

Financing the Public Schools of Texas: Some Issues of Growth, Equity, and Efficiency



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I. Introduction

There is perhaps no issue facing the Texas Legislature on an ongoing basis that is more important, more difficult, or more controversial than that of financing public education within the state. An excellent school system is essential to the long-term economic prosperity and quality of life of all Texans. Texas is adding about 70,000 net new students per year. Moreover, the percentage for which English is a second language and the proportion coming from households with limited educational backgrounds and economic disadvantages is escalating. When these demographics realities, which require additional financial resources, are combined with rapidly rising costs on many fronts, it is apparent that educational funding will be under significant and increasing pressure over time.

Texas has traditionally relied heavily on local property taxes to fund public schools. As community development patterns evolved toward affluent suburban areas in the 1970s and 1980s, extreme variations surfaced in the resources available and educational opportunities offered to students around the state. Legal challenges to the system and general concern over equity issues led to the creation of the present “Robin Hood” plan in which a portion of the revenue from “property-wealthy” districts (also known as Chapter 41 districts) is “recaptured” and distributed to “non-property-wealthy” districts (also known as Chapter 42 districts). The plan also caps local property tax rates for maintenance and operations (excluding debt service) at \$1.50 per \$100 valuation. (There are some minor exceptions to this rule, but they are not material to the overall analysis.) This transfer now amounts to over \$600 million per annum.

Current Problems

Even among those who originally crafted it to meet judicial mandates, Robin Hood was never regarded as an optimal long-term solution to school finances in Texas. Nevertheless, it may be regarded as a limited success in the sense that the state now has one of the most equitable school finance systems in the entire country. Difficulties are presently occurring on a significant scale in that many districts, including property-wealthy areas, are at or approaching the rate ceiling. Consequently, the overall level of resources to fund the system as costs increase is proving to be inadequate. Many districts with rising property values find their residents facing much higher taxes which are recaptured into the Robin Hood system, often leaving inadequate resources to fund their own enrollment growth. Non-property-wealthy districts are also facing resource constraints and difficulties in maintaining programs, particularly in rural areas. The percentage of school revenues derived from local sources (as opposed to state revenue) has risen substantially in recent years, and litigation regarding the constitutionality of the system is again being vigorously pursued. When combined with escalating needs and fiscal requirements, the issue is again reaching crisis proportions.

These concerns have led many educators and taxpayers to demand that (1) Robin Hood recapture be reduced or eliminated; (2) overall property tax relief be granted; and (3) more aggregate funds be made available to pay for public education. Progress on any of these fronts obviously requires that alternative sources of funding be found. (Although not as widely discussed, there may also be opportunities to reduce costs or at least the rate of growth in costs through enhanced efficiencies and greater deployment of technology. It is unlikely that significant savings can be achieved in the immediate future. Thus, these approaches, while potentially a fruitful topic for long-range discussion and exploration, are not examined in the present analysis.)

Public Goods

Whenever the public sector requires additional fiscal resources for any purpose, it must remove them from circulation among business and households in the private market. Such extractions clearly reduce activity in the private sector, but are justified when the benefits to the population exceed the value of the levies. Because the gains to society of educated citizens exceed the private gains to individuals, schooling would likely be underconsumed in a market environment. Thus, education is a public good which is properly provided by government and funded through taxation. This fact has been recognized and accepted for more than two centuries.

As with any public good, the resources obtained from private sources to support education should reflect considerations of flexibility, growth potential to meet future needs, efficiency, and equity. The state and local tax system in Texas has evolved over an extended period of time and embodies many long-forgotten exigencies and compromises. While it is cumbersome in places and likely far from anything that would emerge from a laboratory experiment to design a perfect structure, the tax system has served the needs of the state through numerous changes and challenges. Given the complexity of the tax environment and the myriad interests surrounding it, a sudden and drastic overhaul seems improbable. Nevertheless, the quest for a more suitable approach to school finance also affords an opportunity to thoughtfully examine the overall framework and make a significant early step toward a more balanced fiscal system.

Purpose of the Study

The purpose of the present study is to analyze key characteristics of several potential sources of revenue for school finance. The Perryman Group (TPG) was asked to perform this investigation by a consortium of school districts and educational organizations. These entities, which are listed in Appendix B, represent a broad cross-section of public school interests; they have not

specified any constraints on this analysis or its conclusions. The results are provided to the Joint Select Committee on Public School Finance to assist in deliberations regarding educational funding. The report does not purport to offer a “magic bullet” solution or to recommend any specific funding mechanism (although the findings do point in some specific directions). It seeks merely to offer some observations and objective criteria by which alternatives may be meaningfully evaluated.

II. FRAMEWORK OF THE ANALYSIS

The current property tax system will be used as a base for comparative purposes. It is assumed that any additional revenue will be used to (1) replace or reduce Robin Hood recapture, (2) reduce property taxes, and/or (3) provide additional school funding. Thus, if the new revenue sources have superior characteristics relative to property taxes, their adoption represents an improvement in the overall system.

Issues such as *growth* and *flexibility* will be assessed using the inherent properties of the levies and growth projections in the relevant bases derived from the Texas Econometric Model.

Efficiency will be defined in terms of the total loss in economic activity from the imposition of a \$1 billion tax of each type considered. (The amount was chosen purely because it is a “round” number which facilitates index construction. The same principles apply irrespective of the amount allocated to new funding or property tax relief.) Thus, a tax is viewed as relatively more efficient than another if it claims fewer private resources from its implementation at a common revenue level.

Multiple indicators of foregone activity (expenditures, output, income, and jobs) will be calculated using the Texas Multi-Regional Impact Assessment System on

a detailed industrial basis. Because the focus of economic development is typically on output (gross state product) and jobs, these two measures will be used to derive an “efficiency index” with property taxes assigned a value of 100. Because of different value-added and labor-intensity factors in various industries, some taxes may show losses in some activity measures and gains in others. (Efficiency in collections will also be noted, although it is not likely to be a highly significant issue.)

