I certify this to be a true and correct copy of the indicated document as referred or transmitted to committee.

Chief Clerk of the House

FILED FEB 6 1997

By [illegible] [illegible]

HJ.R. No. 4

A JOINT RESOLUTION

proposing a constitutional amendment to provide a school property tax cut, create the Texas School Trust Fund, authorize the replacement of certain taxes, and dedicate certain revenue for primary and secondary public schools.

BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Article VII, Texas Constitution, is amended by adding Section 5-a to read as follows:

Sec. 5-a. (a) The Texas School Trust Fund is created and subject to administration and investment, as provided by general law, by the comptroller of public accounts. Money credited to the trust fund shall be paid, at the time and in the manner provided by general law, to each school district of this state imposing ad valorem taxes for elementary and secondary public school purposes to reimburse that school district for:

(1) the local tax revenue lost by that school district because of the exemptions or reductions granted by Subsection (g), Section 1-b, Article VIII, or Subsection (d)(2), Section 1, Article VIII, of this constitution; and

(2) revenue losses resulting directly from a rate reduction required by law effective in the 1998 tax year.

(b) In addition to any money transferred to the credit of the Texas School Trust Fund under Subsection (c) of this section, the trust fund is composed of:

(1) the net revenue received by this state from the

collection of a tax on the business activities of a business otherwise not excluded by Section 25, Article VIII, of this constitution;

(2) an amount equal to the total net revenue received by this state, after deducting the amounts dedicated under Section 7-a, Article VIII, of this constitution, from the imposition of general sales and use taxes, including a sales and use tax on the sale, rental, or use of motor vehicles, at the rate of one-half of one percent of the taxable sales or purchase price or taxable receipts;

(3) interest earned on money credited to the trust fund; and

(4) any other revenue that the legislature provides by law for deposit to the credit of or transfer to the trust fund.

(c) If the amount of money credited to the trust fund is insufficient to reimburse any school district for lost local tax revenue in the amount required by Subsection (a) of this section, the comptroller of public accounts shall transfer other state tax revenue, not otherwise dedicated by this constitution, to the credit of the trust fund as necessary to make the reimbursement payments at the time and in the manner the payments become due. If, in the same biennium in which a transfer is made to the trust fund from other state tax revenue, money in the trust fund becomes available in excess of the amount necessary to make reimbursement payments to school districts as required by Subsection (a) of this section, the comptroller of public accounts shall transfer, to the extent of the excess, from the trust fund to the fund or funds to

which the transferred tax revenue was credited or would have been credited an amount equal to the amount of the transfer to the trust fund.

(d) After the payments required by Subsection (a) of this section have been made or sufficient funds for the payments in a biennium have been set aside, and after any transfers from the trust fund have been made as required by Subsection (c) of this section, the legislature may appropriate from the trust fund any remaining money for elementary and secondary public school purposes.

SECTION 2. Section 1-b, Article VIII, Texas Constitution, is amended by adding Subsections (g) and (h) to read as follows:

(g) In addition to any other exemption granted or authorized by this section, beginning January 1, 1997, $20,000 of the market value of the residence homestead of a married or unmarried adult, including one living alone, is exempt from ad valorem taxation for the maintenance and operations of elementary and secondary public schools. The exemption does not apply to the taxable value of a residence homestead for ad valorem taxes for debt service. For the 1998 tax year, a person who in that tax year is qualified for the tax limitation under Subsection (d) of this section is entitled to a reduction in the amount of ad valorem taxes imposed on the residence homestead for purposes of maintenance and operations of elementary and secondary public schools. The reduction is an amount equal to $20,000 times the sum of the tax rate of the school district, expressed in dollars and cents per $100 of value, for the 1998 tax year for the maintenance and operations of

elementary and secondary public schools and the tax rate reduction required by law effective in the 1998 tax year, less any amount by which the taxes for the maintenance and operations of elementary and secondary public schools were actually reduced in the 1997 tax year due to the homestead exemption granted under this subsection. A person who is otherwise entitled to the reduction and who first qualifies for the tax limitation under Subsection (d) of this section in the 1998 tax year is not entitled to both the reduction and the $20,000 exemption authorized by this subsection on the residence homestead to which the limitation applies. For a tax year subsequent to the 1998 tax year, the limitation provided by Subsection (d) of this section includes the amount of the reduction required by this subsection, subject to a value that increases by an improvement in the manner provided by Subsection (d) of this section. The application of the exemption or a reduction authorized by this section does not entitle the owner of property to a tax credit or refund if the assessed value of the property for ad valorem tax purposes or the ad valorem tax liability of the person computes to an amount less than zero.

(h) The legislature by general law may limit the authority of, and provide procedures for, the governing body of a school district to reduce the amount of or repeal any local tax exemption from ad valorem taxes for elementary and secondary public school purposes on homesteads and that the school district may otherwise reduce or repeal.

SECTION 3. Subsections (c), (d), and (e), Section 1, Article VIII, Texas Constitution, are amended to read as follows:

(c) The Legislature may provide for the taxation of intangible property and may also impose occupation taxes, both upon natural persons and upon corporations, other than municipal, doing any business in this State. Subject to the restrictions of Section 24 of this article, it may also tax incomes of both natural persons and corporations other than municipal. Persons engaged in mechanical and agricultural pursuits shall never be required to pay an occupation tax, other than a tax to which Section 25 of this article applies.

(d) The Legislature by general law shall exempt from ad valorem taxation household goods not held or used for the production of income and personal effects not held or used for the production of income. The Legislature by general law may exempt:

(1) from ad valorem taxation:

(A) [~~(1)~~] all or part of the personal property homestead of a family or single adult, "personal property homestead" meaning that personal property exempt by law from forced sale for debt; and

(B) [~~(2)~~] subject to Subsections (e) and (g) of this section, all other tangible personal property, except structures which are personal property and are used or occupied as residential dwellings and except property held or used for the production of income; and

(2) from ad valorem taxation for the maintenance and operations of elementary and secondary public schools, but not from ad valorem taxation for debt service, tangible personal property held for sale or consumption as inventory, as may be defined by law

and subject to conditions and limitations prescribed by law.

(e) The governing body of a political subdivision[~~, other than a county education district,~~] may provide for the taxation of all property exempt under a law adopted under Subdivision (1)(B) [~~(2)~~] of Subsection (d) of this section and not exempt from ad valorem taxation by any other law. [~~In the manner provided by law, the voters of a county education district at an election held for that purpose may provide for the taxation of all property exempt under a law adopted under Subdivision (2) of Subsection (d) of this section and not exempt from ad valorem taxation by any other law.~~]

SECTION 4. Article VIII, Texas Constitution, is amended by adding Section 25 to read as follows:

Sec. 25. (a) Taxes on the business activities of a business are not subject to Section 24 of this article, and the dedication of revenue under Section 3, Article VII, of this constitution does not apply to a tax imposed on those activities.

(b) Unless by law enacted by an affirmative vote of at least three-fifths of the membership of each house, the established rate of a tax on business activities may not be increased.

(c) This section does not apply to a sales and use tax, gross receipts tax, license tax, severance tax, or regulatory tax.

SECTION 5. This proposed constitutional amendment shall be submitted to the voters at an election to be held August 9, 1997. The ballot shall be printed to permit voting for or against the proposition: "The constitutional amendment providing property tax cuts, reducing property taxes on homesteads, creating the Texas School Trust Fund, limiting the tax rate of a tax on all types of

business entities, and dedicating revenue to fund Texas primary and secondary public schools."

HOUSE COMMITTEE REPORT

1st Printing

By Craddick, Junell, et al. H.J.R. No. 4

Substitute the following for H.J.R. No. 4:

By Sadler, Hilbert, Brimer, Chisum, Craddick, Hernandez, Hochberg, Junell, Stiles, Williamson, Wilson C.S.H.J.R. No. 4

A JOINT RESOLUTION

proposing a constitutional amendment providing financial support for elementary and secondary public education, dedicating revenue and authorizing priority allocations of certain revenue, authorizing a state property tax and certain taxes on entities, providing property tax relief and reduced school taxes on residential property, including certain homestead property, and making implementation and conforming amendments.

BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Section 1, Article VII, Texas Constitution, is amended to read as follows:

Sec. 1. (a) A general diffusion of knowledge being essential to the preservation of the liberties and rights of the people, it shall be the duty of the Legislature of the State to establish and make suitable provision for the support and maintenance of an efficient system of public free schools.

(b) The financial support of elementary and secondary public school education shall be the first priority among State spending and appropriations, subject only to the dedication of revenue otherwise provided by this Constitution and to the payment of lawfully incurred State debt. The Legislature, notwithstanding Sections 6 and 22 of Article VIII of this Constitution, by general law may, to fulfill its obligations under this subsection, provide spending priorities and minimum financial effort, including guaranteed draws against the revenue of this State not dedicated by

support the public schools of this State. Money received by the State from the operation of lotteries authorized by Section 47(e), Article III, of this constitution, less amounts paid for lottery prizes and administrative costs, may be spent only for elementary and secondary public education. The [for-a-period--of-not-less than-six-months-in-each-year,-and-it-shall--be--the--duty--of--the] State Board of Education shall [to] set aside a sufficient amount of State funds [out-of-the-said-tax] to provide free text books for the use of children attending the public [free] schools of this State. If[,--provided,-however,-that-should-the-limit-of] taxation and revenue described by this subsection are [herein-named-be] insufficient, the deficit may be met by appropriation from the general funds of the State.

(b) The [and--the] Legislature may [also] provide for the formation of school districts [district] by general laws. All[, and--all] such school districts may embrace parts of two or more counties. The[,-and-the] Legislature may by general law provide [shall-be-authorized-to-pass-laws-for-the-assessment-and-collection of--taxes-in-all-said-districts-and] for the management and control of the public [school-or] schools of such districts.

and 9(4)

(c) The[,-whether-such-districts-are-composed--of--territory wholly--within--a--county--or-in-parts-of-two-or-more-counties,-and the] Legislature, subject to rate limitations as provided by law, may provide for school districts to impose [authorize] an [additional] ad valorem tax on all residential property as defined by general law [to--be--levied--and--collected-within-all-school districts-heretofore-formed-or-hereafter-formed,] for the further

and 18(1)

maintenance and operations of public free ~~[free]~~ schools. The Legislature may provide for school districts to impose an additional ad valorem tax on all property not otherwise exempted by this constitution or by the Legislature under the authority of this constitution[~~,--and~~] for the erection and equipment of school buildings if [~~therein,-provided-that~~] a majority of the qualified [~~property--taxpaying~~] voters of the district voting at an election to be held for that purpose[~~,~~] shall vote such tax [~~not--to--exceed in--any--one--year--one--($1.00)--dollar-on-the-one-hundred-dollars valuation-of-the-property-subject-to-taxation-in-such-district,-but the-limitation-upon--the--amount--of--school--district--tax--herein authorized---shall--not--apply--to--incorporated--cities--or--towns constituting-separate-and--independent--school--districts,--nor--to independent--or--common--school--districts--created--by--general-or special-law~~].

SECTION 4. Section 1, Article VIII, Texas Constitution, is amended by amending Subsection (c) and adding Subsections (c-1), (i), and (j) to read as follows:

(c) The Legislature may provide for the taxation of intangible property and may also impose occupation taxes, both upon natural persons and upon corporations, other than municipal, doing any business in this State. Subject to the restrictions of Section 24 of this article, it may also tax incomes of both natural persons and corporations other than municipal. It may also impose privilege or franchise taxes measured by the income or taxable capital of a corporation, partnership, or business entity other than a sole proprietorship. A sole proprietorship [~~Persons~~] engaged

in mechanical or [~~and~~] agricultural pursuits shall never be required to pay an occupation tax. This subsection does not prohibit the imposition of taxes on a gas, electric, or water utility of a municipal corporation.

(c-1) The use of income earned or receipts after December 31, 1987, to measure or apportion to this State a privilege or franchise tax authorized by Subsection (c) of this section is not prohibited. This section expires January 1, 2000.

SECTION 5. Section 1-b, Article VIII, Texas Constitution, is amended by amending Subsections (b), (d), and (e) and adding Subsection (b-1) to read as follows:

(b) The governing body of any county, city, town, [~~school district,~~] or other political subdivision of the State, other than a school [~~county-education~~] district, may exempt by its own action not less than Three Thousand Dollars ($3,000) of the market value of residence homesteads of persons, married or unmarried, including those living alone, who are under a disability for purposes of payment of disability insurance benefits under Federal Old-Age, Survivors, and Disability Insurance or its successor or of married or unmarried persons sixty-five (65) years of age or older, including those living alone, from all ad valorem taxes thereafter levied by the political subdivision. As an alternative, upon receipt of a petition signed by twenty percent (20%) of the voters who voted in the last preceding election held by the political subdivision, the governing body of the subdivision shall call an election to determine by majority vote whether an amount not less than Three Thousand Dollars ($3,000) as provided in the petition,

of the market value of residence homesteads of disabled persons or of persons sixty-five (65) years of age or over shall be exempt from ad valorem taxes thereafter levied by the political subdivision. The governing body of a school district or, in [~~In~~] the manner provided by this subsection for other political subdivisions [~~law~~], the voters of a school [~~county--education~~] district, at an election held for that purpose, may exempt an amount not less than Three Thousand Dollars ($3,000), as provided in the petition, of the market value of residence homesteads ~~of~~ disabled persons or of persons sixty-five (65) years of age or over from ad valorem taxes thereafter levied by the school [~~county education~~] district for payment of principal and interest on bonds and similar debt of the school district. An eligible disabled person who is sixty-five (65) years of age or older may not receive both exemptions from the same political subdivision in the same year but may choose either if the subdivision has adopted both. Where any ad valorem tax has theretofore been pledged for the payment of any debt, the taxing officers of the political subdivision shall have authority to continue to levy and collect the tax against the homestead property at the same rate as the tax so pledged until the debt is discharged, if the cessation of the levy would impair the obligation of the contract by which the debt was created. An exemption adopted under this subsection based on assessed value is increased, effective January 1, 1979, to an amount that, when converted to market value, provides the same reduction in taxes, except that the market value exemption shall be rounded to the nearest $100.

1 organizations other than sole proprietorships, providing for the
2 transfer to a different homestead of the school property tax freeze
3 on homesteads of the elderly, and establishment of public schools
4 as the first priority of state spending."

COMMITTEE REPORT

The Honorable James E. "Pete" Laney
Speaker of the House of Representatives

4-16-97
(date)

Sir:

We, your SELECT COMMITTEE ON REVENUE AND PUBLIC EDUCATION FUNDING

to whom was referred HJR 4 have had the same under consideration and beg to report back with the recommendation that it

( ) do pass, without amendment.
( ) do pass, with amendment(s).
(X) do pass and be not printed; a Complete Committee Substitute is recommended in lieu of the original measure.

(X) yes ( ) no A fiscal note was requested.

( ) yes (X) no A criminal justice policy impact statement was requested.

(X) yes ( ) no An equalized educational funding impact statement was requested.

( ) yes (X) no An actuarial analysis was requested.

( ) yes (X) no A water development policy impact statement was requested.

(X) yes ( ) no A tax equity note was requested.

( ) The Committee recommends that this measure be sent to the Committee on Local and Consent Calendars.

For Senate Measures: House Sponsor _____

Joint Sponsors: _____ / _____ / _____ / _____

Co-Sponsors: _____

The measure was reported from Committee by the following vote:

	AYE	NAY	PNV	ABSENT
Sadler, Chair	X			
Hilbert, Vice-chair	X			
Brimer	X			
Chisum	X			
Craddick	X			
Hernandez	X			
Hochberg	X			
Junell	X			
Stiles	X			
Williamson	X			
Wilson	X			

Total

11 aye
0 nay
0 present, not voting
0 absent

Paul L. Sadler
CHAIR

BILL ANALYSIS

REVENUE & PUBLIC EDUCATION FUNDING, SELECT
C.S.H.J.R. 4
By: Sadler, Hilbert, Brimer, Chisum, Craddick, Hernandez, Hochberg, Junell, Stiles, Williamson, Wilson
4-17-97
Committee Report (Substituted)

BACKGROUND

The Governor submitted a constitutional proposal to the legislature which provided for the creation of the Texas School Trust Fund, increased residential homestead exemptions on maintenance and operations of school districts, and excluded the business activity tax from Article VIII, section 24 and Article VII, section 3. The Select Committee on Revenue and Public Education Funding, after extensive examination, developed a plan to provide additional property tax relief and create a reliable stream of revenue for public education.

PURPOSE

C.S.H.J.R. 4 ensures a stable source of revenue for public education and provides property tax relief by establishing first priority spending for public education; dedicating lottery proceeds; creating a limited tax on non-residential property; authorizing a franchise tax on business entities other than sole proprietorships; and allowing portability of the school property tax freeze for the elderly. The constitutional amendment would be placed on the uniform election date in August, 1997.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency or institution.

SECTION BY SECTION ANALYSIS

SECTION 1. Adds Section 1(b), Article VII, Texas Constitution, to establish the financial support of elementary and secondary public school education as the first priority among state spending and appropriations, subject only to constitutional revenue dedications and the payment of lawfully incurred state debt. Authorizes the legislature by general law, notwithstanding certain other constitutional restrictions, to fulfill its priority financial support obligations by providing spending priorities and minimum financial effort including guaranteed draws against undedicated revenue.

SECTION 2. Amends Section 1-e, Article VIII, Texas Constitution, to qualify the prohibition on state ad valorem taxes. Authorizes the legislature to impose a state ad valorem tax for public school purposes, at a rate not to exceed $1.05 per $100 of taxable value, on nonexempt, nonresidential property. Authorizes the legislature to provide for appraisal, equalization of value, and tax collection, and to honor, for purposes of the state tax, abatement agreements on property entered into by a school district before 1997. Removes obsolete language relating to the disposition of the balance from the previous state ad valorem tax. Adds a temporary subsection providing for appraisal at the county level through the end of the 1999 tax year, and validating such appraisal if the appraisal and equalization process conform to accepted standards and practices.

SECTION 3. Amends Section 3, Article VII, Texas Constitution, to provide that lottery proceeds, less prize money and administrative costs, may be spent only for elementary and secondary public education. Standardizes certain terminology and remove obsolete references to poll taxes. Revises language to reflect and cross reference the new version of the state ad valorem tax in SECTION 2. Deletes specification of certain maximum tax rates but allows the legislature to set a statutory cap on school district ad valorem tax rates. Revises school district taxation powers to apply to residential property, as such property may be defined by law, for purposes of maintenance and operations, and also to all otherwise nonexempt property for purposes of the erection and equipment of school buildings (debt service) if approved by school district voters.

SECTION 4. Amends Section 1, Article VIII, Texas Constitution, to authorize the legislature to impose privilege or franchise taxes, measured by income or capital, on businesses entities other than sole proprietorships. Provides that the prohibition against the application of certain taxes to municipal corporations does not prohibit the imposition of taxes on a municipal gas, electric, or water utilities. Adds a temporary provision to provide that the use of income earned income or receipts after 1997 to measure or apportion a privilege or franchise tax is not prohibited.

SECTION 5. Amends Section 1-b, Article VIII, Texas Constitution, to limit the optional school district exemption for the elderly and disabled, and the optional school district residence homestead exemption, to taxes for debt service. Saves previously adopted exemptions, applicable to both debt service and maintenance and operations, and continues them for debt service purposes rather than requiring readoption. Authorizes the legislature to provide for the portability of the tax freeze on residence homesteads of the elderly. Provides that if the tax imposed on an elderly homeowner's property in 1997 under a lower school district tax rate is less than the cap previously imposed, the 1997 amount becomes the new cap for that homeowner. Removes obsolete references to county education districts.

SECTION 6. Amends Section 1-j, Article VIII, Texas Constitution, to provide that the freeport exemption on certain property does not apply to the state ad valorem tax if the property is located in a school district that taxes it for the tax year.

SECTION 7. Adds Section 22(d), Article VIII, Texas Constitution, to make a change conforming to the new constitutional subsection in SECTION 1. Provides that the restriction on the rate of growth of appropriations from nondedicated revenue does not apply to the establishment of the financial support of elementary and secondary public school education as the state's first spending priority.

SECTION 8. Adds Section 24(k), Article VIII, Texas Constitution, to provide that the restrictions on imposition of a personal income tax does not apply to a privilege or franchise tax measured by the income of a business entity other than a sole proprietorship.

SECTION 9. Establishes an election date of August 9, 1997, for the constitutional amendment proposed by the joint resolution. Establishes the ballot language for the amendment proposition.

COMPARISON OF ORIGINAL TO SUBSTITUTE

Both H.J.R. 4 and C.S.H.J.R. 4 propose constitutional amendments providing for local property tax relief and substituting various forms of state funding for public education purposes.

H.J.R. 4 grants an additional constitutional residential homestead exemption of $20,000 for school district property taxes for maintenance and operation. The legislature may limit school district actions to reduce or repeal exemptions, and may provide for the exemption of tangible personal property held for sale or consumption as inventory. C.S.H.J.R. 4 revises school district ad valorem taxation powers to apply only to residential property, and authorizes the legislature by law to set a cap on school district tax rates. It transfers nonresidential property for school funding purposes to ad valorem taxation by the state, and caps the state rate at $1.05 per $100 of taxable value. C.S.H.J.R. 4 limits certain optional school district exemptions just to taxes for

debt service only. Allows portability for over-65 exemption.

