



From the Desk of  
Representative  
**Dan Flynn**



## The Flynn Report

*May 7, 2005*

**Greetings constituents, supporters and friends:**

The House was shocked with the death of State Rep. Joe Moreno from Houston who was killed early Friday morning May 6th in a highway crash while returning to Austin from a Houston Rockets game with State Rep. Rafael Anchia of Dallas and Monica Pinon, chief of staff for State Rep. Joe Pickett of El Paso. Anchia was treated at Brackenridge Hospital in Austin and released Friday. Pinon, underwent surgery after suffering broken bones in the overnight accident. The accident occurred on Highway 71 near La Grange when the vehicle he was driving flipped several times after striking the median. Moreno's funeral will be held Tuesday, May 10 in Houston and burial will be at the Texas State Cemetery in Austin. Moreno was well regarded by all members and will be missed. I would ask that you remember his family and friends in prayer.

With less than 3 weeks remaining in the session issues are really beginning to get very interesting. Both houses are busily working on their issues and due to calendar restrictions both houses are concentrating on their own legislation and each member is busy working on their own bills. Members are starting to worry about key pieces of legislation important to their area and committees.

Still at the top of all legislative items is the budget and school finance. The budget committees are meeting in conference. I believe the emergency appropriations bill for the current biennium will be completed soon. The 2006-2007 budget will await the comptroller's final revenue numbers. No one expects the numbers to show much improvement from the initial revenue estimates but we do expect some changes in the estimates since January since the economy has continued to show improvement. There are several sections of the budget that both the House and the Senate were very close and everyone expects those items to be fairly easy to finish. The big problems will be in public education and in health and human services where there were significant differences in the budgets of the two houses

In an effort to provide election reform The House passed House Bill (HB) 1706 to require photo identification in order to vote. It is believed HB 1706 will help eliminate voter fraud in many areas and help protect the rights of Texans to govern themselves

by ensuring fair and honest elections. The bill requiring photo Id was sent to the Senate. Election fraud is not a partisan issue and National polls show that 82% of voters, including 75% of all Democrats, support using government-issued photo identification at the polls and other controls to ensure the integrity of elections.

As the legislative session draws to a close I feel the success or failure of this legislative session in the eyes of the taxpayers will hinges on the completion of three tasks: passing the budget, fixing school finance and implementing a revenue-neutral state tax plan which provides for the state while protecting the rights of taxpayers. At this time, most of the work is going on in Conference committees. The Senate did move on HB2 and CSHB2 this week and for your review I have included a comparison. As you can see much work still needs to be done on this issue before it receives a final vote and becomes law.

## Side-by-Side Comparison of HB2 and CSHB2

### PROPERTY TAX RELIEF

#### House Bill:

Provides an immediate 33 percent school property tax cut to all homeowners. The maximum school property tax rates would fall from \$1.50 for \$100 of valuation to \$1.00. Some recapture of tax revenues will be capped at 35 percent. There will **not** be a state property tax.

#### Senate Bill:

Local property taxes fall from \$1.50 to \$1.30 in FY06. If a statewide property tax is approved by voters in FY07, local property taxes will fall to \$0.25 and the statewide property tax would be set at \$0.85.

### LOCAL ENRICHMENT

#### House Bill:

Districts may access up to \$0.02 of equalized enrichment each year, up to \$0.10. With a 2/3 vote, equalized enrichment can increase to \$0.15. Equalization is set at the 90th percentile of wealth.

#### Senate Bill:

School districts may access \$0.05 per biennia up to \$0.15, with only one majority vote required to access enrichment. Equalization will be phased in from the 90th percentile of wealth up to the 98th percentile of wealth over an eight year period.

### DISTRIBUTION FORMULAS

#### House Bill:

Puts in place a simplified funding formula structure, which includes: updated adjustments for regional price variations or Cost of Education Index (CEI) (phased in over two years); updated career and technology and transportation allotments; and, new allotments for high school. The gifted and talented program weight will be eliminated. Adjustments for student need will be expressed as dollar amounts, and there will be a minimum increase of three percent over current law in FY06 and FY07.

#### Senate Bill:

The funding structure will resemble current law, with student need adjustments expressed as weights. Funding levels for gifted and talented, transportation, and career and technology programs will parallel current law. Adjustments for regional price variations or the CEI will be phased in over six years. Increased funding for small districts will be phased in starting in FY07, and districts will not receive less than they did in FY06, plus \$98 per weighted student.