Equity in the present context refers to fairness in the allocation of tax collections across the various sectors of the economy. It will be defined as paying a share of taxes equal to the corresponding share of real gross state product in each industrial sector. An index will be created based on statistical variance from this norm, with the property tax again being set at 100.

With regard to the taxes examined, this report is restricted to major potential revenue sources. While some additional funds could be found by tweaking various minor levies, they would not be sufficient to materially impact school finance or address key issues presently surfacing. A motor fuel tax increase (which would be allocated 75% to transportation and 25% to education) is also not examined in detail. While it would generate a notable increase in funds (probably somewhat less than \$200 million per year assuming a \$.05 per gallon increase), it is not enough to offset Robin Hood or add even 1% to overall funding. Moreover, the debate over this issue is likely to be focused more on transportation needs than education.

The analysis specifically considers the property tax (as a base), the sales tax, a business activity (value added) tax, the franchise tax, a gross receipts (or transactions) tax, and (just for grins) an income tax. If either of the new business taxes (business activity or gross receipts) were to be imposed, it is assumed that a modest dollar-level exemption would be incorporated. This approach would

eliminate the vast majority of potential firms from taxes with relatively minor revenue consequences and greatly facilitate collections.

A state property tax (which has been discussed but would require a constitutional amendment) is also not considered separately. Although there could be some efficiencies gained in collections, such a tax would have virtually identical overall economic impacts (and net distributable consequences) as the current system.

It should also be noted that this analysis is conducted based on the initial incidence of the tax as opposed to the final incidence. This approach stems from three basic considerations. First, final incidence is impossible to measure with available data, as it literally changes moment-by-moment in response to supply and demand conditions in a multitude of markets. Second, public policy debates (and lobbying activity) are inevitably formed around initial incidence. Third, individual and corporate decision-making regarding locations and investments tends to be shaped by initial incidence. At a broad level, studies indicate that direct taxes on business tend to ultimately break out as (1) 65-70% being passed on to consumers in some form (predominately higher prices), (2) about 25% being passed on to workers through lower wages and benefits or reduced hiring, and (3) 5-10% being absorbed as lower profits or returns on investments. Since workers in Texas are also normally consumers in Texas, the practical effect is that 90-95% of business taxes are passed through in some form.

As a final observation before analyzing specific revenue options, the analysis will focus on the costs to the private sector of withdrawing \$1 billion by various mechanisms. In reality, the losses would be offset to a considerable degree by the spending on education by the public sector. (In fact, if the spillover benefits of education to society are included, the benefits likely exceed the costs.) Nonetheless, these gains will be identical irrespective of the source of the funds and, thus, do not affect the relative efficiency or equity of various revenue options

and are not a part of the current analysis. Each of the relevant taxes is presently examined.

III. The Property Tax

Property taxes have been the mainstay for school finance for several decades, but it appears unlikely that they can continue to play this role effectively. The base of this levy, the assessed value of taxable property, is an unstable source of growth for revenues. While long-term increases have occurred and are anticipated for the future, the pace lags well behind that of other potential funding mechanisms. Over the past 20 years, the base has risen by 72% as compared with gains of over 250% in other fiscal sources. In fact, during an extended period from 1985-1995, the property tax base actually fell, while other measures rose by more than 60%. Over this same period, average property tax rates more than doubled. Although values have recovered in recent years, the rate of increase remains only about 60% as high as alternative bases. The tax also suffers from the fact that increased property values typically bear little relation to financial liquidity and, thus, ability to pay.

The Perryman Group is presently projecting that property values will continue to expand in the future, but at a pace well below that of overall business activity. Moreover, while it is unlikely that another 10-year stagnation will occur, property values are subject to less predictability and more prolonged cycles than the economy as a whole. Similarly, the rate of appreciation varies markedly across areas, thus adding uncertainty and complexity to the funding process.

With regard to efficiency, the estimated impacts of a hypothetical increase of \$1 billion per year in property taxes on the private economy in Texas is

- ✓ \$2.787 billion in annual Total Expenditures;
- ✓ \$1.289 billion in annual Gross State Product;
- ✓ \$0.747 billion in annual Personal Income;

- ✓ \$0.326 billion in annual Retail Sales; and
- ✓ 21,839 Permanent Jobs

In terms of its claims on private resources, the property tax is relatively efficient in comparison to other levies. Because of the complexity of the appraisal process, particularly for business property, it is approximately twice as expensive to administer per dollar of collections as other revenue sources. Detailed results by industry are presented in Table A.1 of Appendix A.

The property tax ranks last among the various alternatives in equity. Agriculture pays about 5.2 times as much in relative terms as its contribution to gross product, and Transportation, Communications and Utilities (TCU) pays about 2.0 times its output share. Manufacturing and Mining also pay significantly disproportionate shares.

Because the property tax ranks last in growth potential and equity among major potential levies, it would seem appropriate to diminish its relative importance in the school finance structure over time. The fact that many districts are now at or near the cap in their rates only magnifies this problem and further limits flexibility.

IV. The Sales Tax

The state sales tax in Texas is currently at 6.25%, with local governments raising the levy to 8.25% in most major markets. This rate is among the highest in the US, although the base has many exemptions. If all such exemptions were eliminated, it would generate sufficient revenue to replace the property tax entirely. There are many elements of sales, however, which will likely remain not subject to taxation for reasons of regressivity (such as food-at-home and medicine) or practicality (such as advertising). The sales tax base is projected to grow well in excess of the property values and generally in line with (slightly below) other overall economic aggregates.

Because of potential variation in the rate and the base, there are myriad possible combinations of increases. For purposes of the present analysis a hypothetical \$1 billion increase is simulated which consists of approximately \$500 million in rates and \$500 million from a generic expansion of the base in the service sector. The overall losses to the private sector from this withdrawal would be

- ✓ \$2.888 billion in annual Total Expenditures;
- ✓ \$1.400 billion in annual Gross State Product;
- ✓ \$0.849 billion in annual Personal Income;
- ✓ \$0.405 billion in annual Retail Sales; and
- ✓ 25,735 Permanent Jobs

The detailed results by sector are found in Table A.2.