H.J.R. 4 creates a Texas School Trust Fund to repay revenue lost by school districts requires transfers of state revenue to the fund as necessary to make those repayments. It channels to the trust fund any revenue from taxes on business activities, the revenue from one half-cent of the state sales and use tax rate, and any other revenue the legislature statutorily deposits or transfers to the credit of the fund. C.S.H.J.R. 4 does not create the trust fund, but establishes the financial support of public schools a first priority for state spending, and authorizes the legislature to provide for a first draw of certain available revenue to support that obligation, notwithstanding other constitutional provisions. C.S.H.J.R. 4 dedicates lottery revenue to public education funding and authorizes, in addition to the state ad valorem tax, the imposition by the legislature of privilege or franchise taxes on business entities other than sole proprietorships. It allows the taxation of gas, electric, or water utilities of a municipal corporation.

H.J.R. 4 clarifies that the constitutional prohibition relating to personal income taxes does not apply to taxes on business entities, nor do certain constitutional dedications apply. An established rate of a tax on business activities may not be increased except by a law enacted by an extraordinary majority of three-fifths of the membership of each house of the legislature. C.S.H.J.R. 4 clarifies that the constitutional prohibition relating to personal income taxes does not apply to a privilege or franchise tax measured by income, for entities other than a sole proprietorship.

Both H.J.R. 4 and C.S.H.J.R. 4 provide for a uniform election date of August, 1997.

WITNESS LIST

HJR 4
HOUSE COMMITTEE REPORT
Revenue & Public Education Funding, Select Committee

February 11, 1997 - 2:00P

On: Craymer Dale (Governor's office)
Hawkins Albert (Governor's office)
Le Bas James (Governor's office)
Wilson Brian (Governor's office)

February 12, 1997 - 2:00P

On: Daugherty Craig (Comptroller's Office)
Gonzales Alberto R. (Governor's Office)
Hamilton Billy (Comptroller's Office)
Hawkins Albert (Governor's Office)
Le Bas James (Governor's Office)
Reissig Mike (Comptroller's Office)
Wilson Brian (Governor's Office)

February 13, 1997 - 2:00P

On: Craymer, Dale (Governor's Office)
Hawkins, Albert (Governor's Office)
LeBas, James (Governor's Office)

February 19, 1997 - 2:00P

For: Allaway, Bill (Tx. Taxpayers Assoc.)
Untermeyer, Chase (Compaq Computer Corp.)
Against: Hartman, Eric (TFT)
Hayers, Jannis (TASB)

February 20, 1997 - 12:00P

For: Singhania, Ravi (BASF Corp.)
Against: Lavine, Richard (Center Pub. Pol. Prior.)
Lindell, John (himself)

February 24, 1997 - 5:00P

For: Dickens, Linda (TX Instruments Inc.)
Ritter, Phil (TX Instruments Inc.)
Weekley, Tom (Whalens furniture)
Against: Busby, Dick (Busby Maint. and Const.)
Plummer, Jim (Plummer Bros. Supply)
On: Bennett, Tony (Temple-Inland Inc.)
Howden, Robert (Natl. Fed. of Ind. Bus.)
LeBas, James (Governor's Office)

February 25, 1997 - 2:00P

Against: Apley, Dale (Kmart)
On: LeBas, James (Governor's Office)
Luce, Tom (himself, lawyer)

SUMMARY OF COMMITTEE ACTION

HJR 4

February 11, 1997 2:00PM
Considered in public hearing
Testimony taken in committee
Left pending in committee

February 12, 1997 2:00PM
Considered in public hearing
Testimony taken in committee
Left pending in committee

February 13, 1997 11:15AM
Considered in public hearing
Testimony taken in committee
Left pending in committee

February 19, 1997 2:00PM
Considered in public hearing
Testimony taken in committee
Left pending in committee

February 20, 1997 12:00PM
Considered in public hearing
Testimony taken in committee
Left pending in committee

February 24, 1997 5:00PM
Considered in public hearing
Testimony taken in committee
Left pending in committee

February 25, 1997 2:00PM
Considered in public hearing
Testimony taken in committee
Left pending in committee

April 16, 1997 9:00AM
Considered in formal meeting
Committee substitute considered in committee
Reported favorably as substituted

ADOPTED As Amended
APR 23 1997
Sharon Carter
Chief Clerk
House of Representatives

By Craddick, Junell H.J.R. No. 4

Substitute the following for H.J.R. No. 4:

By Sadler, Hilbert, Junell, Staples, Hudson, Chisum, Williamson, Hernandez, Williams, Brown, Cuellar C.S.H.J.R. No. 4

A JOINT RESOLUTION

proposing a constitutional amendment providing financial support for elementary and secondary public education, dedicating revenue and authorizing priority allocations of certain revenue, authorizing a state property tax and certain taxes on entities, providing property tax relief and reduced school taxes on residential property, including certain homestead property, and making implementation and conforming amendments.

BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Section 1, Article VII, Texas Constitution, is amended to read as follows:

Sec. 1. (a) A general diffusion of knowledge being essential to the preservation of the liberties and rights of the people, it shall be the duty of the Legislature of the State to establish and make suitable provision for the support and maintenance of an efficient system of public free schools.

(b) The financial support of elementary and secondary public school education shall be the first priority among State spending and appropriations, subject only to the dedication of revenue otherwise provided by this Constitution and to the payment of lawfully incurred State debt. The Legislature, notwithstanding Sections 6 and 22 of Article VIII of this Constitution, by general law may, to fulfill its obligations under this subsection, provide spending priorities and minimum financial effort, including guaranteed draws against the revenue of this State not dedicated by

this Constitution.

SECTION 2. Section 1-e, Article VIII, Texas Constitution, is amended to read as follows:

Sec. 1-e. 1. Except as provided by Subsection 2 of this section, no [No] State ad valorem taxes shall be levied upon any property within this State.

2. Ad valorem taxes may be imposed by the legislature at a rate not to exceed $1.05 for each $100 of taxable value for elementary and secondary public school purposes on property not subject to taxation for maintenance and operations purposes by a school district and not otherwise exempted by this constitution or by the legislature under the authority of this constitution. The legislature may provide for the appraisal of property subject to State ad valorem taxes, for the equalization of the taxable values of that property, and for the collection of the State ad valorem taxes imposed on that property [~~All--receipts-from-previously authorized-State-ad-valorem-taxes-that-are-collected--on--or--after the--effective--date-of-the-1982-amendment-to-this-section-shall-be deposited--to--the--credit--of--the--general--fund--of--the--county collecting-the-taxes-and--may--be--expended--for--county--purposes. Receipts-from-taxes-collected-before-that-date-shall-be-distributed by---the---legislature---among--institutions--eligible--to--receive distributions--under--prior--law.----Those--receipts--and--receipts distributed-under-prior--law--may--be--expended--for--the--purposes provided--under--prior-law-or-for-repair-and-renovation-of-existing permanent-improvements~~].

3. The legislature by general law may exempt from ad valorem

taxes imposed under Subsection 2 of this section in any tax year all or a portion of the value of property exempt in that tax year from ad valorem taxation by a school district pursuant to a tax abatement agreement entered into by the school district before January 1, 1997.

4. State ad valorem taxes shall be assessed on the valuation of property subject to those taxes as determined by the appraisal officials in the county in which the property is located. If an appraisal official uses generally accepted appraisal standards and practices to appraise property subject to the State ad valorem tax and the valuation of the property subject to that tax conforms to or is equalized by the local appraisal review process to conform to the accepted standards and practices, the assessment of the State ad valorem tax on that valuation is not invalid. This subsection expires at the end of the 1999 ad valorem tax year.

SECTION 3. Section 3, Article VII, Texas Constitution, is amended to read as follows:

Sec. 3. (a) One-fourth of the revenue derived from the State occupation taxes [~~and--poll--tax--of--one--dollar-on-every inhabitant-of-the--State,-between-the-ages-of-twenty-one-and--sixty years,~~] shall be set apart annually for the benefit of the public [~~free~~] schools; and in addition thereto, there shall be levied and collected an annual ad valorem State tax as provided by Subsection 2, Section 1-e, Article VIII, of this constitution [~~of--such--an amount----not--to--exceed--thirty-five--cents--on--the--one-hundred ($100.00)-dollars-valuation,-as--with--the--available--school--fund arising-from-all-other-sources,-will-be-sufficient~~] to maintain and

support the public schools of this State. Money received by the State from the operation of lotteries authorized by Section 47(e), Article III, of this constitution, less amounts paid for lottery prizes and administrative costs, may be spent only for elementary and secondary public education. The [~~for a period of not less than six months in each year, and it shall be the duty of the~~] State Board of Education shall [~~to~~] set aside a sufficient amount of State funds [~~out of the said tax~~] to provide free text books for the use of children attending the public [~~free~~] schools of this State. If[~~, provided, however, that should the limit of~~] taxation and revenue described by this subsection are [~~herein named be~~] insufficient, the deficit may be met by appropriation from the general funds of the State.

(b) The [~~and the~~] Legislature may [~~also~~] provide for the formation of school districts [~~district~~] by general laws. All[~~, and all~~] such school districts may embrace parts of two or more counties. The[~~, and the~~] Legislature may by general law provide [~~shall be authorized to pass laws for the assessment and collection of taxes in all said districts and~~] for the management and control of the public [~~school or~~] schools of such districts.

(c) The[~~, whether such districts are composed of territory wholly within a county or in parts of two or more counties, and the~~] Legislature, subject to rate limitations as provided by law, may provide for school districts to impose [~~authorize~~] an [~~additional~~] ad valorem tax on all residential property as defined by general law [~~to be levied and collected within all school districts heretofore formed or hereafter formed,~~] for the further

maintenance and operations of public [free] schools. The Legislature may provide for school districts to impose an additional ad valorem tax on all property not otherwise exempted by this constitution or by the Legislature under the authority of this constitution[,--and] for the erection and equipment of school buildings if [therein,-provided-that] a majority of the qualified [property--taxpaying] voters of the district voting at an election to be held for that purpose[,] shall vote such tax [not--to--exceed in--any--one--year--one--($1.00)--dollar-on-the-one-hundred-dollars valuation-of-the-property-subject-to-taxation-in-such-district,-but the-limitation-upon--the--amount--of--school--district--tax--herein authorized---shall--not--apply--to--incorporated--cities--or--towns constituting-separate-and--independent--school--districts,--nor--to independent--or--common--school--districts--created--by--general-or special-law].

SECTION 4. Section 1, Article VIII, Texas Constitution, is amended by amending Subsection (c) and adding Subsection (c-1) to read as follows:

(c) The Legislature may provide for the taxation of intangible property and may also impose occupation taxes, both upon natural persons and upon corporations, other than municipal, doing any business in this State. Subject to the restrictions of Section 24 of this article, it may also tax incomes of both natural persons and corporations other than municipal. It may also impose privilege or franchise taxes measured by the income or taxable capital of a corporation, partnership, or business entity other than a sole proprietorship. A sole proprietorship [Persons] engaged

in mechanical or [~~and~~] agricultural pursuits shall never be required to pay an occupation tax. This subsection does not prohibit the imposition of taxes on a gas, electric, or water utility of a municipal corporation.

(c-1) The use of income earned or receipts after December 31, 1997, to measure or apportion to this State a privilege or franchise tax authorized by Subsection (c) of this section is not prohibited. This section expires January 1, 2000.

SECTION 5. Section 1-b, Article VIII, Texas Constitution, is amended by amending Subsections (b), (d), and (e) and adding Subsection (b-1) to read as follows:

(b) The governing body of any county, city, town, [~~school district,~~] or other political subdivision of the State, other than a school [~~county-education~~] district, may exempt by its own action not less than Three Thousand Dollars ($3,000) of the market value of residence homesteads of persons, married or unmarried, including those living alone, who are under a disability for purposes of payment of disability insurance benefits under Federal Old-Age, Survivors, and Disability Insurance or its successor or of married or unmarried persons sixty-five (65) years of age or older, including those living alone, from all ad valorem taxes thereafter levied by the political subdivision. As an alternative, upon receipt of a petition signed by twenty percent (20%) of the voters who voted in the last preceding election held by the political subdivision, the governing body of the subdivision shall call an election to determine by majority vote whether an amount not less than Three Thousand Dollars ($3,000) as provided in the petition,

of the market value of residence homesteads of disabled persons or of persons sixty-five (65) years of age or over shall be exempt from ad valorem taxes thereafter levied by the political subdivision. The governing body of a school district or, in [~~In~~] the manner provided by this subsection for other political subdivisions [~~law~~], the voters of a school [~~county--education~~] district, at an election held for that purpose, may exempt an amount not less than Three Thousand Dollars ($3,000), as provided in the petition, of the market value of residence homesteads of disabled persons or of persons sixty-five (65) years of age or over from ad valorem taxes thereafter levied by the school [~~county education~~] district for payment of principal and interest on bonds and similar debt of the school district. An eligible disabled person who is sixty-five (65) years of age or older may not receive both exemptions from the same political subdivision in the same year but may choose either if the subdivision has adopted both. Where any ad valorem tax has theretofore been pledged for the payment of any debt, the taxing officers of the political subdivision shall have authority to continue to levy and collect the tax against the homestead property at the same rate as the tax so pledged until the debt is discharged, if the cessation of the levy would impair the obligation of the contract by which the debt was created. An exemption adopted under this subsection based on assessed value is increased, effective January 1, 1979, to an amount that, when converted to market value, provides the same reduction in taxes, except that the market value exemption shall be rounded to the nearest $100.

(b-1) The adoption of an exemption by a school district under Subsection (b) or (e) of this section before the date this subsection became part of this constitution and in effect on that date continues to apply to taxation by the school district on or after that date for the payment of principal and interest on bonds and similar debt of the school district until the exemption is increased, decreased, or repealed as otherwise provided.

(d) Except as otherwise provided by this subsection, if a person receives the residence homestead exemption prescribed by Subsection (c) of this section for homesteads of persons sixty-five (65) years of age or older, the total amount of ad valorem taxes imposed on that homestead for general elementary and secondary public school purposes may not be increased while it remains the residence homestead of that person or that person's spouse who receives the exemption. If a person sixty-five (65) years of age or older dies in a year in which the person received the exemption, the total amount of ad valorem taxes imposed on the homestead for general elementary and secondary public school purposes may not be increased while it remains the residence homestead of that person's surviving spouse if the spouse is fifty-five (55) years of age or older at the time of the person's death, subject to any exceptions provided by general law. The legislature, by general law, may provide for the transfer of all or a proportionate amount of a limitation provided by this subsection for a person who qualifies for the limitation and establishes a different residence homestead. However, taxes otherwise limited by this subsection may be increased to the extent the value of the homestead is increased by

improvements other than repairs or improvements made to comply with governmental requirements and except as may be consistent with the transfer of a limitation under this subsection. If the total amount of a school district's taxes imposed in the 1997 tax year for elementary and secondary public school purposes on a residence homestead subject to a limitation provided by this subsection is less than the total amount of the school district's taxes on that residence homestead for those purposes in the first year that the residence homestead qualified for the limitation, in a subsequent tax year the total amount of taxes the school district may impose on the residence homestead for elementary and secondary public school purposes while it remains the residence homestead of a person entitled to the limitation may not exceed the amount of the 1997 school district taxes, except as otherwise provided by this subsection.

(e) The governing body of a political subdivision, other than a school [~~county--education~~] district, may exempt from ad valorem taxation a percentage of the market value of the residence homestead of a married or unmarried adult, including one living alone. The governing body of a school district [~~In the manner provided by law, the voters of a county education district at an election held for that purpose~~] may exempt from ad valorem taxation for payment of principal and interest on bonds and similar debt of the school district a percentage of the market value of the residence homestead of a married or unmarried adult, including one living alone. The percentage may not exceed twenty percent. However, the amount of an exemption authorized pursuant to this

subsection may not be less than Five Thousand Dollars ($5,000) unless the legislature by general law prescribes other monetary restrictions on the amount of the exemption. An eligible adult is entitled to receive other applicable exemptions provided by law. Where ad valorem tax has previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect the tax against the value of the homesteads exempted under this subsection until the debt is discharged if the cessation of the levy would impair the obligation of the contract by which the debt was created. The legislature by general law may prescribe procedures for the administration of residence homestead exemptions.

SECTION 6. Section 1-j, Article VIII, Texas Constitution, is amended by amending Subsection (a) and adding Subsection (a-1) to read as follows:

(a) Except as provided by Subsections (a-1) and (b) of this section, to [~~To~~] promote economic development in this [~~the~~] State, goods, wares, merchandise, other tangible personal property, and ores, other than oil, natural gas, and other petroleum products, are exempt from ad valorem taxation if:

(1) the property is acquired in or imported into this State to be forwarded outside this State, whether or not the intention to forward the property outside this State is formed or the destination to which the property is forwarded is specified when the property is acquired in or imported into this State;

(2) the property is detained in this State for assembling, storing, manufacturing, processing, or fabricating

purposes by the person who acquired or imported the property; and

(3) the property is transported outside of this State not later than 175 days after the date the person acquired or imported the property in this State.

(a-1) Property described by Subsection (a) of this section is not exempt from ad valorem taxes imposed under Section 1-e of this article if the property is located in a school district that for the tax year taxes the property.

SECTION 7. Section 22, Article VIII, Texas Constitution, is amended by adding Subsection (d) to read as follows:

(d) Subsection (a) of this section does not apply to appropriations to the extent made in furtherance of the powers authorized by Section 1(b), Article VII, of this constitution.

SECTION 8. Section 24, Article VIII, Texas Constitution, is amended by adding Subsection (k) to read as follows:

(k) This section does not apply to a privilege or franchise tax measured by the income of a corporation, partnership, or other entity, other than a sole proprietorship.

SECTION 9. This proposed constitutional amendment shall be submitted to the voters at an election to be held August 9, 1997. The ballot shall be printed to permit voting for or against the proposition: "The constitutional amendment authorizing changes in law to reduce local property taxes and increase the state's share of public education funding, including the dedication of lottery revenue to the public schools, authorization of a limited state property tax on nonresidential property, authorization of a privilege or franchise tax on the income and capital of business

organizations other than sole proprietorships, providing for the transfer to a different homestead of the school property tax freeze on homesteads of the elderly, and establishment of public schools as the first priority of state spending."

LIST OF HOUSE AMENDMENTS CURRENTLY UNDER CONSIDERATION

HJR4-Second Reading

AMENDMENT#	AUTHOR	DESCRIPTION	ACTION
1	Heflin	Amendment	Tabled
2	Culberson	Amendment	Failed
3	Jones, D.	Amendment	Tabled
4	Craddick	Amendment	Adopted
5	Craddick	Amdt to Amdt	Adopted
6	Shields	Amendment	Adopted
7	Wohlgemuth	Amendment	Adopted
8	Sadler	Amdt to Amdt	Adopted
9	Grusendorf	Amendment	Adopted
10	Grusendorf	Amdt to Amdt	Adopted
11	Berlanga	Amendment	Adopted
12	Hochberg	Amendment	Adopted
13	Hochberg	Amdt to Amdt	Adopted
14	Luna	Amendment	Adopted
15	Luna	Amdt to Amdt	Withdrawn
16	Howard	Amendment	Tabled
17	Grusendorf	Amendment	Tabled
18	Wohlgemuth	Amendment	Adopted
19	Chisum	Amdt to Amdt	Adopted
20	Merritt	Amendment	Tabled
21	Nixon	Amendment	Adopted
22	Marchant	Amdt to Amdt	Adopted
23	Bosse	Amendment	Adopted
24	Bosse	Amdt to Amdt	Adopted
25	Williamson	Amendment	Adopted
26	Moffat	Amendment	Adopted
27	Uher	Amdt to Amdt	Adopted
28	Howard	Amendment	Tabled
29	Grusendorf	Amendment	Adopted
30	Talton	Amdt to Amdt	Adopted
31	Smithee	Amendment	Tabled
32	Marchant	Amendment	Adopted
33	Stiles	Amdt to Amdt	Adopted
34	Marchant	Amendment	Adopted
35	Stiles	Amdt to Amdt	Adopted
36	Shields	Amendment	Tabled
37	Luna	Amdt to Amdt	Adopted
38	Shields	Amendment	Adopted
39	Sadler	Amdt to Amdt	Adopted

750604

ADOPTED As Amended
APR 2 3 1997
Sharon Carter
Chief Clerk
House of Representatives

FLOOR AMENDMENT NO. 4 BY Cuellar

Amend H.J.R. No. 4 as follows:

(1) On page 3, line 5, after "January 1, 1997" and before the period add "<u>, or in a reinvestment zone created by municipal ordinance on or before April 1, 1997, for which a municipal tax abatement agreement is entered into before July 1, 1997</u>".

(2) On page 6, strike line 5 and substitute "<u>(c-1) The use after December 31, 1997, of income earned from and receipts of business activity on or before December</u>".

97 APR 21 PM 4:38
HOUSE OF REPRESENTATIVES

 ~~Craddi~~ Amend

751156

AMENDMENT NO. 5 BY Craddick

Amend the Craddick amendment to CSH J.R. No. 4 as follows:

Strike lines 6 - 8 of the amendment and substitute the following:

"(2) On page 6 of CSH J.R. No. 4, strike lines 5 and 6 and substitute the following: '(c-1) The use of income earned or receipts after December 31, 1996, to measure or apportion to this State a privilege or' ".

ADOPTED
APR 23 1997
Sharon Carter
Chief Clerk
House of Representatives

ADOPTED

APR 28 1997

Sharon Carter
Chief Clerk
House of Representatives

750633

AMENDMENT NO. 6 BY

Amend **C.S.H.J.R. No. 4** by adding a SECTION to read as follows, and renumbering existing SECTIONS appropriately:

SECTION ____. Article III, Texas Constitution, is amended by adding Section 31a to read as follows:

Sec. 31a. (a) The legislature by general law may create a Texas Grace Commission to study state agencies, institutions, and programs in the executive department of state government and recommend that certain of those agencies, institutions, or programs be abolished or reduced to a specified size or otherwise modified to make them more cost-effective.

