

**From the office of
Texas State Representative - Dan Flynn**

THE FLYNN REPORT

Newsletter
May 10, 2004

Greetings constituents, supporters and friends:

I would like to give an update on this the 4th called Special Session of the 78th Legislature. I think it is important for you to have an overview of the happenings to date. My goals have been to provide sufficient funding for all our public schools to insure excellent education for all our students and to provide significant property tax relief for taxpayers.

I support leadership's efforts to keep the bill revenue neutral (i.e. no new tax monies). There are many who want this and many who want more spending. The question can be broken into two groups. What revenues would it take to provide property tax relief and what additional revenues will be needed to provide new monies and still be a revenue neutral bill?

As you have heard, the Video Lottery Terminals (VLTs) did not have the 76 votes needed to pass in the House bill. Leadership continues to try to save the legislation to at least fund the schools and try to get more votes for adequate funding levels.

Chairman Kent Grusendorf moved to amend the House bill by deleting the VLT revenues, eliminating the business payroll tax, and restoring the Franchise Tax as it currently is. He proposed increasing the sales tax, reducing the property tax reductions, and reducing the increased funding to schools. These cuts were necessitated by the lost of revenue from the VLTs and payroll tax proposals.

As the debate proceeded, amendments began to be offered - first to eliminate the automobile tax increase, then other sources. It became obvious the people opposed to doing anything had the strategy to make everyone vote on each of the tax increases in the bill individually which would have destroyed any funding for the schools without adding or elimination of any property tax relief or other huge tax increase somewhere else in law. It was starting to become a feeding frenzy which would make the bill worse than current law for our schools. The only way to stop that was to limit debate and limit amendments on the bill.

I have received many emails, telephone calls and written letters to vote "No" on the bill. A no vote would have ended the special session and either forced the Governor to call another special session, which I think would be unlikely with no known solution, or would have caused everyone to say there is no way we can get consensus and therefore leave the status quo (Ronald Reagan defined status quo as "the mess we are in"). The status quo for us would mean no new monies for the schools, additional budget problems

in our school districts with more cuts, and more programs in jeopardy. That is why I could not in good conscience vote no on the bill. The members have worked hard and, although some have said we did not have enough in the bill, I believe the bill is a financial improvement from the status quo.

HB1 provided for \$600 million in new funds to schools and did preserve the \$1000 pass-through for the teachers, which was very important. With debate limited, the next vote was on passage of the bill. Many of us did not choose to give up, but when Chairman Grusendorf gave his final arguments on the bill, the vote initially failed.

The House then went to an “at ease” situation allowing several meetings to be held with members. Members talked to school leaders, and I believe it is correct to say very few of them wanted the session to end at this point. Many of them opposed the bill as it was out of committee, but I believe they wanted us to keep trying so the bill would not be allowed to just die and the session end in total failure

After discussion with some of the members, the House was called back to order and a motion to reconsider was accepted. Several members switched their votes to allow this to happen. That is not unusual for the House. We have seen it happen many times in the past. Some allegations were made about being off the floor and not allowing debate. Of course, these allegations were made by the same group that left for Ardmore and cut off debate on hundreds of bills last year so they were made in my estimation for totally political reasons. After the vote to reconsider was passed, we then heard closing arguments on the bill and HB1 was passed.

HB1 that went to the Senate includes the following:

It contains the revised distribution formulas although at a lower level than had previously been discussed due to the loss of funding caused by the elimination of the business tax and the VLT revenue.

It contains many of the reform ideas that were in the House Committee report.

It contains an appraisal cap at 5% for residential properties (homesteads).

It contains a hold-harmless so that each district gets the same revenue it received last year and adjusts for population growth.

It contains the teacher pay (or health care cost) \$1000 restoration that had been cut to \$500 in the last regular session.

It eliminates the HSA account with Aetna that so many teachers have complained about.

It cuts all property taxes for M&O to \$1.20 from the \$1.50 cap.

It contains a sales tax increase of 0.75% to 7.0% statewide. With local taxes this could go to 9.0%.

