

From the office of
Texas State Representative - Dan Flynn

THE FLYNN REPORT

Newsletter
April 30, 2004

Greetings constituents, supporters and friends:

By now you are aware Governor Rick Perry has called a special session of the Texas Legislature to consider and pass reform for Public School Finance. Many believe this special session is to deal only with eliminating the Robin Hood method of public school finance. This is not entirely correct. Robin Hood will sunset in 2005 but many school districts are already at the 1.50 cap and need additional funding now. This special session is to rewrite the tax code for public school finance.

Before I go much further I thought it would be of interest to you to know how to influence and how not to influence legislators. How not to is easiest. In an attempt to influence members one or more of the teacher organizations began bombarding members with emails to restore the health insurance for teachers. We were receiving the same message from each person and they were being mass sent from some organization server. We were getting about one email every 30 seconds. They were clogging computers and were being deleted as fast as they came in. Sadly they do not appear to be speaking from their heart when each email is identical. I know our teachers are capable of composing their position in their own words and many do which I appreciate. Mass mailing of the identical email message at best does not work well and can even work against you. It can be disturbing when you received 1000 emails all saying the same thing. If any group asks you to participate in a mass emailing my suggestion is to do it only if you write the email yourself in your own words.

How to influence is a lot harder. Many of you are already doing that with this legislator and I appreciate your suggestions and comments. I would remind you that courtesy is always appreciated and each member is an individual and they will react the same way most people do. A phone call may or may not get to them in a timely manner but a letter or email in my case most likely will. Express your ideas with sincerity and conviction. And, if necessary, to get a response make a second contact. The sessions are short and sometimes it gets so busy even the best of letters goes unanswered due to time constraints. However vital, most members do this as a part time activity. They all have other jobs, friends and families just like you do. Please be patient but do persevere.

The Select Committee will be sending the education package to the full House on Monday of this week. The legislature is pretty well split on this issue as was shown by the questions and debate during the committee hearings. If this plan passes it will reduce substantially all home and business property taxes and provide significant new money to Texas schools. Chairman Kent Grusendorf stated that these three aspects of the bill will require a 2/3 majority or 100 votes in the House: **expansion of gambling, capping**

property taxes at \$1.05 per \$100 of valuation, and a **five percent cap on appraised values** for local governmental bodies.

Many are troubled by the idea that added gambling would be used to educate our children. On the other, hand we know we need added monies to reduce the property tax, and this is one of the suggestions. Chairman Grusendorf said there would basically be two versions of the bill. One would include the \$1.5 billion in new money derived from legalizing and taxing Video Lottery Terminals (VTLs) at racetracks and the other would not.

Grusendorf said if House members voted down the expansion of gambling he would likely have to trim the \$1.35 billion allocated for new public education funding or find ways to provide additional funding from other sources.

As you read this remember it is **not a completed document but a work in progress**. I believe the committee made great progress in this process. There are things the House may need to do to add monies for teacher health insurance, some teacher raises, and improvements in the distribution formulas. The Senate will then work its will. And if we get that far the conference committee will then do what we all know will be the work that completes the bill. Once that is done the two houses must approve the package and if that happens the Governor must sign it. We are a long way from this, but we will take the next step on Monday May 3rd.

Many believe the distribution formulas are the most equitable in the history of Texas. There is at least 2% new revenues for every district and there will be new monies for bilingual education and restoring teachers insurance cuts. There should be sufficient revenue for career technology and for special needs children. These formulas continue to be well received by teacher groups and there will also be some reforms in the area of facilities.

Probably the most important element of this bill is if the Constitutional Amendment passes the property tax rate will be reduced to \$1.05 from the current \$1.45-1.50 range. Also it will not be able to rise above the \$1.05 figure except that the local district will have up to \$0.10 of local enrichment. This can be brought in at \$.02 increments each year without a rollback election. The districts could go above the \$.02 if they have an election and the voters approve it. It is felt that districts can do these two things without a constitutional election. The plan will put about 3 billion new dollars into public education in the next 2 years. It could provide as a minimum a 2% increase in current funding and will have an automatic cost of inflation additive into the funding formulas so that we will provide a method for growth of funds both due to new student enrollment and due to inflation in the finance system.

Without getting into too many details you will want to be aware that this plan will allow property tax to be decreased from its current level to \$1.05. This would reduce total revenue by 4.7 billion dollars per year. It would add new spending on schools of 1.5 billion dollars. The bill increases the sales tax by 0.50%, which makes the state rate

6.75% and would raise the maximum to 8.75%. This would generate 961.5 million dollars a year. The plans calls for an increase of the motor vehicle sales tax to 7.75%, which would, add 589.5 million dollars and would increase the tax on boats and boat motors to 7.75%, which gets 55.7 million dollars.

