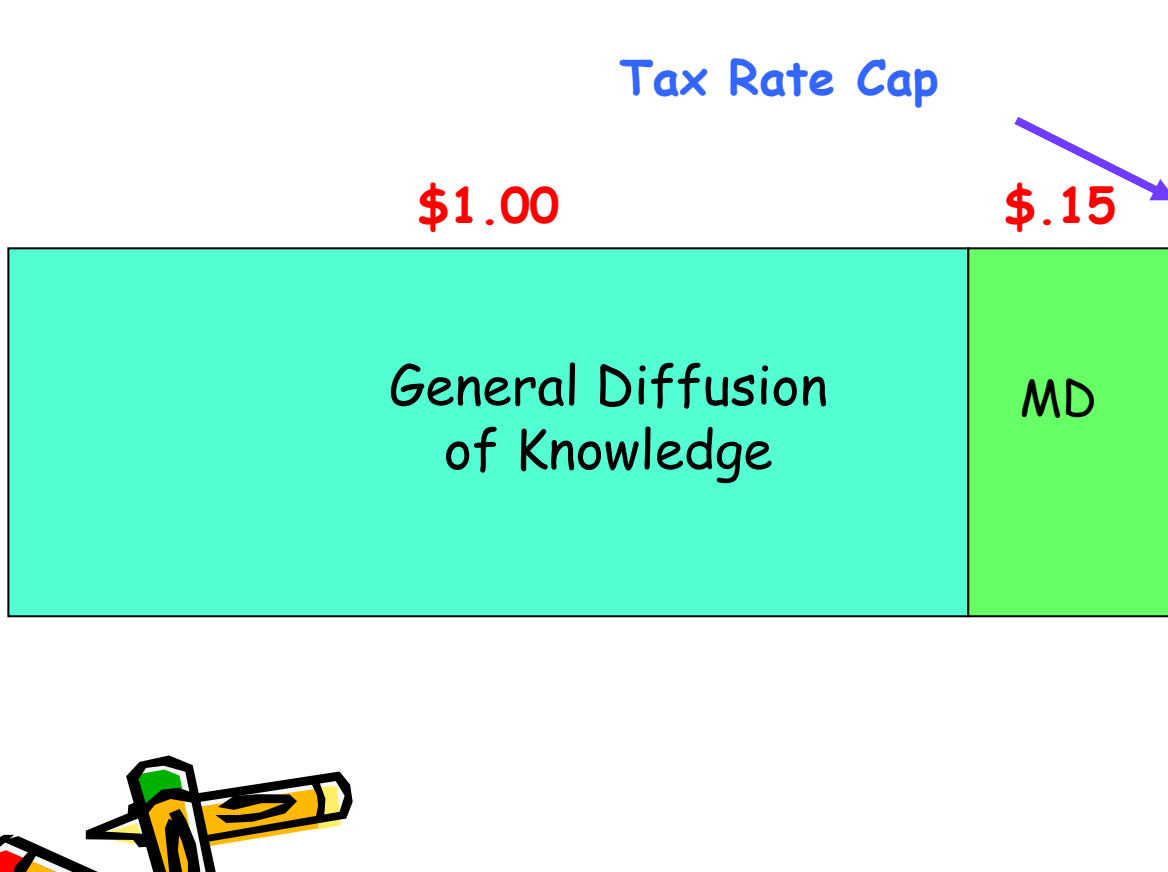
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A New System



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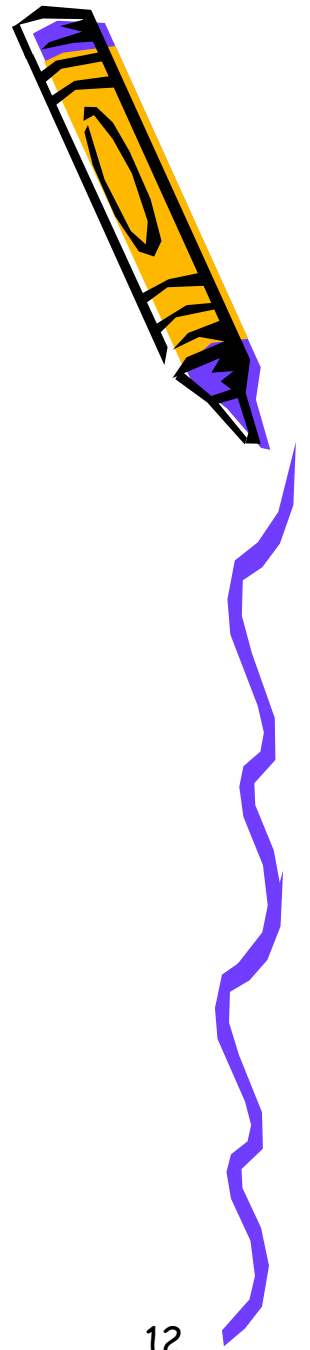
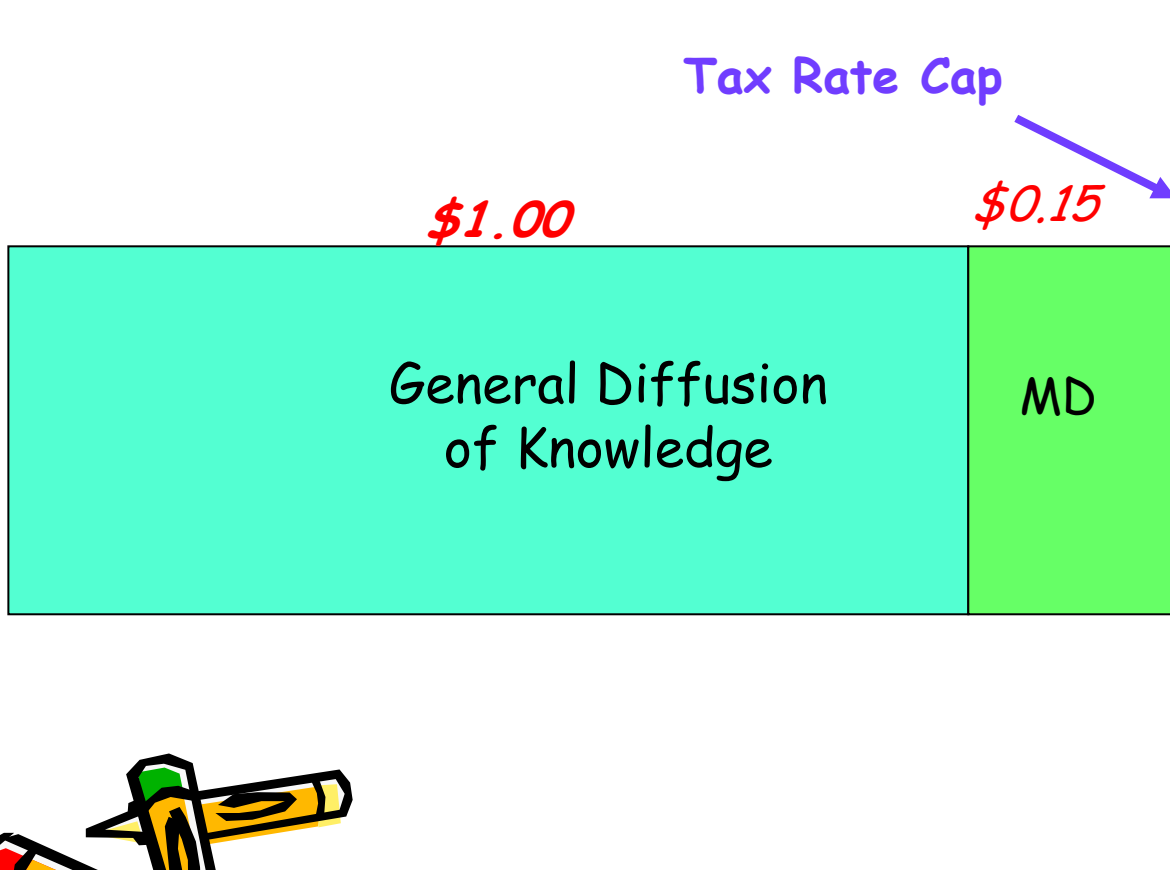
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Tax Rate Reduction



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Proportional Reduction

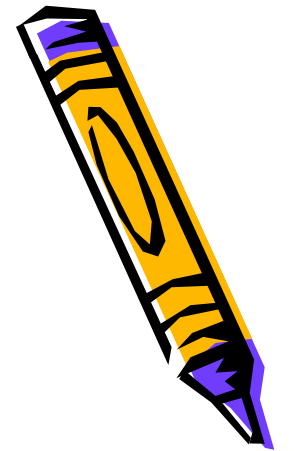
- \$1.50 (max M&O rate)
- Reduce \$1.50 by 1/3
- $\$1.50/3 = \text{\$}0.50$
- $\$1.50 - \$0.50 = \$1.00$

Or, for Nacogdoches ISD:

- $\$1.50/3 = \text{\$}0.50$
- $\$1.50 - \$0.50 = \$1.00$



Lowering Property Taxes... not as simple as it looks, but it is the...



- #1 political goal and has nothing to do with the supreme court decision.
- How do we lower school district property taxes in a Texas ISD?