With regard to efficiency, the sales tax claims more resources than the property tax, particularly with regard to jobs. The sales tax exhibits considerably greater equity, with the most significant penalties being in Construction (with tax collections at 2.2 times the relative level of real gross product), Manufacturing (1.4 times), and Mining (1.3 times).

V. The Business Activity (Value-Added) Tax

One potential alternative tax not presently levied in Texas is the business activity or value-added tax. This levy has been discussed in prior legislative sessions, and is similar in principle to the current business tax in Michigan (which is highly regarded for its fairness). It essentially taxes the difference between revenue and the cost of purchased items and is conceptually quite similar to a tax on nominal gross product. The current gas utility tax in Texas is collected in essentially this manner. Assuming an exemption for small business is included, it is very straightforward to administer compared to the franchise tax. Moreover, the base is expected to grow in line with the general economy and slightly faster than many other non-property tax sources. One desirable characteristic of the

tax is that it does not substantially alter economic decision-making; companies will generally try to maximize value-added irrespective of an “after-the-fact” tax.

The impact on the private sector of a hypothetical \$1 billion business activity tax levy would be activity reductions of

- ✓ \$2.893 billion in annual Total Expenditures;
- ✓ \$1.422 billion in annual Gross State Product;
- ✓ \$0.838 billion in annual Personal Income;
- ✓ \$0.291 billion in annual Retail Sales; and
- ✓ 23,406 Permanent Jobs

The losses by major industrial category are given in Table A.3.

In terms of efficiency in the diversion of private activity, the business activity tax is more efficient than the sales tax but less than the property tax. Its efficiency projections are far superior to any other levy examined in this report, with the ratios of relative taxes to relative output being less than 1.2 for all sectors.

VI. The Franchise Tax

The principle method by which Texas currently taxes business at the state level is the corporate franchise tax. It is based on either the capital stock or net income of the company. One proposal that has been widely discussed is to modify the structure to include unincorporated enterprises. As presently implemented, the tax can be avoided by changing organizational form and many firms successfully reduce or eliminate their liability (to the point that many tax professionals refer to the franchise tax as “voluntary”). The base of the tax is projected to slightly exceed overall economic growth and to expand in line with future revenue needs. Because changing the base would potentially involve

taxing individuals on a portion of their income, this approach could potentially raise constitutional issues.

Assuming a \$1 billion hypothetical franchise tax increase is achieved through a mixture of modifying the base and increasing the rate, the aggregate effect in private sector is estimated at

- ✓ \$2.846 billion in annual Total Expenditures;
- ✓ \$1.341 billion in annual Gross State Product;
- ✓ \$0.777 billion in annual Personal Income;
- ✓ \$0.273 billion in annual Retail Sales; and
- ✓ 21,483 Permanent Jobs

Disaggregated sectoral results are given in Table A.4.

The franchise tax only slightly less efficient than the property tax and superior to several other revenue alternatives according to this criteria. Its provisions related to capital cause it to be moderately less equitable than some of the other sources, although it is much more balanced than the property tax. The most disadvantaged sectors are Manufacturing (with a 1.7 ratio of relative taxes to relative real gross product) and TCU (with a 1.3 ratio). The levy on capital is also not specifically related to ability to pay in a given period.

VII. The Gross Receipts Tax

The gross receipts tax is levied on the total revenues of a firm. It is conceptually equivalent to a transactions tax (a tax each time money changes hands), differing essentially only in the point of collection. If small business exclusions are implemented, the tax is relatively easy to administer. If this type of funding were implemented, there would likely be intense political pressure to exempt certain categories of goods and services. The gross receipt tax has previously been examined in Texas (the Telecommunications Infrastructure Fund is essentially

such a tax on a single industry), and Washington uses it (with varying rates for industrial sectors) as its principle form of business tax. The growth in the base generally tracks overall economy activity. One drawback of the tax is the tendency toward “pyramiding” in that the tax is collected at each stage of the productions process. It also is subject to problems associated with discounting, as lower prices may drive higher gross receipts yet lower per unit profits. Both of these drawbacks are relative minor.

A hypothetical \$1 billion gross receipts tax would reduce aggregate private sector activity as follows:

- ✓ \$2.756 billion in annual Total Expenditures;
- ✓ \$1.280 billion in annual Gross State Product;
- ✓ \$0.740 billion in annual Personal Income;
- ✓ \$0.236 billion in annual Retail Sales; and
- ✓ 20,045 Permanent Jobs

See Table A.5 for sectoral findings.

This levy exhibits the most efficient use of revenues of all revenue sources considered. Its equity properties are also reasonably good, although well below those of the business activity tax. In particular, Mining (with a tax percentage almost 2 times its output percentage) and Retail Trade (with a corresponding rate of 1.6) are disadvantaged by this approach.

VIII. The Income Tax (Just for Grins)

The absence of a state personal income tax is considered to be virtually a right of citizenship in Texas. It has little political support and requires a constitutional amendment for implementation. Nonetheless, it is appropriate to include it in the present analysis for comparative purpose and, as it turns out, to provide still another rationale to avoid it.

The base of the tax grows generally in line with (slightly below) overall business expansion, and administration is relative simple (particularly if it is tied to the federal levy). The vast majority of states collect this tax, and the lack of a personal income tax in Texas is often cited as an advantage in economic development.

A hypothetical (purely hypothetical) income tax of \$1 billion leads to an overall decrease in private business performance of

- ✓ \$2.805 billion in annual Total Expenditures;
- ✓ \$1.374 billion in annual Gross State Product;
- ✓ \$0.832 billion in annual Personal Income;
- ✓ \$0.527 billion in annual Retail Sales; and
- ✓ 27,565 Permanent Jobs

Detailed results for industrial sectors are exhibited in Table A.6

The income tax is the least efficient of all the funding sources considered. In other words, levying an income tax removes more private resources from productive use than any other major potential revenue source. Given that the tax is paid entirely by individuals, it is impossible to provide an equity measure that is strictly comparable to those computed for the alternatives previously examined. In order to make a reasonably similar construct, it is assumed that the revenues derived from income earned in each sector impacts the corresponding cost structure of relevant firms. Because income taxes directly affect “take home pay,” it is reasonable to assume that workers will seek to negotiate additional compensation from their employers to offset the tax. This pattern is observed in other states. The results of this analysis reveals that the personal income tax has equity properties which are in line with several of the alternative sources. In

any case, the overall characteristics of the income tax are less attractive than those of several other potential funding mechanisms.