(b) Notwithstanding Sections 1, 11, and 31 of this article, the legislature must accept or reject, but may not amend, each substantive recommendation presented to the legislature by the commission.

(c) This section is repealed on September 1, 1999.

750641

ADOPTED As Amended

APR 23 1997

Sharon Carter
Chief Clerk
House of Representatives

AMENDMENT NO. 7

BY Wohlgemuth

Amend CSHJR No. 4 as follows:

(1) In SECTION 1, strike added subsection (b) to section 1, Article VII, Texas Constitution (page 1, lines 16-24, through page 2, line 1), and substitute the following:

(b) The financial support of elementary and secondary education shall be first among State spending priorities, subject only to the payment of lawfully incurred State debt and except as otherwise provided by this COnstitution or general law.

(2) In SECTION 7, strike added subsection (d) to Section 22, Article VIII, Texas Constitution (page 11, lines 11-13), and substitute the following:

(d) Subsection (a) of this section does not apply, for the biennium ending August 31, 1999, to appropriations to the extent made from the amount of the increase in revenue as a result of the changes in the law made by House Bill 4, Acts of the 75th Legislature, Regular Session, 1997. This subsection expires September 1,1999.

97 APR 21 PM 4:21
HOUSE OF REPRESENTATIVES

751158

ADOPTED
APR 23 1997
Sharon Carter
Chief Clerk
House of Representatives

FLOOR AMENDMENT NO. 8 BY Sadler

Amend the Wohlgemuth amendment to ~~Substitute the following for the Wohlgemuth amendment to~~ C.S.H.J.R. No. 4 to read as follows:

Amend C.S.H.J.R. No. 4 as follows:

(1) In SECTION 1, strike added Subsection (b) of Section 1, Article VII, Texas Constitution (page 1, lines 16-24, through page 2, line 1), and substitute the following:

(b) The financial support of elementary and secondary public school education shall be the first priority among State spending and appropriations, subject only to the dedication of revenue otherwise provided by this Constitution and to the payment of lawfully incurred State debt.

(2) In SECTION 7, strike added Subsection (d) of Section 22, Article VIII, Texas Constitution (page 11, lines 11-13), and substitute the following:

(d) Subsection (a) of this section does not apply, for the biennium ending August 31, 2001, to appropriations to the extent made from the amount of the increase in revenue as a result of the changes in the law made by House Bill 4, Acts of the 75th Legislature, Regular Session, 1997. This subsection expires September 1, 2001.

750625

ADOPTED As Amended

APR 23 1997

Sharon Carter
Chief Clerk
House of Representatives

Sharon Carter

FLOOR AMENDMENT NO. 9 BY Grusendorf

Amend C.S.H.J.R. No. 4 as follows:

(1) Strike page 1, lines 16-24, and page 2, line 1, and substitute the following:

(b) The financial support of elementary and secondary education shall be the first priority among State spending and appropriations, subject only to the dedication of revenue otherwise provided by this Constitution and to the payment of lawfully incurred State debt. The Legislature, notwithstanding Sections 6 and 22 of Article VIII of this Constitution, by general law may, to fulfill its obligations under this subsection, provide spending priorities and minimum financial effort, including guaranteed draws against the revenue of this State not dedicated by this Constitution.

(2) Strike page 2, lines 7-26 and substitute the following:

2. Ad valorem taxes may be imposed by the legislature at a rate not to exceed $1.05 for each $100 of taxable value for elementary and secondary education purposes on property not subject to taxation for maintenance and operations purposes by a school district and not otherwise exempted by this constitution or by the legislature under the authority of this constitution. The legislature may provide for the appraisal of property subject to State ad valorem taxes, for the equalization of the taxable values of that property, and for the collection of the State ad valorem taxes imposed on that property [~~All--receipts-from-previously~~

Sharon Carter

~~authorized State ad valorem taxes that are collected on or after the effective date of the 1982 amendment to this section shall be deposited to the credit of the general fund of the county collecting the taxes and may be expended for county purposes. Receipts from taxes collected before that date shall be distributed by the legislature among institutions eligible to receive distributions under prior law. Those receipts and receipts distributed under prior law may be expended for the purposes provided under prior law or for repair and renovation of existing permanent improvements~~].

(3) Strike page 3, lines 18-27, and page 4, lines 1-13, and substitute the following:

Sec. 3. (a) One-fourth of the revenue derived from the State occupation taxes [~~and poll tax of one dollar on every inhabitant of the State, between the ages of twenty one and sixty years,~~] shall be set apart annually for the benefit of the public free schools; and in addition thereto, there shall be levied and collected an annual ad valorem State tax as provided by Subsection 2, Section 1-e, Article VIII, of this constitution [~~of such an amount not to exceed thirty five cents on the one hundred ($100.00) dollars valuation, as with the available school fund arising from all other sources, will be sufficient~~] to maintain and support the public schools of this State. Money received by the State from the operation of lotteries authorized by Section 47(e), Article III, of this constitution, less amounts paid for lottery prizes and administrative costs, may be spent only for elementary and secondary education. The [~~for a period of not less than six~~

months--in--each-year,-and-it-shall-be-the-duty-of-the] State Board of Education shall [to] set aside a sufficient amount of State funds [out-of-the-said-tax] to provide free text books for the use of children attending the public free schools of this State. If[, provided,--however,-that-should-the-limit-of] taxation and revenue described by this subsection are [herein--named--be] insufficient, the deficit may be met by appropriation from the general funds of the State.

(4) Strike page 4, lines 21-27, and page 5, lines 1-15, and substitute the following:

(c) The[,--whether--such-districts-are-composed-of-territory wholly-within-a-county-or-in-parts-of-two--or--more--counties,--and the] Legislature, subject to rate limitations as provided by law, may provide for school districts to impose [authorize] an [additional] ad valorem tax on all residential property as defined by general law [to--be--levied--and--collected--within--all--school districts--heretofore--formed-or-hereafter-formed,] for the further maintenance and operations of public free schools. The Legislature may provide for school districts to impose an additional ad valorem tax on all property not otherwise exempted by this constitution or by the Legislature under the authority of this constitution[,-and] for the erection and equipment of school buildings if [therein, provided--that] a majority of the qualified [property-taxpaying] voters of the district voting at an election to be held for that purpose[,] shall vote such tax [not-to-exceed-in-any-one-year-one ($1.00)-dollar-on-the-one-hundred-dollars-valuation-of-the-property subject-to-taxation-in-such-district,-but-the-limitation--upon--the

1 ~~amount--of-school-district-tax-herein-authorized-shall-not-apply-to~~
2 ~~incorporated-cities-or-towns-constituting-separate-and--independent~~
3 ~~school--districts,--nor--to--independent-or-common-school-districts~~
4 ~~created-by-general-or-special-law~~].

ADOPTED

APR 23 1997

Sharon Carter
Chief Clerk
House of Representatives

Sadler Krusee

FLOOR AMENDMENT NO. 10 BY Grusendorf/Wilson

Amend the Grusendorf amendment to CSHJR to read as follows:

Amend C.S.H.J.R. No. 4 as follows:

(1) Strike page 1, lines 16-24, and page 2, line 1, and substitute the following:

(b) The financial support of elementary and secondary education shall be the first priority among State spending and appropriations, subject only to the dedication of revenue otherwise provided by this Constitution and to the payment of lawfully incurred State debt. The Legislature, notwithstanding Sections 6 and 22 of Article VIII of this Constitution, by general law may, to fulfill its obligations under this subsection, provide spending priorities and minimum financial effort, including guaranteed draws against the revenue of this State not dedicated by this Constitution.

(2) Strike page 2, lines 7-26 and substitute the following:

2. Ad valorem taxes may be imposed by the legislature at a rate not to exceed $1.05 for each $100 of taxable value for elementary and secondary ~~education~~ [public free schools] purposes on property not subject to taxation for maintenance and operations purposes by a school district and not otherwise exempted by this constitution or by the legislature under the authority of this constitution. The legislature may provide for the appraisal of property subject to State ad valorem taxes, for the equalization of the taxable values of that property, and for the collection of the State ad valorem taxes imposed on that property [~~All--receipts-from-previously~~

~~authorized-State-ad-valorem-taxes-that-are-collected--on--or--after the--effective--date-of-the-1982-amendment-to-this-section-shall-be deposited--to--the--credit--of--the--general--fund--of--the--county collecting-the-taxes-and--may--be--expended--for--county--purposes. Receipts-from-taxes-collected-before-that-date-shall-be-distributed by---the---legislature---among--institutions--eligible--to--receive distributions--under--prior--law.----Those--receipts--and---receipts distributed--under--prior--law--may--be--expended--for-the-purposes provided-under-prior-law-or-for-repair-and-renovation--of--existing permanent-improvements].~~

(2) Strike page 3, lines 18-27, and page 4, lines 1-13, and substitute the following:

Sec. 3. (a) One-fourth of the revenue derived from the State occupation taxes [~~and--poll--tax--of--one--dollar-on-every inhabitant-of-the--State,-between-the-ages-of-twenty-one-and--sixty years,~~] shall be set apart annually for the benefit of the public free schools; and in addition thereto, there shall be levied and collected an annual ad valorem State tax as provided by Subsection 2, Section 1-e, Article VIII, of this constitution [~~of--such--an amount---not--to--exceed----thirty-five--cents--on--the-one-hundred ($100.00)-dollars-valuation,-as--with--the--available--school--fund arising-from-all-other-sources,-will-be-sufficient~~] to maintain and support the public schools of this State. Money received by the State from the operation of lotteries authorized by Section ~~47(e)~~, Article III, of this constitution, less amounts paid for lottery prizes and administrative costs, may be spent only for elementary and secondary ~~education.~~ The [~~for-a-period--of-not-less--than--six~~

(public free schools)

1 months--in--each-year,-and-it-shall-be-the-duty-of-the] State Board
2 of Education shall [to] set aside a sufficient amount of State
3 funds [out-of-the-said-tax] to provide free text books for the use
4 of children attending the public free schools of this State. If[,
5 provided,--however,-that-should-the-limit-of] taxation and revenue
6 described by this subsection are [herein--named--be] insufficient,
7 the deficit may be met by appropriation from the general funds of
8 the State.

(3) On page 5, line 1, strike "[free]" and substitute "free".

750587

ADOPTED
APR 23 1997
Sharon Carter
Chief Clerk
House of Representatives

97 APR 21 PM 4:36
HOUSE OF REPRESENTATIVES

AMENDMENT NO. 11 BY Berlyn

Amend C.S.H.J.R. 4 as follows:

On page 2, line 1, insert the following after the period:

"(c) It is the policy of this state that the provision of public education is a state responsibility and that a thorough and efficient system be provided and substantially financed through state revenue sources so that each student enrolled in the public school system shall have access to programs and services that are appropriate to the student's educational needs and that are substantially equal to those available to any similar student, notwithstanding varying local economic factors.

(d) The public school finance system of this state shall adhere to a standard of neutrality that provides for substantially equal access to similar revenue per student at similar tax effort, considering all state and local tax revenues of districts after acknowledging all legitimate student and district cost differences.".

11_EQUIT.AMD

750679

ADOPTED As Amended

APR 23 1997

Sharon Carter
Chief Clerk
House of Representatives

FLOOR AMENDMENT NO. 12 BY Noel Bergs

Amend C.S.H.J.R. No. 4 on page 3, between lines 15 and 16, by inserting the following:

5. The legislature by general law may authorize the State to use increases in ad valorem tax revenues imposed on property in a reinvestment zone to finance the development or redevelopment of property in the zone if the zone was designated before January 1, 1997.

Sharon Carter

751135

ADOPTED

APR 23 1997

Sharon Carter
Chief Clerk
House of Representatives

FLOOR AMENDMENT NO. 13 BY Hochberg

(to CSHJR 4)

Amend Floor Amendment No. ____ by Hochberg, on page 1, lines 6 and 7, by striking "January 1, 1997" and substituting "February 1, 1997, or if a reinvestment zone existing on that date was expanded before June 30, 1997, to include the site for a public school".

14

750643

ADOPTED As Amended
APR 25 1997
Sharon Carter
Chief Clerk
House of Representatives

#36

AMENDMENT NO. 14 BY Luna

1 Amend C.S.H.J.R. 4 as follows:

2 On page 2, between lines 1 and 2, insert the following:

3 (c) The Legislature may not appropriate, for any fiscal year,
4 an amount of state funds for the support of elementary and
5 secondary public school education less than the amount appropriated
6 for that purpose in the prior fiscal year, adjusted for changes in
7 student population and inflation in the cost of educational goods
8 and services.

10_$GUAR.AMD

751152

ADOPTED

APR 23 1997

Sharon Carter
Chief Clerk
House of Representatives

FLOOR AMENDMENT NO. 15 BY Luna

Amend the Luna amendment to C.S.H.J.R No. 4 by striking lines 3-8 and substituting the following:

(c) The Legislature may not appropriate, for any biennium, an amount of state funds for the Foundation School Program that is less than the amount appropriated for that purpose in the prior biennium, adjusted for student population growth.

750642

ADOPTED As Amended

APR 23 1997

Sharon Carter
Chief Clerk
House of Representatives

FLOOR AMENDMENT NO. 18 BY Wohlgemuth

Amend C.S.H.J.R. No. 4 as follows:

(1) On page 4, line 23, strike "<u>, subject to rate limitations as provided by law,</u>".

(2) On page 5, line 1, between "schools<u>.</u>" and "<u>The</u>", insert the following:

<u>The Legislature may provide rate limitations by law, except that a school district may not impose a tax for maintenance and operations at a rate greater than 70 cents on the $100 valuation of taxable property unless a majority of the qualified voters of the district voting at an election held for that purpose after September 1, 1997, approve the tax and may not impose a tax for maintenance and operations at a rate greater than 80 cents on the $100 valuation of taxable property.</u>

97 APR 21 PM 4:23
HOUSE OF REPRESENTATIVES

ADOPTED

APR 23 1997

Sharon Carter
Chief Clerk
House of Representatives

FLOOR AMENDMENT NO. 19

BY Chesnim

to CSHJR4

Amend Floor Amendment No. ____, by Wohlgemuth, by striking lines 8-13 of the amendment and substituting "at a rate greater than $1.05 on the $100 valuation of taxable property."

1

#15

750631

97 APR 21 AM 11:18

HOUSE OF REPRESENTATIVES

ADOPTED As Amended

APR 23 1997

Sharon Carter
Chief Clerk
House of Representatives

FLOOR AMENDMENT NO. 21 BY Joe Nixon

Amend C.S.H.J.R. No. 4 as follows:

(1) Add a new section, appropriately numbered, to read as follows:

SECTION ____. Section 1, Article VIII, Texas Constitution, is amended by adding Subsection (i) to read as follows:

(i) Notwithstanding Subsections (a) and (b) of this section, the Legislature by general law may limit the appraised value of residence homesteads for ad valorem tax purposes to provide tax relief from the effects of increases in the market value of residence homesteads. A limitation on appraised values authorized by this subsection:

(1) takes effect as to a residence homestead on the later of the effective date of the law imposing the limitation or January 1 of the first tax year the owner qualifies the property for an exemption under Section 1-b of this article; and

(2) expires on January 1 of the first tax year that neither the owner of the property when the limitation took effect, the owner's spouse or surviving spouse, nor a minor child of the owner qualifies for an exemption under Section 1-b.

(2) Strike SECTION 9 of the resolution and substitute the following:

SECTION 9. This proposed constitutional amendment shall be submitted to the voters at an election to be held August 9, 1997. The ballot shall be printed to permit voting for or against the

proposition: "The constitutional amendment authorizing changes in law to reduce local property taxes, limit values of residence homesteads for property tax purposes, and increase the state's share of public education funding, including the dedication of lottery revenue to the public schools, authorization of a limited state property tax on nonresidential property, authorization of a privilege or franchise tax on the income and capital of business organizations other than sole proprietorships, providing for the transfer to a different homestead of the school property tax freeze on homesteads of the elderly, and establishment of public schools as the first priority of state spending."

(3) Renumber SECTIONS of the resolution appropriately.

ADOPTED

APR 23 1997

Sharon Carter
Chief Clerk
House of Representatives

751134

Amendment No. 22 By Marchant

Amend the Nixon amendment to C.S.H.J.R. 4 to read as follows:

Amend SECTION 4, of C.S.H.J.R. 4, by adding Subsection (i) and (j) to read as follows:

(i) Notwithstanding Subsections (a) and (b) of this section, the Legislature by general law may limit the maximum annual increase in the appraised value of residence homesteads for ad valorem tax purposes in order to provide tax relief from the effects of rapid increases in the market value of residence homesteads. A limitation on appraisal increases authorized by this subsection:

(1) takes effect as to a residence homestead on the later of the effective date of the law imposing the limitation or January 1 of the tax year following the first tax year the owner qualifies the property for an exemption under Section 1-b of this article; and

(2) expires on January 1 of the first tax year that neither the owner of the property when the limitation took effect, the owner's spouse or surviving spouse, nor a minor child of the owner qualifies for an exemption under Section 1-b.

(j) Notwithstanding Subsections (a) and (b) of this section, the Legislature by general law may limit the frequency with which increases in the appraised value of real property for ad valorem tax purposes may be recognized.

750602

97 APR 21 PM 4:53

HOUSE OF REPRESENTATIVES

ADOPTED As Amended

APR 23 1997

Sharon Carter
Chief Clerk
House of Representatives

FLOOR AMENDMENT NO. 23

BY Bosse

Amend C.S.H.J.R. No. 4 as follows:

(1) On page 6, strike lines 12-14 and substitute the following:

(b) The governing body of any county, city, town, school district, or other political subdivision of the State[~~, other than a county education district,~~] may exempt by its own action

(2) On page 7, strike lines 4-13 and substitute the following:

subdivision. [~~In the manner provided by law, the voters of a county education district at an election held for that purpose may exempt an amount not less than Three Thousand Dollars ($3,000), as provided in the petition, of the market value of residence homesteads of disabled persons or of persons sixty-five (65) years of age or over from ad valorem taxes thereafter levied by the county education district~~]. An eligible disabled

(3) On page 8, strike lines 1-7.

(4) On page 9, strike lines 16-26 and substitute the following:

(e) The governing body of a political subdivision[~~, other than a county education district,~~] may exempt from ad valorem taxation a percentage of the market value of the residence homestead of a married or unmarried adult, including one living alone. [~~In the manner provided by law, the voters of a county education district at an election held for that purpose may exempt from ad valorem taxation a percentage of the market value of the~~

~~residence homestead of a married or unmarried adult, including one living alone.~~] The percentage may not exceed twenty percent.

751154

ADOPTED

APR 23 1997

Sharon Carter
Chief Clerk
House of Representatives

FLOOR AMENDMENT NO. 24 BY Bosse

Amend the Bosse amendment to CSHJR4 to read as follows:

~~Substitute the following for the Bosse amendment~~:

Amend C.S.H.J.R. No. 4 as follows:

(1) On page 6, strike lines 9-27, strike page 7, and on page 8, strike lines 1-7 and substitute the following:

SECTION 5. Section 1-b(d), Article VIII, Texas Constitution, is amended to read as follows:

(2) On page 9, strike lines 16-27 and on page 10, strike lines 1-12.

25

750640

ADOPTED

APR 23 1997

Sharon Carter
Chief Clerk
House of Representatives

Sharon Carter

FLOOR AMENDMENT NO. 25

BY

Amend C.S.H.J.R. No. 4, by adding a new section, appropriately numbered, to read as follows, and renumbering subsequent sections appropriately:

SECTION _____. Article VIII, Texas Constitution, is amended by adding Section 1-m to read as follows:

Sec. 1-m. The legislature by general law may provide that the owner of property consisting of a separate interest in oil or gas, including condensate and liquified petroleum gas, and from which oil or gas is produced, in lieu of ad valorem taxes on the property, may elect to pay a gross wellhead receipts tax. The law must permit an annual election by the owner of the property for payment of the gross receipts tax. The receipts from a gross receipts tax imposed under the authority of this section shall be used in the same manner and for the same purpose as receipts from ad valorem taxes. This section does not affect the imposition and use of revenue from gross receipts taxes not imposed under the authority of this section.

75R12428-JD-D

750775

ADOPTED As Amended

APR 23 1997

Sharon Carter
Chief Clerk
House of Representatives

Sharon Carter

FLOOR AMENDMENT NO. 26

BY Nancy Moffat

Amend C.S.H.J.R. No. 4 by adding the following appropriately numbered section to read as follows:

SECTION __. Article VIII, Texas Constitution, is amended by adding Section 1-m to read as follows:

Sec. 1-m. The legislature by general law may make river authorities that sell electricity or water or sewer services subject to a privilege, franchise, or property tax, including a tax on property dedicated to public use. The legislature may specify the manner in which the tax is to be imposed and how the tax will be measured and computed.

750895

FLOOR AMENDMENT NO. 27 BY Uher

Amend the Moffat amendment to C.S.H.J.R. No. 4 by striking lines 3 through 10 and substitue the following:

SECTION 1. Article VIII of the Texas Constitution is amended by adding Section 1-m to read as follows:

Sec. 1-m. The legislature by general law may make a river authority that owns or operates one or more steam generating plants subject to a franchise tax. The legislature may impose such franchise taxes only upon that portion of the authority's business that is directly related to the generation, transmission, or distribution of electricity, and at a rate that is not in excess of the rate imposed upon similarly situated private entities engaged in the electric business.

