

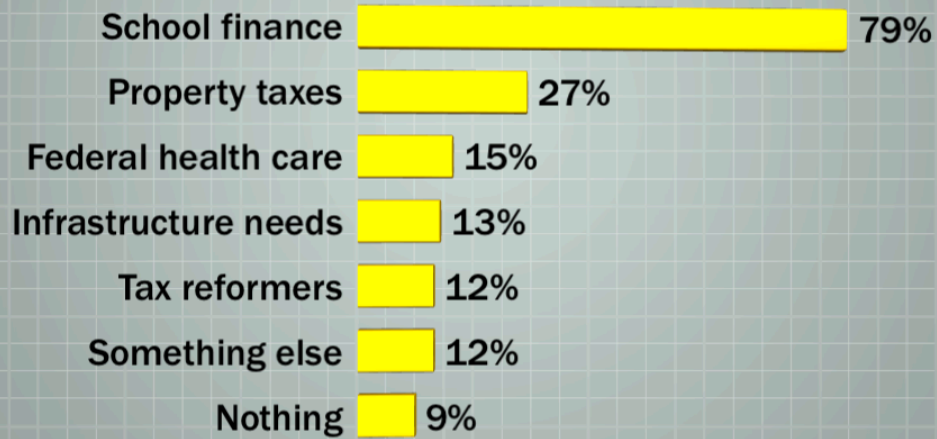
“INSIDE” INTELLIGENCE

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*The Texas Weekly/Texas Tribune insider poll
for the week of October 1*

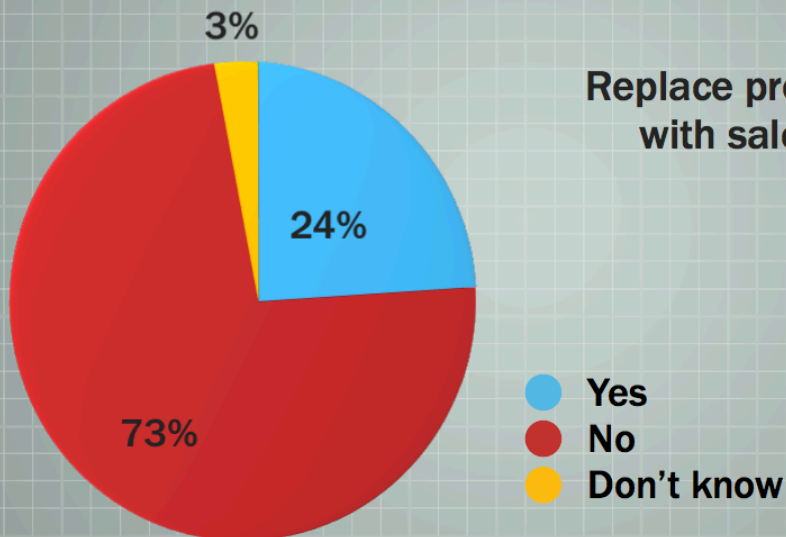
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What issue would prompt major changes to state taxes?