IX. Synopsis

This report has offered a comprehensive assessment of potential revenue sources to reform and expand the funding of public education. The chart below summarizes key findings.

Table 1 Synopsis of Indicators of Relative Performance of Alternative Revenue Sources (Property Tax=100 in all cases)			
Revenue Source	Growth Index (Higher Values Reflect Greater Growth Potential)	Efficiency Index (Lower Values Indicate Greater Efficiency)	Equity Index (Lower Values Indicate Greater Equity)
Property Tax	100.0	100.0	100.0
Sales Tax	123.9	113.2	61.0
Business Activity Tax	125.9	108.7	17.4
Franchise Tax	126.8	101.2	66.2
Gross Receipts Tax	124.4	95.5	57.8
Personal Income Tax	125.7	116.4	61.6

This analysis is designed to provide objective information to assist in the evaluation of this critical issue for the future of Texas. Not surprisingly, no single measure emerged as optimal across all criteria. Moreover, the relative weights to be given to growth, efficiency, and equity are largely a matter of individual preference. Overall, it appears that the business activity tax provided the best combination of attributes, while franchise tax expansion and gross receipts levies also merit further consideration. Some type of hybrid approach containing elements of various measures is also possible, although it could add to administrative complexity.

It should also be noted that any effort to fundamentally change the school finance structure, even incrementally, will be the subject of intense debate and controversy. There are winners and losers in every potential modification. The issue will also inevitably have to be balanced with other fiscal priorities and overall patterns in tax policy. Nonetheless, this study clearly points to numerous options which could enhance the overall equity, efficiency, and ability to respond to increasing needs beyond the current public education funding mechanism. These options are clearly worthy of further discussion and consideration as the process of reforming and expanding school finance unfolds.

Respectfully submitted,

A handwritten signature in black ink that reads "M. Ray Perryman". The signature is written in a cursive, flowing style.

The Perryman Group

M. Ray Perryman, President

APPENDIX A
Detailed Sectoral Results

TABLE A.1
THE IMPACT OF A HYPOTHETICAL \$1 BILLION REVENUE INCREASE FROM A
PROPERTY TAX ON BUSINESS ACTIVITY IN TEXAS
DETAILED SECTORAL RESULTS

Sector	Total Expenditures	Gross Product	Personal Income	Employment (Permanent Jobs)
Agricultural Products & Services	-\$128,186,891	-\$38,018,296	-\$23,352,795	-658
Forestry & Fishery Products	-\$9,026,799	-\$4,011,402	-\$1,426,211	-35
Coal Mining	-\$7,927,708	-\$2,458,701	-\$2,403,841	-30
Crude Petroleum & Natural Gas	-\$114,537,467	-\$23,150,311	-\$11,574,497	-97
Miscellaneous Mining	-\$2,409,325	-\$785,699	-\$586,484	-10
New Construction	-\$9,235,467	-\$4,107,743	-\$3,288,211	-70
Maintenance & Repair Construction	-\$68,775,433	-\$37,511,604	-\$30,027,711	-637
Food Products & Tobacco	-\$110,500,271	-\$29,902,740	-\$13,701,876	-383
Textile Mill Products	-\$1,595,131	-\$426,972	-\$324,336	-9
Apparel	-\$18,999,256	-\$8,315,095	-\$5,331,861	-218
Paper & Allied Products	-\$19,322,429	-\$6,793,117	-\$3,940,795	-87
Printing & Publishing	-\$25,783,721	-\$11,731,290	-\$8,502,644	-215
Chemicals & Petroleum Refining	-\$172,153,272	-\$24,024,708	-\$14,190,832	-171
Rubber & Leather Products	-\$17,487,306	-\$7,613,964	-\$4,341,186	-124
Lumber Products & Furniture	-\$11,094,614	-\$4,273,922	-\$2,743,350	-79
Stone, Clay, & Glass Products	-\$11,913,055	-\$6,674,581	-\$3,267,974	-81
Primary Metal	-\$13,148,516	-\$3,895,854	-\$2,674,223	-54
Fabricated Metal Products	-\$24,645,839	-\$9,210,295	-\$6,010,131	-143
Machinery, Except Electrical	-\$24,069,928	-\$12,779,523	-\$7,009,770	-111
Electric & Electronic Equipment	-\$23,156,250	-\$16,357,600	-\$7,853,283	-121
Motor Vehicles & Equipment	-\$8,496,966	-\$1,693,224	-\$1,264,678	-26
Transp. Equip., Exc. Motor Vehicles	-\$9,624,651	-\$3,295,286	-\$3,104,129	-54
Instruments & Related Products	-\$5,497,378	-\$1,962,204	-\$1,818,451	-34
Miscellaneous Manufacturing	-\$6,865,442	-\$2,807,222	-\$1,856,133	-44
Transportation	-\$119,830,235	-\$77,688,582	-\$49,793,008	-1,020
Communication	-\$87,966,180	-\$62,513,119	-\$23,169,930	-317
Electric, Gas, Water, Sanitary Services	-\$253,239,672	-\$65,548,175	-\$24,648,410	-210
Wholesale Trade	-\$104,337,765	-\$78,152,319	-\$40,705,872	-792
Retail Trade	-\$326,554,162	-\$268,801,319	-\$161,798,082	-6,443
Finance	-\$49,833,377	-\$31,803,123	-\$15,687,603	-262
Insurance	-\$51,574,565	-\$30,252,703	-\$19,496,925	-372
Real Estate	-\$400,713,952	-\$89,787,865	-\$12,149,829	-199
Hotels, Lodging Places, Amusements	-\$31,707,496	-\$16,482,016	-\$10,743,948	-422
Personal Services	-\$66,969,952	-\$41,682,302	-\$32,235,400	-901
Business Services	-\$116,209,020	-\$73,179,373	-\$58,242,348	-1,148
Eating & Drinking Places	-\$148,473,733	-\$85,966,670	-\$46,260,578	-3,340
Health Services	-\$103,036,419	-\$70,271,222	-\$60,937,855	-1,528
Miscellaneous Services	-\$79,987,169	-\$32,116,989	-\$28,571,865	-1,085
Households	-\$2,984,776	-\$2,984,776	-\$2,919,805	-309
Total	-\$2,787,871,588	-\$1,289,031,905	-\$747,956,859	-21,839

All monetary values are given in constant (2001) dollars.

