



**Center for Public Policy Priorities**

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**O P E D**

**Personal Income Tax Can Boost Schools, Texas**

March 17, 2007

Earlier this month a powerful group of voices joined the chorus calling for greater investment in public education.

The “Raise Your Hand” coalition—which includes the CEOs of HEB, AT&T, Frost Bank, Bank One, Continental Airlines, and other leading Texas businesses—called on the legislature to increase school spending by \$2,000 per student.

The coalition recognizes that investing in public education is a smart investment in Texas. When Texas has an adequately skilled and educated workforce, businesses do well, the economy flourishes, and everyone is better off.

Right now, Texas is way behind.

Texas invests far less on education than most other states. We rank 39th on current spending per pupil. To put things in perspective, Texas annually spends \$7,142 per pupil and \$20,323 per prisoner.

A \$2,000 increase would go far in bringing most school district spending up to at least the national average. For San Antonio ISD, a \$2,000 spending boost would bring \$113 million in new investment in our children.

This new investment wouldn’t come without a cost. Statewide, the additional \$2,000 per student would cost Texas an extra \$9 billion, just to cover the state’s current students. Texas has one of the fastest growing child populations in the country. School enrollment is expected to almost double to more than 8 million students by 2040.

To pay for this spending increase, Texas may have to change the way it generates revenue.

For years, Texas has struggled to fund its public schools both fairly and adequately. Last legislative session, under pressure of a court order threatening to close down schools, legislators came up with a mix of new state taxes on cigarettes, used cars, and businesses.

As a result, schools were able to open their doors and school districts would be able to reduce local property taxes. It now turns out that these new state taxes are not going to bring in enough money to pay for the property tax cuts. The Legislature will need to take more than \$6 billion from other important programs to help bridge the gap over the next two years.

This is not a long-term solution. In order to continue funding public education, even at its current level, lawmakers are going to have to continually look for new funding sources. As long as Texas keeps turning to the same two pots of money—sales and property taxes—we will continue to come up short.

The problem with the sales and property taxes is that they tap a revenue base that generally grows more slowly than the state's economy. Not only that, but Texans pay some of the highest sales and property taxes in the country. These taxes hit working and middle class families the hardest.

A modest personal state income tax would support our public schools, return property tax dollars to homeowners, and ensure that everyone pays their fair share.

Based on individual Texans' ability to pay, a personal state income tax could generate around \$16 billion a year. The state constitution requires that two-thirds of that revenue be used to cut property taxes. That would easily reduce property taxes from the \$1.00 per \$100 of property value set by the new school-finance laws to 20 cents or less.

By law, the remaining revenue from an income tax must be spent on public education, bringing in enough money to increase school spending and solve Texas' school funding problem once and for all.

That's something we would all be able to raise our hands about.

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