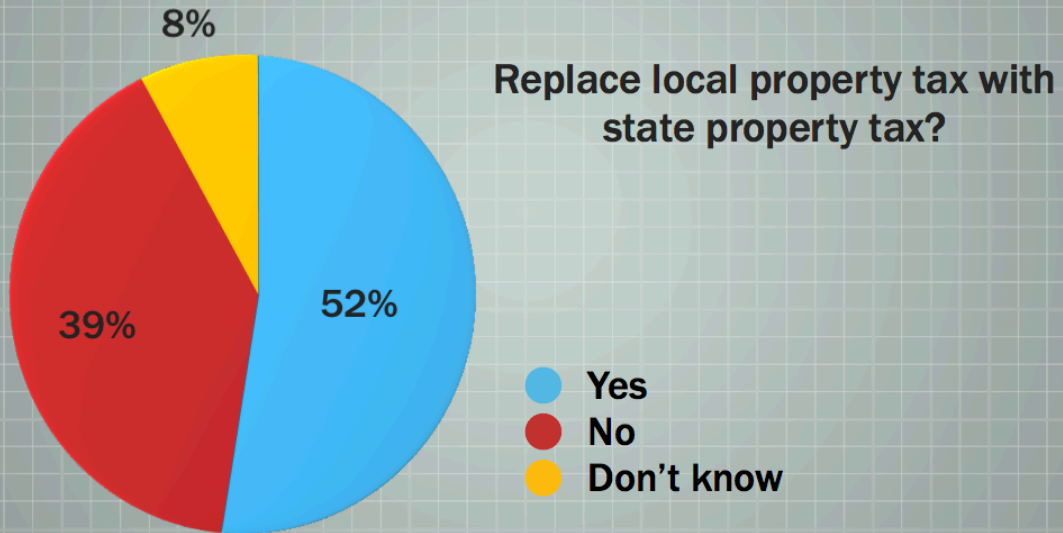


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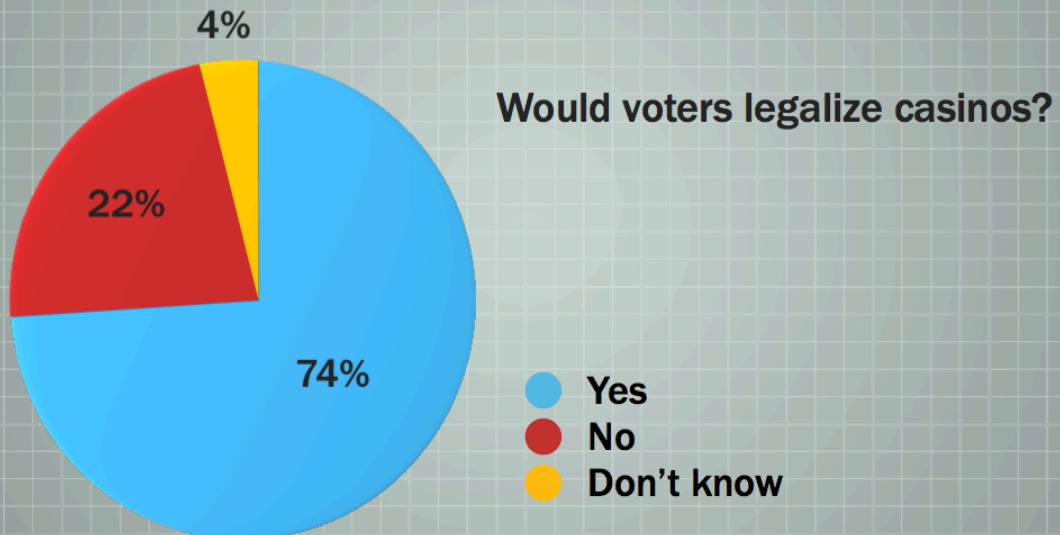
Replace property tax with sales tax?



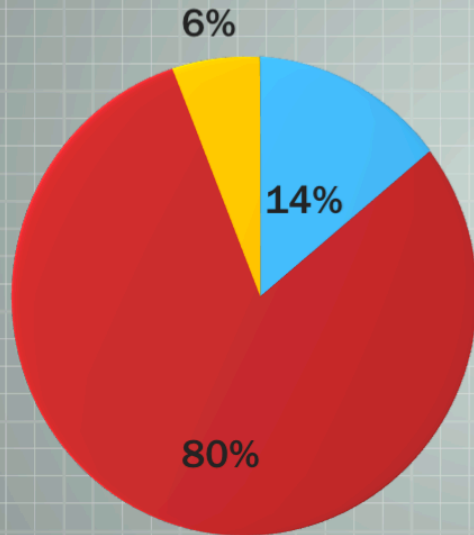
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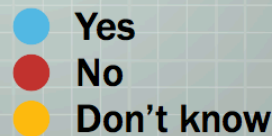
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Would 2/3rds of lawmakers vote to put casinos on the ballot?