SOURCE: Texas Multi-Regional Impact Assessment System, The Perryman Group

TABLE A.2
THE IMPACT OF A HYPOTHETICAL \$1 BILLION REVENUE INCREASE FROM A
SALES TAX ON BUSINESS ACTIVITY IN TEXAS
DETAILED SECTORAL RESULTS

Sector	Total Expenditures	Gross Product	Personal Income	Employment (Permanent Jobs)
Agricultural Products & Services	-\$59,860,109	-\$18,119,336	-\$11,129,835	-312
Forestry & Fishery Products	-\$1,869,514	-\$1,478,959	-\$525,818	-12
Coal Mining	-\$6,616,811	-\$2,054,190	-\$2,008,353	-24
Crude Petroleum & Natural Gas	-\$96,340,555	-\$19,462,317	-\$9,730,625	-81
Miscellaneous Mining	-\$2,284,941	-\$777,928	-\$580,672	-9
New Construction	-\$32,007,865	-\$14,236,427	-\$11,396,133	-243
Maintenance & Repair Construction	-\$80,022,584	-\$43,364,319	-\$34,712,752	-735
Food Products & Tobacco	-\$111,431,397	-\$31,510,955	-\$14,438,783	-403
Textile Mill Products	-\$1,647,516	-\$431,241	-\$327,574	-9
Apparel	-\$20,816,519	-\$9,099,742	-\$5,835,009	-241
Paper & Allied Products	-\$19,968,459	-\$6,985,225	-\$4,052,222	-90
Printing & Publishing	-\$27,231,671	-\$12,365,564	-\$8,962,357	-228
Chemicals & Petroleum Refining	-\$148,375,644	-\$20,459,835	-\$12,085,150	-147
Rubber & Leather Products	-\$17,432,680	-\$7,611,134	-\$4,339,568	-126
Lumber Products & Furniture	-\$10,851,491	-\$4,167,127	-\$2,674,797	-77
Stone, Clay, & Glass Products	-\$13,256,696	-\$7,371,252	-\$3,609,071	-90
Primary Metal	-\$12,496,388	-\$3,738,126	-\$2,565,954	-53
Fabricated Metal Products	-\$25,324,060	-\$9,367,299	-\$6,112,596	-145
Machinery, Except Electrical	-\$20,900,097	-\$11,040,424	-\$6,055,836	-97
Electric & Electronic Equipment	-\$19,697,284	-\$13,796,327	-\$6,623,618	-102
Motor Vehicles & Equipment	-\$8,618,689	-\$1,708,076	-\$1,275,770	-26
Transp. Equip., Exc. Motor Vehicles	-\$7,834,120	-\$2,627,684	-\$2,475,281	-42
Instruments & Related Products	-\$4,954,363	-\$1,743,004	-\$1,615,314	-30
Miscellaneous Manufacturing	-\$7,015,887	-\$2,874,448	-\$1,900,590	-45
Transportation	-\$92,768,404	-\$63,363,472	-\$40,611,605	-831
Communication	-\$77,311,443	-\$54,979,009	-\$20,377,485	-279
Electric, Gas, Water, Sanitary Services	-\$190,508,465	-\$49,580,224	-\$18,643,898	-157
Wholesale Trade	-\$127,564,016	-\$95,553,983	-\$49,769,595	-968
Retail Trade	-\$405,472,770	-\$333,780,054	-\$200,910,382	-7,999
Finance	-\$41,689,996	-\$26,347,218	-\$12,996,349	-217
Insurance	-\$50,395,985	-\$28,543,157	-\$18,395,187	-350
Real Estate	-\$415,341,572	-\$69,902,624	-\$9,459,020	-156
Hotels, Lodging Places, Amusements	-\$44,207,719	-\$22,808,012	-\$14,867,623	-586
Personal Services	-\$87,296,848	-\$54,375,567	-\$42,051,845	-1,176
Business Services	-\$167,936,184	-\$107,272,127	-\$85,376,229	-1,682
Eating & Drinking Places	-\$182,054,771	-\$105,415,980	-\$56,726,691	-4,095
Health Services	-\$140,561,976	-\$95,397,626	-\$82,727,011	-2,073
Miscellaneous Services	-\$105,049,679	-\$42,748,886	-\$38,030,209	-1,444
Households	-\$3,392,876	-\$3,392,876	-\$3,319,027	-350
Total	-\$2,888,408,046	-\$1,399,851,755	-\$849,295,836	-25,735

All monetary values are given in constant (2001) dollars.

SOURCE: Texas Multi-Regional Impact Assessment System, The Perryman Group

TABLE A.3
THE IMPACT OF A HYPOTHETICAL \$1 BILLION REVENUE INCREASE FROM A
BUSINESS ACTIVITY (VALUE-ADDED) TAX ON BUSINESS ACTIVITY IN TEXAS
DETAILED SECTORAL RESULTS

