

Senator John Whitmire

School Finance Update

School Finance System

On November 22, 2005, the Texas Supreme Court issued their ruling on Texas' public school finance system. The Supreme Court was considering whether the school funding system is constitutional, whether the state provides adequate funding, and whether the funding was equitable across the state.

The Supreme Court declared the school finance system unconstitutional because so many school districts are at or near the \$1.50 cap on property tax, in effect creating a statewide property tax which is banned by the Texas Constitution. The Court set a June 1, 2006 deadline for the Legislature to fix how we fund public schools. (See article below for more on efforts to reform our tax system.)

The Supreme Court rejected the argument that schools are not adequately funded, but warned that a "drift toward constitutional inadequacy" could land the issue back in court. The higher court also rejected the argument that funding for school facilities is not equitable between wealthy and poor school districts or that school funding was unsuitable.

According to a recent study by the National Education Association, Texas was the only state that showed a decrease last year in its average spending per student. The study shows that Texas spent an average \$7,142 per student in the 2004-05 school year, an amount which is \$1,500 per student below the national average. Texas now ranks 40th among the states in average spending per student. The same study shows that Texas ranks 33rd in teachers' salaries.

"While we are under a court deadline to address how we fund our public schools, I firmly believe we must also address the adequacy and equity of our education system," said Senator Whitmire. "I will continue to work with the parents, teachers, and school administrators in Senate District 15 and across Texas to ensure our schools have the resources necessary to fairly compensate our teachers, construct adequate facilities at our schools, and provide a quality education to all our children so they can become productive adults."

School Districts in Senate District 15

Aldine ISD	Houston ISD
Channelview ISD	Humble ISD
Crosby ISD	Klein ISD
Cypress-Fairbanks ISD	North Forest ISD
Deer Park ISD	Sheldon ISD
Galena Park ISD	Spring Branch ISD
Goose Creek ISD	Spring ISD

Property Tax Reform

The Texas Supreme Court's ruling that our system of funding public schools was unconstitutional confirmed what most everyone knew -- there is an over-reliance on property taxes to fund our schools. While Texas is 49th in state taxes per capita, we are 13th in local taxes due largely to property taxes. With the Court's ruling, the Legislature has until June 1, 2006 to address the way we fund our public schools. Basically, the Legislature can do one of two things -- raise the \$1.50 cap on local property taxes or change the way we fund our schools. "We all feel the pressure of increased property taxes and raising the cap would only increase that burden," said Senator Whitmire. "Our marching orders are to reduce our reliance on property taxes, the issue is how much property tax revenue to replace and what tax or taxes do we replace them with?"



Senator Whitmire considers changes to the tax system during the last special session.

The Texas Tax Reform Commission, headed by former Comptroller John Sharp, was created by Governor Rick Perry to propose ways to modernize the state tax system with the goal of reducing property taxes and providing stable financing for public schools. The 24-member Commission began meeting in November 2005 and has been holding meetings around the state to gather input on how to modernize the tax structure. The Legislature will take the Commission's recommendations and the various proposals from previous legislative sessions into account when called into special sessions in Spring 2006 to meet the approaching June 1st deadline.

Currently, public education costs more than \$34 billion a year. Regrettably, the state only contributes 38 percent of public education funding. The remaining funding is 12 percent federal funding and 50 percent local funding from local property taxes. To reduce local property taxes by one-half, the Legislature would have to come up with more than \$8 billion a year in alternative funding sources. Reducing property taxes by one-third would require more than \$5.5 billion a year.

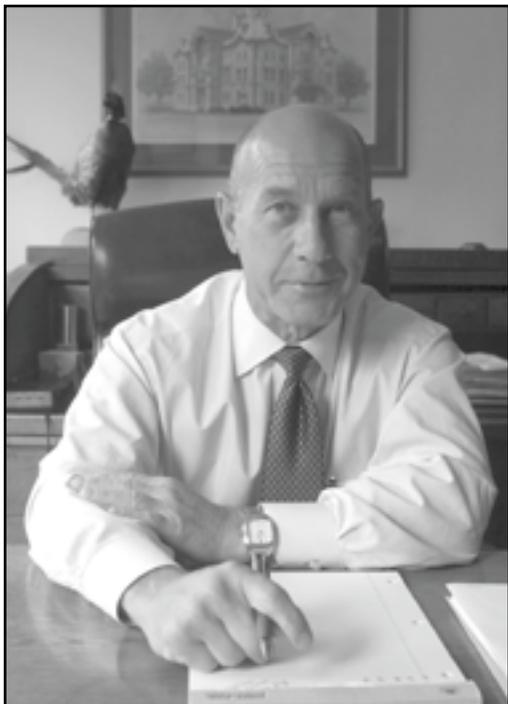
"While we all agree property taxes are too high in Texas, we must replace them with a system that is fair to taxpayers," said Senator Whitmire. "We cannot have a tax system that hurts those who can least afford it, nor can we overburden one segment of business or industry." "I remain committed to working with my colleagues to create a fair and broad-based tax system that provides the additional resources necessary to adequately and equitably fund our public schools," commented Senator Whitmire.



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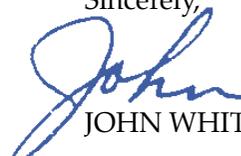
Dear Friends,

As we begin the new year, 2006 will be an extremely busy time for the Texas Legislature. While the Legislature is not scheduled to reconvene for the next regular session until January 2007, there is a great deal of work to be done in preparation for special sessions to be called this Spring on public school finance.

Senate and House committees will be busy studying a wide spectrum of issues in preparation for the 80th Legislative Session. The Texas Sunset Commission, on which I serve, will be busy reviewing 24 state agencies and programs including the Texas Department of Criminal Justice, the Texas Education Agency, the Teacher Retirement System, and the Texas Veterans Commission.

Without a doubt, the most important issue facing the Legislature in the coming months is how to fix Texas' public school finance system. In this School Finance Update, I hope to provide you with some useful information on what is happening on the school finance front in Austin. It is my honor to represent you in the Texas Senate as we work to solve the issues affecting all Texans.

Sincerely,


JOHN WHITMIRE