ADOPTED
APR 23 1997
Sharon Carter
Chief Clerk
House of Representatives

LGL: 6076v3

ADOPTED As Amended

APR 2 3 1997

Sharon Carter
Chief Clerk
House of Representatives

750623 ->

Floor amendment No. 29 By Grusendorf

Amend C.S.H.J.R. No.4 as follows:

On page 11, line 18, insert "business" before the word "entity"

Sharon Carter

page 11, line 18

751166

ADOPTED

APR 23 1997

Sharon Carter
Chief Clerk
House of Representatives

Amend the Gusendorf amendment to read as follows:

Floor amendment No. 30 By ~~Gusendorf~~ Talton

Amend C.S.H.J.R. No.4 as follows:

On page 11, line 18, insert "taxable business" before the word "entity"

750644

ADOPTED As Amended

APR 23 1997

Sharon Carter
Chief Clerk
House of Representatives

97 APR 21 PM 4:55
HOUSE OF REPRESENTATIVES

AMENDMENT NO. 32 BY [signature]

J.R. No 4.

Amend C.S.H. ~~B.~~ as follows:

Add a new section to the resolution to read as follows

~~between Sec. 2.31 and 2.32 of the bill (committee printing page 131, lines 11 and 12) insert the following~~:

SECTION____. Sec. 2.31 to read as follows:

(10) Each appraisal district shall send the following written notice to each residential property owner:

Members of the 75th Session of the Texas Legislature have passed legislation that will significantly lower your school district property taxes for 1998. If your property taxes are being paid by a mortgage company, you should contact that mortgage company to advise them of this decrease in taxes. They will then adjust your escrow account accordingly for tax year 1998. If you pay your property taxes, your school district property tax bill will be significantly less for tax year 1998. The tax bills that reflect this decrease will be mailed in October 1998 and will be based on the value of your property less any exemptions you may qualify for as of January 1, 1998. If you have any questions concerning the value of your property or qualifications for any exemptions, please contact your local appraisal district. If you have any questions concerning your tax bill, please contact the office that collects these fees.

750888

ADOPTED
APR 23 1997
Sharon Carter
Chief Clerk
House of Representatives

FLOOR AMENDMENT NO. 33 BY Marchant Stiles

to CSHJR 4

Amend the Marchant-Stiles amendment by striking all of the text of the amendment and substituting the following:

Amend C.S.H.J.R. No. 4 by adding the following new section to the resolution and renumbering subsequent sections appropriately:

SECTION ____. Article VIII, Texas Constitution, is amended by adding Section 1-b-3 to read as follows:

Sec. 1-b-3. NOTICE OF PROPERTY TAX REDUCTION. (a) Not later than October 1, 1997, the chief appraiser of each appraisal district in this state shall send to each owner of a residence homestead in the appraisal district the following written notice:

NOTICE OF PROPERTY TAX DECREASE

Members of the 75th Texas Legislature, Regular Session, 1997, have enacted legislation that will significantly reduce your school district property taxes for 1997 and subsequent years when compared to your 1996 school taxes. The first tax bill reflecting this reduction of your school district property taxes should be mailed before October 1, 1997. Questions concerning your tax bill should be directed to the local tax collector.

The amount of your school district property taxes for 1997 is based on the value of your home on January 1, 1997, and any residence homestead exemptions for which you qualify in 1997. Questions concerning the appraised value of your home or about residence homestead exemptions should be directed to the appraisal district for your county.

1 If the property taxes on your home are paid by an entity that
2 holds a mortgage on your home, you should inform the entity that
3 holds the mortgage of the reduction in the property taxes on your
4 home for 1997. If an escrow account is maintained in connection
5 with the mortgage on your home, the entity that holds that mortgage
6 will adjust the amounts that you are required to pay into your
7 escrow account for 1998 property taxes.
8 (b) This section expires December 31, 1998.

750645 ->

ADOPTED As Amended
APR 23 1997
Sharon Carter
Chief Clerk
House of Representatives

97 APR 21 PM 4:54
HOUSE OF REPRESENTATIVES

AMENDMENT NO. 34 BY [signature]

Amends C.S.H.~~B.~~ J.R. No. 4 as follows:

insert a new Sec 2.55 in the resolution as follows and renumber the ~~bill~~ resolution accordingly:

Every mortgage loan servicer shall provide to the borrower a copy of the following written notice no later than September 30, 1997:

NOTICE OF PROPERTY TAX DECREASE: Because of the action taken by the 75th Legislature ant the Constitutional amendment approved by the voters, there will be a substantial decrease in the residential property tax rates beginning in 1998. If your monthly mortgage payment includes taxes, the property tax decrease should result in a decrease in the amount necessary to be paid into the escrow account. This decrease will be taken into account when we provide you the Annual Escrow Account Statement required by federal law and the notice of the change in your mortgage payment. If you have any questions about your mortgage payment after you receive the Annual Escrow Statement, you can contact us (address and Telephone number of lender).

750890

ADOPTED

APR 23 1997

Sharon Carter
Chief Clerk
House of Representatives

FLOOR AMENDMENT NO. 35 BY Marchant - Stiles

(to CSHJR 4)

Amend the Marchant-Stiles amendment to CSHJR 4 by striking all of the text of the amendment and substituting the following:

Amend C.S.H.J.R. No. 4 by adding the following new section to the resolution and renumbering subsequent sections appropriately:

SECTION ____. Article VIII, Texas Constitution, is amended by adding Section 1-b-2 to read as follows:

Sec. 1-b-2. NOTICE OF PROPERTY TAX DECREASE. (a) If, on September 1, 1997, an escrow account is required to be maintained in connection with a loan secured by a mortgage in real property consisting of a single place of residence from which ad valorem taxes are paid, whether the residence is a separate structure or a residential unit within a multiple-unit structure, the person who controls the account, before October 1, 1997, shall deliver to the person who pays money into the account the following notice:

NOTICE OF PROPERTY TAX DECREASE

Because of actions taken by the 75th Texas Legislature, Regular Session, 1997, and approval by the voters of the constitutional amendment providing property tax relief to owners of residential property, in 1997 and subsequent years there will be a substantial decrease in the tax rates of school districts on residential property in this state. If your periodic mortgage payment includes an amount for the payment of property taxes, the decrease in the tax rate of your school district should result in a decrease in the amount you are required to pay into your escrow

account. The decrease will be taken into account when your next annual escrow account statement required by federal law is prepared by (name of entity that controls escrow account). After you receive that escrow account statement, if you have any questions concerning the amount of your mortgage payments, you may direct them to (name of entity that controls escrow account) at (address and telephone number of entity).

(b) This section expires December 31, 1998.

750910

ADOPTED

APR 2 3 1987

Sharon Carter
Chief Clerk
House of Representatives

FLOOR AMENDMENT NO. 37 BY Luna

Amend the Luna amendment to C.S.H.J.R No. 4 by striking lines 3-8 and substituting the following:

(c) The Legislature may not appropriate, for any biennium, an amount of state funds for the maintenance and operation of public schools and for the erection and equipment of public school buildings that is less than the amount appropriated for those purposes in the prior biennium, adjusted for student population growth.

ADOPTED A3 Amendd

APR 2 3 1997

Sharon Carter
Chief Clerk
House of Representatives

750635

AMENDMENT NO. 38

BY Shiell

1 Amend C.S.H.J.R. No. 4 as follows:

2 Beginning on page 11, line 26, and ending on page 12, line 1,
3 strike "a privilege or franchise tax on the income and capital of
4 business organizations other than sole proprietorships," and
5 substitute "an income tax on partnerships,".

Sharon Carter

750911 ->

ADOPTED

APR 23 1997

Sharon Carter
Chief Clerk
House of Representatives

FLOOR AMENDMENT NO. 39 BY Sadler

Amend the Shields ballot proposition amendment to CSHJR 4 to read as follows:

Strike the ballot proposition and substitute the following: "The constitutional amendment authorizing changes in law to reduce local property taxes and increase the state's share of public education funding, including:

(1) dedication of lottery revenue to public schools;

(2) authorizing a limited state property tax on nonresidential property;

(3) authorizing a privilege or franchise tax on the income and capital of business organizations other that sole proprietorships;

(4) providing for the transfer to a different homestead of the school property tax freeze on homesteads of the elderly;

(5) providing a cap on the maintenance and operations tax rate for schools;

(6) authorizing the legislature to limit the frequency of appraisals and increases in value of residence homesteads for property tax purposes;

(7) providing for the creation of a commission to study and make recommendations on efficiency in state government;

(8) providing an equity standard for the public school finance system;

(9) providing for alternative taxation of separate interests in oil and gas;

(10) authorizing a franchise tax on certain river authorities ~~generating electricity~~; and

(11) establishing public schools as the first priority in state spending and preserving the level of state funding of public schools."

HOUSE ENGROSSMENT

By Craddick, Junell H.J.R. No. 4

A JOINT RESOLUTION

proposing a constitutional amendment providing financial support for elementary and secondary public education, dedicating revenue and authorizing priority allocations of certain revenue, authorizing a state property tax and certain taxes on entities, providing property tax relief and reduced school taxes on residential property, including certain homestead property, and making implementation and conforming amendments.

BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Section 1, Article VII, Texas Constitution, is amended to read as follows:

Sec. 1. (a) A general diffusion of knowledge being essential to the preservation of the liberties and rights of the people, it shall be the duty of the Legislature of the State to establish and make suitable provision for the support and maintenance of an efficient system of public free schools.

(b) The financial support of elementary and secondary public school education shall be the first priority among State spending and appropriations, subject only to the dedication of revenue otherwise provided by this Constitution and to the payment of lawfully incurred State debt.

(c) It is the policy of this State that the provision of public education is a state responsibility and that a thorough and efficient system be provided and substantially financed through State revenue sources so that each student enrolled in the public

school system shall have access to programs and services that are appropriate to the student's educational needs and that are substantially equal to those available to any similar student, notwithstanding varying local economic factors.

(d) The public school finance system of this State shall adhere to a standard of neutrality that provides for substantially equal access to similar revenue per student at similar tax effort, considering all State and local tax revenues of districts after acknowledging all legitimate student and district cost differences.

(e) The Legislature may not appropriate, for any biennium, an amount of State funds for the maintenance and operation of public schools and for the erection and equipment of public school buildings that is less than the amount appropriated for those purposes in the prior biennium, adjusted for student population growth.

SECTION 2. Section 1-e, Article VIII, Texas Constitution, is amended to read as follows:

Sec. 1-e. 1. Except as provided by Subsection 2 of this section, no [No] State ad valorem taxes shall be levied upon any property within this State.

2. Ad valorem taxes may be imposed by the legislature at a rate not to exceed $1.05 for each $100 of taxable value for elementary and secondary public free schools purposes on property not subject to taxation for maintenance and operations purposes by a school district and not otherwise exempted by this constitution or by the legislature under the authority of this constitution. The legislature may provide for the appraisal of property subject

to State ad valorem taxes, for the equalization of the taxable values of that property, and for the collection of the State ad valorem taxes imposed on that property [~~All--receipts---from previously--authorized-State-ad-valorem-taxes-that-are-collected-on or-after--the-effective-date-of-the-1982-amendment-to-this--section shall--be-deposited-to-the-credit-of-the-general-fund-of-the-county collecting-the-taxes-and--may--be--expended--for--county--purposes. Receipts-from-taxes-collected-before-that-date-shall-be-distributed by---the---legislature---among--institutions--eligible--to--receive distributions--under--prior--law.---Those--receipts--and---receipts distributed--under--prior--law--may--be--expended--for-the-purposes provided-under-prior-law-or-for-repair-and-renovation--of--existing permanent-improvements~~].

3. The legislature by general law may exempt from ad valorem taxes imposed under Subsection 2 of this section in any tax year all or a portion of the value of property exempt in that tax year from ad valorem taxation by a school district pursuant to a tax abatement agreement entered into by the school district before January 1, 1997, or in a reinvestment zone created by municipal ordinance on or before April 1, 1997, for which a municipal tax abatement agreement is entered into before July 1, 1997.

4. State ad valorem taxes shall be assessed on the valuation of property subject to those taxes as determined by the appraisal officials in the county in which the property is located. If an appraisal official uses generally accepted appraisal standards and practices to appraise property subject to the State ad valorem tax and the valuation of the property subject to that tax conforms to

or is equalized by the local appraisal review process to conform to the accepted standards and practices, the assessment of the State ad valorem tax on that valuation is not invalid. This subsection expires at the end of the 1999 ad valorem tax year.

5. The legislature by general law may authorize the State to use increases in ad valorem tax revenues imposed on property in a reinvestment zone to finance the development or redevelopment of property in the zone if the zone was designated before February 1, 1997, or if a reinvestment zone existing on that date was expanded before June 30, 1997, to include the site for a public school.

SECTION 3. Section 3, Article VII, Texas Constitution, is amended to read as follows:

Sec. 3. (a) One-fourth of the revenue derived from the State occupation taxes [~~and--poll--tax--of--one--dollar--on--every inhabitant--of-the--State,-between-the-ages-of-twenty-one-and-sixty years,~~] shall be set apart annually for the benefit of the public free schools; and in addition thereto, there shall be levied and collected an annual ad valorem State tax as provided by Subsection 2, Section 1-e, Article VIII, of this constitution [~~of-such-an amount--not-to--exceed----thirty-five--cents--on--the--one--hundred ($100.00)--dollars--valuation,--as--with--the-available-school-fund arising-from-all-other-sources,-will-be-sufficient~~] to maintain and support the public schools of this State. Money received by the State from the operation of lotteries authorized by Section 47(e), Article III, of this constitution, less amounts paid for lottery prizes and administrative costs, may be spent only for elementary and secondary public free schools. The [~~for-a-period--of-not-less~~

~~than-six-months-in-each-year,-and-it-shall--be--the--duty--of--the~~] State Board of Education shall [~~to~~] set aside a sufficient amount of State funds [~~out-of-the-said-tax~~] to provide free text books for the use of children attending the public free schools of this State. If[~~,-provided,-however,-that-should-the-limit-of~~] taxation and revenue described by this subsection are [~~herein--named--be~~] insufficient, the deficit may be met by appropriation from the general funds of the State.

(b) The [~~and-the~~] Legislature may [~~also~~] provide for the formation of school districts [~~district~~] by general laws. All[~~, and-all~~] such school districts may embrace parts of two or more counties. The[~~,--and--the~~] Legislature may by general law provide [~~shall-be-authorized-to-pass-laws-for-the-assessment-and-collection of-taxes-in-all-said-districts-and~~] for the management and control of the public [~~school-or~~] schools of such districts.

(c) The[~~,--whether--such-districts-are-composed-of-territory wholly-within-a-county-or-in-parts-of-two--or--more--counties,--and the~~] Legislature may provide for school districts to impose [~~authorize~~] an [~~additional~~] ad valorem tax on all residential property as defined by general law [~~to--be--levied--and--collected within-all-school-districts-heretofore-formed-or-hereafter-formed,~~] for the further maintenance and operations of public free schools. The Legislature may provide rate limitations by law, except that a school district may not impose a tax for maintenance and operations at a rate greater than $1.05 on the $100 valuation of taxable property. The Legislature may provide for school districts to impose an additional ad valorem tax on all property not otherwise

exempted by this constitution or by the Legislature under the authority of this constitution[~~,--and~~] for the erection and equipment of school buildings if [~~therein,--provided--that~~] a majority of the qualified [~~property--taxpaying~~] voters of the district voting at an election to be held for that purpose[~~,~~] shall vote such tax [~~not-to-exceed-in-any-one-year-one-($1.00)-dollar-on the-one-hundred--dollars--valuation--of--the--property--subject--to taxation--in--such--district,-but-the-limitation-upon-the-amount-of school--district--tax--herein--authorized--shall---not---apply---to incorporated--cities-or-towns-constituting-separate-and-independent school-districts,-nor-to-independent--or--common--school--districts created-by-general-or-special-law~~].

SECTION 4. Section 1, Article VIII, Texas Constitution, is amended by amending Subsection (c) and adding Subsections (c-1), (i), and (j) to read as follows:

(c) The Legislature may provide for the taxation of intangible property and may also impose occupation taxes, both upon natural persons and upon corporations, other than municipal, doing any business in this State. Subject to the restrictions of Section 24 of this article, it may also tax incomes of both natural persons and corporations other than municipal. It may also impose privilege or franchise taxes measured by the income or taxable capital of a corporation, partnership, or business entity other than a sole proprietorship. A sole proprietorship [~~Persons~~] engaged in mechanical or [~~and~~] agricultural pursuits shall never be required to pay an occupation tax. This subsection does not prohibit the imposition of taxes on a gas, electric, or water

utility of a municipal corporation.

(c-1) The use of income earned or receipts after December 31, 1996, to measure or apportion to this State a privilege or franchise tax authorized by Subsection (c) of this section is not prohibited. This section expires January 1, 2000.

(i) Notwithstanding Subsections (a) and (b) of this section, the Legislature by general law may limit the maximum annual increase in the appraised value of residence homesteads for ad valorem tax purposes in order to provide tax relief from the effects of rapid increases in the market value of residence homesteads. A limitation on appraisal increases authorized by this subsection:

(1) takes effect as to a residence homestead on the later of the effective date of the law imposing the limitation or January 1 of the tax year following the first tax year the owner qualifies the property for an exemption under Section 1-b of this article; and

(2) expires on January 1 of the first tax year that neither the owner of the property when the limitation took effect, the owner's spouse or surviving spouse, nor a minor child of the owner qualifies for an exemption under Section 1-b.

(j) Notwithstanding Subsections (a) and (b) of this section, the Legislature by general law may limit the frequency with which increases in the appraised value of real property for ad valorem tax purposes may be recognized.

SECTION 5. Section 1-b(d), Article VIII, Texas Constitution, is amended to read as follows:

(d) Except as otherwise provided by this subsection, if a person receives the residence homestead exemption prescribed by Subsection (c) of this section for homesteads of persons sixty-five (65) years of age or older, the total amount of ad valorem taxes imposed on that homestead for general elementary and secondary public school purposes may not be increased while it remains the residence homestead of that person or that person's spouse who receives the exemption. If a person sixty-five (65) years of age or older dies in a year in which the person received the exemption, the total amount of ad valorem taxes imposed on the homestead for general elementary and secondary public school purposes may not be increased while it remains the residence homestead of that person's surviving spouse if the spouse is fifty-five (55) years of age or older at the time of the person's death, subject to any exceptions provided by general law. <u>The legislature, by general law, may provide for the transfer of all or a proportionate amount of a limitation provided by this subsection for a person who qualifies for the limitation and establishes a different residence homestead.</u> However, taxes otherwise limited by this subsection may be increased to the extent the value of the homestead is increased by improvements other than repairs or improvements made to comply with governmental requirements <u>and except as may be consistent with the transfer of a limitation under this subsection. If the total amount of a school district's taxes imposed in the 1997 tax year for elementary and secondary public school purposes on a residence homestead subject to a limitation provided by this subsection is less than the total amount of the school district's taxes on that</u>

residence homestead for those purposes in the first year that the residence homestead qualified for the limitation, in a subsequent tax year the total amount of taxes the school district may impose on the residence homestead for elementary and secondary public school purposes while it remains the residence homestead of a person entitled to the limitation may not exceed the amount of the 1997 school district taxes, except as otherwise provided by this subsection.

SECTION 6. Article VIII, Texas Constitution, is amended by adding Section 1-b-2 to read as follows:

Sec. 1-b-2. NOTICE OF PROPERTY TAX DECREASE. (a) If, on September 1, 1997, an escrow account is required to be maintained in connection with a loan secured by a mortgage in real property consisting of a single place of residence from which ad valorem taxes are paid, whether the residence is a separate structure or a residential unit within a multiple-unit structure, the person who controls the account, before October 1, 1997, shall deliver to the person who pays money into the account the following notice:

NOTICE OF PROPERTY TAX DECREASE

Because of actions taken by the 75th Texas Legislature, Regular Session, 1997, and approval by the voters of the constitutional amendment providing property tax relief to owners of residential property, in 1997 and subsequent years there will be a substantial decrease in the tax rates of school districts on residential property in this state. If your periodic mortgage payment includes an amount for the payment of property taxes, the decrease in the tax rate of your school district should result in a

decrease in the amount you are required to pay into your escrow account. The decrease will be taken into account when your next annual escrow account statement required by federal law is prepared by (name of entity that controls escrow account). After you receive that escrow account statement, if you have any questions concerning the amount of your mortgage payments, you may direct them to (name of entity that controls escrow account) at (address and telephone number of entity).

(b) This section expires December 31, 1998.

SECTION 7. Article VIII, Texas Constitution, is amended by adding Section 1-b-3 to read as follows:

Sec. 1-b-3. NOTICE OF PROPERTY TAX REDUCTION. (a) Not later than October 1, 1997, the chief appraiser of each appraisal district in this state shall send to each owner of a residence homestead in the appraisal district the following written notice:

NOTICE OF PROPERTY TAX DECREASE

Members of the 75th Texas Legislature, Regular Session, 1997, have enacted legislation that will significantly reduce your school district property taxes for 1997 and subsequent years when compared to your 1996 school taxes. The first tax bill reflecting this reduction of your school district property taxes should be mailed before October 1, 1997. Questions concerning your tax bill should be directed to the local tax collector.

The amount of your school district property taxes for 1997 is based on the value of your home on January 1, 1997, and any residence homestead exemptions for which you qualify in 1997. Questions concerning the appraised value of your home or about

residence homestead exemptions should be directed to the appraisal district for your county.

If the property taxes on your home are paid by an entity that holds a mortgage on your home, you should inform the entity that holds the mortgage of the reduction in the property taxes on your home for 1997. If an escrow account is maintained in connection with the mortgage on your home, the entity that holds that mortgage will adjust the amounts that you are required to pay into your escrow account for 1998 property taxes.

(b) This section expires December 31, 1998.