Other items on the list include the cigarette tax you have been hearing about, a tax on cigars, and a tax on smokeless tobacco. These taxes raise about 732 million dollars a year. One of the other significant portions of the bill is an elimination of the current franchise tax which will save the citizens 1 billion 880 million dollars a year. The bill also continues the TIF for two years and will allow an Amusement Ticket Surcharge on professional and college level events, sports and on professional venues. These two items raise 259 million dollars.

The other major component of the bill is the business payroll tax of 1.25% or \$500 per FTE which ever is less. This tax spreads the business tax over all businesses doing business in Texas and many believe it is much fairer than the franchise tax, which only reaches one of every six businesses. The revenue raised by this tax will be 3 billion 423 million dollars.

The most controversial area of this bill and it will require a Constitutional amendment is the VLTs. The money from this tax would raise 1.5 billion dollars a year by the estimates and would be used for the reduction in the property tax and for some of the new money in education. The Attorney General has ruled that to do this it will need it to be in the Constitution and this will be a tough vote for many of the members. All of us want to fund education and reduce property taxes and while this is not the only way to get the money the other ways will involve some of the more onerous ways like all the services taxes you have been hearing about. Many detest this idea but feel a person does not have to play the terminals, while the rest who do not play get property tax relief and more funding for schools, and we would only be authorizing a vote on the choice by the people of Texas. I have told leadership I will not vote to expand gambling in our state and feel there remains other options. It will be a tough vote for all and I do not know if the votes are there to pass.

Representative Corbin Van Arsdale provided information on two definitive, independent studies of VLTs (1) Former President Bill Clinton's bipartisan study **The National Gambling Impact Study Commission's Final Report of June 18, 1999** that unanimously recommended against expanding VLTs and casinos and (2) a study by **Professor Earl Grinols's Gambling in America: Costs and Benefits written in February 2004.** The latter is the first incidence of a cost-benefit analysis of introducing casinos into a state, counties, and communities that don't currently have them. He believes it cannot be overemphasize how **COSTLY** it could be for our state, county, and city governments; our private sector; and our families-----to legalize VLTs (i.e., slot machines) in Texas. He believes the **cost could be between \$3-6 for every \$1 raised in revenue.** This is primarily because problem/pathological gamblers, which make up a small percentage of gamblers, make up 45-60% of the revenue raised by VLTs.

History shows that that group brings bankruptcies, divorces, child neglect, suicides, lost work time, forgeries, fraud, embezzlement, theft, and a host of other crimes to bear on state and local government budgets.

The study goes on to show that VLT users also suck money out of restaurants and other existing entertainment venues and transfer the money to racetracks and casinos, which are oftentimes owned by out-of-state interests. According to Professor Grinols too many state officials are under informed when voting on this issue---and the enabling legislation has a history of being rushed through the process.

There is a group in the House that would like to remove the VLTs from the bill and possibly replacing that revenue in the plan with a "Snack Tax" that would generate \$1.2 billion and include beer, wine and junk food. It would also tax existing lottery tickets, which many feel could bring in enough revenue to cover the \$1.5 billion that VLTs would bring in. I do not know if the votes are there to do this at this time.

Also available is a searchable database on the Governors website that tells how each school district would benefit under Governor Perry's plan discussed in last months *The Flynn Report*. <http://www.governor.state.tx.us/priorities/education/>

As mentioned previously this is part of a process that still has a long way to go and one that will require cooperation from all concerned. I look forward to hearing from you on the difficult task the legislature is facing as we work towards solving this public school finance crisis. As I have said before our most important resource is our children, and providing them with funds to improve their education and programs to enrich their lives, and ultimately their futures, is an important task we as the Legislature take very seriously.

Visit our web site www.daflynn.com and click on the links that will allow you to view updates on news, issues and photos and if you know someone who is not receiving our report please forward this email to them and let them know they can sign up.

My staff and I welcome your input and your questions. You can reach us in our office located in the Capitol extension: E1.324. Mailing address: **P. O. Box 2910, Austin, TX, 78768** phone number **512-463-0880**. **Canton District office** is located in The American National Bank Building in Canton on Highway 243: **P. O. Box 999, Canton, TX, 75103** phone number **903-567-0921**. **Greenville District office** is located in The Paul Mathews Exchange Building, Suite 802, 2500 Stonewall, Greenville phone number **903-455-0971**. Email: dan.flynn@house.state.tx.us.

God bless you and God bless Texas,

Dan Flynn
State Representative, District - 2

If your name is on this email list in error, please respond and say UNSUBSCRIBE