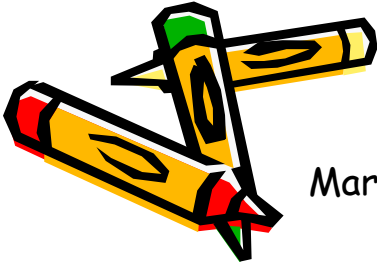
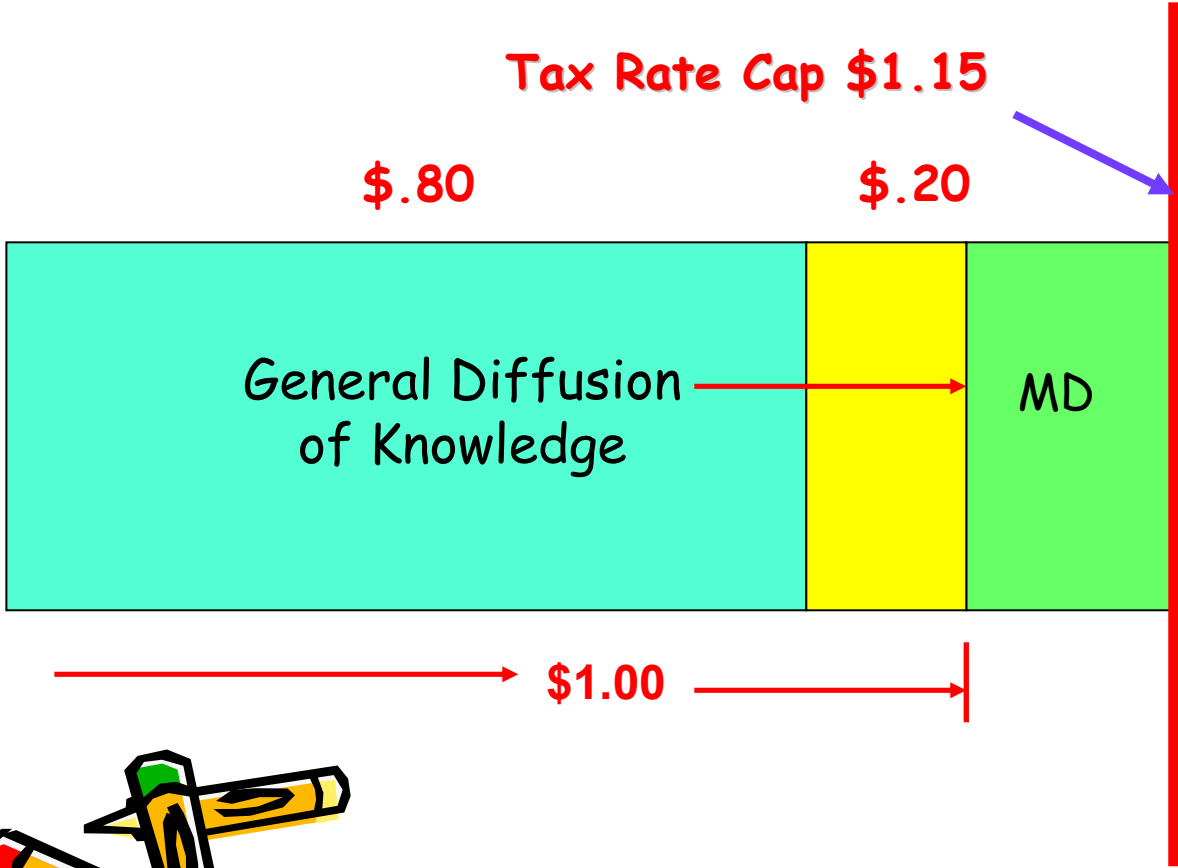


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Lowtax ISD

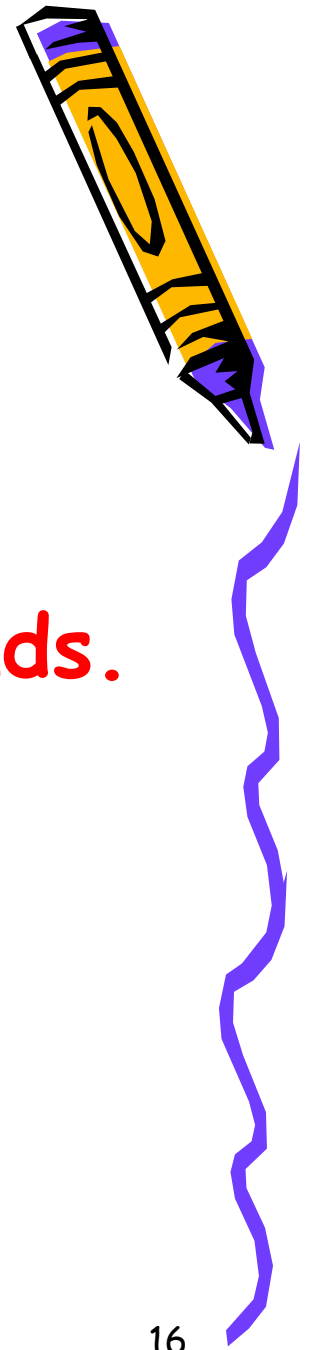


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Money to Replace Lost Property Taxes

- Will be provided by state from imposing new taxes that will generate a similar amount of funds.



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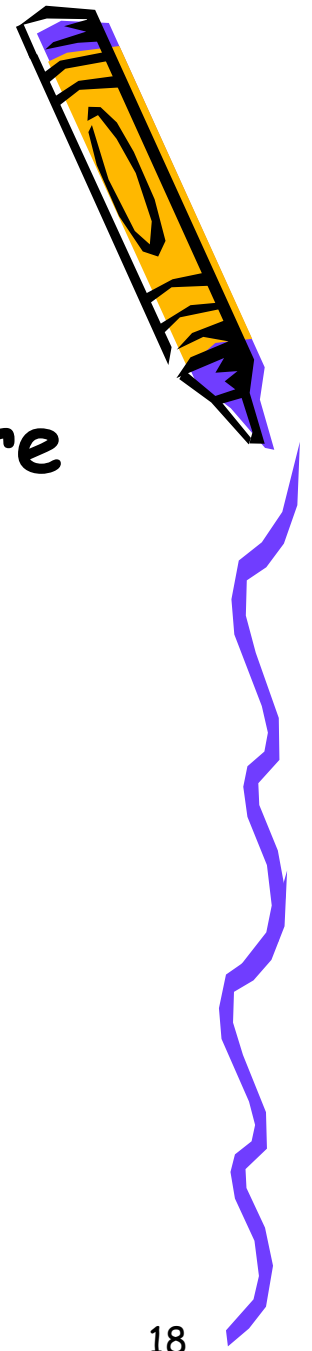
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John Sharp says the Tax Reform Commission is looking to raise between 5 and 6 billion



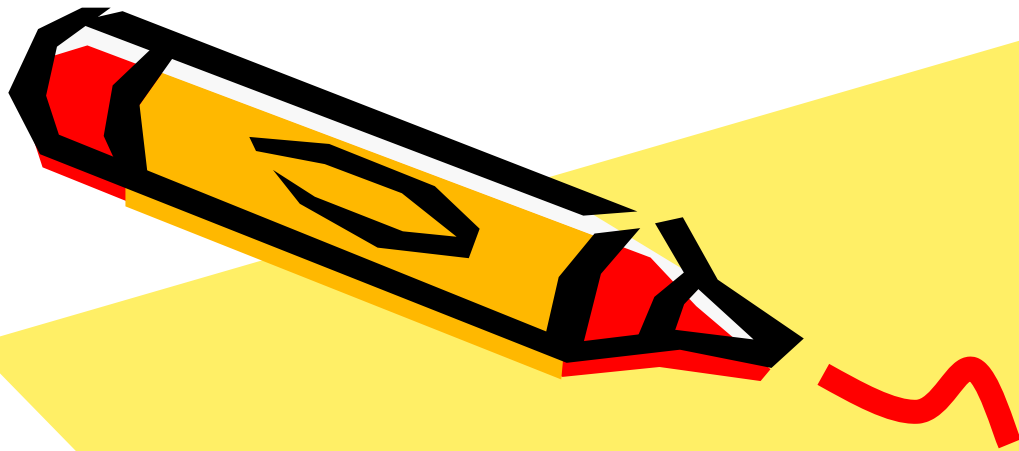
- East Texas Schools need a lot more money - Teachers need pay raises
 - East Texas Schools are having a difficult time competing with city schools for teachers
 - Cost for fuel, electricity, teaching materials etc. are increasing rapidly



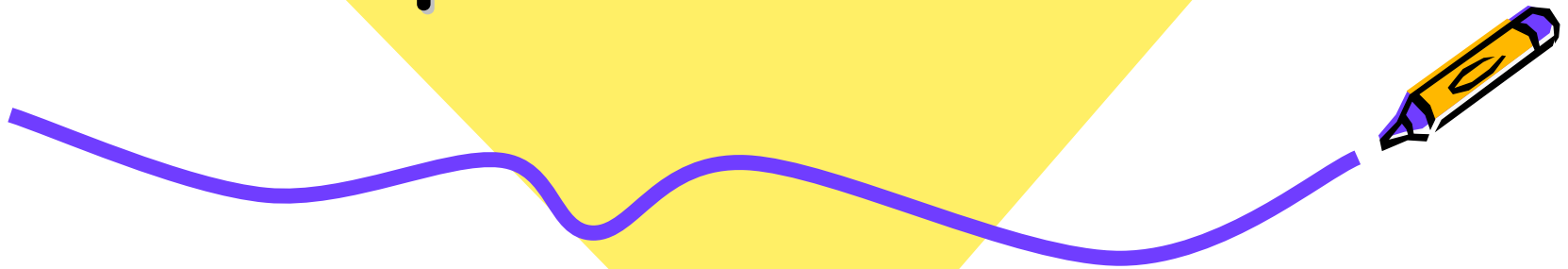
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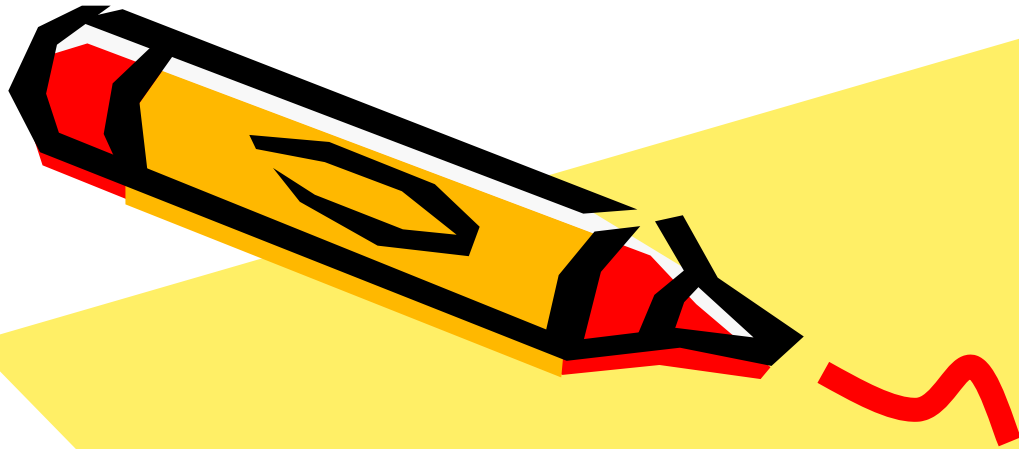
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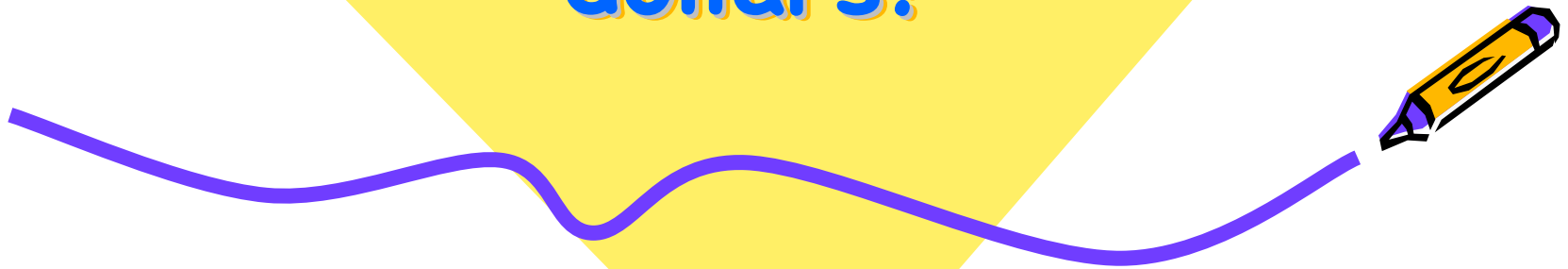