What would prompt the Texas Legislature to make major changes to the state's tax code?

- "If these don't, nothing ever will."
- "Adverse ruling from the Supreme Court in the Nestle case."
- "Democrats taking over the House and Julian Castro becoming El Gobernador."
- "Better leadership"
- "Court order"
- "Elections"
- "Court Order"
- "Court ordered spending, as in school finance"
- "Successful legal challenges to the current business tax structure."
- "We've lost the will to act on big issues in a commonsense fashion."
- "School finance may be the only thing that convinces the lege that a more diversified tax structure is needed."
- "Federal court or state supreme court"
- "Unfortunately probably something catastrophic."
- "The lege will dawdle on school financing until the courts force them to do something. That's the historical

way of changes, and nothing has changed, except for the worst in terms of being responsible and doing what's right."

- "This is why Obama must be defeated."
- "Too many have run on no new taxes and they can't fix it without taxing someone that is not taxed now. (Sales taxes across the board- ag producers major manf. And others don't like to pay sales tax)"
- "Won't happen until they have no choice. Nestle?"
- "Long-term deterioration of public infrastructure won't be enough. It'll take a gun to the head from a Supreme Court decision."
- "Make the margins tax work."
- "Only a passing chance for a change reflecting school finance costs; significant chance there will be a tax cut as the governor, Lt. governor, and key senators prepare for future political endeavors."
- "Concern about the over emphasis of shrinking government and no new taxes during a primary will stifle any meaningful dialogue."
- "The harsh and highly politicized air around Texas state taxes leaves only one option for major reform: a court order."
- "More Democrats"
- "A gun pointed to their heads by the courts"

- "State water plan"
- "New or a change of priorities leadership in the Gov and Lt Gov's office"
- "Being sued."
- "Only finally adjudicated losses in the courtroom are likely to cause serious tax reform changes. If the state loses school finance or franchise tax cases, anything can happen. There will be advocates for: (1) more revenue; (2) more sharing of the property tax for schools; (3) replacement of some or all of the property tax; (4) repeal and possible replacement of franchise tax; and other proposals, but they are all pretty nothings until the Supreme Court strikes the system dead."
- "It will only happen via court order"
- "Judicial fiat. It's has always been the only cover to which the leg will respond."
- "The capital-intensives once again deciding that they need some tax relief."
- "Usually, local schools are enough to spur some action. However, if vouchers are passed, it will be a convenient excuse for lawmakers to say, 'Let's just see how this works before actually doing the right thing and funding public education.'"
- "State water plan funding"
- "Perry thinking it could in some way help him politically."

Is it a good idea to replace local property taxes with sales taxes?

- "Sales tax receipts drive the budget. If you want to shrink the state budget, you are for this idea. Such a swap will stop sales tax receipts as we know them."
- "But not a single source of revenue neutrality since the dispersion of sales tax is not uniform across the state."
- "Ever since the 1997 Bush tax bill, it is unquestioned that the sales tax burden falls disproportionately on the poor. Without some sort of circuit breaker or other adjustments to mitigate this burden, a regressive sales tax is an economic harm rather than benefit."
- "Yes, but It would take more than the .03 cents that has been proposed by some. .03 cents keeps the revenue collected neutral, but does not take into account enrichment by local districts. The state would have to allow local school districts some sort (.01 or .02) of tax for local enrichment. It also does not increase the dollars in the overall education system, which is grossly underfunded."
- "Highly regressive."
- "Terrible idea but given its regressivity the most likely tax increase given our current legislature."
- "The property tax would need to be so high that it would incentivize people to avoid sales tax through fraud or more barter agreements. It would also harm border areas of the state because consumers would shop across the border, and the local governments would lose revenue from sales tax collections."
- "It depends on which local property taxes are being eliminated, and how they are applied."
- "The devil is in the details. There needs to be more details on how it would operate with regard to exemptions and who they impact and how."
- "Depends on whether you can afford to pay additional sales tax. If you can't, then it's probably a bad idea. If you can, then you probably think it's a good idea."
- "Absurd suggestion that would ask the poorest Texans to go without so that Michael Dell and Mark Cuban can save money."
- "Almost 70% of the adult population does not have school age children. The payment of property taxes is what should keep them interested in their school board elections."
- "We would be like the 49% that don't pay income taxes - 'who cares where it comes from. No local effort, no interest or local control."
- "Yes, but to do so would also mean that spending cuts would have to be instituted. All of this would require a tremendous amount of political courage."
- "A sales tax would need to be only part of the solution. There needs to be revenues from elsewhere also."
- "No state that has tried this has made it work. Texans won't like it because we would not want to cede any more control of our schools to the

