

Additional Revenue Recommendations for Consideration by School Finance Commission

Proposed by: Nicole Conley Johnson

1. Increase motor fuel tax to \$0.30, an increase of \$0.10, for gas and diesel fuel ~ \$900 million per biennium

a. "Background:

i. "National average for gas is 33.72 cents for gas and 35.51 cents for diesel

b. "Potential Revenue

i. "With 25% of the fuel tax going to the Available School Fund Texas could expect an additional \$460 million dedicated to the ASF in 2020 and \$470 million dedicated to the ASF in 2021

2. Expand sales tax base and eliminate exclusions for certain Business and Professional Services ~\$4.8 billion per biennium

a. "Background:

i. "Currently Texas does not tax a variety of business services, while implementing a tax does not assume compliance, the legislature should explore extending sales tax to certain business and professional services. Aggregate exemptions total \$59.8 billion. Of this amount, the exemptions related to state taxes accounts for \$45.6 billion with school property taxes accounting for the remaining \$14.2 billion.

b. Potential Revenue (Dollar amounts in millions)

- i. Legal services: \$589.6 - 2020; \$619.9 - 2021
- ii. Accounting and auditing services: \$381.7 - 2020; \$401.3 - 2021
- iii. Architectural and engineering services: \$ 551.4 - 2020; \$579.7 - 2021
- iv. Management consulting and public relations: \$213.7 - 2020; \$224.7 - 2021
- v. Contract computer programming: \$251.8 - 2020; \$264.7 - 2021
- vi. Marketing research and public opinion polling: \$44.2 - 2020; \$46.4 - 2021
- vii. Outdoors display advertising: \$21.2 - 2020; \$22.2 - 2021
- viii. Financial securities brokerages: \$183.5 - 2020; \$192.9 - 2021
- ix. Other financial services: \$112.3 - 2020; \$118.1 - 2021

3. Dedicate interest income and \$1 billion from Economic Stabilization Fund to "hard costs" in Education (School Safety, EDA, NIFA, IFA) ~\$130 million in 2018

a. Background:

- i. Texas has one of the highest levels of ESF in the country in both dollars and days of operation with nearly \$12 billion, over 20% GF revenue, in the fund (see PEW 2018 study).
- ii. Based on requirements of a minimum balance for the ESF, the state is set to earn interest on the ESF fund each year. Earned dividends can be added to expected revenue from future investments depending on legislative decisions.

b. Potential revenue:

- i. Based on current cash reports from comptroller, expected interest income is \$135.9 million in 2018 and \$204.9 million in 2019

4. Replace high cost gas tax rate with natural gas production rate ~\$600 million per biennium

a. Background:

- i. The "high-cost" special treatment for natural gas production reduces the tax rate of costly gas wells (from 7.5% to 1.4% - 1.7%). Lawmakers created the exemption in 1989, when the natural gas industry was weak and needed incentives to expand drilling.

b. Potential Revenue:

- i. Estimates given in 2017 were around \$360 million per year. Comptroller estimates for subsequent years are as follows:

Fiscal Year	Estimated Tax Loss
18	383,300,774
19	284,094,634
20	266,581,239
21	260,677,850
22	282,190,414
23	289,369,121

5. Dedicate any additional revenue offset from a property tax value increase to state contribution to public education ~\$3 billion per biennium

a. Background:

- i. Current LAR from TEA has dropped by \$3.7 billion

b. Potential revenue:

- i. Not new money, but ensure dedication by the state to not decrease support to public schools.
- ii. According to TEA - \$3.7 billion dollars per biennium.

6. Increase the alcoholic beverage tax by 50% ~\$100 million per biennium

a. Background:

- i. Texas has the 46th lowest tax on spirits at \$2.40 per gallon, well under neighbors NM (\$6.06), OK (\$5.56), and AR (\$6.88); see <https://taxfoundation.org/states-spirits-taxes-2017/>. Some states tax based on higher content (higher proof = higher taxes). Parent alcohol and substance abuse are some of the Adverse Childhood Experiences that, especially when combined with other toxic stressors such as witnessing domestic violence and sexual, physical and emotional abuse, cause great harm to kids, resulting in learning and behavioral difficulties and long-lasting impacts on adult health, employment, and society. Texas has the highest rate of child fatalities from maltreatment and high numbers of victims with parents/caregivers with alcohol and substance abuse problems.

b. Potential revenue:

- i. Estimates based on Comptroller 2018 Tax Exemptions & Tax incidence report

7. Provide a Local Option Sales Tax of 1% for School Districts to provide property tax relief

a. Background:

- i. The overreliance on property taxes to fund public education has increased taxpayer burden across the state. Several states authorize and optional 1% sales tax levied by any county/school district for the purpose of funding the local share of public education and debt. Further, many non-residents visit local cities and consume services with no investment in restoring the Human Capital infrastructure. In this way, local taxpayers can employ more options to offset the property tax burden.

b. Potential Revenue is dependent upon each locality

8. Expand sales tax base to include additional Goods - TBD

a. Potential Revenue Sources:

- i. E-cigarettes, soda and candy- TBD

9. Consider an annual registration fee for Hybrid Vehicles

a. Background:

b. Potential Revenue: TBD