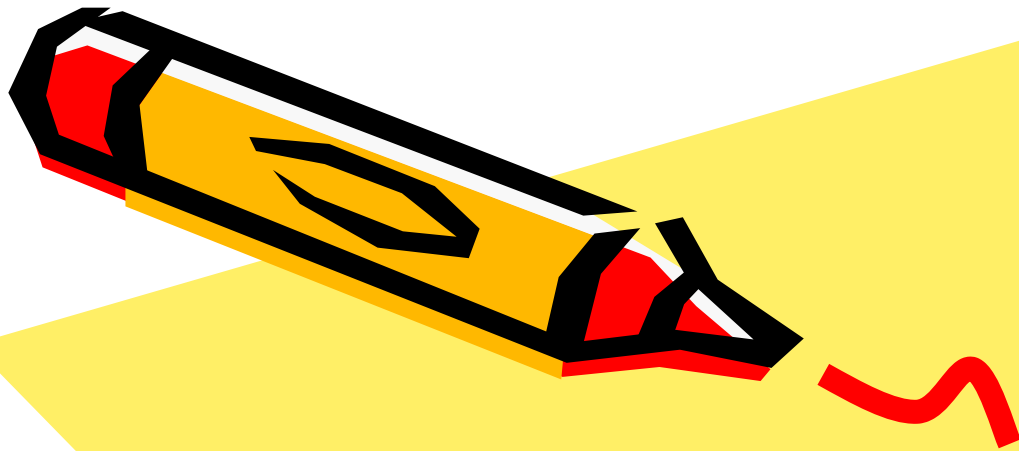
How much is a lot of money
for public education?



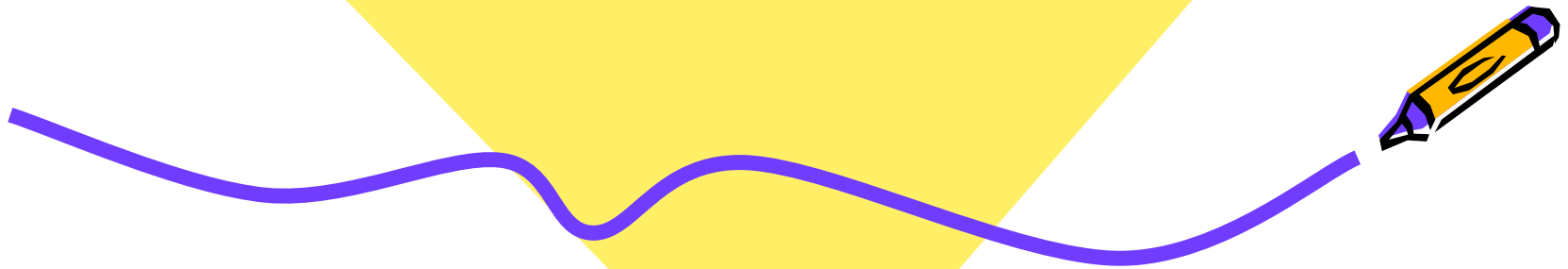


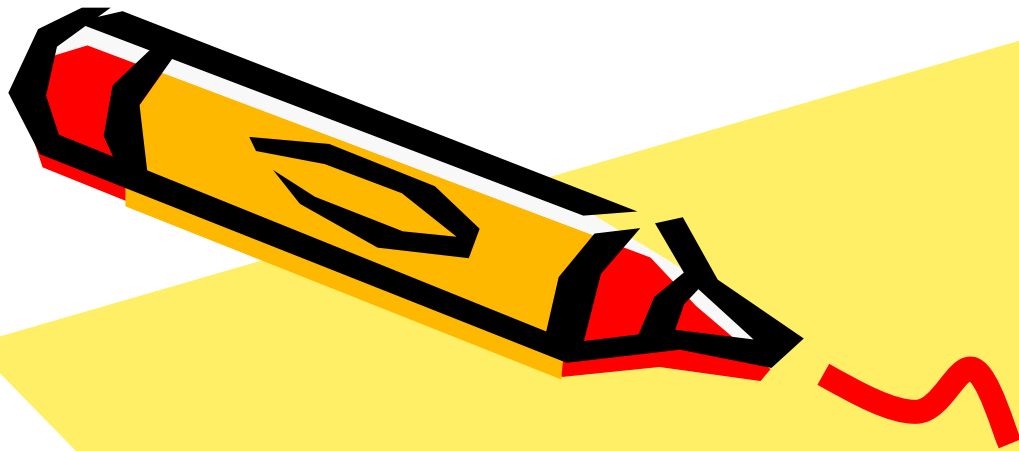
How about three-
quarters of a *billion*
dollars?



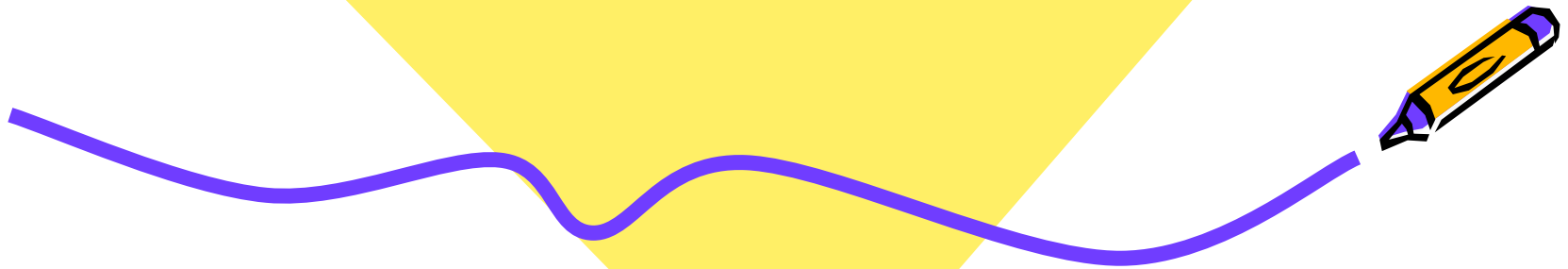


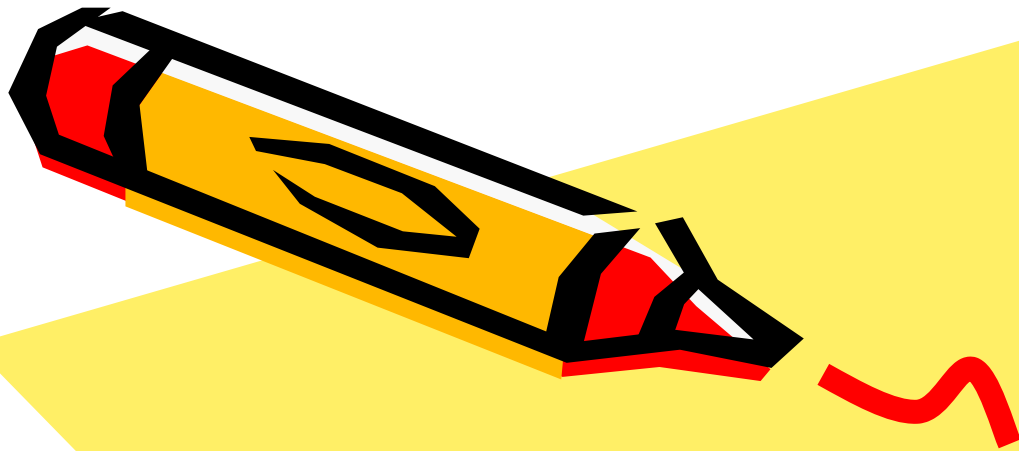
What if we wanted to improve education every year? Wouldn't that be a good idea?