state -- which is what would happen if the money was collected through a state sales tax."

- "Well managed property tax system is far superior in fairly collecting revenues from those who should pay them a tax on everything poor people buy. One problem with property taxes; a means must be devised that prevents the owners of large commercial or industrial properties to litigate their taxes down in court before judges and not juries. Tax officials simply cannot compete in courtrooms with hordes of corporate lawyers. Boards, including citizens, should hear these cases over a three-day period, max, and rule, with no further adjudication."

- "What ever happened to the conservative dedication to local control? Communities would have no way to decide to raise local taxes to improve local services."

- "Regression: It's not just for children anymore."

- "I suppose you can argue it round or square, but the bottom line is the regressive nature of the sales tax."

- "Sales taxes are already too high, and they are regressive. The poor already pay a very high percentage of their incomes on state taxes compared to what wealthier taxpayers do. The answer is not to make it better for the haves at the expense of the have-nots. In fact, it is embarrassing that we are even having this conversation."

- "Past reforms have shown that large tax swaps are fraught with serious unintended consequences, such would be the case with moving to a

heavier reliance on taxing consumption and away from the property tax. Increasing Texas' sales tax, already one of the highest in the nation, would make the tax system more regressive, harm local governments by making them more vulnerable to the economic conditions, particularly rural areas with little population base and ultimately make our state less economically competitive. Bottom line, bad idea!"

- "A sales tax/property tax swap is that rare and happy animal at the Lege, an absolutely terrible policy idea that has even worse politics (and exactly zero chance of passing)."

- "There needs to be some sort of hybrid - a way to decrease the dependence on property taxes and to capture some of the sales tax specifically for education funding needs."

- "Absolutely, not. The consumption tax would reach 25% and capture a broader range of goods and services. This would slam retail business as well as wholesale in our state. Retailers provide 1 in 4 jobs in Texas, which would be reduced with such a decision. The appraisal review process needs a serious makeover."

- "It would have to be too steep an increase - would effect state's competitive edge"

- "Sales taxes are even more regressive than property taxes. We certainly need property tax reform but we could also benefit from decreasing our reliance on sales taxes and other fees that put a disproportionate tax

burden on low and middle income Texas."

- "You can't get there from here. If the idea is to leave a little cancer, that is, to replace only part of the property tax, then who wants that? Replacing all of it is not even technically possible. It just doesn't work. We can be, in principle, in favor of eradication of the imported fire ant, but there's no real way to get there."
- "Some portion but not completely. Maybe a 1/4 reduction of property tax burden."
- "Both property and sales taxes in Texas are well above the average of other states. Texas' revenue problems cannot be resolved by raising local property and sales taxes."
- "The 'sales tax hurts the poor' crowd will never let that happen."
- "It's a horrible idea and I don't know why the Tea Party wants to raise the price of tea to a level they can't afford."
- "Not with the fragile state of the real estate market. We're performing

Is it a good idea to replace local school property taxes with a statewide property tax?

- "That is the only way to support a general diffusion of knowledge and stop paying lawyers to argue about it."
- "There is no way to get around the arbitrary (and inherently unjust) features of the property tax. It has no place in Texas tax policy PERIOD."

slightly better than the nation - we can't risk a downturn."