Sector	Total Expenditures	Gross Product	Personal Income	Employment (Permanent Jobs)
Agricultural Products & Services	-\$69,348,281	-\$21,095,995	-\$12,958,243	-364
Forestry & Fishery Products	-\$2,971,376	-\$1,746,889	-\$621,082	-14
Coal Mining	-\$6,414,769	-\$1,983,145	-\$1,938,904	-24
Crude Petroleum & Natural Gas	-\$133,672,889	-\$27,022,600	-\$13,510,542	-113
Miscellaneous Mining	-\$2,741,926	-\$920,933	-\$687,426	-11
New Construction	-\$36,030,470	-\$16,025,604	-\$12,828,349	-273
Maintenance & Repair Construction	-\$79,382,216	-\$43,613,289	-\$34,912,040	-740
Food Products & Tobacco	-\$106,759,496	-\$29,882,851	-\$13,692,766	-382
Textile Mill Products	-\$1,612,746	-\$436,179	-\$331,318	-9
Apparel	-\$20,272,144	-\$8,874,415	-\$5,690,520	-234
Paper & Allied Products	-\$19,943,212	-\$7,010,209	-\$4,066,710	-92
Printing & Publishing	-\$28,513,569	-\$12,891,727	-\$9,343,712	-238
Chemicals & Petroleum Refining	-\$165,134,441	-\$23,160,089	-\$13,680,118	-167
Rubber & Leather Products	-\$18,280,218	-\$7,968,910	-\$4,543,568	-131
Lumber Products & Furniture	-\$12,167,188	-\$4,664,318	-\$2,993,953	-86
Stone, Clay, & Glass Products	-\$14,278,548	-\$7,884,332	-\$3,860,273	-96
Primary Metal	-\$14,106,277	-\$4,226,124	-\$2,900,924	-61
Fabricated Metal Products	-\$27,419,164	-\$10,213,858	-\$6,665,013	-160
Machinery, Except Electrical	-\$24,053,938	-\$12,756,984	-\$6,997,403	-112
Electric & Electronic Equipment	-\$22,918,298	-\$16,160,003	-\$7,758,409	-121
Motor Vehicles & Equipment	-\$8,797,923	-\$1,724,565	-\$1,288,074	-26
Transp. Equip., Exc. Motor Vehicles	-\$9,300,072	-\$3,157,259	-\$2,974,115	-51
Instruments & Related Products	-\$5,624,663	-\$1,984,358	-\$1,838,998	-34
Miscellaneous Manufacturing	-\$7,372,696	-\$3,018,671	-\$1,995,941	-48
Transportation	-\$111,326,997	-\$73,319,431	-\$46,992,679	-963
Communication	-\$76,979,061	-\$54,672,386	-\$20,263,834	-278
Electric, Gas, Water, Sanitary Services	-\$198,123,795	-\$51,502,024	-\$19,366,548	-164
Wholesale Trade	-\$180,543,690	-\$135,231,130	-\$70,435,557	-1,371
Retail Trade	-\$290,608,352	-\$239,213,208	-\$143,988,269	-5,734
Finance	-\$62,330,710	-\$39,857,742	-\$19,660,720	-332
Insurance	-\$59,745,396	-\$35,793,172	-\$23,067,575	-440
Real Estate	-\$394,862,571	-\$116,056,146	-\$15,704,370	-261
Hotels, Lodging Places, Amusements	-\$43,836,871	-\$22,039,350	-\$14,366,560	-567
Personal Services	-\$53,005,629	-\$32,674,690	-\$25,269,267	-705
Business Services	-\$214,449,650	-\$140,999,925	-\$112,219,677	-2,211
Eating & Drinking Places	-\$140,687,836	-\$81,458,759	-\$43,834,765	-3,165
Health Services	-\$126,339,130	-\$83,996,401	-\$72,840,084	-1,826
Miscellaneous Services	-\$99,846,728	-\$43,228,900	-\$38,457,221	-1,460
Households	-\$3,338,500	-\$3,338,500	-\$3,265,841	-344
Total	-\$2,893,141,436	-\$1,421,805,071	-\$837,811,368	-23,406

All monetary values are given in constant (2001) dollars.

SOURCE: Texas Multi-Regional Impact Assessment System, The Perryman Group

TABLE A.4
THE IMPACT OF A HYPOTHETICAL \$1 BILLION REVENUE INCREASE FROM A
FRANCHISE TAX ON BUSINESS ACTIVITY IN TEXAS
DETAILED SECTORAL RESULTS

Sector	Total Expenditures	Gross Product	Personal Income	Employment (Permanent Jobs)
Agricultural Products & Services	-\$66,578,549	-\$19,731,769	-\$12,120,274	-342
Forestry & Fishery Products	-\$2,356,937	-\$1,501,223	-\$533,754	-12
Coal Mining	-\$7,109,947	-\$2,197,680	-\$2,148,654	-26
Crude Petroleum & Natural Gas	-\$144,950,183	-\$29,305,096	-\$14,651,727	-123
Miscellaneous Mining	-\$3,151,335	-\$1,028,153	-\$767,470	-13
New Construction	-\$20,662,965	-\$9,190,456	-\$7,356,881	-157
Maintenance & Repair Construction	-\$69,818,119	-\$38,664,329	-\$30,950,455	-657
Food Products & Tobacco	-\$118,199,906	-\$32,801,385	-\$15,030,079	-422
Textile Mill Products	-\$1,936,874	-\$522,671	-\$397,041	-11
Apparel	-\$21,252,073	-\$9,306,548	-\$5,967,610	-246
Paper & Allied Products	-\$24,372,379	-\$8,647,967	-\$5,016,808	-111
Printing & Publishing	-\$31,482,964	-\$14,327,431	-\$10,384,293	-264
Chemicals & Petroleum Refining	-\$235,387,292	-\$34,404,899	-\$20,322,182	-246
Rubber & Leather Products	-\$22,936,552	-\$9,937,051	-\$5,665,705	-164
Lumber Products & Furniture	-\$16,774,775	-\$6,465,546	-\$4,150,104	-120
Stone, Clay, & Glass Products	-\$17,091,192	-\$9,451,811	-\$4,627,738	-116
Primary Metal	-\$19,844,895	-\$5,843,465	-\$4,011,122	-85
Fabricated Metal Products	-\$34,861,535	-\$13,179,318	-\$8,600,109	-206
Machinery, Except Electrical	-\$37,879,093	-\$20,137,295	-\$11,045,619	-178
Electric & Electronic Equipment	-\$35,964,268	-\$25,797,926	-\$12,385,585	-193
Motor Vehicles & Equipment	-\$10,924,083	-\$2,196,874	-\$1,640,858	-34
Transp. Equip., Exc. Motor Vehicles	-\$15,364,170	-\$5,352,519	-\$5,042,029	-89
Instruments & Related Products	-\$8,539,150	-\$3,074,016	-\$2,848,818	-54
Miscellaneous Manufacturing	-\$8,911,877	-\$3,644,046	-\$2,409,441	-58
Transportation	-\$121,752,014	-\$78,464,133	-\$50,290,070	-1,031
Communication	-\$79,883,309	-\$56,723,986	-\$21,024,237	-289
Electric, Gas, Water, Sanitary Services	-\$223,866,095	-\$57,949,198	-\$21,790,909	-184
Wholesale Trade	-\$172,323,449	-\$129,075,588	-\$67,229,420	-1,309
Retail Trade	-\$272,783,336	-\$224,538,984	-\$135,155,502	-5,382
Finance	-\$54,264,950	-\$34,767,154	-\$17,149,668	-290
Insurance	-\$52,882,159	-\$31,384,663	-\$20,226,449	-386
Real Estate	-\$346,499,427	-\$98,135,044	-\$13,279,348	-217
Hotels, Lodging Places, Amusements	-\$32,728,412	-\$16,625,685	-\$10,837,598	-427
Personal Services	-\$45,978,435	-\$28,372,489	-\$21,942,138	-613
Business Services	-\$153,721,818	-\$99,855,764	-\$79,473,667	-1,566
Eating & Drinking Places	-\$132,727,243	-\$76,850,738	-\$41,355,069	-2,986
Health Services	-\$96,947,360	-\$64,958,493	-\$56,330,763	-1,412
Miscellaneous Services	-\$79,877,943	-\$33,833,143	-\$30,098,572	-1,143
Households	-\$3,097,246	-\$3,097,246	-\$3,029,847	-321
Total	-\$2,845,684,309	-\$1,341,341,782	-\$777,287,613	-21,483