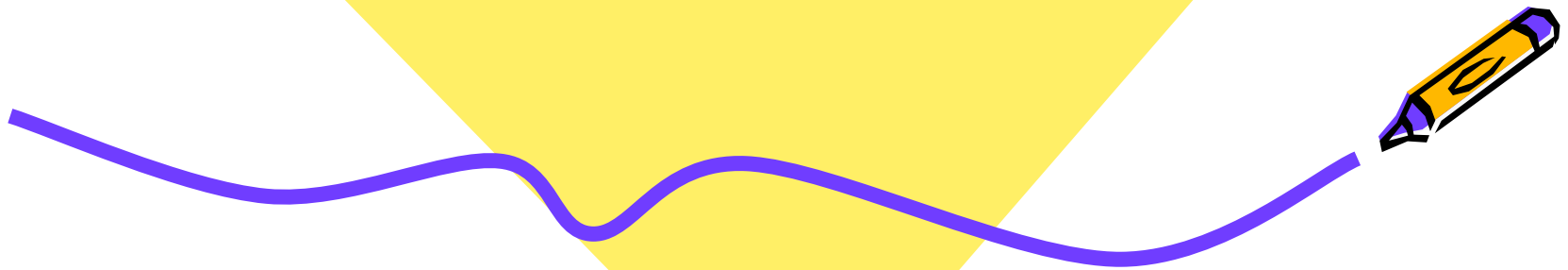


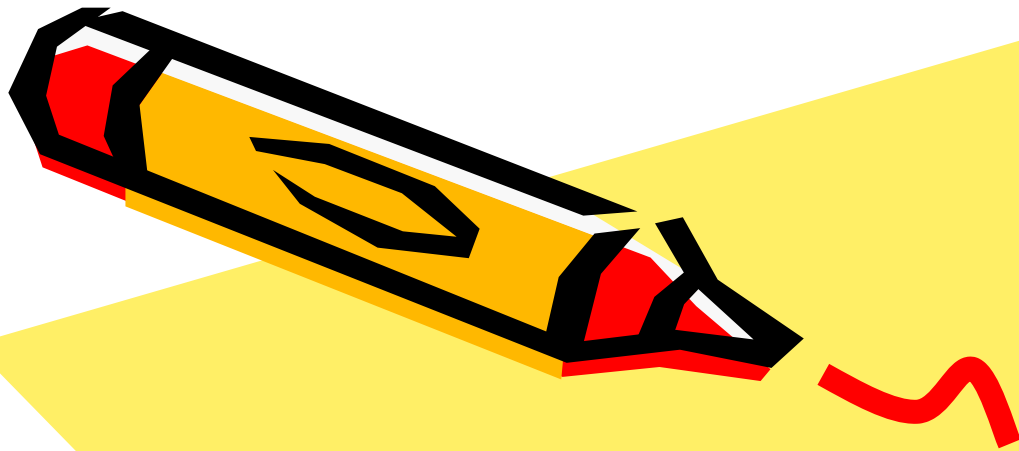
How about we improve education
by an amount equivalent to only
an apple a kid, each day?



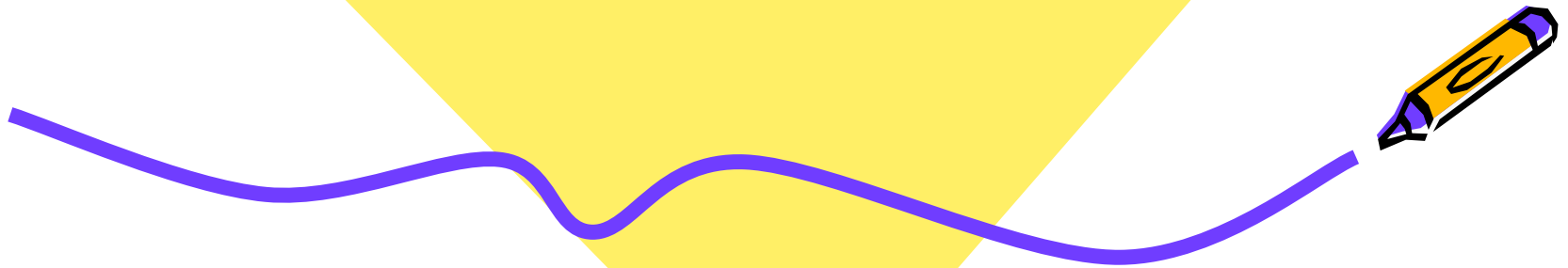


Would that be too extravagant
for our leaders' tastes?





Down at Kroger a regular apple
costs about 50¢.





There are *over* 4 million children in public schools today. In fact, we are growing by an "Austin ISD" each year!





Over 4 million kids times 50¢ . . .

That means it costs over
\$2,000,000

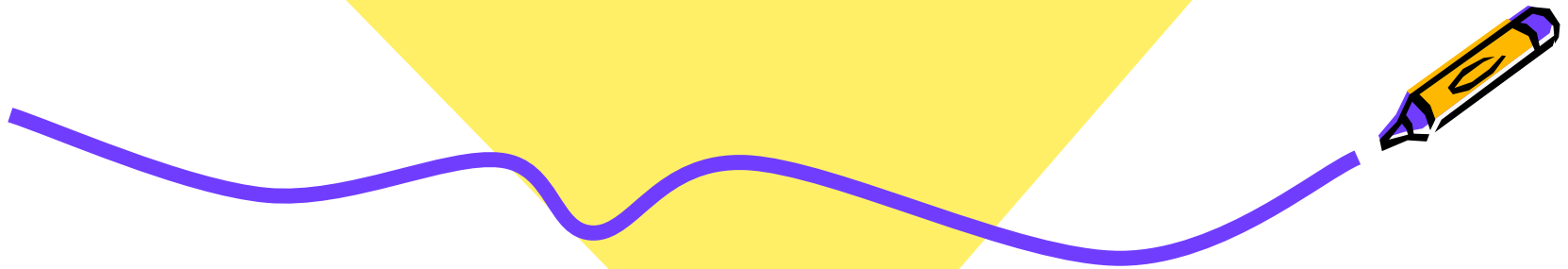
just to get an apple a day to our
school children.

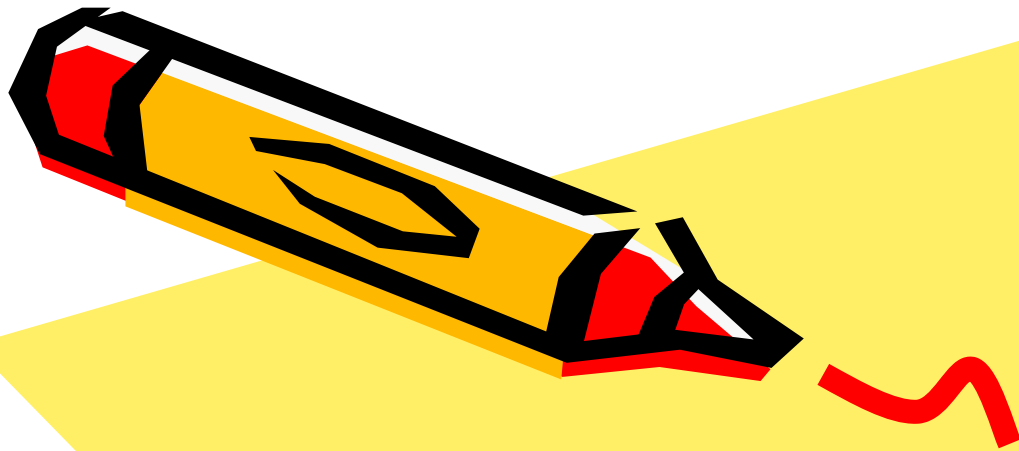




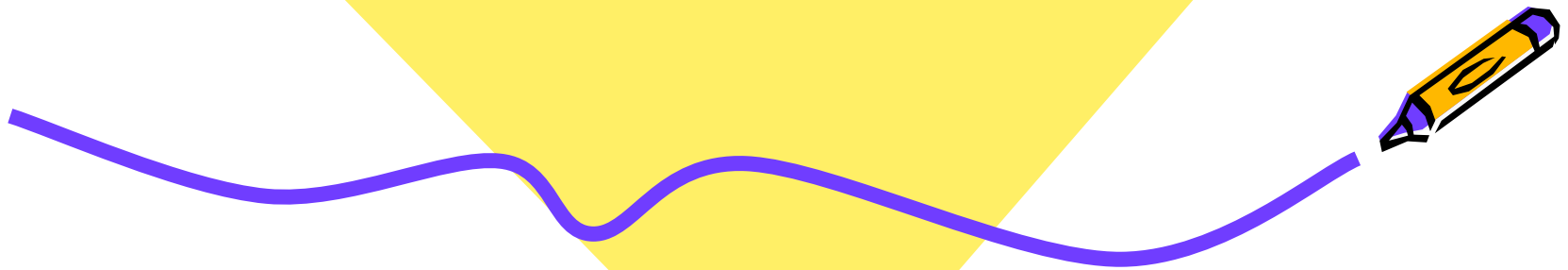
There are about 180 days in a school
year . . .