HB1 does not include:

Vouchers issues; No teacher rights issues; No class size changes; No new revenues for schools; No VLTs; No business activity tax. The bill does not eliminate Robin Hood, but it does reduce it.

Many feel it does not provide sufficient revenue for all our school districts to do their job, and I believe while it gives some property tax relief that it is not enough.

I would respond to some who are now saying we should have killed the bill and then have another Special Session. It is not known if the Senate can reach a consensus on it or on anything. We need to let them try, knowing that there were parts of the House Bill that there was growing consensus for. They also know the prime differences we had were on the issues of revenues and who should be taxed and how much. If they can get a near agreement on the tax side and match that with the property tax reductions, we would be close to an agreement that the House could support. Any premature death of the legislation would prevent those steps from being taken.

With every group out there saying they oppose just about everything, there is little reason to believe we can get closer unless progress is shown. The House Committee bill was progress. If the Senate also shows progress, then that is a positive. While the Senate works, I am sure the House will also strive toward a solution with members in communication with other members.

The Constitutional Amendment (HJR) failed because all Democrats, many conservative Republicans and a group of other Republicans voted it down. We also know it can be brought up the next Legislative Day if necessary. Things that appear dead in the legislature are not really deceased until we sine die.

Many of these issues seem to have some support, but the key person may be **Lt. Governor Dewhurst**, and he seems to be interested in trying to forge a Senate plan. This drama will play itself through in the next few days or week. The key factor for the Senate is they will need 21 votes to bring up the bill on the floor, and they may be hard pressed to get that.

What we need to start seeing happen is the education community and the business community come together with some ideas on how much money the education people will say they will be happy with and how much support the business community will give to the revenues needed. We must have groups stop saying NO and start saying we support something.

In the House, we thought the new monies should be about \$1.5 billion. Some in education say more but do not say how much. They need to make a recommendation if they think it is different from the \$1.5 billion. But it may be that the Senate will recommend some sources for the property tax cuts and then tie new school dollars to specific items of taxation that are new revenues.

The Senate has clearly stated on occasion their interest in a BAT. This has some similarities to the Payroll Tax the House was looking at but also some differences that would make it more interesting for small businesses. Both taxes are deductible from federal income taxes for businesses so the actual costs will be less. The BAT may be a reduction and spreading of the current Franchise tax might not need a Constitutional Amendment. I would expect the Senate to discuss seriously the Business Activity, the Payroll, and the Franchise Tax.

Senator Florence Shapiro has the unenviable but very important position as Education Committee Chairman in the Senate. We are all glad to see her there, and we know the problems and opportunities facing her in the Senate. I do not want to fail to mention our **Senator Dr. Bob Deuell** and what a super job he is doing for us in the Senate.

I would only speculate that the House might not bring up the HJR on VLTs again since it is obvious at this time there is not the 100 votes needed. It will depend on what is done in the Senate and in the Conference Committee. It is interesting that the Austin paper has been reporting that although the House rejected VLTs they are still alive and part of the Senate formula for passing education funding.

Lt. Governor David Dewhurst, the Senate's presiding officer, said he thought some aspects of a school finance package might be passed in a special session and others in the next regular session.

Governor Rick Perry has said he would continue calling lawmakers back into special sessions to address school finance reform.

Senator Steve Ogden, Chair of the **Senate Finance Committee**, acknowledged that many senators were wary of taking a tough vote on a major school finance bill that the House, and maybe the Governor, would not support.

I have read stories in several of the major newspapers throughout Texas concerning the use of lobbyists by so many groups in this special session. I do want to say, as I have many times, that I respect the lobby and feel they are an important and needed part of the process. I see no problem with a company having someone come visit the members on behalf of the company or issues they represent. But I do have a problem with so many governmental agencies spending so many taxpayer dollars to lobby elected officials to spend more taxpayer dollars on the governmental agency. To those on school boards, it is a legitimate question that is being ask and that is - why are so many school districts, counties, and cities spending so much money intended to educate children on lobbyists. I have no problem with a board member or superintendent using funds to visit their representative on issues of importance to the district. Why does a school district, county, or city need to spend much needed tax dollars on that?

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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

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