All monetary values are given in constant (2001) dollars.

SOURCE: Texas Multi-Regional Impact Assessment System, The Perryman Group

TABLE A.5
THE IMPACT OF A HYPOTHETICAL \$1 BILLION REVENUE INCREASE FROM A
GROSS RECEIPTS TAX ON BUSINESS ACTIVITY IN TEXAS
DETAILED SECTORAL RESULTS

Sector	Total Expenditures	Gross Product	Personal Income	Employment (Permanent Jobs)
Agricultural Products & Services	-\$79,835,196	-\$24,994,246	-\$15,352,748	-431
Forestry & Fishery Products	-\$4,069,380	-\$2,059,570	-\$732,259	-17
Coal Mining	-\$6,729,673	-\$2,082,034	-\$2,035,582	-25
Crude Petroleum & Natural Gas	-\$223,069,978	-\$45,099,965	-\$22,548,696	-191
Miscellaneous Mining	-\$3,563,907	-\$1,209,220	-\$902,638	-16
New Construction	-\$37,672,398	-\$16,755,895	-\$13,412,945	-285
Maintenance & Repair Construction	-\$81,390,621	-\$44,841,694	-\$35,895,373	-761
Food Products & Tobacco	-\$102,404,348	-\$28,253,750	-\$12,946,296	-362
Textile Mill Products	-\$1,630,238	-\$446,732	-\$339,340	-9
Apparel	-\$19,040,880	-\$8,334,762	-\$5,344,470	-221
Paper & Allied Products	-\$20,002,777	-\$7,076,605	-\$4,105,236	-92
Printing & Publishing	-\$27,064,122	-\$12,274,926	-\$8,896,674	-225
Chemicals & Petroleum Refining	-\$188,032,240	-\$27,104,552	-\$16,010,009	-195
Rubber & Leather Products	-\$19,039,971	-\$8,264,261	-\$4,711,955	-136
Lumber Products & Furniture	-\$13,825,836	-\$5,289,088	-\$3,394,970	-98
Stone, Clay, & Glass Products	-\$15,839,144	-\$8,657,691	-\$4,238,934	-105
Primary Metal	-\$16,839,046	-\$5,032,251	-\$3,454,280	-72
Fabricated Metal Products	-\$31,053,448	-\$11,672,728	-\$7,616,996	-183
Machinery, Except Electrical	-\$29,759,534	-\$15,819,827	-\$8,677,420	-140
Electric & Electronic Equipment	-\$27,484,118	-\$19,579,169	-\$9,399,974	-147
Motor Vehicles & Equipment	-\$9,051,801	-\$1,807,549	-\$1,350,052	-27
Transp. Equip., Exc. Motor Vehicles	-\$11,393,586	-\$3,930,341	-\$3,702,338	-65
Instruments & Related Products	-\$6,532,838	-\$2,335,863	-\$2,164,746	-40
Miscellaneous Manufacturing	-\$7,452,162	-\$3,039,780	-\$2,009,896	-48
Transportation	-\$108,879,348	-\$70,682,639	-\$45,302,671	-928
Communication	-\$72,207,498	-\$51,285,606	-\$19,008,554	-260
Electric, Gas, Water, Sanitary Services	-\$198,777,024	-\$51,503,311	-\$19,367,026	-163
Wholesale Trade	-\$136,919,205	-\$102,549,129	-\$53,413,032	-1,040
Retail Trade	-\$236,457,891	-\$194,640,588	-\$117,158,914	-4,665
Finance	-\$59,185,980	-\$37,958,153	-\$18,723,703	-316
Insurance	-\$55,083,917	-\$33,218,651	-\$21,408,380	-408
Real Estate	-\$372,478,528	-\$113,886,623	-\$15,410,814	-254
Hotels, Lodging Places, Amusements	-\$33,353,340	-\$16,890,686	-\$11,010,338	-434
Personal Services	-\$44,616,777	-\$27,527,679	-\$21,288,778	-595
Business Services	-\$160,707,584	-\$104,691,201	-\$83,322,110	-1,642
Eating & Drinking Places	-\$114,201,572	-\$66,122,748	-\$35,582,105	-2,568
Health Services	-\$98,321,914	-\$65,699,234	-\$56,973,118	-1,428
Miscellaneous Services	-\$79,574,885	-\$33,975,451	-\$30,225,185	-1,148
Households	-\$2,947,269	-\$2,947,269	-\$2,883,136	-305
Total	-\$2,756,489,974	-\$1,279,541,467	-\$740,321,691	-20,045

All monetary values are given in constant (2001) dollars.