$$180 \times \$2 \text{ million} = \$360 \text{ a year}$$



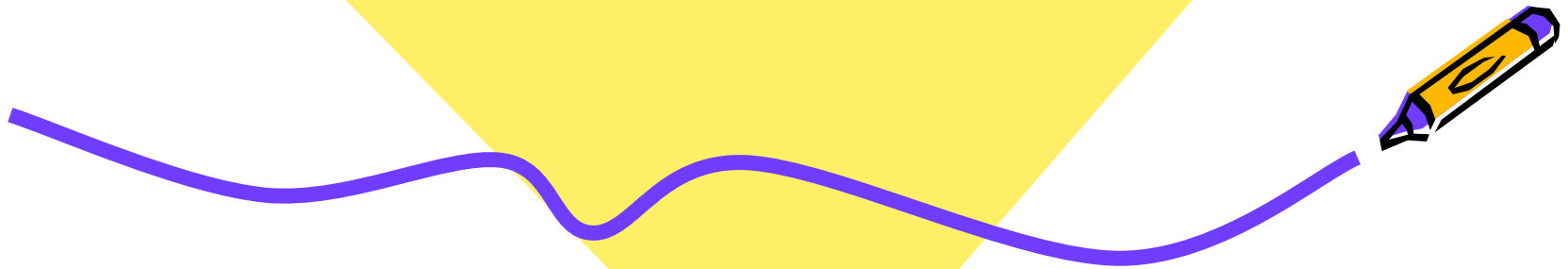


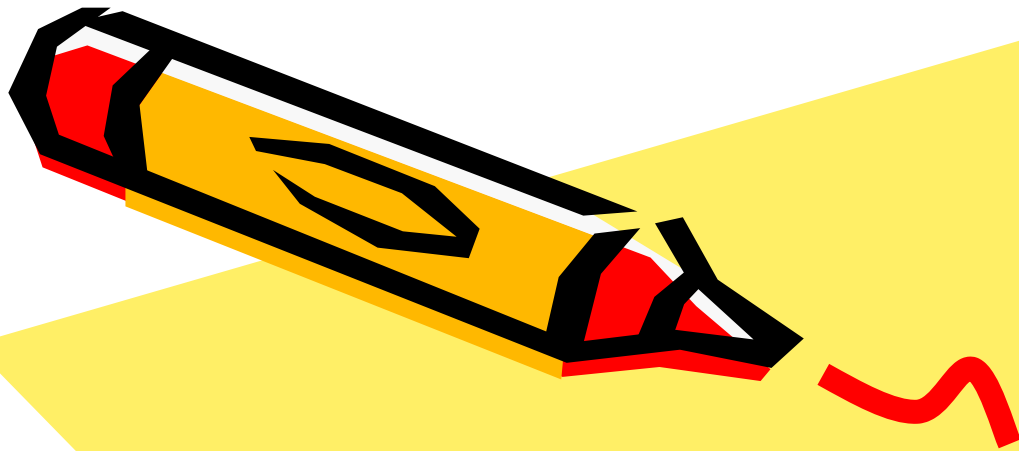
But state budgets are based on a
biennium . . . so they would budget
\$360 million time 2 years . . .



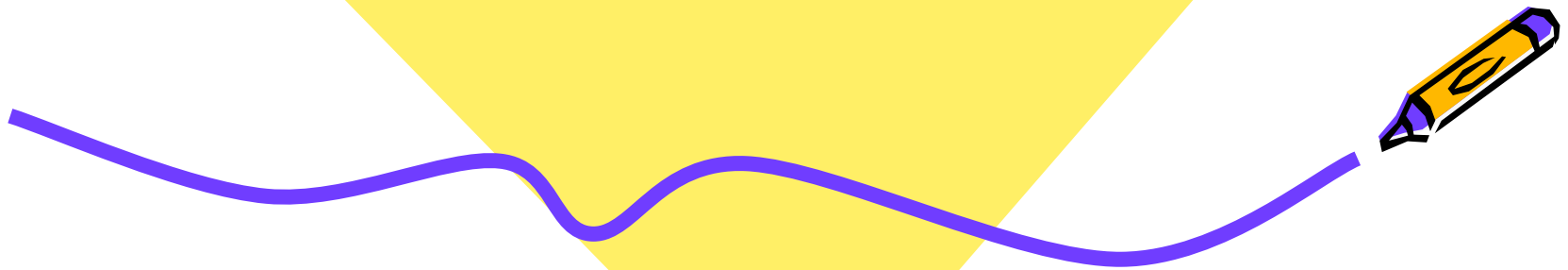


That's \$720 million a biennium.
(Remember, we underestimated the
number of children? The real
amount is





**Three-quarters of a billion dollars
just to get an apple a day's worth of
educational improvement into our
schools.**



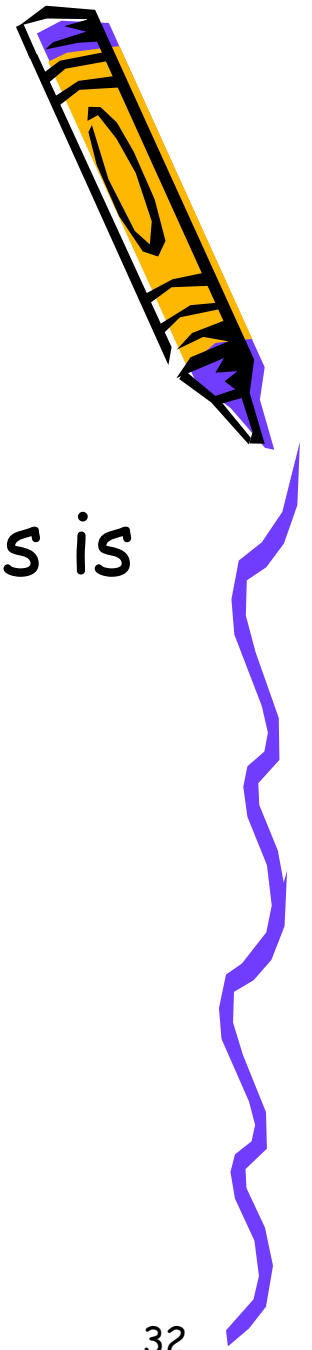
But what about the cost of standing still?

(We're talking about the fact that inflation makes you spend more money to keep performing at the same level.)



Inflation Costs

- The cost for instruction and operations for Texas public schools is over \$25 billion *per year*.



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Inflation Costs

- 3% inflation means that the cost of doing the same things increases by \$750 million a year.

(\$25,000,000,000 times .03 = \$750 million)

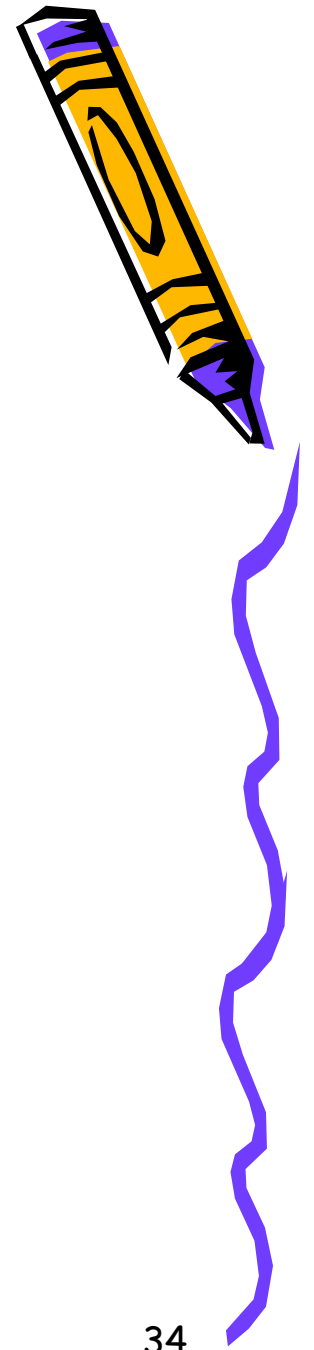
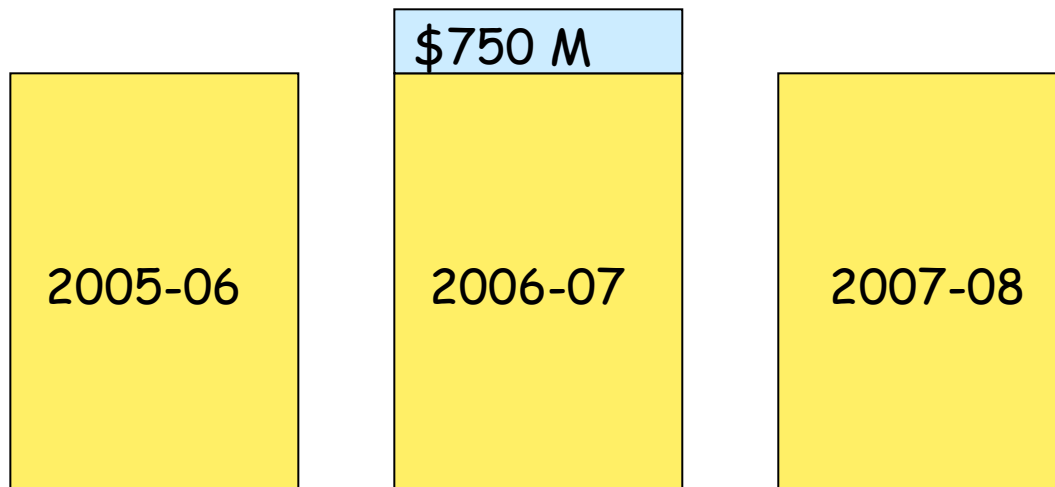


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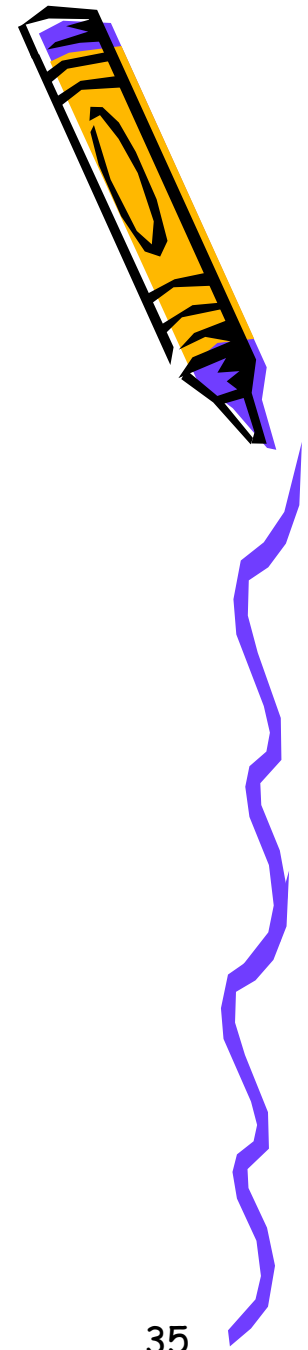
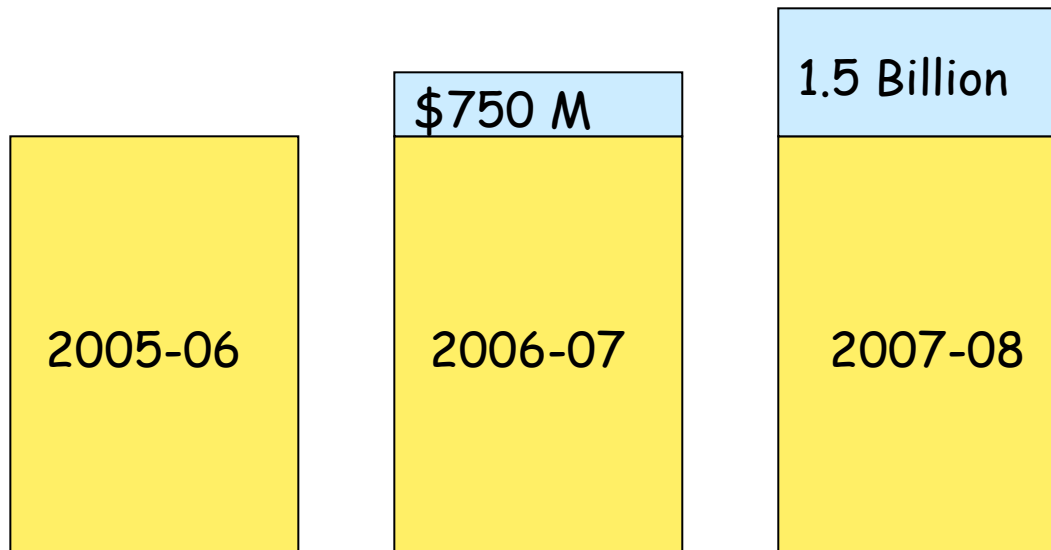
3% Inflation