### TEACHER COMPENSATION

### **House Bill:**

Guarantees that 50 cents of every new dollar will go toward teacher compensation, 44 cents of which is for salary. Additionally, there will be a minimum teacher salary increase of \$1,000 in FY06, locally designed performance incentives, and districts must spend one percent of Maintenance and Operations money on performance incentives, teacher mentoring or incentives to teach at hard-to-staff schools. Last, this bill proposes a state incentive program for high-performing, high poverty schools at \$100 million per year starting in FY07, thus ending the pass-through program.

**Other Issues:** The Senate does not include uniform school start date or November school board elections. House does not include Senate's provisions to shut down

### **BUSINESS TAX**

#### **House Bill:**

House Bill 3 treats all for-profit businesses equally by implementing a low, flat and fair 1.10 percent Reformed Franchise Tax (RFT) that will be calculated on business' gross wages. All businesses would contribute something, and criminal penalties will prevent businesses from deducting the RFT from employee wages. Businesses will be able to deduce Reformed Franchise Tax Payments from their federal income taxes.

### **SALES TAX**

#### **House Bill**

Under the House plan, the state sales tax rate would increase to 7.2 percent from the current 6.25 percent. Sales taxes would apply to billboards, motor vehicle repairs and washes, bottled water and decorating services. Boat and motor vehicle sales taxes would increase to 7.35 percent from the current 6.25 percent.

#### **Senate Bill:**

Under the Senate bill, the sales tax would increase by one-half cent to 6.75 percent. There would be no base expansion, and holders of the Lone Star card get a 20 percent rebate on the comptroller's estimate of the sales taxes paid. The Motor Vehicle and Boat Tax would increase by one-half cent to 6.75 percent

### **Senate Bill:**

Restores the \$1,000 pass-through for teachers, and support staff will receive \$1,000 pass-through, funded through formulas. There will be an across-the-board \$1,000 teacher pay raise in FY06, plus \$1,500 in FY07 if the state property tax passes. There will be separate state funding for campus-based performance incentives and \$100 million will be allotted yearly for locally designed plans that may include stipends to teach in shortage subject areas or in hard-to-staff schools. Last, \$50 million a year will be allotted for a state program for high performing, high poverty schools.

low-performing charters. Senate does not switch from TAKS exams for high school to end-of-course exams.

#### **Senate Bill:**

Under the Senate bill, a business franchise tax will be imposed on all businesses, except sole proprietorships and certain passive investment partnerships. Businesses must include 50 percent of employee compensation in the tax base. The earned surplus rate will be lowered to 2.5 percent. Gross receipts of general partnerships under \$300,000 will be exempted, and general partnerships with gross receipts over \$300,000 must pay a gross receipts tax at a rate of 33 percent. Other business entities with less than \$150,000 in gross receipts are also exempted.

## **CIGARETTE AND ALCOHOL TAXES**

The House bill increases cigarette taxes by \$1 per pack, and cigar taxes raise the equivalent amount. It does not tax alcohol. In the Senate Bill Cigarette taxes increase \$.60 per pack for a total of \$1.01 per pack. All other tobacco taxes increase by 25 percent. Excise taxes on alcohol are increased by 25 percent.

**The Texas Marriage Amendment passed the House with a vote of 101-29. This vote included Rep. Warren "Chisum's floor amendment," which protected against civil unions and counterfeit marriages. "Chisum's floor amendment" passed by a 98-41 victory, and was permanently added to the full constitutional amendment. As a constitutional amendment it has different rules than a normal bill. Because H.J.R. 6 received a two-thirds vote on the second reading, the third vote requirement has been abolished. This means that the Texas Marriage Amendment, in its full form, has gone to the Texas Senate. No Senator has picked up this bill and they must in order to allow the citizens to vote on this important issue. You are encouraged to contact the Senate to move this important issue**

**We continue to welcome your input and your questions. Contact our office located in the Capitol extension: E1.324. Mailing address: P. O. Box 2910, Austin, TX, and 78768 phone number 512-463-0880. Email: [dan.flynn@house.state.tx.us](mailto:dan.flynn@house.state.tx.us).**

**God bless you and God bless Texas,**

**Dan Flynn  
State Representative, District - 2**

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