- "It may be a good 'idea' in terms of a tax mechanism to fund our state budget; but such change would likely be very costly and unrealistic after facing a lack of interest by the general public"
- "Absolutely...then Texas can have the highest sales tax rate in the nation (25%) and people will be relegated to a permanent rental class."
- "The property tax is a wealth tax, so I'm ideologically against it. But you can't make up the revenue without a big sales tax increase, and the sales tax is a less stable tax in a downturn."
- "TPPF sucks."
- "As much as I'd like to see property taxes eliminated, total replacement with a higher sales tax is simply not a good idea."
- "Sales taxes, while necessary, are way too regressive to advocate eliminating property taxes."

- "But for Wayne Peveto, this would be an option. Given the Supreme Court's ruling in West Orange-Cove that a cap on local school property taxes becomes a de facto statewide property tax when most school districts are at or just under that cap, it seems that either local property taxes must be allowed to rise unfettered or the Legislature must appropriate

more GR (of which it has little). A statewide property tax would presumably have efficiencies in administration but more importantly would allow the Legislature to exercise a degree of meaningful control over local tax burdens."

- "Think property taxes are high now. Let the state get control of them. Also, no local control anywhere, no local enrichment for local school districts. Schools would be completely controlled by state funds."

- "Local districts have already effectively lost the ability to raise revenue, hence the lawsuit."

- "Maybe. Removing local incentives will be seen as a major downside, so there will have to be some kind of compensatory move, maybe w/r/t local option sales taxes?"

- "Voters will never support partially because you leave in place other local property taxes and they often confuse it with an income tax."

- "Devil's in the details. Not all property is created equally, and we have very unequal regions within our state's borders."

- "Local voters approve local taxes proposed by local electeds? It is the epitome of local control."

- "Probably the only way to end school finance lawsuits. Still must find a way to allow for some reasonable local enrichment."

- "It might be if one could trust the current brand of politics (voucher-lovers) and all future leges to properly

use the funds for public education. But really, these people? No way."

- "No, we must do all we can to return controls to the LOCAL level. The most basic way to do that is to pay for schools locally."

- "With the disparities across the state it might be an idea whose time has come - equitable valuation and equitable tax."

- "No. Local communities would never get their money back."

- "That would prevent some property-rich jurisdictions to tax more and provide superior educations. Level the playing field."

- "As long as there is still an equalized enrichment tier on top, to allow for local control of taxes and spending, a statewide property tax could establish a equal foundation for all schools."

- "It would be a good idea to revise our regressive tax code with a statewide income tax, which would amount to a tax CUT for most Texans."

- "Until there is a statewide tax of some sort there will never be the equal education system called for by the Texas Constitution. All you will end up with is more 'Robin Hood' schemes."

- "It would be the equivalent of using an elephant gun to kill a mouse, because recapture (Robin Hood)--as opposed to a statewide property tax--is so much simpler and involves only about 1 in 20 Texans. However, given that the rhetoric will not end, a statewide property tax is probably the

only answer. If this proves to be the decision, wealthy districts will have shot themselves in the foot once again."

- "As long as locals retain some control over some revenue"
- "Intellectually yes, but politically unrealistic. Given the anticipated legislative make up, the prospects of securing the 2/3rds needed to put the measure on the ballot are daunting."
- "As a practical matter you would end up with both systems (statewide and local), and not replacing one with the other, because of issues like the appraisal process, other local property taxes (city, county, special districts) and even local option for enrichment by school districts. Also, a statewide tax would only address one of the two major problems in the school finance lawsuits. Anyone still think this is a good idea?"
- "Not unless you have no desire to return to your elected position for most"
- "We need a system that has consensus support in terms of fairness - in practice at least - and hopefully in perception."

Do you think voters would legalize casinos if asked?

- "Fewer trips to Vegas means more money to gamble. The hard Rs know it and will not let the voters decide as a result."
- "That doesn't mean that it's good public policy, though."