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3% Inflation

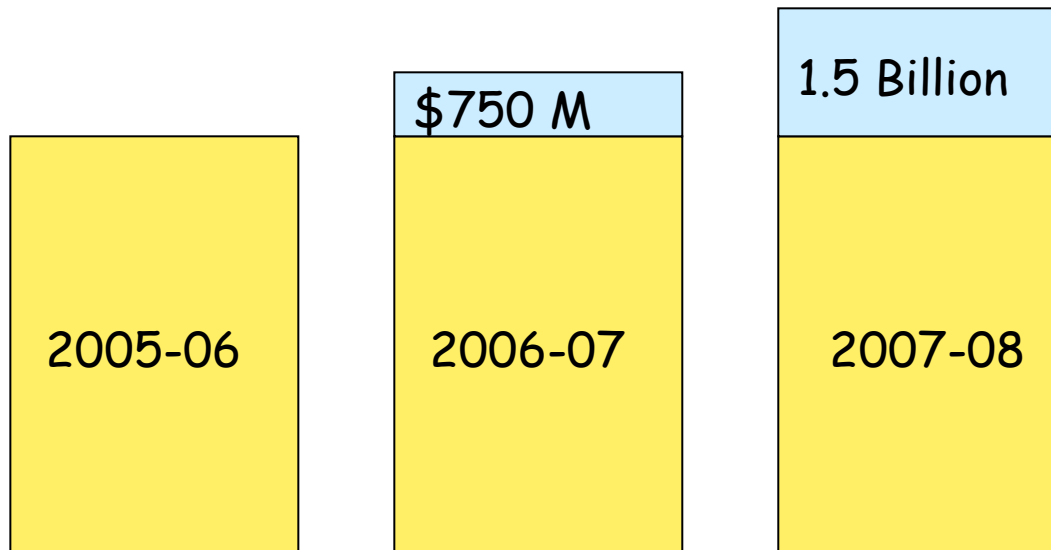


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3% Inflation

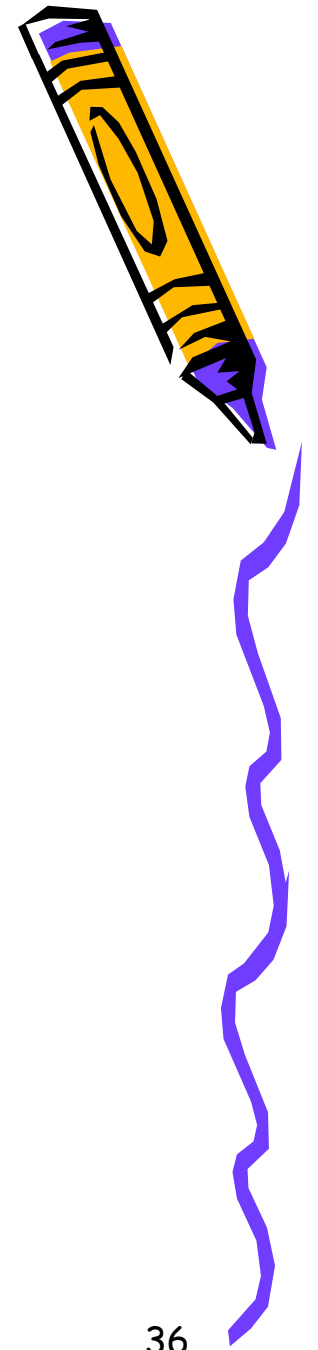
\$2.25 Billion each biennium



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So, what's the cost to
keep up the good work
schools are now
doing...and improve by an
apple a day?



Lookin' at the 'rithmetic



- For one biennium:
- An apple a day costs
- Inflationary costs
- Total

\$ 750,000

2,225,000

\$ 2,975,000



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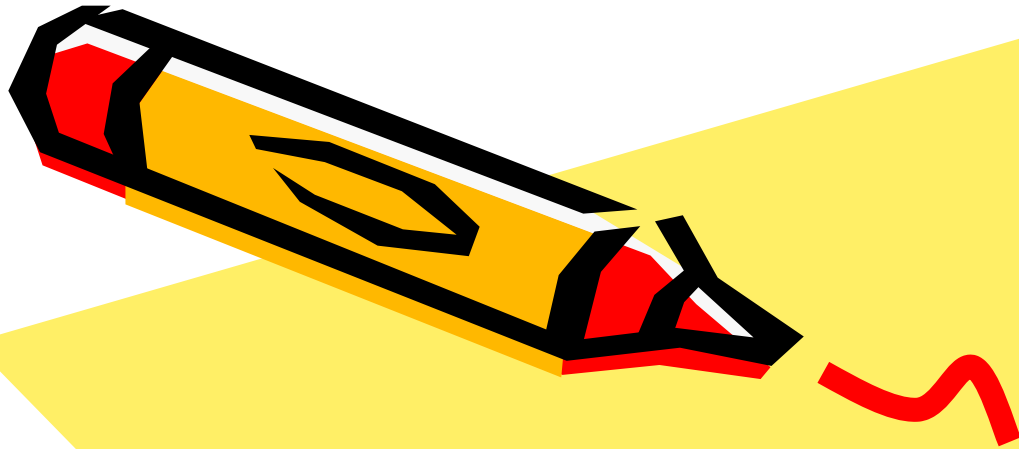
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Lookin' at the 'rithmetic

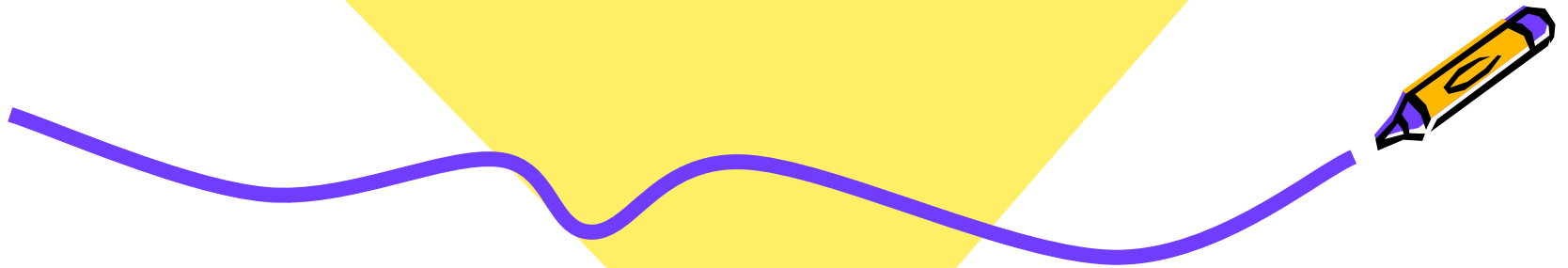
- For *one biennium*:
- An apple a day costs \$750,000,000
- Inflationary costs \$2,225,000,000
- Total \$2,975,000,000

That's \$3 billion each biennium.



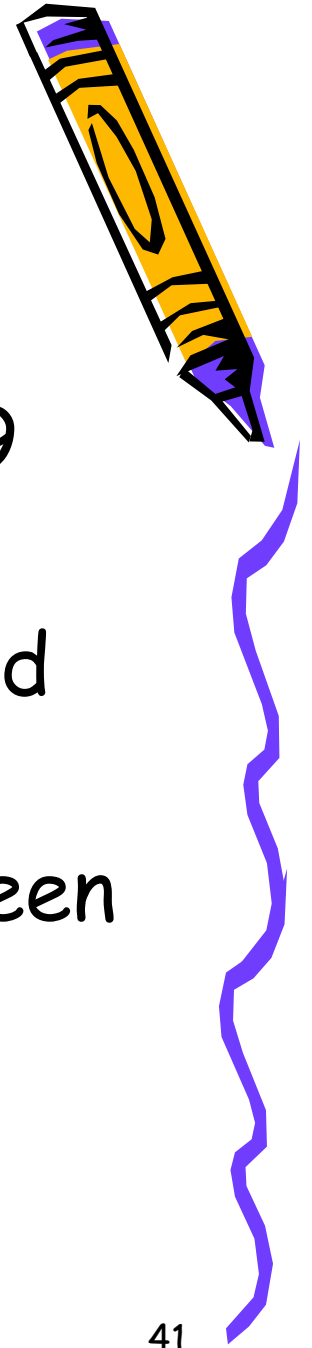


If we're keeping up
with the Joneses, they
must live in Mississippi



Our state hasn't raised our funding elements in years

- Basic Allotment last raised in 1999 session
- Cost of Education Index last raised in 1991
- Small schools adjustment hasn't been raised in over 20 years



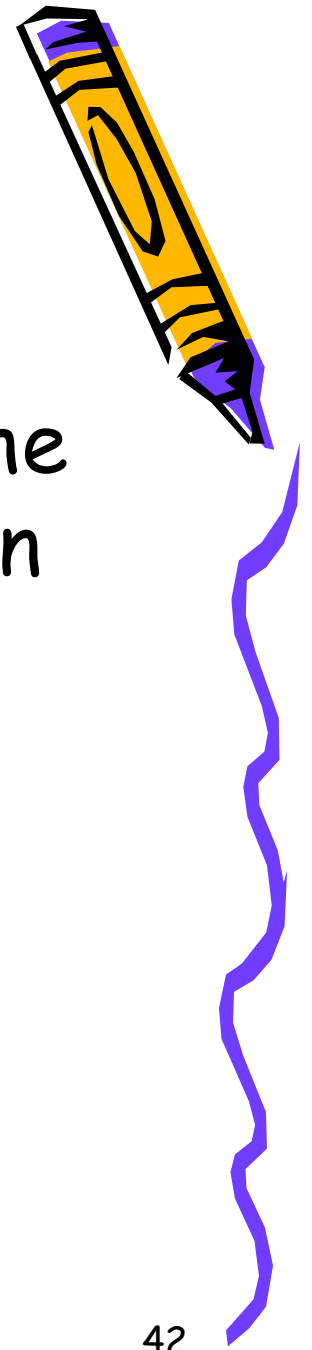
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Our state hasn't raised our funding elements in years

- 20 years ago a study found that the adjustment for our at-risk children should be a 40% add-on.



