



February 6, 2009

The Honorable Rick Perry  
Governor of Texas  
P.O. Box 12428  
Austin, Texas 78711-2428

Dear Governor Perry,

Americans are paying a terrible price for poor decision-making in Washington D.C. and lack of responsibility on Wall Street. Job creation must be the top priority for the 81<sup>st</sup> Legislature. Especially in these tough economic times, it is imperative that the Texas Legislature enact sound fiscal policies to help keep our economy strong and growing.

As the Board of Directors of the Texas Conservative Coalition, we outline below our top fiscal policy priorities for the 81<sup>st</sup> Texas Legislature to help strengthen our economy:

1. **Significantly reform property tax appraisals and constitutionally dedicate a portion of surplus revenue to property tax relief.** High and rising property taxes are a fiscal nightmare for many Texans. Since a homeownership crisis is at the root of the current downturn in the economy, urgent action must be taken to keep Texans from losing their homes. The best short-term policies are to alleviate the strain of appraisal increases by adopting proposals recommended by the Select Property Tax Relief and Appraisal Reform Committee, and to make sure deposits into the Property Tax Relief fund are protected against being diverted to the general budget.
2. **Raise the floor of the margins tax to \$1 million, guard against rate increases through a super-majority requirement, and allow businesses to deduct expenses for contract workers.** According to a survey in the Business Tax Advisory Committee report, 71 percent of businesses reported an increase in their business tax liability under the margins tax. More than a quarter of businesses surveyed reported a tax increase of 500 percent or more. The average cost to prepare margins tax returns was over \$9,000. Reports of tax complexity and increased compliance costs compared to the old franchise tax are cause for serious concern.

The impact of the onerous, administratively burdensome, and punitive margins tax could not have come at a worse time, especially for small businesses. To keep our economy growing, all

small businesses with revenues of \$1 million or less must be exempted and we must pass a super-majority requirement to guard against future rate increases.

Furthermore, it is simply unfair that businesses that rely on contract workers cannot deduct those costs when calculating their margins tax liability. Contract workers are an important part of our jobs base and play an integral role in the economy. Tax policy should encourage job creation, not penalize it.

For the long-term, we are working on alternatives to the margins tax that we intend to unveil in the 81<sup>st</sup> Session.

3. **Employ greater fiscal restraint and protect the Rainy Day Fund.** In the face of a slowing economy, legislators must exercise the same restraint this year as we did in 2003 when faced with a \$10 billion shortfall. We must not increase spending beyond necessary increases in public education and human services enrollment, and should look for ways to reduce spending in extraneous programs. A revised tax and expenditure limitation is also vital to protect the state from the consequences of unbridled spending that has driven California to the brink of bankruptcy.

Furthermore, we must not dip into the Rainy Day Fund except for one-time, emergency appropriations that are directly related to Hurricane Ike recovery. The Rainy Day Fund must remain intact as a cushion against future shortfalls, which Texas is currently not experiencing. California also has the worst bond rating of any state, according to Standard & Poors. In order to maintain our favorable bond rating, we must protect the Rainy Day Fund.

4. **Use unexpended funds held by TEA to fund needed improvements in public education; also encourage the creation of two new Tier One universities and full funding for community colleges.** The economic downturn underscores the importance of a sound K-12 education. Continuing to fund enrollment growth, technical education programs, and reforms to improve performance are essential to the long-term health of the Texas economy.

Additionally, Texas must plan for the future by improving the capabilities of our higher education system, which may include the use of incentive funding, and the potential creation of two new Tier One research universities to serve our growing population. At the same time, community colleges are playing an increasingly important role in higher education and should be fully funded as a gateway to better job opportunities.

5. **Invest in workforce development.** We must encourage adult education and promote other postsecondary educational opportunities at career colleges and schools for those who want to seek gainful employment. Expanding adult workforce training centers will enable more Texans who do not have high school diplomas to receive the training and education they need to compete successfully in the workplace. We agree with Governor Perry: the Skills Development

Fund at the Texas Workforce Commission (TWC) should be expanded to provide customized job training in targeted industries and specialized occupations.

We also agree with Comptroller Susan Combs on a key point: "Texas should appropriate \$25 million for the 2010-11 biennium to establish a *Jobs and Education for Texans (JET) Fund* to support programs that prepare low-income students for careers in high-demand occupations... and to provide scholarships for students in career and technical programs." Not every person who finishes high school will get a four-year degree from a state university or college. We must recognize that a technical education can lead to a lucrative career path in a broad array of industries.

It remains our belief that the key to a strong, vibrant economy lies not in handouts or bailouts, but in sound and responsible tax, fiscal, and educational policies that encourage growth, risk-taking and opportunity.

We wish to work closely with you as we pursue these policies to bolster the Texas economy and to keep Texas the best state in the nation to own a home, start a business, or raise a family.

Thank you for your service to our great state, and God bless Texas.

Sincerely,



Wayne Christian  
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House District 105 – Irving



Ken Paxton  
House District 70 – McKinney



Brandon Creighton  
House District 16 – Conroe



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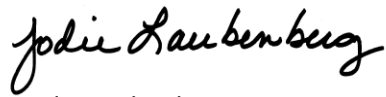
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Bryan Hughes  
House District 5 – Mineola



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House District 61 – Weatherford



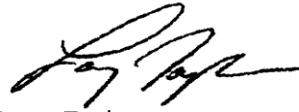
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