

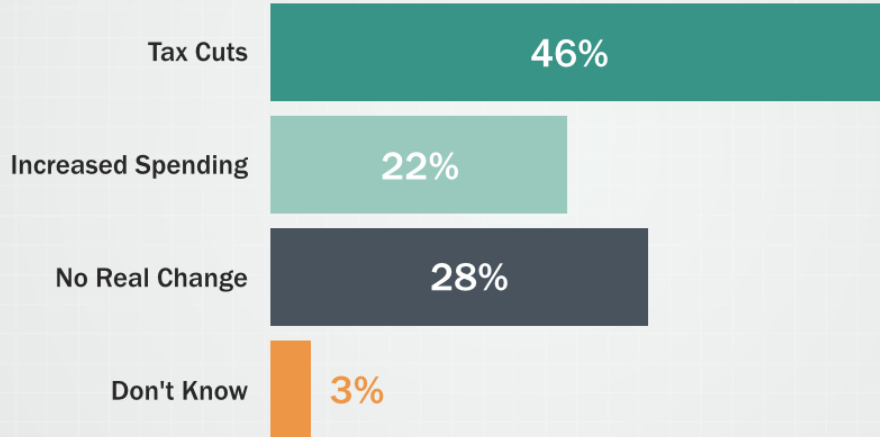
# “INSIDE” INTELLIGENCE

*The Texas Weekly/Texas Tribune insider poll*

*for the week of 18 April 2014*

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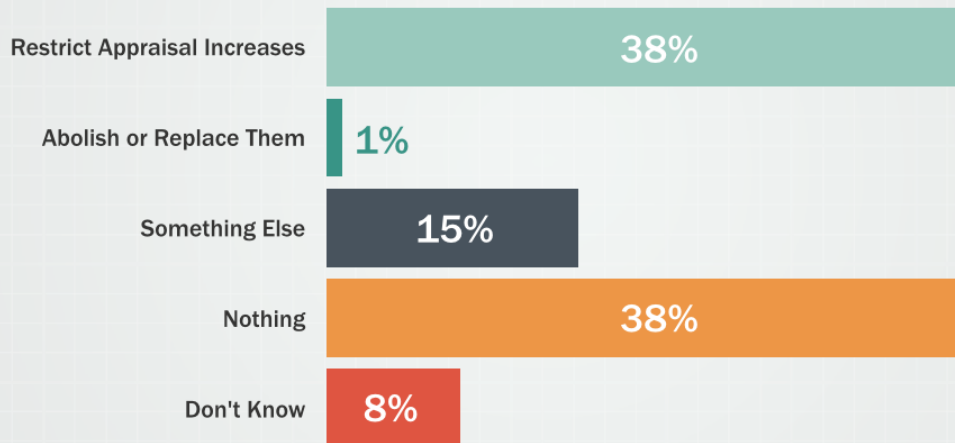
WHAT WILL LAWMAKERS DO WITH A BUDGET SURPLUS IN 2015?



Inside Intelligence is an informal survey of political and government insiders in Texas and is not meant to measure public opinion.

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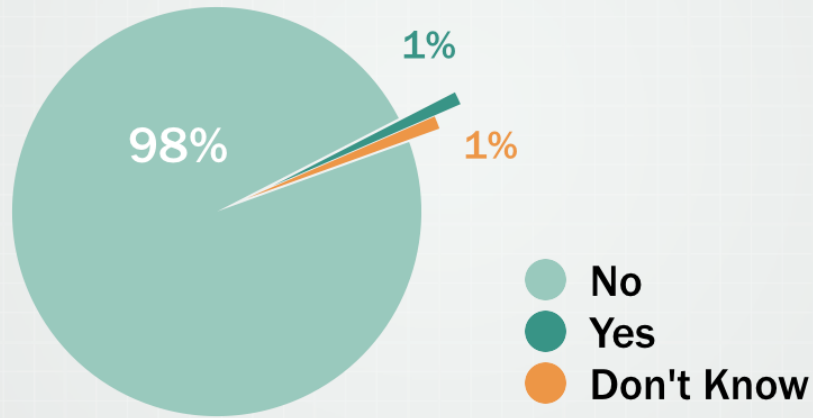
WHAT WILL LAWMAKERS DO WITH PROPERTY TAXES IN 2015?