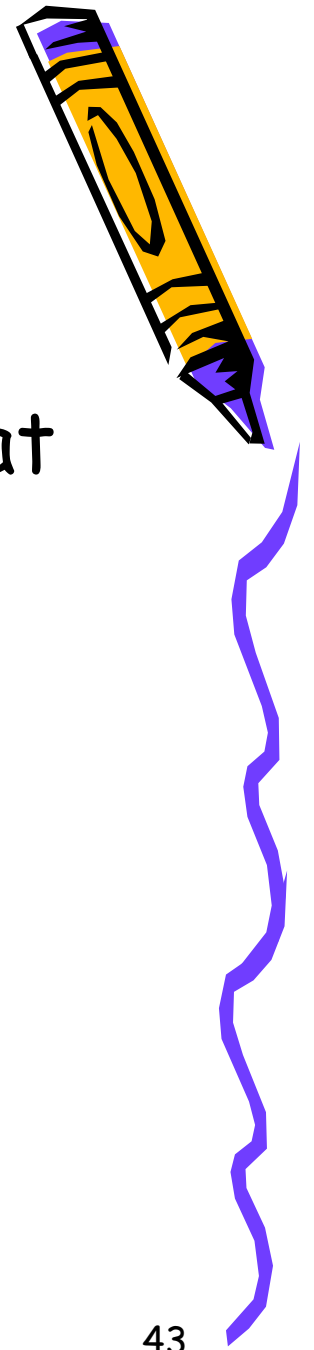
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Our state hasn't raised our funding elements in years

- They set it at only one-half of what was needed—20%



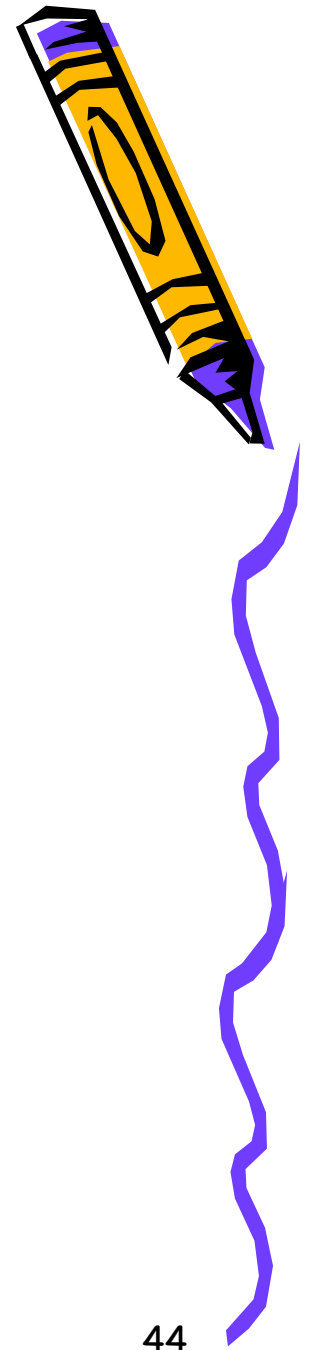
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Our state hasn't raised our funding elements in years

- And haven't raised it even 1% in those 20 years!



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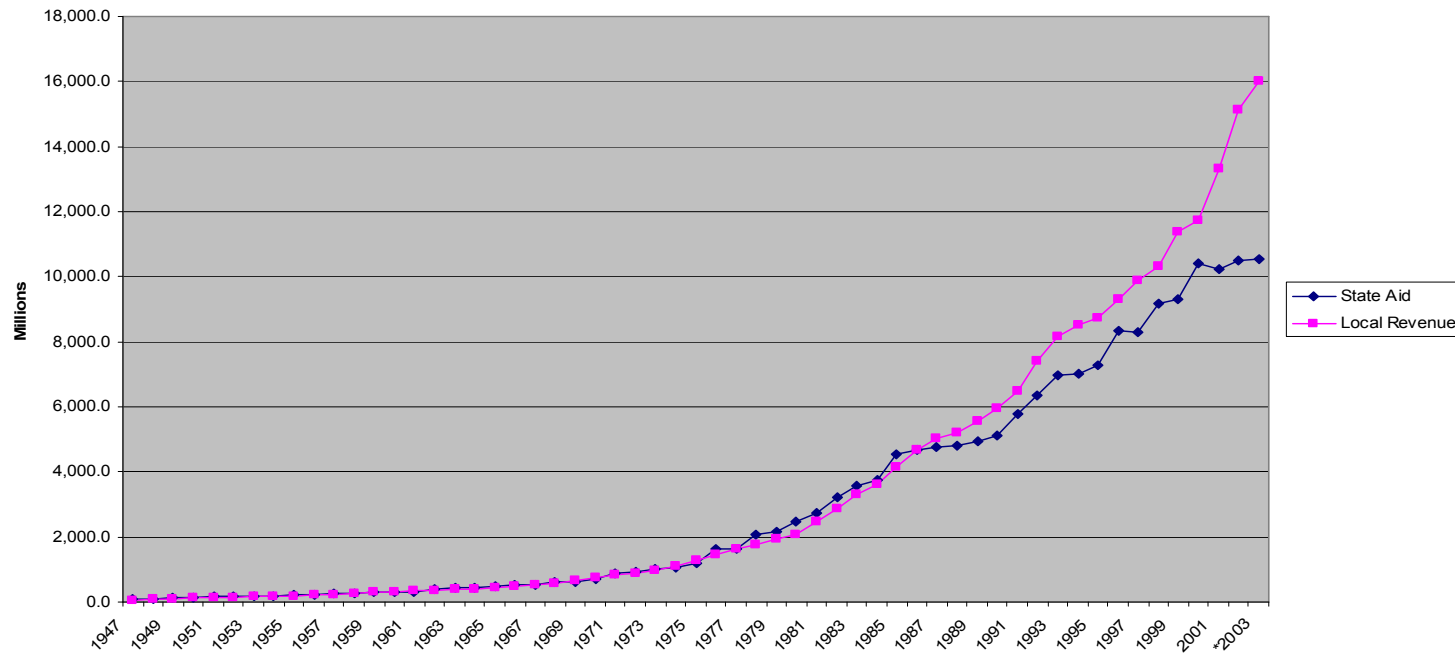
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State vs. Local 1947-2003



State and Local Funding for Public Education



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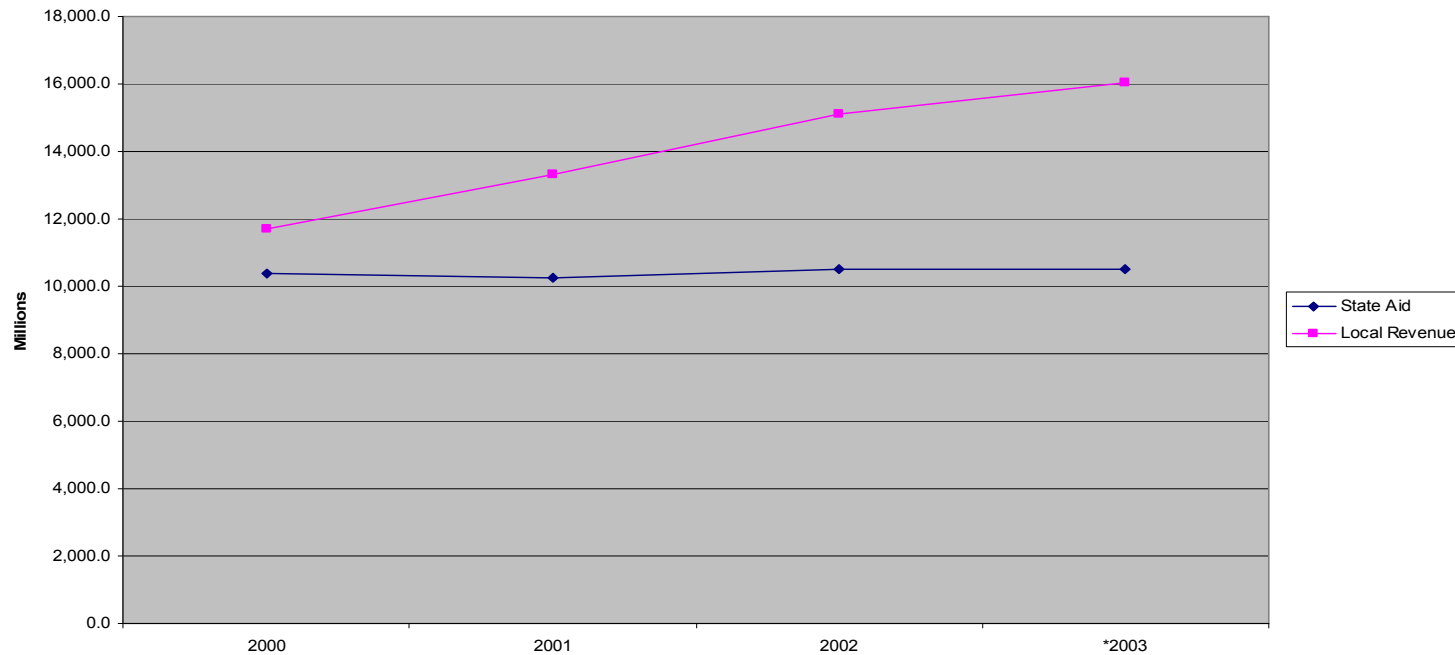
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State vs. Local—Last Four Years