SOURCE: Texas Multi-Regional Impact Assessment System, The Perryman Group

TABLE A.6
THE IMPACT OF A HYPOTHETICAL \$1 BILLION REVENUE INCREASE FROM AN
INCOME TAX ON BUSINESS ACTIVITY IN TEXAS
DETAILED SECTORAL RESULTS

Sector	Total Expenditures	Gross Product	Personal Income	Employment (Permanent Jobs)
Agricultural Products & Services	-\$51,856,557	-\$15,632,866	-\$9,602,511	-272
Forestry & Fishery Products	-\$1,309,558	-\$1,432,600	-\$509,349	-13
Coal Mining	-\$7,007,974	-\$2,181,657	-\$2,132,981	-28
Crude Petroleum & Natural Gas	-\$37,518,336	-\$7,560,082	-\$3,779,829	-33
Miscellaneous Mining	-\$902,624	-\$305,503	-\$228,045	-4
New Construction	\$0	\$0	\$0	0
Maintenance & Repair Construction	-\$67,802,021	-\$35,768,970	-\$28,632,739	-610
Food Products & Tobacco	-\$106,033,174	-\$30,406,384	-\$13,932,653	-392
Textile Mill Products	-\$1,394,222	-\$354,135	-\$269,012	-9
Apparel	-\$19,329,283	-\$8,445,910	-\$5,415,749	-225
Paper & Allied Products	-\$16,722,459	-\$5,767,111	-\$3,345,585	-77
Printing & Publishing	-\$23,537,892	-\$10,733,547	-\$7,779,508	-200
Chemicals & Petroleum Refining	-\$87,957,458	-\$10,588,185	-\$6,254,196	-77
Rubber & Leather Products	-\$12,776,035	-\$5,633,081	-\$3,211,761	-95
Lumber Products & Furniture	-\$5,280,560	-\$2,057,210	-\$1,320,483	-40
Stone, Clay, & Glass Products	-\$6,859,130	-\$4,060,822	-\$1,988,233	-51
Primary Metal	-\$5,523,625	-\$1,657,126	-\$1,137,499	-25
Fabricated Metal Products	-\$13,972,252	-\$4,963,747	-\$3,239,072	-78
Machinery, Except Electrical	-\$8,635,705	-\$4,508,538	-\$2,473,001	-41
Electric & Electronic Equipment	-\$8,372,155	-\$5,489,482	-\$2,635,501	-42
Motor Vehicles & Equipment	-\$6,740,329	-\$1,320,014	-\$985,923	-22
Transp. Equip., Exc. Motor Vehicles	-\$2,929,094	-\$869,777	-\$819,328	-15
Instruments & Related Products	-\$2,356,931	-\$792,735	-\$734,661	-15
Miscellaneous Manufacturing	-\$5,404,825	-\$2,224,282	-\$1,470,691	-37
Transportation	-\$79,327,218	-\$56,270,353	-\$36,065,398	-740
Communication	-\$82,727,422	-\$58,878,441	-\$21,822,768	-302
Electric, Gas, Water, Sanitary Services	-\$201,479,277	-\$52,485,070	-\$19,736,219	-170
Wholesale Trade	-\$85,153,995	-\$63,792,327	-\$33,226,431	-648
Retail Trade	-\$527,473,009	-\$434,211,489	-\$261,362,506	-10,410
Finance	-\$35,881,050	-\$22,370,939	-\$11,034,965	-188
Insurance	-\$49,290,698	-\$27,367,306	-\$17,637,375	-339
Real Estate	-\$491,994,795	-\$57,541,414	-\$7,786,334	-130
Hotels, Lodging Places, Amusements	-\$41,859,406	-\$22,188,605	-\$14,463,847	-573
Personal Services	-\$116,695,344	-\$73,021,821	-\$56,472,097	-1,584
Business Services	-\$110,058,798	-\$66,403,223	-\$52,849,306	-1,042
Eating & Drinking Places	-\$228,861,179	-\$132,519,109	-\$71,311,472	-5,150
Health Services	-\$146,129,659	-\$100,985,124	-\$87,572,376	-2,197
Miscellaneous Services	-\$104,502,396	-\$39,844,953	-\$35,446,807	-1,347
Households	-\$3,332,083	-\$3,332,083	-\$3,259,556	-346
Total	-\$2,804,988,528	-\$1,373,966,021	-\$831,945,767	-27,565

All monetary values are given in constant (2001) dollars.

SOURCE: Texas Multi-Regional Impact Assessment System, The Perryman Group

Appendix B
Project Sponsors

PROJECT SPONSORS

SPONSORING ORGANIZATIONS:

**Equity Center
Region 17 Education Service Center
Small Rural School Finance Coalition
Texas Association of Community Schools
Texas Association of Mid-size Schools
Texas Association of Rural Schools
Texas Association of School Administrators
Texas School Coalition**

SPONSORING SCHOOL DISTRICTS:

Abernathy	Lorenzo	Seminole
Amherst	Lubbock	Shallowater
Anton	Lubbock-Cooper	Slaton
Borden County	Meadow	Smyer
Brownfield	Morton	Southland
Cotton Center	Motley County	Spade
Crosbyton	Muleshoe	Springlake-Earth
Dawson	New Deal	Spur
Denver City	O'Donnell	Sudan
Floydada	Olton	Sundown
Frenship	Patton Springs	Tahoka
Guthrie	Petersburg	Wellman
Hale Center	Plains	Whitharral
Idalou	Plainview	Whiteface
Klondike	Post	Wilson
Lamesa	Ralls	
Levelland	Roosevelt	
Littlefield	Ropes	
Lockney	Sands	
Loop	Seagraves	