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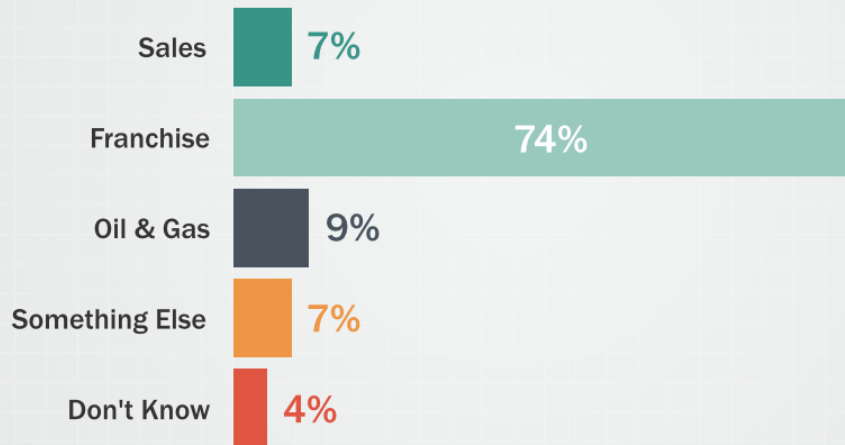
WILL LAWMAKERS ALLOW NEW GAMBLING IN 2015?



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# INSIDE INTELLIGENCE

IF LAWMAKERS CUT TAXES, WHICH ONES WILL THEY CUT?



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*With a state budget surplus ahead in 2015, what do you think is the most likely outcome?*

- "Tax cuts would be nominal at best."
- "Tax cuts and increased spending."
- "It depends on the outcome of the pending school finance lawsuit, which could potentially cost the state several billion dollars."
- "Politics of the far right will result in an attempt to cut taxes in the Senate but the House will be the grownups."
- "The votes won't be there for a tax cut, regardless of what the T Party wants."
- "It is likely that some will be reserved for a special session on school finance."
- "There are a lot of holes that need filling."
- "Roads and education are due."
- "Both the House and Senate will be even more conservative than last legislative session. We could see a push to reduce property taxes, but more than likely, election promises to reduce 'wasteful' spending will dominate."
- "Both"
- "Don't we have chronic HHS funding issues each session, not mention the pending public school finance case hanging around? Throw in the \*need\* for increased infrastructure spending (roads!) and I don't see how we throw cash to those items and also cut some taxes. But they'll try. Bless their hearts."
- "No one running for the top 2 spots will take as hard-lined a stance on increased spending as Governor Perry."
- "Some modest cuts to satisfy the uninformed, but hopefully some investments in water, transportation and education."
- "There will be a reckoning at the polls in 2016 if taxes and spending are increased."
- "1) It's not a 'surplus' if it's not enough to maintain the current level of services, to say nothing of getting us back to the halcyon days before the recession. 2) Increased spending is unavoidable, just to keep up with population growth and catch up on deferred maintenance. But there will be plenty of tax cut proposals - one or more of which are sure to pass."
- "If the state wins the school finance lawsuit, or if the Lege can delay or 'adjust' an adverse court decision, then there will be tax cuts. If not, that extra money may find its way into the education budget."
- "For there to be a real 'surplus' the legislature would need at least \$11 billion more than the forecast through 2017 to undo remaining smoke and mirrors and cuts in state aid to schools. But that won't stop them from digging the hole deeper with more state tax cuts."

- "They will look at revising the franchise tax but fail to reach agreement in the end and instead wait to see if the Texas Supreme Court forces their hand again by ruling that the current school finance system is unconstitutional."

- "With some funds being used to finally get TxDOT off the motor fuels tax."

- "Keeping the money to resolve the education lawsuit which they are going to lose and that will cost more money."

- "And increased spending"

- "A poor attempt to govern by an even more-conservative Texas Senate - Mr. Dewhurst, thanks for the memories."

- "1st, satisfy courts by funding schools. 2d, deliver red meat tax cuts. 3d, fill selected holes in budget."

- "Based on the timeline for an appeal and given where the case stands now, it is all but impossible for the Supreme Court to give a final ruling on the school finance litigation before Sine Die 2015. Why make major changes now with that uncertainty hanging over your head in the future?"

- "I think there will be some tax cuts, albeit at the expense of local

governments plus a major deposit into to the Rainy Day fund."

- "Monkey see...monkey do."

- "Save for the future? Invest in tomorrow? Heavens no--let's do tax cuts!"

- "Both Abbott and Davis are calling for an increase in pre-k spending of at least \$120 million. A new day has dawned."

- "The republicans will push for some kind of cut to something or they will get primary opponents next time."

- "There may be some spending adjustments for some things that did not get taken care of in the supplemental appropriations in 2013, but the surplus will provide an irresistible opportunity for the Legislature to gain headlines by cutting taxes."

- "There is no way spending will increase."

- "There's enough money to increase spending and to cut taxes, but not enough money to restore the 2011 cuts and keep up with population growth."