State and Local Funding for Public Education

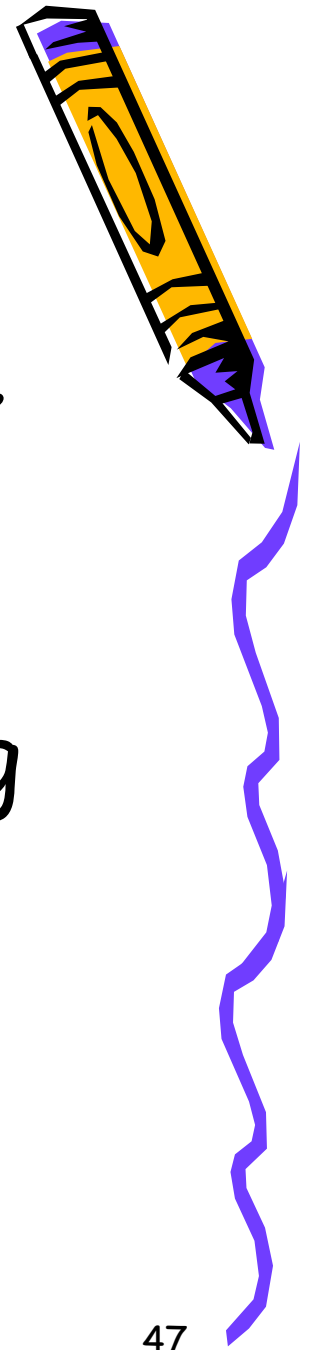


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Local property owners have
been carrying the burden
for too long while others
have boasted about "holding
taxes down"



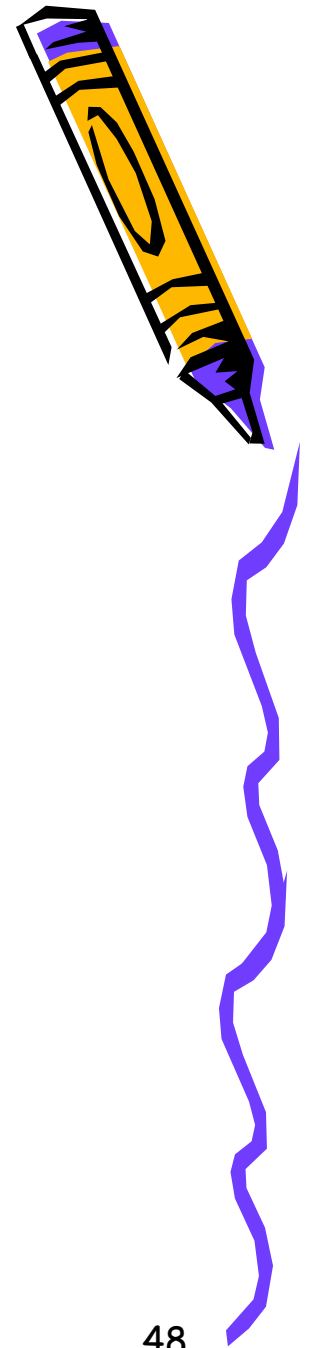
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The Plan

- A great "revenue neutral"
tax swap



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New Plan

- Create some new taxes and use the money to reduce property taxes.



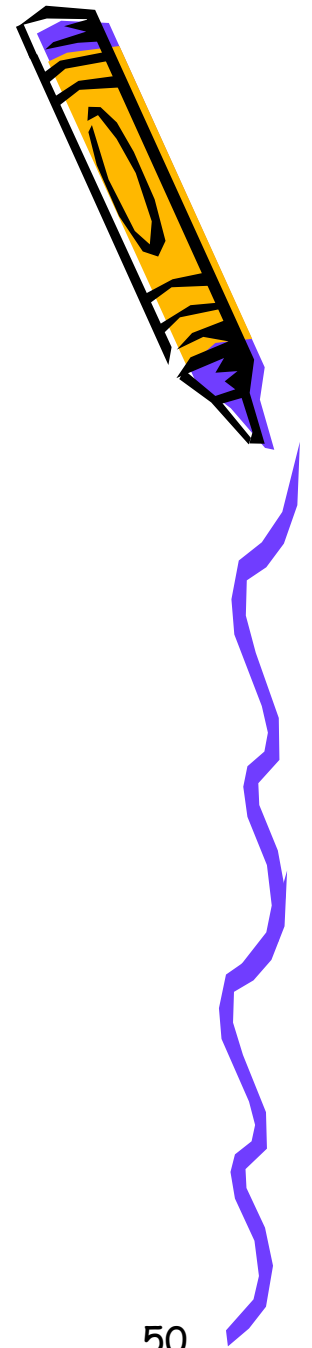
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The Revenue is Neutral

- While many taxpayers will see a reduction in property tax,
- Many others will experience an overall tax increase



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Who pays taxes in Texas?

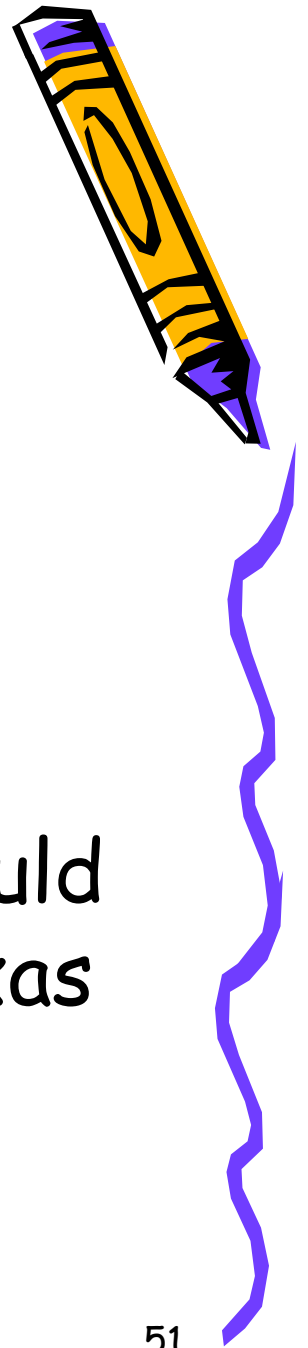
- Low and moderate income Texas families bear a disproportionate share of state and local taxes.
- Raising the state sales tax rate to pay for property tax reduction would result in increases for 80% of Texas Families. Dick Lavine CCCP "Who Pays Texas Taxes" 2/9/05



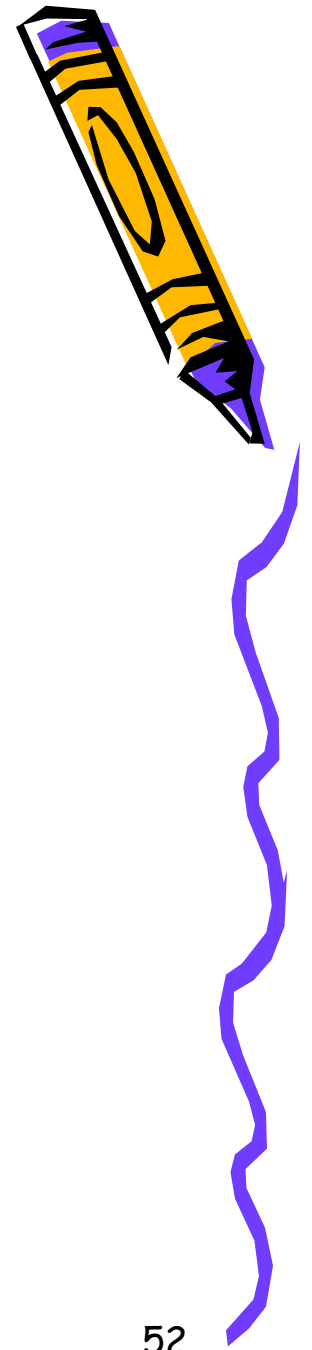
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We all benefit from public schools. Our children are not second class and neither should their education be second class.

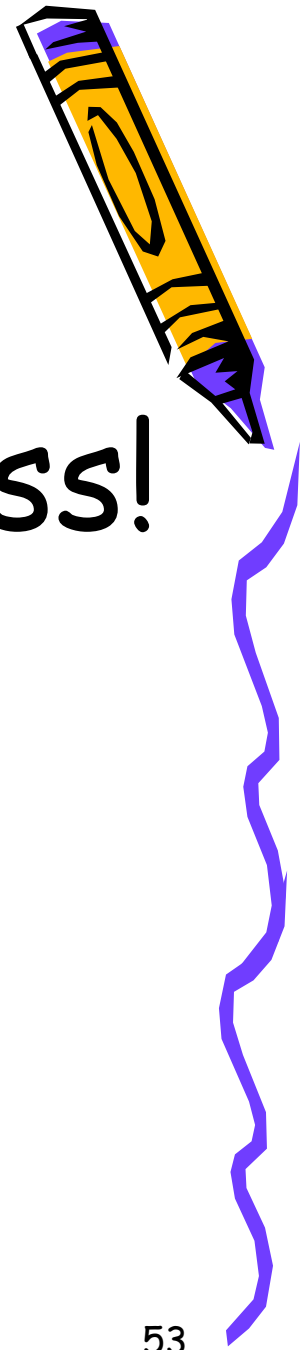


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It should be World Class!



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