• "Switching from a local tax to a state tax would do nothing that can't already be done by statute. It would be purely window dressing. And the deals that will have to be made to get this done are dangerous to Texas business."

- "It's probably not really a good idea, but it may be what's necessary to keep the courts happy."
- "Statewide, with limited local option."
- "Is that a winged pig on the horizon?"
- "This would allow equal funding to schools to be more easily achieved."
- "One would have to think that this would provide a better mechanism at least for achieving equity. Won't happen, of course because the 'local control' crowd would howl to high heaven."
- "Absolutely...let's get rid of local control. The R's have campaigned on this issue of no local control for years!"
- "If the state pays for schools with a statewide property tax, you can kiss local control of schools goodbye."

now has a casino. Fancy new street lights, pennies for schools, and a community pool come at a steep and very real price: gambling addiction, crime, strain on families, etc."

- "The need for more revenue does not escape most Texans. Absent courageous leadership, they will look at anything that does not raise taxes."

- "The casino supporters have an endless amount of money to promote their lies about casinos being a panacea for everything that costs money."

- "The national gaming industry would dump millions into advertising and would crush the opposition --"

- "Sounds like free money. If you ignore social costs, regressivity, etc."

- "Texans are gambling today; it's just other states that are reaping the revenue. Risk seeking is an inescapable part of the human condition. No one is being forced to line up at the tables. Liberty and mutual respect dictates that you keep your religious views out of my life."

- "I hope not. There are some good folks in the gaming industry, just don't scratch far below the surface."

- "In-state casinos will make it so much easier to carry our winnings back to our local banks."

- "While not a panacea for the state's economic revenue woes, casino gaming done correctly, with limited licenses in a destination resort approach, would keep Texas gaming money from flowing out of the state and also have the added benefit of

bringing in new dollars from out of state and internal visitors, something that is just not possible with VLTs at race tracks. Again, a huge hurdle is securing 2/3rds to put the measure before the voters."

- "They'll legalize more than you can imagine if given the chance and the right campaign. Even the large majority of Republicans. Just add a sin tax to it and all the world is right."

- "That's the problem; the Lege knows that if this gets to the voters, its ch-ch-ch time for the state."

- "Casinos are generally not good for the social and cultural health of communities -- however if they can contribute significant tax revenue to the state, that may be more important than other considerations."

- "Too many Texans have been to casinos in other states for them to say it's objectionable. This is like liquor-by-the-drink. Give 'em a chance, and they'll vote for it."

- "Have you been to Vegas lately? No shortage of Texans! (Not to mention the dives that count as casinos in Oklahoma)."

- "And the money would go to fund public education...like the lottery, right?"

- "They want get asked. Have you looked at the new Senate membership for 2013, give me a break! Those new members don't know who John Montford is and don't give a damn."

- "Every poll says 70-80%! - Opponents say extra revenue to state

is bad, by that rationale, we should cease all job creation!"

- "Voters probably would because of the (false) promise of boundless revenue."

- "Yes; and then everyone who voted for it will complain when there is a proposal for a casino in their backyard. It's ok to get the state revenue, as long as none of us have to look at the eyesore."

Do you think the required two-thirds of the Legislature would vote to put the casino question on the ballot?

- "See above."

- "The votes haven't been there for 20 years and aren't likely to be there for another 20. Conflicts of interest among sitting legislators aside, the gambling interests have shown that they will simply funnel money to the party that will give them what they want and legislators are wary of creating yet another campaign finance giant that can make them -- or try to make them -- bend their knees to powerful funders."

- "Hell NO! They may call themselves 'Tea Party' limited government conservatives, but we all know the religious right is still in control of the votes in their districts."

- "Of course they will vote to support. Our Tea Party legislature believes in personal freedom and individual responsibility, right?"

- "The House would probably agree, but don't know if there are enough votes to support this in the Senate."

- "When you combine the religious crusaders with the guys in the bag with out of state casino PACs, the math doesn't work."

- "Why not delegate it to the voters? The lege has delegated school finance to the courts."