- "Too many infrastructure needs and education require catch-up funding"

### ***What is the Legislature likely to do with property taxes in 2015?***

- "Too much local pressure not to change"

- "The cost of abolishing or replacing property taxes is just too high, and

restricting appraisal increases has landmines of its own. So, a property tax cut is probably the easiest, most predictable, and maybe even the least expensive."

- "The easy fix is to restrict appraisal increases. I'd bet on that."
- "Nothing happens until the courts weigh in on school finance."
- "Ultimately, nothing."
- "They will try to cut property taxes by eliminating the property value study. The big winner? Oil and gas industry."
- "Though some of them would love to lower the current 8 percent appraisal cap, it takes 3/4s, and - just like the sessions in the 2000s - the votes aren't there. They would have to pump more money into public education, god forbid!"
- "Dealing with property taxes is a two-session issue. I believe you will see some restrictions this sessions and work during the interim in 2016 to address the remaining lingering issues."
- "I agree, let's reduce or eliminate property taxes. How dare you ask me how to replace that funding source!"
- "Apply the surplus to a small reduction in property taxes"
- "Tell me who is running the Senate next session and I will have a better answer."
- "The appraisal increases need to be capped to stop the shell game. Tax breaks should not be offset by appraisal increases."
- "How about an increased homestead exemption for school taxes or an optional flat-dollar-amount homestead exemption for other local property taxes."
- "A new senate may be particularly interested in capping residential values, but business groups will point out that that just means an increase in taxes on them."
- "State budget writers will continue relying on local property taxes to pay for public school enrollment growth until courts say 'come up with something else.'"
- "It's the 'something else' that has us all worried."
- "The new Lt Gov will make a major push for stricter appraisal caps, but it will not make it to the Governor's desk."
- "If they do something, then it might be along the lines of what Gov. W did during his time and offer a property tax across the board."
- "Under the guise of protecting homeowners, the state will slowly move to a split appraisal system, where commercial properties will pay an increasingly larger percentage of property taxes."
- "They will push for appraisal caps, especially if DP is the LG. He and Bettencourt go way back on this."
- "There will be some hybrid of cuts, restrictions, etc. They'll do something that has an impact on businesses and families."
- "I'm sure they'll talk about doing something with property taxes but any necessary move to offset them will be viewed as a tax increase."

- "There is no clear path forward on property tax relief. Financing some property tax relief through increased

sales taxes appears to be a non-starter."

***With a budget surplus expected, do you think lawmakers will legalize any new gambling in Texas?***

- "Not enough votes."
- "With an even more conservative House and Senate...hell no!"
- "If the Legislature hasn't done so in the face of shortfalls, why would they do it in a session when they have a surplus?"
- "Gambling is NOT a budget fix anyway. Nevada has more home foreclosures than any other state."
- "Whatever for?"
- "Texans will keep on sneaking off to other states to play. There's little compelling need to expand gambling now."
- "Gaming/Gambling legislation is DEAD as long as the Republicans have a majority."
- "Depends on who is in charge! If they were smart they would do it regardless - allow the racinos to be in place now for the next budget crisis."
- "The hill in the Senate got steeper not flatter."
- "It'll be a cold day in you-know-where before Mr. Patrick and friends allow that sinful gamblin' in Texas."
- "I would expect that our legislature - whose members are almost all elected

on a promise to limit government growth - would fight any expansion in gaming, as any gaming expansion would only result in more government employees to regulate the industry in addition to the state paying for government run programs to address gambling addiction."

- "Having lobbied gaming issues for 12 years I can tell you that budget surplus or budget shortfall, either way makes no difference at all. New gaming will never pass so long as the Tea Party has any significant influence. Tea Partiers don't care about the libertarian argument that gaming revenue is 'voluntary' by the person paying. They care that government should be as small as possible, and so they oppose ANY new revenue for the state. The threat of being primaried keeps moderate Republicans from giving any serious consideration to gaming, and Democrats hold a minority of seats in both chambers. Tell me again your plan for getting a 2/3rds vote in favor? The sad part is that this dynamic allows fundamentalist Christian groups to claim victory when in fact they did NOTHING since the fight never even got started."

- "The Oklahoma tribes have way too much money invested in Texas."

- "BUT I WISH THEY WOULD!"

- "They wouldn't do it when there were budget deficits."
- "...But lots of people will get hired to give it a shot anyway."
- "Gambling is a sin. Won't happen."
- "Texas is justifiably proud of its restrictions on gambling."