SECTION 8. Section 1-j, Article VIII, Texas Constitution, is amended by amending Subsection (a) and adding Subsection (a-1) to read as follows:

(a) Except as provided by Subsections (a-1) and (b) of this section, to [To] promote economic development in this [the] State, goods, wares, merchandise, other tangible personal property, and ores, other than oil, natural gas, and other petroleum products, are exempt from ad valorem taxation if:

(1) the property is acquired in or imported into this State to be forwarded outside this State, whether or not the intention to forward the property outside this State is formed or the destination to which the property is forwarded is specified when the property is acquired in or imported into this State;

(2) the property is detained in this State for assembling, storing, manufacturing, processing, or fabricating purposes by the person who acquired or imported the property; and

(3) the property is transported outside of this State

not later than 175 days after the date the person acquired or imported the property in this State.

(a-1) Property described by Subsection (a) of this section is not exempt from ad valorem taxes imposed under Section 1-e of this article if the property is located in a school district that for the tax year taxes the property.

SECTION 9. Article VIII, Texas Constitution, is amended by adding Section 1-m to read as follows:

Sec. 1-m. The legislature by general law may provide that the owner of property consisting of a separate interest in oil or gas, including condensate and liquefied petroleum gas, and from which oil or gas is produced, in lieu of ad valorem taxes on the property, may elect to pay a gross wellhead receipts tax. The law must permit an annual election by the owner of the property for payment of the gross receipts tax. The receipts from a gross receipts tax imposed under the authority of this section shall be used in the same manner and for the same purpose as receipts from ad valorem taxes. This section does not affect the imposition and use of revenue from gross receipts taxes not imposed under the authority of this section.

SECTION 10. Article VIII, Texas Constitution, is amended by adding Section 1-n to read as follows:

Sec. 1-n. The legislature by general law may make a river authority that owns or operates one or more steam generating plants subject to a franchise tax. The legislature may impose such franchise taxes only upon that portion of the authority's business that is directly related to the generation, transmission, or

distribution of electricity, and at a rate that is not in excess of the rate imposed upon similarly situated private entities engaged in the electric business.

SECTION 11. Section 22, Article VIII, Texas Constitution, is amended by adding Subsection (d) to read as follows:

(d) Subsection (a) of this section does not apply, for the biennium ending August 31, 2001, to appropriations to the extent made from the amount of the increase in revenue as a result of the changes in the law made by House Bill 4, Acts of the 75th Legislature, Regular Session, 1997. This subsection expires September 1, 2001.

SECTION 12. Section 24, Article VIII, Texas Constitution, is amended by adding Subsection (k) to read as follows:

(k) This section does not apply to a privilege or franchise tax measured by the income of a corporation, partnership, or other taxable business entity, other than a sole proprietorship.

SECTION 13. Article III, Texas Constitution, is amended by adding Section 31a to read as follows:

Sec. 31a. (a) The legislature by general law may create a Texas Grace Commission to study state agencies, institutions, and programs in the executive department of state government and recommend that certain of those agencies, institutions, or programs be abolished or reduced to a specified size or otherwise modified to make them more cost-effective.

(b) Notwithstanding Sections 1, 11, and 31 of this article, the legislature must accept or reject, but may not amend, each substantive recommendation presented to the legislature by the

commission.

(c) This section is repealed on September 1, 1999.

SECTION 14. This proposed constitutional amendment shall be submitted to the voters at an election to be held August 9, 1997. The ballot shall be printed to permit voting for or against the proposition: The constitutional amendment authorizing changes in law to reduce local property taxes and increase the state's share of public education funding, including:

(1) dedication of lottery revenue to public schools;

(2) authorizing a limited state property tax on nonresidential property;

(3) authorizing a privilege or franchise tax on the income and capital of business organizations other than sole proprietorships;

(4) providing for the transfer to a different homestead of the school property tax freeze on homesteads of the elderly;

(5) providing a cap on the maintenance and operations tax rate for schools;

(6) authorizing the legislature to limit the frequency of appraisals and increases in value of residence homesteads for property tax purposes;

(7) providing for the creation of a commission to study and make recommendations on efficiency in state government;

(8) providing an equity standard for the public school finance system;

(9) providing for alternative taxation of separate

interests in oil and gas;

(10) authorizing a franchise tax on certain river authorities generating electricity; and

(11) establishing public schools as the first priority in state spending and preserving the level of state funding of public schools.

By: Craddick, Junell H.J.R. No. 4
(Senate Sponsor - Armbrister, Bivins)
(In the Senate - Received from the House April 24, 1997; April 24, 1997, read first time and referred to Select Committee on Tax Reform and Public School Finance; May 8, 1997, reported adversely, with favorable Committee Substitute by the following vote: Yeas 10, Nays 1; May 8, 1997, sent to printer.)

COMMITTEE SUBSTITUTE FOR H.J.R. No. 4 By: Armbrister, Bivins

HOUSE JOINT RESOLUTION

proposing a constitutional amendment providing for certain priority and minimum funding for public schools, dedicating certain lottery proceeds to public education, authorizing certain taxes on entities, authorizing the creation of a commission to study efficiency in state government, and providing for transfer or further reduction of a limitation of school tax on homesteads of the elderly.

BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Article III, Texas Constitution, is amended by adding Section 31a to read as follows:

Sec. 31a. (a) The legislature by general law may create a Texas Grace Commission to study state agencies, institutions, and programs in the executive department of state government and recommend that certain of those agencies, institutions, or programs be abolished or reduced to a specified size or otherwise modified to make them more cost effective.

(b) Notwithstanding Sections 1, 11, and 31 of this article, the legislature must accept or reject, but may not amend, each substantive recommendation presented to the legislature by the commission.

(c) This section expires on September 1, 1999.

SECTION 2. Section 47, Article III, Texas Constitution, is amended by adding Subsection (f) to read as follows:

(f) Money received by the State from the operation of lotteries, less amounts paid for lottery prizes and administrative costs, may be spent only as provided by general law for public education.

SECTION 3. Section 1, Article VII, Texas Constitution, is amended to read as follows:

Sec. 1. (a) A general diffusion of knowledge being essential to the preservation of the liberties and rights of the people, it shall be the duty of the Legislature of the State to establish and make suitable provision for the support and maintenance of an efficient system of public free schools.

(b) The financial support of elementary and secondary public school education shall be the first priority among State spending and appropriations, subject only to the dedication of revenue otherwise provided by this Constitution and to the payment of lawfully incurred State debt.

(c) The Legislature may not appropriate, for any biennium, an amount of State funds for the maintenance and operation of public schools and for the erection and equipment of public school buildings that is less than the amount appropriated for those purposes in the prior biennium, adjusted for student population growth and inflation in the cost of educational goods and services.

SECTION 4. Section 1, Article VIII, Texas Constitution, is amended by amending Subsection (c) and adding Subsection (c-1) to read as follows:

(c) The Legislature may provide for the taxation of intangible property and may also impose occupation taxes, both upon natural persons and upon corporations, other than municipal, doing any business in this State. Subject to the restrictions of Section 24 of this article, it may also tax incomes of both natural persons and corporations other than municipal. It may also impose privilege or franchise taxes measured by the income or taxable

capital of a corporation, partnership, or other business entity other than a sole proprietorship. A sole proprietorship [~~Persons~~] engaged in mechanical or [~~and~~] agricultural pursuits shall never be required to pay an occupation tax.

(c-1) The use of income earned or receipts after December 31, 1996, to measure or apportion to this State a privilege or franchise tax authorized by Subsection (c) of this section is not prohibited. This subsection expires January 1, 2000.

SECTION 5. Section 1-b(d), Article VIII, Texas Constitution, is amended to read as follows:

(d) Except as otherwise provided by this subsection, if a person receives the residence homestead exemption prescribed by Subsection (c) of this section for homesteads of persons sixty-five (65) years of age or older, the total amount of ad valorem taxes imposed on that homestead for general elementary and secondary public school purposes may not be increased while it remains the residence homestead of that person or that person's spouse who receives the exemption. If a person sixty-five (65) years of age or older dies in a year in which the person received the exemption, the total amount of ad valorem taxes imposed on the homestead for general elementary and secondary public school purposes may not be increased while it remains the residence homestead of that person's surviving spouse if the spouse is fifty-five (55) years of age or older at the time of the person's death, subject to any exceptions provided by general law. The legislature, by general law, may provide for the transfer of all or a proportionate amount of a limitation provided by this subsection for a person who qualifies for the limitation and subsequently establishes a different residence homestead. However, taxes otherwise limited by this subsection may be increased to the extent the value of the homestead is increased by improvements other than repairs or improvements made to comply with governmental requirements and except as may be consistent with the transfer of a limitation under this subsection. If the total amount of a school district's taxes imposed in the 1997 tax year for elementary and secondary public school purposes on a residence homestead subject to a limitation provided by this subsection is less than the total amount of the school district's taxes on that residence homestead for those purposes in the first year that the residence homestead qualified for the limitation, in a subsequent tax year the total amount of taxes the school district may impose on the residence homestead for elementary and secondary public school purposes while it remains the residence homestead of a person entitled to the limitation may not exceed the amount of the 1997 school district taxes, except as otherwise provided by this subsection.

SECTION 6. Section 24, Article VIII, Texas Constitution, is amended by adding Subsection (k) to read as follows:

(k) This section does not apply to a privilege or franchise tax measured by the income of a corporation, partnership, or other business entity, other than a sole proprietorship.

SECTION 7. This proposed constitutional amendment shall be submitted to the voters at an election to be held August 9, 1997. The ballot shall be printed to permit voting for or against the proposition: "The constitutional amendment to dedicate lottery revenue for public education, authorize a privilege or franchise tax on the income and capital of business organizations other than sole proprietorships, provide for the transfer to a different homestead of the school property tax freeze on homesteads of the elderly and the adjustment of the tax freeze for certain homesteads, provide for the creation of a commission to study and make recommendations on efficiency in state government, and establish public schools as the first priority in state spending and preserve the level of state funding of public schools."

* * * * *

FAVORABLY AS SUBSTITUTED
SENATE COMMITTEE REPORT ON

SB SCR SJR SR HB HCR (HJR) 4

By Armbrister/Bivins
(Author/Senate Sponsor)

5-8-97
(date)

Sir:

We, your Committee on Tax Reform & Public School Finance, to which was referred the attached measure, have on 5/5/97 5/6/97 + 5/7/97 (date of hearing), had the same under consideration and I am instructed to report it back with the recommendation (s) that it:

(✓) do pass as substituted, and be printed
( ) the caption remained the same as original measure
( ) the caption changed with adoption of the substitute

( ) do pass as substituted, and be ordered not printed

( ) and is recommended for placement on the Local and Uncontested Bills Calendar.

A fiscal note was requested. (✓) yes ( ) no

A revised fiscal note was requested. (✓) yes ( ) no

An actuarial analysis was requested. ( ) yes (✓) no

Considered by subcommittee. ( ) yes (✓) no

The measure was reported from Committee by the following vote:

	YEA	NAY	ABSENT	PNV
Senator Armbrister, Chairman	✓			
Senator Bivins, Vice-Chairman	✓			
Senator Barrientos	✓			
Senator Carona	✓			
Senator Duncan	✓			
Senator Ellis		✓		
Senator Fraser	✓			
Senator Harris	✓			
Senator Luna	✓			
Senator Nixon	✓			
Senator Shapiro	✓			
TOTAL VOTES	10	1	0	0

COMMITTEE ACTION

(S260) Considered in public hearing
(S270) Testimony taken

Jerry Sonder
COMMITTEE CLERK

CHAIRMAN

Paper clip the original and one copy of this signed form to the original bill along with TWO copies of the Committee Substitute
Retain one copy of this form for Committee files

BILL ANALYSIS

Senate Research Center

Senate Committee Substitute H.J.R. 4
By: Craddick, Junell (Armbrister, Bivins)
Tax Reform & Public School Finance
5-7-97
Committee Report (Substituted)

DIGEST

Recently, the Governor submitted a constitutional proposal to the legislature which provided for the creation of the Texas School Trust Fund, increased residential homestead exemptions on maintenance and operations of school districts, and excluded the business activity tax from Article VIII, Section 24 and Article VII, Section 3 of the Texas Constitution. The Senate Select Committee on Tax Reform and Public School Finance developed a plan to provide additional property tax relief and create a reliable stream of public revenue for public education. This legislation provides for a constitutional amendment providing for certain priority and minimum funding for public schools, dedicating certain lottery proceeds to public education, authorizing certain taxes on entities, authorizing the creation of a Texas Grace Commission to study efficiency in state government, and establishing the transfer or further reduction of a limitation of school tax on homesteads of the elderly.

PURPOSE

As proposed, S.C.S.H.J.R. 4 requires the submission to the voters of a constitutional amendment providing for certain priority and minimum funding for public schools, dedicating certain lottery proceeds to public education, authorizing certain taxes on entities, authorizing the creation of a Texas Grace Commission to study efficiency in state government, and providing for transfer or further reduction of a limitation of school tax on homesteads of the elderly.

RULEMAKING AUTHORITY

This bill does not grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Article III, Texas Constitution, by adding Section 31a, as follows:

> Sec. 31a. Authorizes the legislature by general law to create a Texas Grace Commission (commission) to study state agencies, institutions, and programs in the executive department of state government and recommend that certain of those entities or programs be abolished or reduced to make them more cost effective. Requires the legislature, notwithstanding Sections 1, 11, and 31 of this article, to accept or reject, but may not amend, each substantive recommendation presented to the legislature by the commission. Provides that this section expires on September 1, 1999.

SECTION 2. Amends Section 47, Article III, Texas Constitution, by adding Subsection (f), to authorize money received by the state from the operation of lotteries, less amounts paid for lottery prizes and administrative costs, to be spent only as provided by general law for public education.

SECTION 3. Amends Section 1, Article VII, Texas Constitution, to require the financial support of elementary and secondary public school education to be the first priority among state spending and appropriations, subject only to the dedication of revenue otherwise provided by this Constitution and to the payment of lawfully incurred state debt. Prohibits the legislature from appropriating, for any biennium, an amount of state funds for the maintenance and operation of public schools and for the erection and equipment of public school buildings that is less than the amount appropriated for

those purposes in the prior biennium, adjusted for student population growth and inflation in the cost of educational goods and services.

SECTION 4. Amends Section 1, Article VIII, Texas Constitution, by amending Subsection (c), and adding Subsection (c-1), as follows:

(c) Authorizes the legislature to impose privilege or franchise taxes measured by the income or taxable capital of a corporation, partnership, or other business entity, other than a sole proprietorship. Provides that a sole proprietorship, rather than persons, engaged in mechanical or agricultural pursuits shall never be required to pay an occupation tax.

(c-1) Establishes that the use of income earned or receipts after December 31, 1996, to measure or apportion to this state a privilege or franchise tax authorized by Subsection (c) of this section is not prohibited. Provides that this subsection expires January 1, 2000.

SECTION 5. Amends Section 1-b(d), Article VIII, Texas Constitution, to authorize the legislature, by general law, to provide for the transfer of all or a proportionate amount of a limitation provided by this subsection for a person who qualifies for the limitation and subsequently establishes a different residence homestead. Establishes that if the total amount of a school district's taxes imposed in the 1997 tax year for elementary and secondary public school purposes on a residence homestead subject to a limitation is less than the total amount of the school's district taxes on that residence homestead in the first year that the residence homestead qualified for the limitation, in a subsequent tax year, the total amount of taxes the school district may impose on the residence homestead while it remains the residence homestead of a person entitled to the limitation may not exceed the amount of the 1997 school district taxes, except as otherwise provided by this subsection. Makes conforming changes.

SECTION 6. Amends Section 24, Article VIII, Texas Constitution, by adding Subsection (k), to provide that this section does not apply to a privilege or franchise tax measured by the income of a corporation, partnership, or other business entity, other than a sole proprietorship.

SECTION 7. Requires this proposed constitutional amendment to be submitted to the voters at an election to be held August 9, 1997. Sets forth the required language of the ballot.

SUMMARY OF COMMITTEE CHANGES

Amendment 1: (Luna)

Regarding school finance: States that it is the policy of this state to provide for a thorough and efficient system of public education. Requires equal access to programs.

Amendment 2: (Luna)

Regarding school finance: Makes the financial support of elementary and secondary public education the first priority among state spending and appropriations, subject only to constitutional dedications of revenue.

Amendment 3: (Shapiro)

Regarding the Texas Grace Commission: Authorizes the legislature to create a Texas Grace Commission to study efficiency in state government.

Amendment 4: (Luna)

Regarding school finance: Prohibits the legislature from appropriating in any biennium, an amount of money for the maintenance and operation of public schools and for new facilities and equipment that is less than the amount appropriated in the prior biennium, adjusted for population growth and inflation.

Amendment 5: (Carona)

Regarding property tax: Provides for the exemption of motor vehicles leased for personal use from property taxes.

Amendment 6: (Armbrister)

Regarding franchise tax: Repeals subsection regarding the use of receipts after December 31, 1996 for franchise tax calculation purposes only, instead of entire Franchise Tax section.

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE
75th Regular Session

May 7, 1997

To: Honorable Kenneth Armbrister, Chair
Committee on Tax Reform & Public School Finance
Senate
Austin, Texas

IN RE: House Joint Resolution No. 4, Committee Report 2nd House, Substituted
By: Craddick

From: John Keel, Director

In response to your request for a Fiscal Note on HJR4 (proposing a constitutional amendment dedicating lottery proceeds to public education, authorizing certain taxes on entities, and providing for the transfer or further reduction of a limitation of school tax on homesteads of the elderly.) this office has determined the following:

Biennial Net Impact to General Revenue Funds by HJR4-Committee Report 2nd House, Substituted

The fiscal implication to the State and units of local government would depend on the enabling legislation. The effects of the Senate Committee Substitute for House Joint Resolution 4 are included in the fiscal note for the Senate Committee Substitute for House Bill 4.

The cost to the state for publication of the resolution is $71,000.

The resolution would propose a constitutional amendment which, if adopted, would do the following:

(1) allow the Legislature to establish a commission that would make recommendations regarding abolition or modification of executive agencies, the recommendations to be accepted or rejected by the Legislature without amendment.

(2) dedicate net lottery revenue to elementary and secondary public education;

(3) provide that support of elementary and secondary public education is the first priority for State spending; and prohibit the Legislature from appropriating less for public schools in a biennium than in the prior biennium as adjusted for student population growth and inflation in the cost of educational goods and services;

(4) authorize the Legislature to impose a franchise or privilege tax measured by income or taxable capital on corporations, partnerships, and business entities other than sole proprietorships; and allow income earned after December 31, 1996 to measure or apportion the franchise tax;

(5) allow the Legislature to provide for the transfer of the sixty-five or over tax freeze to a different homestead and set the freeze level at the lower of the current freeze level and the amount of 1997 school district taxes; and

(6) exempt a franchise or privilege tax, other than one imposed on a sole proprietor, from the Article VIII, Section 24, requirements relating to the imposition of a net income tax.

The proposed amendment would be submitted to the voters on August 9, 1997.

The fiscal implication to the State and units of local government would depend on the enabling legislation.

The cost to the state for publication of the resolution is $71,000.

Source: Agencies:	302	Office of the Attorney General
	307	Secretary of State
	304	Comptroller of Public Accounts
LBB Staff:	JK, BR, RS	

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE
75th Regular Session

April 28, 1997

To: Honorable Kenneth Armbrister, Chair
Committee on Tax Reform & Public
School Finance
Senate
Austin, Texas

IN RE: House Joint Resolution
No. 4, As Engrossed
By: Craddick/et al.

From: John Keel, Director

In response to your request for a Fiscal Note on HJR4 (proposing a constitutional amendment providing financial support for elementary and secondary public education, dedicating revenue and authorizing priority allocations of certain revenue, authorizing a state property tax and certain taxes on entities, providing property tax relief and reduced school taxes on residential property, including certain homestead property, and making implementation and conforming amendments.) this office has determined the following:

Biennial Net Impact to General Revenue Funds by HJR4-As Engrossed

The fiscal implication would depend on the enabling legislation. The effects of House Joint Resolution 4, as engrossed, are included in the fiscal note on the Engrossed version of House Bill 4.

The cost to the State for publication of the resolution is $71,000.

The resolution proposes a constitutional amendment which, if adopted, would do the following:

(1) provide that support of elementary and secondary public education is the first priority for State spending;

(2) establish a constitutional equity standard for public school funding;

(3) prohibit the Legislature from appropriating less per student for public schools in a biennium than in the prior biennium.

(4) authorize the Legislature to impose a state property tax not to exceed $1.05 per $100 of valuation on non-residential property and dedicated the tax for of elementary and secondary public schools;

(5) allow the Legislature to exempt, from the state property tax, property exempt from school district maintenance and operation taxes under an abatement granted before January 1, 1997 or in a reinvestment zone created by municipal ordinance before April 1, 1997 for which an abatement agreement is entered into before July 1, 1997.

(6) dedicate net lottery revenue to elementary and secondary public education;

(7) exempt non-residential property from school district maintenance and operation taxes;

(8) authorize the Legislature to impose a franchise or privilege tax measured by income or taxable capital on corporations, partnerships, and business entities other than sole

proprietorships;

(9) authorize the Legislature to limit increases in appraised value of homesteads and limit the frequency of appraisals;

(10) allow the Legislature to provide for the transfer of the sixty-five or over tax freeze to a different homestead and set the freeze level at the lower of the current freeze level and the amount of 1997 school district taxes;

(11) require the notification of homeowners of the property tax decrease granted by the Seventy-fifth Legislature and require notification related to the effects of the tax reduction on mortgage escrow payments;

(12) provide that freeport property currently taxed by school districts is subject to the state property tax;

(13) allow the Legislature to provide for payment of a gross receipts tax on oil and natural gas in lieu of property taxes;

(14) allow the Legislature impose a franchise tax on river authority electric business;

(15) exclude revenue resulting from House Bill 4 from the Article VIII, Section 22, appropriations limit for the 1998-99 and 2000-01 biennia;

(16) exempt a franchise or privilege tax, other than one imposed on a sole proprietor, from the Article VIII, Section 24, requirements relating to the imposition of a net income tax.