- "Not until there is a financial crisis."

- "I will vote against candidates who support gambling expansion."

- "Though conservatives are split on this, there are enough in opposition to hold the line -- even folks who aren't stridently against increasing gambling will argue that gambling always promises more in revenue than it delivers."

- "One benefit of an otherwise destructively right-wing Lege is opposition to gambling."

- "It depends on the lobby effort and if they're smart enough to understand that this is more than a question of economic development and revenue -- it's a matter of personal freedom and liberty."

- "The moral imperatives regarding state-run gambling will prove secondary to the political imperatives regarding a tax increase to fill the state revenue hole created by an under-achieving franchise tax."

- "Only as a non-binding referendum a la pari-mutuel"
- "House would be tough"
- "Not until there is a crisis."
- "Let's do the math: 100 Rs, 50 Ds...If all the Ds vote for it, then half plus one of the R's have to vote for it... no way, not enough fortitude"
- "Hard to tell - again a good grassroots campaign could make a big difference"
- "I see it happening in the House, but probably not in the senate as quite a few of those monkeys are looking at higher office."
- "Too much opposition from religious conservatives. It hasn't happened for as long as anyone can remember. Are things different enough now?"
- "A legislator's vote to put casinos on the ballot will draw far more attention from its opponents than its supporters."
- "But it will take a bunch of 'public' pressure. Get out your checkbooks casino interests."
- "Not even close!"
- "See above."
- "Too many Baptists in the Legislature. Now if it were a secret vote, maybe."
- "Smoke-free Texas has a better shot!"

Our thanks to this week's participants: Cathie Adams, Clyde Alexander, George Allen, David Anthony, Jay Arnold, Charles Bailey, Tom Banning, Mike Barnett, Dave Beckwith, Amy Beneski, Rebecca Bernhardt, Andrew Biar, Allen Blakemore, Tom Blanton, Hugh Brady, Steve Bresnen, Linda Bridges, Chris Britton, Lydia Camarillo, Kerry Cammack, Marc Campos, Thure Cannon, Snapper Carr, Janis Carter, Tris Castaneda, Corbin Casteel, William Chapman, Elna Christopher, James Clark, Rick Cofer, Harold Cook, Beth Cubriel, Randy Cubriel, Denise Davis, Hector De Leon, Eva De Luna-Castro, June Deadrick, Nora Del Bosque, Tom Duffy, Richard Dyer, Jeff Eller, Jack Erskine, John Esparza, Jon Fisher, Rebecca Flores, Terry Frakes, Wil Galloway, Norman Garza, Dominic Giarratani, Bruce Gibson, Stephanie Gibson, Daniel Gonzalez, Jim Grace, John Greytok, Clint Hackney, Wayne Hamilton, Bill Hammond, Adam Haynes, John Heasley, Jim Henson, Ken Hodges, Steve Holzheuser, Billy Howe, Shanna Igo, Deborah Ingersoll, Richie Jackson, Cal Jillson, Bill Jones, Mark Jones, Robert Jones, Lisa Kaufman, Richard Khouri, Tom Kleinworth, Ramey Ko, Sandy Kress, Dale Laine, Pete Laney, Dick Lavine, James LeBas, Donald Lee, Luke Legate, Myra Leo, Elizabeth Lippincott, Ruben Longoria, Homero Lucero, Vilma Luna, Matt Mackowiak, Dan McClung, Parker McCollough, Scott McCown, Mike McKinney, Debra Medina, Robert Miller, Bee Moorhead, Mike Moses, Steve Murdock, Craig Murphy, Keir Murray, Keats Norfleet, Pat Nugent, Sylvia Nugent, Nef Partida, Gardner Pate, Tom Phillips, Wayne Pierce, Richard Pineda, Allen Place, Royce Poinsett, Jay Pritchard, Jay Propes, Bill Ratliff, Karen Reagan, Tim Reeves, Jason Sabo, Mark Sanders, Andy Sansom, Jim Sartwelle, Stan

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