*If lawmakers did cut taxes, which taxes are they most likely to cut?*

- "Follow the business donations"
- "Possibly some small, targeted property tax breaks aimed at businesses."
- "The business franchise tax is most likely first in line to be cut (again), followed closely by a property tax cut. These two taxes have powerful political constituencies. The old workhorse sales tax will probably have to stay at 6.25% in order to cover the future costs of the cuts the legislature will bestow."
- "They should increase oil and gas taxes to offset the damage being done to highways"
- "Business pays the bulk of taxes now and should receive the most immediate relief. Property taxes are a function of local decision making."
- "It's the 'something else' that has us all worried."
- "Property Taxes"
- "It should be state sales tax as all are effected equally."
- "It is easy to frame a vote to cut franchise taxes as a vote to create jobs in Texas."
- "Be careful what you ask for. The current fad of saying we will repeal the Franchise Tax makes some business groups all tingly and excited. Repealing franchise tax would make Texas one of the only states without a business tax. Our legitimate budget needs in water, education and roads and bridges exceed available funds so talk about 'surplus' seems inaccurate. Basic needs have to be funded at some point; the money has to come from somewhere. If the tax is cut this time, it will come back in some form or fashion later."
- "The easy road is to eliminate the franchise tax."
- "This might be the session where the mandate to use franchise taxes for school finance finally gets fixed."
- "I bet those temporary fractional reductions in the franchise tax rate will stick."
- "TPPF is powerful"
- "Sales is the natural tax to cut, because everyone pays it: business, consumers, visitors, residents, illegals, everyone. Everyone would get a little."
- "Remember when the franchise tax mantra was low rate, broad base?"



Yeah, that's a thing of the past. They'll keep raising the exemption amount so only a small group of companies ever pay anything."

- "Most likely to use part of surplus to offset changes in appraisal caps."
- "Texas has the chance to use surplus dollars for smart incentives not another decade of crony-style giveaways."

- "The sales tax offers too little to have any real impact. Something that impacts business and further adds to the business friendly climate will be the route taken."

- "Of course, pre-paying some of the transportation debt with some of the surplus not only makes financial sense, it has broad appeal among those groups for whom debt is a four-letter word."

***Our thanks to this week's participants:*** Gene Acuna, Cathie Adams, Victor Alcorta, Brandon Alderete, Clyde Alexander, George Allen, Charles Bailey, Tom Banning, Dave Beckwith, Amy Beneski, Andrew Biar, Allen Blakemore, Tom Blanton, Chris Britton, David Cabrales, Raif Calvert, Kerry Cammack, Marc Campos, Thure Cannon, Snapper Carr, William Chapman, Elna Christopher, Kevin Cooper, Beth Cubriel, Randy Cubriel, Denise Davis, Eva De Luna-Castro, June Deadrick, Nora Del Bosque, Glenn Deshields, Holly DeShields, Tom Duffy, David Dunn, Richard Dyer, Jeff Eller, Jack Erskine, John Esparza, Jon Fisher, Neftali Garcia, Norman Garza, Dominic Giarratani, Bruce Gibson, Stephanie Gibson, Eric Glenn, Kinnan Golemon, Daniel Gonzalez, Jim Grace, John Greytok, Clint Hackney, Anthony Haley, Wayne Hamilton, Bill Hammond, John Heasley, Ken Hodges, Steve Holzheuser, Laura Huffman, Deborah Ingersoll, Cal Jillson, Jason Johnson, Mark Jones, Walt Jordan, Robert Kepple, Richard Khouri, Tom Kleinworth, Ramey Ko, Sandy Kress, Dale Laine, Nick Lampson, Pete Laney, Dick Lavine, James LeBas, Luke Legate, Leslie Lemon, Ruben Longoria, Matt Mackowiak, Luke Marchant, Steve Minick, Bee Moorhead, Mike Moses, Steve Murdock, Keir Murray, Nelson Nease, Keats Norfleet, Pat Nugent, Nef Partida, Gardner Pate, Jerod Patterson, Robert Peeler, Jerry Philips, Tom Phillips, Wayne Pierce, Allen Place, Kraege Polan, Jay Pritchard, Jay Propes, Ted Melina Raab, Tim Reeves, Patrick Reinhart, David Reynolds, Carl Richie, Jeff Rotkoff, Grant Ruckel, Jason Sabo, Luis Saenz, Andy Sansom, Jim Sartwelle, Barbara Schlieff, Stan Schlueter, Bruce Scott, Robert Scott, Ben Sebree, Christopher Shields, Nancy Sims, Jason Skaggs, Ed Small, Martha Smiley, Larry Soward, Dennis Speight, Tom Spilman, Jason Stanford, Bill Stevens, Bob Strauser, Colin Strother, Sherry Sylvester, Jay Thompson, Gerard Torres, Trey Trainor, Vicki Truitt, Ware Wendell, Ken Whalen, David White, Darren Whitehurst, Woody Widrow, Seth Winick, Peck Young, Angelo Zottarelli.