(17) allow the Legislature to establish a commission that would make recommendations regarding abolition or modification of executive agencies, the recommendations to be accepted or rejected by the Legislature without amendment.

The proposed amendment would be submitted to the voters on August 9, 1997.

Source: Agencies: 304 Comptroller of Public Accounts

LBB Staff: JK, RR, RS, BR

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE
75th Regular Session

April 17, 1997

To: Honorable Paul Sadler, Chair
Committee on Revenue and Public Education Funding
House
Austin, Texas

IN RE: House Joint Resolution No. 4, Committee Report 1st House, Substituted
By: Craddick

From: John Keel, Director

In response to your request for a Fiscal Note on HJR4 (proposing a constitutional amendment to provide school ad valorem tax relief and replacement revenue for school districts.) this office has determined the following:

Biennial Net Impact to General Revenue Funds by HJR4-Committee Report 1st House, Substituted

The fiscal implication would depend on the enabling legislation. The Committee Substitute for House Bill 4 estimates the effects of the Committee Substitute for House Joint Resolution 4 and are included in the fiscal note on Committee Substitute for House Bill 4.

The cost to the state for publication of the resolution is $71,000.

The resolution proposes a constitutional amendment which, if adopted, would do the following:

(1) authorize the Legislature, by general law, to provide first priority or guaranteed draws on State revenue for the financial support for elementary and secondary public education;

(2) exempt appropriations for elementary and secondary public schools from the 2-year limit on the duration of appropriations and from the Article VIII, Section 22,

limit on the growth of certain appropriations

(3) authorize the Legislature to impose a state property tax not to exceed $1.05 per $100 of valuation on non-residential property and dedicated the tax for of elementary and secondary public schools;

(4) allow the Legislature to exempt, from the state property tax, property currently exempt form school district maintenance and operation taxes under an abatement granted before January 1, 1997;

(5) dedicate net lottery revenue to elementary and secondary public education;

(6) exempt non-residential property from school district maintenance and operation taxes;

(7) authorize the Legislature to impose a franchise or privilege tax on corporations, partnerships, and business entities other than sole proprietorships and exempt franchise and privilege taxes from Article VIII, Section 24 provisions related to the prohibition and disposition of a net personal income tax;

(8) allow the Legislature to provide for the transfer of the sixty-five or over tax freeze to a different homestead and to set the freeze level at the lower of the current freeze level and the amount of 1997 schools district taxes;

(9) repeal local option percentage homestead exemptions for school district maintenance and operations taxes; and

(10) provide that freeport property currently taxed by school districts is not exempt from the state property tax.

The proposed amendment would be submitted to the voters on August 9, 1997.

Source: Agencies: 302 Office of the Attorney General
304 Comptroller of Public Accounts

LBB Staff: JK, BR, RS

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE
75th Regular Session

February 14, 1997

To: Honorable Paul Sadler, Chair
Committee on Revenue and Public Education Funding
House
Austin, Texas

IN RE: House Joint Resolution No. 4
By: Craddick/et al.

From: John Keel, Director

In response to your request for a Fiscal Note on HJR4 (Proposing a constitutional amendment to provide a school property tax cut, create the Texas School Trust Fund, authorize the replacement of certain taxes, and dedicate certain revenue for primary and secondary public) this office has determined the following:

Biennial Net Impact to General Revenue Funds by HJR4-As Introduced

Implementing the provisions of the bill would result in a net negative impact of $(1,600,357,000) to General Revenue Related Funds through the biennium ending August 31, 1999.

The resolution would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

Fiscal Analysis

The resolution would propose a constitutional amendment establishing the Texas School Trust Fund (trust fund). The Comptroller of Public Accounts would have authority to administer and invest the money in the trust fund. School districts would be reimbursed for the local taxes lost because of the enactment of a new $20,000 homestead exemption, a business inventory exemption, and a tax rate reduction.

The trust fund would consist of:

(1) the net state revenue for the business activity tax on businesses not excluded by this resolution;
(2) the total net revenue for a one-half percent state general sales and use tax;
(3) the total net revenue for a one-half percent state sales and use tax on the sale, rental and use of motor vehicles;
(4) interest on trust money; and
(5) any other revenue deposited to the trust by the Legislature.

The Comptroller would have the authority to transfer any non-dedicated funds into the Texas State Trust Fund in the event that fund obligations exceeded resources. The Comptroller would also have the authority to transfer excess funds from the trust fund to the General Revenue Fund. Any funds remaining in the trust fund after all disbursements would be available for legislative appropriation.

The resolution would add a business inventory exemption for school maintenance and operation taxes. Old language relating to county education districts would be eliminated.

The business activity tax would not be subject to the prohibition of a personal income tax or subject to the dedication of revenue. An affirmative vote of at least three-fifths of the members of each house of the Legislature would be required to increase the business activity tax rate. The proposed amendment would exclude other types of state taxes from this requirement.

The proposed constitutional amendment would be submitted to the voters at an election to be held August 9, 1997. The Secretary of State's office indicated that the cost of publishing the proposed constitutional amendment will be paid from existing fiscal year 1997 appropriations.

Note: The Texas School Trust Fund would be required to be distributed as provided by general law. Since the resolution does not appear to contain a self-enacting appropriation, it is assumed that the Legislature would make the requisite appropriations each biennium for the distribution of money to the school districts. (The fiscal impact noted assumes appropriations.)

Methodology

The estimated impact of this bill is based on the following methodology.

The Comptroller estimated the number of homeowners qualified for the homestead exemption and the total 1996 cost. This cost was trended up to reflect the growth in homeowners, property values and maintenance and operations tax rates through the

projection period. From fiscal year 1999 forward, the estimate incorporates the additional cost to the tax ceiling on homesteads of the elderly.

The probable fiscal implications of implementing the provisions of the bill during each of the first five years following passage is estimated as follows:

Five Year Impact:

Fiscal Year	Probable Savings/(Cost) from Texas School Trust Fund 0001
1998	($702,967,000)
1999	(897,390,000)
2000	(936,039,000)
2001	(976,135,000)
2002	(1,017,728,000)

Net Impact on General Revenue Related Funds:

The probable fiscal implication to General Revenue related funds during each of the first five years is estimated as follows:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
1998	($702,967,000)
1999	(897,390,000)
2000	(936,039,000)
2001	(976,135,000)
2002	(1,017,728,000)

Similar annual fiscal implications would continue as long as the provisions of the bill are in effect.

LOCAL

The bill would impact other local taxing units that provide funding for their local appraisal district operating budget. Under current law, each taxing unit participating in the district is allocated a portion of the amount of the budget. This is equal to the percentage of unit levy to the total district levy for all taxing units. A reduction in school district levies, will increase the proportional cost to other taxing units in the appraisal district. It has been estimated that other taxing units will experience an increase of approximately $20 million per year in their pro rata cost of appraisal district operations. This figure does not include increases in administrative cost incurred by appraisal districts from the provisions of the bill.

Source: Agencies: 304 Comptroller of Public Accounts
307 Secretary of State
302 Office of the Attorney General
701 Texas Education Agency - Administration

LBB Staff: JK, RR, BR

LEGISLATIVE BUDGET BOARD

Tax/Fee Equity Note

May 7, 1997

TO: Honorable Kenneth Armbrister, Chair
Committee on Tax Reform & Public School Finance
Senate
Austin, Texas

IN RE: House Joint Resolution No. 4, Committee Report
2nd House, Substituted
By: Craddick

FROM: **John Keel**, Director

In response to your request for an Tax/Fee Equity Note on HJR4 (proposing a constitutional amendment dedicating lottery proceeds to public education, authorizing certain taxes on entities, and providing for the transfer or further reduction of a limitation of school tax on homesteads of the elderly.) this office has determined the following:

See Tax Equity Note for Senate Committee Substitute for House Bill 4.

LEGISLATIVE BUDGET BOARD

Tax/Fee Equity Note

April 17, 1997

TO: Honorable Paul Sadler, Chair
Committee on Revenue and Public Education Funding
House
Austin, Texas

IN RE: House Joint Resolution No. 4, Committee Report 1st House, Substituted
By: Craddick/et al.

FROM: **John Keel**, Director

In response to your request for a Tax/Fee Equity Note on HJR4 (proposing a constitutional amendment providing financial support for elementary and secondary public education, dedicating revenue and authorizing priority allocations of certain revenue, authorizing a state property tax and certain taxes on entities, providing property tax relief and reduced school taxes on residential property, including certain homestead property, and making implementation and conforming amendments.) this office has determined the following:

The resolution would allow the imposition of a privilege or franchise tax on the income or capital of a corporation, partnership, or business entity other than a sole proprietorship. No prohibition would be made on the ability to impose taxes on a municipal gas, electric, or water utility. The resolution would allow the state to impose a $1.05 per $100 market value ad valorem tax on property for elementary and secondary public school purposes.

The constitutional amendment would be submitted to the voters at an election to be held on August 9, 1997.

See Tax Equity Note for Committee Substitute for House Bill 4.

LEGISLATIVE BUDGET BOARD

Tax/Fee Equity Note

TO: Honorable Paul Sadler, Chair
Committee on Revenue and Public Education Funding
House
Austin, Texas

IN RE: House Joint Resolution No. 4
By: Craddick/et al.

FROM: **John Keel**, Director

In response to your request for an Tax/Fee Equity Note on HJR4 (Proposing a constitutional amendment to provide a school property tax cut, create the Texas School Trust Fund, authorize the replacement of certain taxes, and dedicate certain revenue for primary and secondary public) this office has determined the following:

The resolution would propose a constitutional amendment establishing the Texas School Trust Fund and would propose an increase of $20,000 in a school district residential homestead exemption. The $20,000 increase would be applicable to maintenance and operation taxes of a school district.

The resolution would also authorize the Legislature, by general law, to enact other tax measures regarding, property tax exemptions and new business taxes.

See Tax Equity Note for House Bill 4.

Source Agencies: Comptroller of Public Accounts, Texas Apartment Association, Inc.

LBB Staff: BR, RS, SM, RR

LEGISLATIVE BUDGET BOARD

Equalized Education Funding Impact Statement

May 7, 1997

TO: Honorable Kenneth Armbrister, Chair
Committee on Tax Reform & Public School Finance
Senate
Austin, Texas

IN RE: House Joint Resolution No. 4, Committee Report
2nd House, Substituted
By: Craddick

FROM: **John Keel**, Director

In response to your request for a Equalized Education Funding Impact Statement on HJR4 (proposing a constitutional amendment providing financial support for elementary and secondary public education, dedicating revenue and authorizing priority allocations of certain revenue, authorizing a state property tax and certain taxes on entities, providing property tax relief and reduced school taxes on residential property, including certain homestead property, and making implementation and conforming amendments.) this office has determined the following:

The bill would make structural and formula changes to the Foundation School Program. The percent of equalized revenue in the system during each of the first five years following passage is estimated as follows:

Fiscal Year	Percent of Students in the Equalized System	Percent of Revenue in the Equalized System
1998	94.80%	98.93%
1999	94.70%	99.07%
2000	94.90%	99.15%
2001	95.00%	99.21%
2002	95.00%	99.25%

LEGISLATIVE BUDGET BOARD

Equalized Education Funding Impact Statement

April 17, 1997

TO: Honorable Paul Sadler, Chair
Committee on Revenue and Public Education Funding
House
Austin, Texas

IN RE: House Joint Resolution
No. 4, Committee Report
1st House, Substituted
By: Craddick

FROM: **John Keel**, Director

In response to your request for a Equalized Education Funding Impact Statement on HJR4 (proposing a constitutional amendment to provide school ad valorem tax relief and replacement revenue for school districts.) this office has determined the following:

The impact of this bill on equalized funding requirements and policies affecting public education would depend on the language of the enabling legislation, see the Equalized Education Funding Impact Statement for the House Committee Substitute for HB 4.

LEGISLATIVE BUDGET BOARD

Equalized Education Funding Impact Statement

TO: Honorable Paul Sadler, Chair
Committee on Revenue and Public Education Funding
House
Austin, Texas

IN RE: House Joint Resolution No. 4
By: Craddick/et al.

FROM: **John Keel**, Director

In response to your request for a Equalized Education Funding Impact Statement on HJR4 (Proposing a constitutional amendment to provide a school property tax cut, create the Texas School Trust Fund, authorize the replacement of certain taxes, and dedicate certain revenue for primary and secondary public schools.) this office has determined the following:

The impact of this bill on equalized funding requirements and policies affecting public education would depend on the language of the enabling legislation, see the Equalized Funding Impact Statement for HB4.

WITNESS LIST

Tax Reform & Public School Finance, Select Committee
May 6, 1997-8:00A

HJR 4

For: Clayton, Bill (Ntl Vehicle Leasing Asn), Austin

On: Anderson, David (Tx Education Agency), Austin

Cates, Phil (Ntl Vehicle Leasing Asn), Austin

Thompson, Jerry (Ntl Vehicle Leasing Asn), Austin

WITNESS LIST

Tax Reform & Public School Finance, Select Committee
May 5, 1997-1:30P

HJR 4

For: Allaway, Bill (Tx Taxpayers & Res Assn), Austin

Moak, Lynn M. (Tx School Alliance), Austin

Against: Brandt, Royce (Lake Travis Rep Men's), Austin

Brice, Wanda R. (Sm Business Un of Tx), Dallas

Hartman, Eric (Tx Fed of Teachers), Austin

On: Loewe, Mark E. (Himself), Austin

Registering, but not testifying:

For: Allen, George B. (Tx Apartment Assn), Austin

Against: Brown, Laura (Coa of Tx w/ Dissabilit), Austin

Pinkus, David R. (Sm Business Un of Tx), Austin

On: Howden, Robert (Fed of Ind Business), Austin

Noble, Shannon (League of Women Voters), Austin

Wittle, David (ADAPT of Tx), Austin

ADOPTED

MAY 10 1997

Betty King
Secretary of the Senate

By _____ #J.R. No. 4

Substitute the following for __J.R. No. ____:

By _____ C.S. #J.R. No. 4

A JOINT RESOLUTION

proposing a constitutional amendment providing for certain priority and minimum funding for public schools, dedicating certain lottery proceeds to public education, authorizing certain taxes on entities, authorizing the creation of a commission to study efficiency in state government, and providing for transfer or further reduction of a limitation of school tax on homesteads of the elderly.

BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Article III, Texas Constitution, is amended by adding Section 31a to read as follows:

Sec. 31a. (a) The legislature by general law may create a Texas Grace Commission to study state agencies, institutions, and programs in the executive department of state government and recommend that certain of those agencies, institutions, or programs be abolished or reduced to a specified size or otherwise modified to make them more cost effective.

(b) Notwithstanding Sections 1, 11, and 31 of this article, the legislature must accept or reject, but may not amend, each substantive recommendation presented to the legislature by the commission.

(c) This section expires on September 1, 1999.

SECTION 2. Section 47, Article III, Texas Constitution, is amended by adding Subsection (f) to read as follows:

(f) Money received by the State from the operation of

lotteries, less amounts paid for lottery prizes and administrative costs, may be spent only as provided by general law for public education.

SECTION 3. Section 1, Article VII, Texas Constitution, is amended to read as follows:

Sec. 1. (a) A general diffusion of knowledge being essential to the preservation of the liberties and rights of the people, it shall be the duty of the Legislature of the State to establish and make suitable provision for the support and maintenance of an efficient system of public free schools.

(b) The financial support of elementary and secondary public school education shall be the first priority among State spending and appropriations, subject only to the dedication of revenue otherwise provided by this Constitution and to the payment of lawfully incurred State debt.

(c) The Legislature may not appropriate, for any biennium, an amount of State funds for the maintenance and operation of public schools and for the erection and equipment of public school buildings that is less than the amount appropriated for those purposes in the prior biennium, adjusted for student population growth and inflation in the cost of educational goods and services.

SECTION 4. Section 1, Article VIII, Texas Constitution, is amended by amending Subsection (c) and adding Subsection (c-1) to read as follows:

(c) The Legislature may provide for the taxation of intangible property and may also impose occupation taxes, both upon natural persons and upon corporations, other than municipal, doing

any business in this State. Subject to the restrictions of Section 24 of this article, it may also tax incomes of both natural persons and corporations other than municipal. It may also impose privilege or franchise taxes measured by the income or taxable capital of a corporation, partnership, or other business entity other than a sole proprietorship. A sole proprietorship [Persons] engaged in mechanical or [and] agricultural pursuits shall never be required to pay an occupation tax.

(c-1) The use of income earned or receipts after December 31, 1996, to measure or apportion to this State a privilege or franchise tax authorized by Subsection (c) of this section is not prohibited. This subsection expires January 1, 2000.

SECTION 5. Section 1-b(d), Article VIII, Texas Constitution, is amended to read as follows:

(d) Except as otherwise provided by this subsection, if a person receives the residence homestead exemption prescribed by Subsection (c) of this section for homesteads of persons sixty-five (65) years of age or older, the total amount of ad valorem taxes imposed on that homestead for general elementary and secondary public school purposes may not be increased while it remains the residence homestead of that person or that person's spouse who receives the exemption. If a person sixty-five (65) years of age or older dies in a year in which the person received the exemption, the total amount of ad valorem taxes imposed on the homestead for general elementary and secondary public school purposes may not be increased while it remains the residence homestead of that person's surviving spouse if the spouse is fifty-five (55) years of age or

older at the time of the person's death, subject to any exceptions provided by general law. The legislature, by general law, may provide for the transfer of all or a proportionate amount of a limitation provided by this subsection for a person who qualifies for the limitation and subsequently establishes a different residence homestead. However, taxes otherwise limited by this subsection may be increased to the extent the value of the homestead is increased by improvements other than repairs or improvements made to comply with governmental requirements and except as may be consistent with the transfer of a limitation under this subsection. If the total amount of a school district's taxes imposed in the 1997 tax year for elementary and secondary public school purposes on a residence homestead subject to a limitation provided by this subsection is less than the total amount of the school district's taxes on that residence homestead for those purposes in the first year that the residence homestead qualified for the limitation, in a subsequent tax year the total amount of taxes the school district may impose on the residence homestead for elementary and secondary public school purposes while it remains the residence homestead of a person entitled to the limitation may not exceed the amount of the 1997 school district taxes, except as otherwise provided by this subsection.

SECTION 6. Section 24, Article VIII, Texas Constitution, is amended by adding Subsection (k) to read as follows:

(k) This section does not apply to a privilege or franchise tax measured by the income of a corporation, partnership, or other business entity, other than a sole proprietorship.

SECTION 7. This proposed constitutional amendment shall be submitted to the voters at an election to be held August 9, 1997. The ballot shall be printed to permit voting for or against the proposition: "The constitutional amendment to dedicate lottery revenue for public education, authorize a privilege or franchise tax on the income and capital of business organizations other than sole proprietorships, provide for the transfer to a different homestead of the school property tax freeze on homesteads of the elderly and the adjustment of the tax freeze for certain homesteads, provide for the creation of a commission to study and make recommendations on efficiency in state government, and establish public schools as the first priority in state spending and preserve the level of state funding of public schools."

MADLA

FLOOR AMENDMENT NO. 1 BY Madla

Cai

1 Amend C.S.H.J.R. 4 as follows:

2

3 On page 1, line 26 of the Committee Printing, Article III Section 31a. of the Texas Consitution,

4 strike Subsection (b) in its entirety and reletter the subsequent Subsections appropriately.

ADOPTED

viva voce vote

MAY 09 1997

Betty King

Secretary of the Senate

ADOPTED
viva voce vote
MAY 09 1997
Betty King
Secretary of the Senate

PA

FLOOR AMENDMENT NO. 2 BY: Shapiro/Huma

Amend Committee Report for C.S.H.J.R. 4 as follows:

1. On page 1, line 36, strike "education" and substitute "free schools".

2. On page 1, lines 44-45, strike "elementary and secondary public school education" and substitute "public free schools".

3. On page 1, line 51, insert "free" between "public" and "schools".

4. On page 2, line 35, strike "elementary and secondary".

5. On page 2, line 36, insert "free" between "public" and "school".

6. On page 2, line 42, strike "elementary and secondary".

7. On page 2, line 42, insert "free" between "public" and "school".

on 3rd reading

ADOPTED

MAY 10 1997

Betty King
Secretary of the Senate

ARMBRISTER

FLOOR AMENDMENT NO. 1 BY

Amend C.S.H.J.R. No. 4 by adding the following appropriately numbered section:

SECTION ___. The following temporary provision is added to the Texas Constitution:

TEMPORARY PROVISION. (a) Subsection (a), Section 35, Article III, of this constitution does not apply to H.B. No. 4, Acts of the 75th Legislature, Regular Session, 1997.

(b) This temporary provision is executed on adoption and expires January 1, 2003.

SENATE AMENDMENTS

2nd Printing

By Craddick, Junell H.J.R. No. 4

A JOINT RESOLUTION

proposing a constitutional amendment providing financial support for elementary and secondary public education, dedicating revenue and authorizing priority allocations of certain revenue, authorizing a state property tax and certain taxes on entities, providing property tax relief and reduced school taxes on residential property, including certain homestead property, and making implementation and conforming amendments.

BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Section 1, Article VII, Texas Constitution, is amended to read as follows:

Sec. 1. (a) A general diffusion of knowledge being essential to the preservation of the liberties and rights of the people, it shall be the duty of the Legislature of the State to establish and make suitable provision for the support and maintenance of an efficient system of public free schools.

(b) The financial support of elementary and secondary public school education shall be the first priority among State spending and appropriations, subject only to the dedication of revenue otherwise provided by this Constitution and to the payment of lawfully incurred State debt.

