

## Texas Shadows Michigan's Nightmare

*By Bill Hobby*

Want to see what the future of public education in Texas might be like? Take a look at what happened in Michigan last month.

The Michigan legislature repealed all local school property taxes as of December 31, 1993. Those taxes provide 60% of the cost of running Michigan public schools. In Texas, local taxes pay 54% of the cost.

Legislators will come back later this year to figure out how to solve the problem they have created. To replace all the lost revenue, they would have to pass a tax bill raising between \$5.4 and \$6.3 billion.

Michigan has constitutionally limited state income and sales taxes. It is the only state to have a "single business tax." This tax is a "value-added" tax, another form of sales tax. Michigan is in a recession because the automobile industry is depressed. Detroit, Ypsilanti, and Ann Arbor make up about one-third of Michigan's economy.

Increasing the income and sales taxes to their present constitutional limits would raise about \$3.8 billion.

The parallels between Texas and Michigan are startling. Both states have:

- Prison and welfare costs rising faster than all other expenses. (Almost all states have the same problem.)
- High local school property taxes, and therefore
- Heavy reliance on those taxes to pay for a system that discriminates on the basis of real estate values
- A dominant industry in distress: automobiles in Michigan, oil and gas in Texas. (General Motors is shutting down its Willow Run plant near Detroit and transferring some production to its Arlington plant in Texas.)
- An unwillingness to overhaul the tax system to adjust for the decline of that industry
- Approaching gridlock that threatens the future of public education and other state services.

(Michigan pays teachers more and spends more per student in public schools than does Texas.) Texans, in the late 1960's, constitutionally banned a state property tax. This November they will consider a constitutional amendment prohibiting an income tax without a popular vote. If adopted, that proposal virtually ensures that Texas will not have an income tax until some part of our system collapses dramatically.

In Michigan, Governor John Engler opposes an increase in the income tax. The legislature, having just repealed local school property taxes, is not likely to enact one statewide.

Since 1988, Texas has ranked ninth or tenth among the ten largest states in teacher salaries and expenditures per pupil. Per-pupil state aid to public schools will drop slightly (\$29) next year, from \$2,139 in 1993 to \$2,110, according to figures compiled by Dan Casey of the Texas Association of School Boards. Total state and local revenue per pupil will drop by \$112 this year and \$110 next year. These figures assume local taxes stay at current levels.

Much of the drop in local revenue per student is caused by a declining property tax base and increasing enrollment. Texas public schools are expected to enroll 3,322,453 students this year. That number will grow about two percent (65-70,000 students) a year for the rest of the decade, according to Texas Education Agency and Legislative Budget Board figures.

The property tax base shrinks not only because of lower real estate values but because the legislature exempts more kinds of property almost every session. The last session passed five measures exempting various items (pollution control equipment, expanded homestead exemption, some low-income housing, cotton in transit, plant covers used by nurseries) from property taxes.

State law limits school taxes to \$1.50 per \$100 valuation for maintenance and operation funds. Many districts are approaching that limit. Each penny of the local tax produces about \$19 per pupil. Ten years ago, the state paid about half the cost of public education: 49% in 1982-83. That figure drops to 46% in 1994-95. Texas is closing in on Michigan's 40%.

The drop in the state share is reflected in the general appropriations bill. In 1986-87, 42% of the state budget went to public schools. In 1994-95, the figure will be 37%, according to LBBing to LBB figures. The cost of health care and prisons has gone up faster than the cost of education.

As the Detroit News said after the Michigan property tax repeal, the legislature's action "was nothing if not bold: Wipe out the existing system of school funding, (BOLD) then (UNBOLD) figure out how to replace it. [The repeal] represents the easy half of finance reform."

In other words, the Michigan legislature has scaled heights of irresponsibility hitherto reached only by the Supreme Court of Texas. Just a few years ago, the Supremes shot themselves in their judicial feet when dealing with school finance.

They said unanimously that Texas' system of paying for public schools is bad. So bad that they were would stop all state aid to public schools if the legislature did not perform some unspecified miracle in six months. The next time around, the Supremes declared some school taxes unconstitutional. But, they said, the bad old taxes had to be paid anyway so that state could keep on paying for schools in that same bad old way.

The federal courts said the same thing. Neither court said that the taxes are owed and may not have to be refunded. That issue is on appeal.

In Michigan, the legislators needed no help from the courts. They pulled the trigger themselves, and Governor Engler cheered them on.

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