(c) It is the policy of this State that the provision of public education is a state responsibility and that a thorough and efficient system be provided and substantially financed through State revenue sources so that each student enrolled in the public

school system shall have access to programs and services that are appropriate to the student's educational needs and that are substantially equal to those available to any similar student, notwithstanding varying local economic factors.

(d) The public school finance system of this State shall adhere to a standard of neutrality that provides for substantially equal access to similar revenue per student at similar tax effort, considering all State and local tax revenues of districts after acknowledging all legitimate student and district cost differences.

(e) The Legislature may not appropriate, for any biennium, an amount of State funds for the maintenance and operation of public schools and for the erection and equipment of public school buildings that is less than the amount appropriated for those purposes in the prior biennium, adjusted for student population growth.

SECTION 2. Section 1-e, Article VIII, Texas Constitution, is amended to read as follows:

Sec. 1-e. 1. Except as provided by Subsection 2 of this section, no [~~No~~] State ad valorem taxes shall be levied upon any property within this State.

2. Ad valorem taxes may be imposed by the legislature at a rate not to exceed $1.05 for each $100 of taxable value for elementary and secondary public free schools purposes on property not subject to taxation for maintenance and operations purposes by a school district and not otherwise exempted by this constitution or by the legislature under the authority of this constitution. The legislature may provide for the appraisal of property subject

to State ad valorem taxes, for the equalization of the taxable values of that property, and for the collection of the State ad valorem taxes imposed on that property [~~All--receipts---from previously--authorized-State-ad-valorem-taxes-that-are-collected-on or-after--the-effective-date-of-the-1982-amendment-to-this--section shall--be-deposited-to-the-credit-of-the-general-fund-of-the-county collecting-the-taxes-and--may--be--expended--for--county--purposes. Receipts-from-taxes-collected-before-that-date-shall-be-distributed by---the---legislature---among--institutions--eligible--to--receive distributions--under--prior--law.---Those--receipts--and---receipts distributed--under--prior--law--may--be--expended--for-the-purposes provided-under-prior-law-or-for-repair-and-renovation--of--existing permanent-improvements~~].

3. The legislature by general law may exempt from ad valorem taxes imposed under Subsection 2 of this section in any tax year all or a portion of the value of property exempt in that tax year from ad valorem taxation by a school district pursuant to a tax abatement agreement entered into by the school district before January 1, 1997, or in a reinvestment zone created by municipal ordinance on or before April 1, 1997, for which a municipal tax abatement agreement is entered into before July 1, 1997.

4. State ad valorem taxes shall be assessed on the valuation of property subject to those taxes as determined by the appraisal officials in the county in which the property is located. If an appraisal official uses generally accepted appraisal standards and practices to appraise property subject to the State ad valorem tax and the valuation of the property subject to that tax conforms to

or is equalized by the local appraisal review process to conform to the accepted standards and practices, the assessment of the State ad valorem tax on that valuation is not invalid. This subsection expires at the end of the 1999 ad valorem tax year.

5. The legislature by general law may authorize the State to use increases in ad valorem tax revenues imposed on property in a reinvestment zone to finance the development or redevelopment of property in the zone if the zone was designated before February 1, 1997, or if a reinvestment zone existing on that date was expanded before June 30, 1997, to include the site for a public school.

SECTION 3. Section 3, Article VII, Texas Constitution, is amended to read as follows:

Sec. 3. (a) One-fourth of the revenue derived from the State occupation taxes [~~and--poll--tax--of--one--dollar--on--every inhabitant--of-the--State,-between-the-ages-of-twenty-one-and-sixty years,~~] shall be set apart annually for the benefit of the public free schools; and in addition thereto, there shall be levied and collected an annual ad valorem State tax as provided by Subsection 2, Section 1-e, Article VIII, of this constitution [~~of-such-an amount--not-to--exceed----thirty-five--cents--on--the--one--hundred ($100.00)--dollars--valuation,--as--with--the-available-school-fund arising-from-all-other-sources,-will-be-sufficient~~] to maintain and support the public schools of this State. Money received by the State from the operation of lotteries authorized by Section 47(e), Article III, of this constitution, less amounts paid for lottery prizes and administrative costs, may be spent only for elementary and secondary public free schools. The [~~for-a-period--of-not-less~~

~~than-six-months-in-each-year,-and-it-shall--be--the--duty--of--the~~] State Board of Education shall [~~to~~] set aside a sufficient amount of State funds [~~out-of-the-said-tax~~] to provide free text books for the use of children attending the public free schools of this State. If[~~,-provided,-however,-that-should-the-limit-of~~] taxation and revenue described by this subsection are [~~herein--named--be~~] insufficient, the deficit may be met by appropriation from the general funds of the State.

(b) The [~~and-the~~] Legislature may [~~also~~] provide for the formation of school districts [~~district~~] by general laws. All[~~, and-all~~] such school districts may embrace parts of two or more counties. The[~~,--and--the~~] Legislature may by general law provide [~~shall-be-authorized-to-pass-laws-for-the-assessment-and-collection of-taxes-in-all-said-districts-and~~] for the management and control of the public [~~school-or~~] schools of such districts.

(c) The[~~,--whether--such-districts-are-composed-of-territory wholly-within-a-county-or-in-parts-of-two--or--more--counties,--and the~~] Legislature may provide for school districts to impose [~~authorize~~] an [~~additional~~] ad valorem tax on all residential property as defined by general law [~~to--be--levied--and--collected within-all-school-districts-heretofore-formed-or-hereafter-formed,~~] for the further maintenance and operations of public free schools. The Legislature may provide rate limitations by law, except that a school district may not impose a tax for maintenance and operations at a rate greater than $1.05 on the $100 valuation of taxable property. The Legislature may provide for school districts to impose an additional ad valorem tax on all property not otherwise

exempted by this constitution or by the Legislature under the authority of this constitution[~~,--and~~] for the erection and equipment of school buildings if [~~therein,--provided--that~~] a majority of the qualified [~~property--taxpaying~~] voters of the district voting at an election to be held for that purpose[~~,~~] shall vote such tax [~~not-to-exceed-in-any-one-year-one-($1.00)-dollar-on the-one-hundred--dollars--valuation--of--the--property--subject--to taxation--in--such--district,-but-the-limitation-upon-the-amount-of school--district--tax--herein--authorized--shall---not---apply---to incorporated--cities-or-towns-constituting-separate-and-independent school-districts,-nor-to-independent--or--common--school--districts created-by-general-or-special-law~~].

SECTION 4. Section 1, Article VIII, Texas Constitution, is amended by amending Subsection (c) and adding Subsections (c-1), (i), and (j) to read as follows:

(c) The Legislature may provide for the taxation of intangible property and may also impose occupation taxes, both upon natural persons and upon corporations, other than municipal, doing any business in this State. Subject to the restrictions of Section 24 of this article, it may also tax incomes of both natural persons and corporations other than municipal. It may also impose privilege or franchise taxes measured by the income or taxable capital of a corporation, partnership, or business entity other than a sole proprietorship. A sole proprietorship [~~Persons~~] engaged in mechanical or [~~and~~] agricultural pursuits shall never be required to pay an occupation tax. This subsection does not prohibit the imposition of taxes on a gas, electric, or water

utility of a municipal corporation.

(c-1) The use of income earned or receipts after December 31, 1996, to measure or apportion to this State a privilege or franchise tax authorized by Subsection (c) of this section is not prohibited. This section expires January 1, 2000.

(i) Notwithstanding Subsections (a) and (b) of this section, the Legislature by general law may limit the maximum annual increase in the appraised value of residence homesteads for ad valorem tax purposes in order to provide tax relief from the effects of rapid increases in the market value of residence homesteads. A limitation on appraisal increases authorized by this subsection:

(1) takes effect as to a residence homestead on the later of the effective date of the law imposing the limitation or January 1 of the tax year following the first tax year the owner qualifies the property for an exemption under Section 1-b of this article; and

(2) expires on January 1 of the first tax year that neither the owner of the property when the limitation took effect, the owner's spouse or surviving spouse, nor a minor child of the owner qualifies for an exemption under Section 1-b.

(j) Notwithstanding Subsections (a) and (b) of this section, the Legislature by general law may limit the frequency with which increases in the appraised value of real property for ad valorem tax purposes may be recognized.

SECTION 5. Section 1-b(d), Article VIII, Texas Constitution, is amended to read as follows:

(d) Except as otherwise provided by this subsection, if a person receives the residence homestead exemption prescribed by Subsection (c) of this section for homesteads of persons sixty-five (65) years of age or older, the total amount of ad valorem taxes imposed on that homestead for general elementary and secondary public school purposes may not be increased while it remains the residence homestead of that person or that person's spouse who receives the exemption. If a person sixty-five (65) years of age or older dies in a year in which the person received the exemption, the total amount of ad valorem taxes imposed on the homestead for general elementary and secondary public school purposes may not be increased while it remains the residence homestead of that person's surviving spouse if the spouse is fifty-five (55) years of age or older at the time of the person's death, subject to any exceptions provided by general law. The legislature, by general law, may provide for the transfer of all or a proportionate amount of a limitation provided by this subsection for a person who qualifies for the limitation and establishes a different residence homestead. However, taxes otherwise limited by this subsection may be increased to the extent the value of the homestead is increased by improvements other than repairs or improvements made to comply with governmental requirements and except as may be consistent with the transfer of a limitation under this subsection. If the total amount of a school district's taxes imposed in the 1997 tax year for elementary and secondary public school purposes on a residence homestead subject to a limitation provided by this subsection is less than the total amount of the school district's taxes on that

residence homestead for those purposes in the first year that the residence homestead qualified for the limitation, in a subsequent tax year the total amount of taxes the school district may impose on the residence homestead for elementary and secondary public school purposes while it remains the residence homestead of a person entitled to the limitation may not exceed the amount of the 1997 school district taxes, except as otherwise provided by this subsection.

SECTION 6. Article VIII, Texas Constitution, is amended by adding Section 1-b-2 to read as follows:

Sec. 1-b-2. NOTICE OF PROPERTY TAX DECREASE. (a) If, on September 1, 1997, an escrow account is required to be maintained in connection with a loan secured by a mortgage in real property consisting of a single place of residence from which ad valorem taxes are paid, whether the residence is a separate structure or a residential unit within a multiple-unit structure, the person who controls the account, before October 1, 1997, shall deliver to the person who pays money into the account the following notice:

NOTICE OF PROPERTY TAX DECREASE

Because of actions taken by the 75th Texas Legislature, Regular Session, 1997, and approval by the voters of the constitutional amendment providing property tax relief to owners of residential property, in 1997 and subsequent years there will be a substantial decrease in the tax rates of school districts on residential property in this state. If your periodic mortgage payment includes an amount for the payment of property taxes, the decrease in the tax rate of your school district should result in a

decrease in the amount you are required to pay into your escrow account. The decrease will be taken into account when your next annual escrow account statement required by federal law is prepared by (name of entity that controls escrow account). After you receive that escrow account statement, if you have any questions concerning the amount of your mortgage payments, you may direct them to (name of entity that controls escrow account) at (address and telephone number of entity).

(b) This section expires December 31, 1998.

SECTION 7. Article VIII, Texas Constitution, is amended by adding Section 1-b-3 to read as follows:

Sec. 1-b-3. NOTICE OF PROPERTY TAX REDUCTION. (a) Not later than October 1, 1997, the chief appraiser of each appraisal district in this state shall send to each owner of a residence homestead in the appraisal district the following written notice:

NOTICE OF PROPERTY TAX DECREASE

Members of the 75th Texas Legislature, Regular Session, 1997, have enacted legislation that will significantly reduce your school district property taxes for 1997 and subsequent years when compared to your 1996 school taxes. The first tax bill reflecting this reduction of your school district property taxes should be mailed before October 1, 1997. Questions concerning your tax bill should be directed to the local tax collector.

The amount of your school district property taxes for 1997 is based on the value of your home on January 1, 1997, and any residence homestead exemptions for which you qualify in 1997. Questions concerning the appraised value of your home or about

residence homestead exemptions should be directed to the appraisal district for your county.

If the property taxes on your home are paid by an entity that holds a mortgage on your home, you should inform the entity that holds the mortgage of the reduction in the property taxes on your home for 1997. If an escrow account is maintained in connection with the mortgage on your home, the entity that holds that mortgage will adjust the amounts that you are required to pay into your escrow account for 1998 property taxes.

(b) This section expires December 31, 1998.

SECTION 8. Section 1-j, Article VIII, Texas Constitution, is amended by amending Subsection (a) and adding Subsection (a-1) to read as follows:

(a) Except as provided by Subsections (a-1) and (b) of this section, to [~~To~~] promote economic development in this [~~the~~] State, goods, wares, merchandise, other tangible personal property, and ores, other than oil, natural gas, and other petroleum products, are exempt from ad valorem taxation if:

(1) the property is acquired in or imported into this State to be forwarded outside this State, whether or not the intention to forward the property outside this State is formed or the destination to which the property is forwarded is specified when the property is acquired in or imported into this State;

(2) the property is detained in this State for assembling, storing, manufacturing, processing, or fabricating purposes by the person who acquired or imported the property; and

(3) the property is transported outside of this State

not later than 175 days after the date the person acquired or imported the property in this State.

(a-1) Property described by Subsection (a) of this section is not exempt from ad valorem taxes imposed under Section 1-e of this article if the property is located in a school district that for the tax year taxes the property.

SECTION 9. Article VIII, Texas Constitution, is amended by adding Section 1-m to read as follows:

Sec. 1-m. The legislature by general law may provide that the owner of property consisting of a separate interest in oil or gas, including condensate and liquefied petroleum gas, and from which oil or gas is produced, in lieu of ad valorem taxes on the property, may elect to pay a gross wellhead receipts tax. The law must permit an annual election by the owner of the property for payment of the gross receipts tax. The receipts from a gross receipts tax imposed under the authority of this section shall be used in the same manner and for the same purpose as receipts from ad valorem taxes. This section does not affect the imposition and use of revenue from gross receipts taxes not imposed under the authority of this section.

SECTION 10. Article VIII, Texas Constitution, is amended by adding Section 1-n to read as follows:

Sec. 1-n. The legislature by general law may make a river authority that owns or operates one or more steam generating plants subject to a franchise tax. The legislature may impose such franchise taxes only upon that portion of the authority's business that is directly related to the generation, transmission, or

distribution of electricity, and at a rate that is not in excess of the rate imposed upon similarly situated private entities engaged in the electric business.

SECTION 11. Section 22, Article VIII, Texas Constitution, is amended by adding Subsection (d) to read as follows:

(d) Subsection (a) of this section does not apply, for the biennium ending August 31, 2001, to appropriations to the extent made from the amount of the increase in revenue as a result of the changes in the law made by House Bill 4, Acts of the 75th Legislature, Regular Session, 1997. This subsection expires September 1, 2001.

SECTION 12. Section 24, Article VIII, Texas Constitution, is amended by adding Subsection (k) to read as follows:

(k) This section does not apply to a privilege or franchise tax measured by the income of a corporation, partnership, or other taxable business entity, other than a sole proprietorship.

SECTION 13. Article III, Texas Constitution, is amended by adding Section 31a to read as follows:

Sec. 31a. (a) The legislature by general law may create a Texas Grace Commission to study state agencies, institutions, and programs in the executive department of state government and recommend that certain of those agencies, institutions, or programs be abolished or reduced to a specified size or otherwise modified to make them more cost-effective.

(b) Notwithstanding Sections 1, 11, and 31 of this article, the legislature must accept or reject, but may not amend, each substantive recommendation presented to the legislature by the

commission.

(c) This section is repealed on September 1, 1999.

SECTION 14. This proposed constitutional amendment shall be submitted to the voters at an election to be held August 9, 1997. The ballot shall be printed to permit voting for or against the proposition: The constitutional amendment authorizing changes in law to reduce local property taxes and increase the state's share of public education funding, including:

(1) dedication of lottery revenue to public schools;

(2) authorizing a limited state property tax on nonresidential property;

(3) authorizing a privilege or franchise tax on the income and capital of business organizations other than sole proprietorships;

(4) providing for the transfer to a different homestead of the school property tax freeze on homesteads of the elderly;

(5) providing a cap on the maintenance and operations tax rate for schools;

(6) authorizing the legislature to limit the frequency of appraisals and increases in value of residence homesteads for property tax purposes;

(7) providing for the creation of a commission to study and make recommendations on efficiency in state government;

(8) providing an equity standard for the public school finance system;

(9) providing for alternative taxation of separate

interests in oil and gas;

(10) authorizing a franchise tax on certain river authorities generating electricity; and

(11) establishing public schools as the first priority in state spending and preserving the level of state funding of public schools.

ADOPTED

MAY 10 1997

Betty King
Secretary of the Senate

By _____ H J.R. No. 4

Substitute the following for __J.R. No. ____:

By _____ C.S. H J.R. No. 4

A JOINT RESOLUTION

proposing a constitutional amendment providing for certain priority and minimum funding for public schools, dedicating certain lottery proceeds to public education, authorizing certain taxes on entities, authorizing the creation of a commission to study efficiency in state government, and providing for transfer or further reduction of a limitation of school tax on homesteads of the elderly.

BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Article III, Texas Constitution, is amended by adding Section 31a to read as follows:

Sec. 31a. (a) The legislature by general law may create a Texas Grace Commission to study state agencies, institutions, and programs in the executive department of state government and recommend that certain of those agencies, institutions, or programs be abolished or reduced to a specified size or otherwise modified to make them more cost effective.

(b) Notwithstanding Sections 1, 11, and 31 of this article, the legislature must accept or reject, but may not amend, each substantive recommendation presented to the legislature by the commission.

(c) This section expires on September 1, 1999.

SECTION 2. Section 47, Article III, Texas Constitution, is amended by adding Subsection (f) to read as follows:

(f) Money received by the State from the operation of

lotteries, less amounts paid for lottery prizes and administrative costs, may be spent only as provided by general law for public education.

SECTION 3. Section 1, Article VII, Texas Constitution, is amended to read as follows:

Sec. 1. (a) A general diffusion of knowledge being essential to the preservation of the liberties and rights of the people, it shall be the duty of the Legislature of the State to establish and make suitable provision for the support and maintenance of an efficient system of public free schools.

(b) The financial support of elementary and secondary public school education shall be the first priority among State spending and appropriations, subject only to the dedication of revenue otherwise provided by this Constitution and to the payment of lawfully incurred State debt.

(c) The Legislature may not appropriate, for any biennium, an amount of State funds for the maintenance and operation of public schools and for the erection and equipment of public school buildings that is less than the amount appropriated for those purposes in the prior biennium, adjusted for student population growth and inflation in the cost of educational goods and services.

SECTION 4. Section 1, Article VIII, Texas Constitution, is amended by amending Subsection (c) and adding Subsection (c-1) to read as follows:

(c) The Legislature may provide for the taxation of intangible property and may also impose occupation taxes, both upon natural persons and upon corporations, other than municipal, doing

any business in this State. Subject to the restrictions of Section 24 of this article, it may also tax incomes of both natural persons and corporations other than municipal. It may also impose privilege or franchise taxes measured by the income or taxable capital of a corporation, partnership, or other business entity other than a sole proprietorship. A sole proprietorship [~~Persons~~] engaged in mechanical or [~~and~~] agricultural pursuits shall never be required to pay an occupation tax.

(c-1) The use of income earned or receipts after December 31, 1996, to measure or apportion to this State a privilege or franchise tax authorized by Subsection (c) of this section is not prohibited. This subsection expires January 1, 2000.

SECTION 5. Section 1-b(d), Article VIII, Texas Constitution, is amended to read as follows:

(d) Except as otherwise provided by this subsection, if a person receives the residence homestead exemption prescribed by Subsection (c) of this section for homesteads of persons sixty-five (65) years of age or older, the total amount of ad valorem taxes imposed on that homestead for general elementary and secondary public school purposes may not be increased while it remains the residence homestead of that person or that person's spouse who receives the exemption. If a person sixty-five (65) years of age or older dies in a year in which the person received the exemption, the total amount of ad valorem taxes imposed on the homestead for general elementary and secondary public school purposes may not be increased while it remains the residence homestead of that person's surviving spouse if the spouse is fifty-five (55) years of age or

older at the time of the person's death, subject to any exceptions provided by general law. The legislature, by general law, may provide for the transfer of all or a proportionate amount of a limitation provided by this subsection for a person who qualifies for the limitation and subsequently establishes a different residence homestead. However, taxes otherwise limited by this subsection may be increased to the extent the value of the homestead is increased by improvements other than repairs or improvements made to comply with governmental requirements and except as may be consistent with the transfer of a limitation under this subsection. If the total amount of a school district's taxes imposed in the 1997 tax year for elementary and secondary public school purposes on a residence homestead subject to a limitation provided by this subsection is less than the total amount of the school district's taxes on that residence homestead for those purposes in the first year that the residence homestead qualified for the limitation, in a subsequent tax year the total amount of taxes the school district may impose on the residence homestead for elementary and secondary public school purposes while it remains the residence homestead of a person entitled to the limitation may not exceed the amount of the 1997 school district taxes, except as otherwise provided by this subsection.

SECTION 6. Section 24, Article VIII, Texas Constitution, is amended by adding Subsection (k) to read as follows:

(k) This section does not apply to a privilege or franchise tax measured by the income of a corporation, partnership, or other business entity, other than a sole proprietorship.

SECTION 7. This proposed constitutional amendment shall be submitted to the voters at an election to be held August 9, 1997. The ballot shall be printed to permit voting for or against the proposition: "The constitutional amendment to dedicate lottery revenue for public education, authorize a privilege or franchise tax on the income and capital of business organizations other than sole proprietorships, provide for the transfer to a different homestead of the school property tax freeze on homesteads of the elderly and the adjustment of the tax freeze for certain homesteads, provide for the creation of a commission to study and make recommendations on efficiency in state government, and establish public schools as the first priority in state spending and preserve the level of state funding of public schools."

on 3rd reading

ADOPTED

MAY 10 1997

Betty King
Secretary of the Senate

AMENDMENT

FLOOR AMENDMENT NO. 1 BY

Amend C.S.H.J.R. No. 4 by adding the following appropriately numbered section:

SECTION ___. The following temporary provision is added to the Texas Constitution:

TEMPORARY PROVISION. (a) Subsection (a), Section 35, Article III, of this constitution does not apply to H.B. No. 4, Acts of the 75th Legislature, Regular Session, 1997.

(b) This temporary provision is executed on adoption and expires January 1, 2003.

MADLA

FLOOR AMENDMENT NO. 1 BY Madla

Cai

Amend C.S.H.J.R. 4 as follows:

On page 1, line 26 of the Committee Printing, Article III Section 31a. of the Texas Consitution, strike Subsection (b) in its entirety and reletter the subsequent Subsections appropriately.

ADOPTED
viva voce vote
MAY 09 1997

Betty King
Secretary of the Senate

ADOPTED
viva voce vote
MAY 09 1997

Betty King
Secretary of the Senate

FLOOR AMENDMENT NO. 2 BY: Shapiro/Chuma

Amend Committee Report for C.S.H.J.R. 4 as follows:

1. On page 1, line 36, strike "education" and substitute "free schools".

2. On page 1, lines 44-45, strike "elementary and secondary public school education" and substitute "public free schools".

3. On page 1, line 51, insert "free" between "public" and "schools".

4. On page 2, line 35, strike "elementary and secondary".

5. On page 2, line 36, insert "free" between "public" and "school".

6. On page 2, line 42, strike "elementary and secondary".

7. On page 2, line 42, insert "free" between "public" and "school".

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE
75th Regular Session

May 7, 1997

To: Honorable Kenneth Armbrister, Chair
Committee on Tax Reform & Public School Finance
Senate
Austin, Texas

IN RE: House Joint Resolution No. 4, Committee Report 2nd House, Substituted
By: Craddick

From: John Keel, Director

In response to your request for a Fiscal Note on HJR4 (proposing a constitutional amendment dedicating lottery proceeds to public education, authorizing certain taxes on entities, and providing for the transfer or further reduction of a limitation of school tax on homesteads of the elderly.) this office has determined the following:

Biennial Net Impact to General Revenue Funds by HJR4-Committee Report 2nd House, Substituted

The fiscal implication to the State and units of local government would depend on the enabling legislation. The effects of the Senate Committee Substitute for House Joint Resolution 4 are included in the fiscal note for the Senate Committee Substitute for House Bill 4.

The cost to the state for publication of the resolution is $71,000.

The resolution would propose a constitutional amendment which, if adopted, would do the following:

(1) allow the Legislature to establish a commission that would make recommendations regarding abolition or modification of executive agencies, the recommendations to be accepted or rejected by the Legislature without amendment.

(2) dedicate net lottery revenue to elementary and secondary public education;

(3) provide that support of elementary and secondary public education is the first priority for State spending; and prohibit the Legislature from appropriating less for public schools in a biennium than in the prior biennium as adjusted for student population growth and inflation in the cost of educational goods and services;

(4) authorize the Legislature to impose a franchise or privilege tax measured by income or taxable capital on corporations, partnerships, and business entities other than sole proprietorships; and allow income earned after December 31, 1996 to measure or apportion the franchise tax;

(5) allow the Legislature to provide for the transfer of the sixty-five or over tax freeze to a different homestead and set the freeze level at the lower of the current freeze level and the amount of 1997 school district taxes; and

(6) exempt a franchise or privilege tax, other than one imposed on a sole proprietor, from the Article VIII, Section 24, requirements relating to the imposition of a net income tax.

The proposed amendment would be submitted to the voters on August 9, 1997.

The fiscal implication to the State and units of local government would depend on the enabling legislation.

The cost to the state for publication of the resolution is $71,000.

Source: Agencies:	302	Office of the Attorney General
	307	Secretary of State
	304	Comptroller of Public Accounts
LBB Staff:	JK, BR, RS	

2

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE
75th Regular Session

April 28, 1997

To: Honorable Kenneth Armbrister, Chair
Committee on Tax Reform & Public
School Finance
Senate
Austin, Texas

IN RE: House Joint Resolution
No. 4, As Engrossed
By: Craddick/et al.

From: John Keel, Director

In response to your request for a Fiscal Note on HJR4 (proposing a constitutional amendment providing financial support for elementary and secondary public education, dedicating revenue and authorizing priority allocations of certain revenue, authorizing a state property tax and certain taxes on entities, providing property tax relief and reduced school taxes on residential property, including certain homestead property, and making implementation and conforming amendments.) this office has determined the following:

Biennial Net Impact to General Revenue Funds by HJR4-As Engrossed

The fiscal implication would depend on the enabling legislation. The effects of House Joint Resolution 4, as engrossed, are included in the fiscal note on the Engrossed version of House Bill 4.

The cost to the State for publication of the resolution is $71,000.

The resolution proposes a constitutional amendment which, if adopted, would do the following:

(1) provide that support of elementary and secondary public education is the first priority for State spending;

(2) establish a constitutional equity standard for public school funding;

(3) prohibit the Legislature from appropriating less per student for public schools in a biennium than in the prior biennium.

(4) authorize the Legislature to impose a state property tax not to exceed $1.05 per $100 of valuation on non-residential property and dedicated the tax for of elementary and secondary public schools;

(5) allow the Legislature to exempt, from the state property tax, property exempt from school district maintenance and operation taxes under an abatement granted before January 1, 1997 or in a reinvestment zone created by municipal ordinance before April 1, 1997 for which an abatement agreement is entered into before July 1, 1997.

(6) dedicate net lottery revenue to elementary and secondary public education;

(7) exempt non-residential property from school district maintenance and operation taxes;

(8) authorize the Legislature to impose a franchise or privilege tax measured by income or taxable capital on corporations, partnerships, and business entities other than sole

3

proprietorships;

(9) authorize the Legislature to limit increases in appraised value of homesteads and limit the frequency of appraisals;

(10) allow the Legislature to provide for the transfer of the sixty-five or over tax freeze to a different homestead and set the freeze level at the lower of the current freeze level and the amount of 1997 school district taxes;

(11) require the notification of homeowners of the property tax decrease granted by the Seventy-fifth Legislature and require notification related to the effects of the tax reduction on mortgage escrow payments;

(12) provide that freeport property currently taxed by school districts is subject to the state property tax;

(13) allow the Legislature to provide for payment of a gross receipts tax on oil and natural gas in lieu of property taxes;

(14) allow the Legislature impose a franchise tax on river authority electric business;

(15) exclude revenue resulting from House Bill 4 from the Article VIII, Section 22, appropriations limit for the 1998-99 and 2000-01 biennia;

(16) exempt a franchise or privilege tax, other than one imposed on a sole proprietor, from the Article VIII, Section 24, requirements relating to the imposition of a net income tax.

(17) allow the Legislature to establish a commission that would make recommendations regarding abolition or modification of executive agencies, the recommendations to be accepted or rejected by the Legislature without amendment.

The proposed amendment would be submitted to the voters on August 9, 1997.

Source: Agencies: 304 Comptroller of Public Accounts

LBB Staff: JK, RR, RS, BR

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE
75th Regular Session

April 17, 1997

To: Honorable Paul Sadler, Chair
Committee on Revenue and Public Education Funding
House
Austin, Texas

IN RE: House Joint Resolution No. 4, Committee Report 1st House, Substituted
By: Craddick

From: John Keel, Director

In response to your request for a Fiscal Note on HJR4 (proposing a constitutional amendment to provide school ad valorem tax relief and replacement revenue for school districts.) this office has determined the following:

Biennial Net Impact to General Revenue Funds by HJR4-Committee Report 1st House, Substituted

The fiscal implication would depend on the enabling legislation. The Committee Substitute for House Bill 4 estimates the effects of the Committee Substitute for House Joint Resolution 4 and are included in the fiscal note on Committee Substitute for House Bill 4.

The cost to the state for publication of the resolution is $71,000.

The resolution proposes a constitutional amendment which, if adopted, would do the following:

(1) authorize the Legislature, by general law, to provide first priority or guaranteed draws on State revenue for the financial support for elementary and secondary public education;

(2) exempt appropriations for elementary and secondary public schools from the 2-year limit on the duration of appropriations and from the Article VIII, Section 22,

limit on the growth of certain appropriations

(3) authorize the Legislature to impose a state property tax not to exceed $1.05 per $100 of valuation on non-residential property and dedicated the tax for of elementary and secondary public schools;

(4) allow the Legislature to exempt, from the state property tax, property currently exempt form school district maintenance and operation taxes under an abatement granted before January 1, 1997;

(5) dedicate net lottery revenue to elementary and secondary public education;

(6) exempt non-residential property from school district maintenance and operation taxes;

(7) authorize the Legislature to impose a franchise or privilege tax on corporations, partnerships, and business entities other than sole proprietorships and exempt franchise and privilege taxes from Article VIII, Section 24 provisions related to the prohibition and disposition of a net personal income tax;

(8) allow the Legislature to provide for the transfer of the sixty-five or over tax freeze to a different homestead and to set the freeze level at the lower of the current freeze level and the amount of 1997 schools district taxes;

(9) repeal local option percentage homestead exemptions for school district maintenance and operations taxes; and

(10) provide that freeport property currently taxed by school districts is not exempt from the state property tax.

The proposed amendment would be submitted to the voters on August 9, 1997.

Source: Agencies: 302 Office of the Attorney General
304 Comptroller of Public Accounts

LBB Staff: JK, BR, RS

6

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE
75th Regular Session

February 14, 1997

To: Honorable Paul Sadler, Chair
Committee on Revenue and Public Education
Funding
House
Austin, Texas

IN RE: House Joint Resolution
No. 4
By: Craddick/et al.

From: John Keel, Director

In response to your request for a Fiscal Note on HJR4 (Proposing a constitutional amendment to provide a school property tax cut, create the Texas School Trust Fund, authorize the replacement of certain taxes, and dedicate certain revenue for primary and secondary public) this office has determined the following:

Biennial Net Impact to General Revenue Funds by HJR4-As Introduced

Implementing the provisions of the bill would result in a net negative impact of $(1,600,357,000) to General Revenue Related Funds through the biennium ending August 31, 1999.

The resolution would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

Fiscal Analysis

The resolution would propose a constitutional amendment establishing the Texas School Trust Fund (trust fund). The Comptroller of Public Accounts would have authority to administer and invest the money in the trust fund. School districts would be reimbursed for the local taxes lost because of the enactment of a new $20,000 homestead exemption, a business inventory exemption, and a tax rate reduction.

The trust fund would consist of:

7

(1) the net state revenue for the business activity tax on businesses not excluded by this resolution;
(2) the total net revenue for a one-half percent state general sales and use tax;
(3) the total net revenue for a one-half percent state sales and use tax on the sale, rental and use of motor vehicles;
(4) interest on trust money; and
(5) any other revenue deposited to the trust by the Legislature.

The Comptroller would have the authority to transfer any non-dedicated funds into the Texas State Trust Fund in the event that fund obligations exceeded resources. The Comptroller would also have the authority to transfer excess funds from the trust fund to the General Revenue Fund. Any funds remaining in the trust fund after all disbursements would be available for legislative appropriation.

The resolution would add a business inventory exemption for school maintenance and operation taxes. Old language relating to county education districts would be eliminated.

The business activity tax would not be subject to the prohibition of a personal income tax or subject to the dedication of revenue. An affirmative vote of at least three-fifths of the members of each house of the Legislature would be required to increase the business activity tax rate. The proposed amendment would exclude other types of state taxes from this requirement.

The proposed constitutional amendment would be submitted to the voters at an election to be held August 9, 1997. The Secretary of State's office indicated that the cost of publishing the proposed constitutional amendment will be paid from existing fiscal year 1997 appropriations.

Note: The Texas School Trust Fund would be required to be distributed as provided by general law. Since the resolution does not appear to contain a self-enacting appropriation, it is assumed that the Legislature would make the requisite appropriations each biennium for the distribution of money to the school districts. (The fiscal impact noted assumes appropriations.)

Methodology

The estimated impact of this bill is based on the following methodology.

The Comptroller estimated the number of homeowners qualified for the homestead exemption and the total 1996 cost. This cost was trended up to reflect the growth in homeowners, property values and maintenance and operations tax rates through the

8

projection period. From fiscal year 1999 forward, the estimate incorporates the additional cost to the tax ceiling on homesteads of the elderly.

The probable fiscal implications of implementing the provisions of the bill during each of the first five years following passage is estimated as follows:

Five Year Impact:

Fiscal Year	Probable Savings/(Cost) from Texas School Trust Fund 0001
1998	($702,967,000)
1999	(897,390,000)
2000	(936,039,000)
2001	(976,135,000)
2002	(1,017,728,000)

Net Impact on General Revenue Related Funds:

The probable fiscal implication to General Revenue related funds during each of the first five years is estimated as follows:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
1998	($702,967,000)
1999	(897,390,000)
2000	(936,039,000)
2001	(976,135,000)
2002	(1,017,728,000)

Similar annual fiscal implications would continue as long as the provisions of the bill are in effect.

LOCAL

The bill would impact other local taxing units that provide funding for their local appraisal district operating budget. Under current law, each taxing unit participating in the district is allocated a portion of the amount of the budget. This is equal to the percentage of unit levy to the total district levy for all taxing units. A reduction in school district levies, will increase the proportional cost to other taxing units in the appraisal district. It has been estimated that other taxing units will experience an increase of approximately $20 million per year in their pro rata cost of appraisal district operations. This figure does not include increases in administrative cost incurred by appraisal districts from the provisions of the bill.

Source: Agencies: 304 Comptroller of Public Accounts
307 Secretary of State
302 Office of the Attorney General
701 Texas Education Agency - Administration

LBB Staff: JK, RR, BR

LEGISLATIVE BUDGET BOARD

Tax/Fee Equity Note

May 7, 1997

TO: Honorable Kenneth Armbrister, Chair
Committee on Tax Reform & Public School Finance
Senate
Austin, Texas

IN RE: House Joint Resolution No. 4, Committee Report 2nd House, Substituted
By: Craddick

FROM: **John Keel**, Director

In response to your request for an Tax/Fee Equity Note on HJR4 (proposing a constitutional amendment dedicating lottery proceeds to public education, authorizing certain taxes on entities, and providing for the transfer or further reduction of a limitation of school tax on homesteads of the elderly.) this office has determined the following:

See Tax Equity Note for Senate Committee Substitute for House Bill 4.

LEGISLATIVE BUDGET BOARD

Equalized Education Funding Impact Statement

May 7, 1997

TO: Honorable Kenneth Armbrister, Chair
Committee on Tax Reform & Public School Finance
Senate
Austin, Texas

IN RE: House Joint Resolution No. 4, Committee Report
2nd House, Substituted
By: Craddick

FROM: **John Keel**, Director

In response to your request for a Equalized Education Funding Impact Statement on HJR4 (proposing a constitutional amendment providing financial support for elementary and secondary public education, dedicating revenue and authorizing priority allocations of certain revenue, authorizing a state property tax and certain taxes on entities, providing property tax relief and reduced school taxes on residential property, including certain homestead property, and making implementation and conforming amendments.) this office has determined the following:

The bill would make structural and formula changes to the Foundation School Program. The percent of equalized revenue in the system during each of the first five years following passage is estimated as follows:

Fiscal Year	Percent of Students in the Equalized System	Percent of Revenue in the Equalized System
1998	94.80%	98.93%
1999	94.70%	99.07%
2000	94.90%	99.15%
2001	95.00%	99.21%
2002	95.00%	99.25%

LEGISLATIVE BUDGET BOARD

Tax/Fee Equity Note

April 17, 1997

TO: Honorable Paul Sadler, Chair
Committee on Revenue and Public Education Funding
House
Austin, Texas

IN RE: House Joint Resolution No. 4, Committee Report 1st House, Substituted
By: Craddick/et al.

FROM: **John Keel**, Director

In response to your request for a Tax/Fee Equity Note on HJR4 (proposing a constitutional amendment providing financial support for elementary and secondary public education, dedicating revenue and authorizing priority allocations of certain revenue, authorizing a state property tax and certain taxes on entities, providing property tax relief and reduced school taxes on residential property, including certain homestead property, and making implementation and conforming amendments.) this office has determined the following:

The resolution would allow the imposition of a privilege or franchise tax on the income or capital of a corporation, partnership, or business entity other than a sole proprietorship. No prohibition would be made on the ability to impose taxes on a municipal gas, electric, or water utility. The resolution would allow the state to impose a $1.05 per $100 market value ad valorem tax on property for elementary and secondary public school purposes.

The constitutional amendment would be submitted to the voters at an election to be held on August 9, 1997.

See Tax Equity Note for Committee Substitute for House Bill 4.

13

LEGISLATIVE BUDGET BOARD

Tax/Fee Equity Note

TO: Honorable Paul Sadler, Chair
Committee on Revenue and Public Education Funding
House
Austin, Texas

IN RE: House Joint Resolution No. 4
By: Craddick/et al.

FROM: **John Keel**, Director

In response to your request for an Tax/Fee Equity Note on HJR4 (Proposing a constitutional amendment to provide a school property tax cut, create the Texas School Trust Fund, authorize the replacement of certain taxes, and dedicate certain revenue for primary and secondary public) this office has determined the following:

The resolution would propose a constitutional amendment establishing the Texas School Trust Fund and would propose an increase of $20,000 in a school district residential homestead exemption. The $20,000 increase would be applicable to maintenance and operation taxes of a school district.

The resolution would also authorize the Legislature, by general law, to enact other tax measures regarding, property tax exemptions and new business taxes.

See Tax Equity Note for House Bill 4.

Source Agencies: Comptroller of Public Accounts, Texas Apartment Association, Inc.

LBB Staff: BR, RS, SM, RR

LEGISLATIVE BUDGET BOARD

Equalized Education Funding Impact Statement

April 17, 1997

TO: Honorable Paul Sadler, Chair
Committee on Revenue and Public Education Funding
House
Austin, Texas

IN RE: House Joint Resolution No. 4, Committee Report 1st House, Substituted
By: Craddick

FROM: **John Keel**, Director

In response to your request for a Equalized Education Funding Impact Statement on HJR4 (proposing a constitutional amendment to provide school ad valorem tax relief and replacement revenue for school districts.) this office has determined the following:

The impact of this bill on equalized funding requirements and policies affecting public education would depend on the language of the enabling legislation, see the Equalized Education Funding Impact Statement for the House Committee Substitute for HB 4.

LEGISLATIVE BUDGET BOARD

Equalized Education Funding Impact Statement

TO: Honorable Paul Sadler, Chair
Committee on Revenue and Public Education Funding
House
Austin, Texas

IN RE: House Joint Resolution No. 4
By: Craddick/et al.

FROM: **John Keel**, Director

In response to your request for a Equalized Education Funding Impact Statement on HJR4 (Proposing a constitutional amendment to provide a school property tax cut, create the Texas School Trust Fund, authorize the replacement of certain taxes, and dedicate certain revenue for primary and secondary public schools.) this office has determined the following:

The impact of this bill on equalized funding requirements and policies affecting public education would depend on the language of the enabling legislation, see the Equalized Funding Impact Statement for HB4.

SPECIAL PRINTING

OF

SENATE COMMITTEE SUBSTITUTE WITH ENGROSSED FLOOR AMENDMENTS FOR

HJR 4

By _____ H.J.R. No. 4

A JOINT RESOLUTION

proposing a constitutional amendment providing for certain priority and minimum funding for public schools, dedicating certain lottery proceeds to public education, authorizing certain taxes on entities, authorizing the creation of a commission to study efficiency in state government, and providing for transfer or further reduction of a limitation of school tax on homesteads of the elderly.

BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Article III, Texas Constitution, is amended by adding Section 31a to read as follows:

Sec. 31a. (a) The legislature by general law may create a Texas Grace Commission to study state agencies, institutions, and programs in the executive department of state government and recommend that certain of those agencies, institutions, or programs be abolished or reduced to a specified size or otherwise modified to make them more cost effective.

(b) This section expires on September 1, 1999.

SECTION 2. Section 47, Article III, Texas Constitution, is amended by adding Subsection (f) to read as follows:

(f) Money received by the State from the operation of lotteries, less amounts paid for lottery prizes and administrative costs, may be spent only as provided by general law for public free schools.

SECTION 3. Section 1, Article VII, Texas Constitution, is

amended to read as follows:

Sec. 1. (a) A general diffusion of knowledge being essential to the preservation of the liberties and rights of the people, it shall be the duty of the Legislature of the State to establish and make suitable provision for the support and maintenance of an efficient system of public free schools.

(b) The financial support of public free schools shall be the first priority among State spending and appropriations, subject only to the dedication of revenue otherwise provided by this Constitution and to the payment of lawfully incurred State debt.

(c) The Legislature may not appropriate, for any biennium, an amount of State funds for the maintenance and operation of public free schools and for the erection and equipment of public school buildings that is less than the amount appropriated for those purposes in the prior biennium, adjusted for student population growth and inflation in the cost of educational goods and services.

SECTION 4. Section 1, Article VIII, Texas Constitution, is amended by amending Subsection (c) and adding Subsection (c-1) to read as follows:

(c) The Legislature may provide for the taxation of intangible property and may also impose occupation taxes, both upon natural persons and upon corporations, other than municipal, doing any business in this State. Subject to the restrictions of Section 24 of this article, it may also tax incomes of both natural persons and corporations other than municipal. It may also impose privilege or franchise taxes measured by the income or taxable

capital of a corporation, partnership, or other business entity other than a sole proprietorship. A sole proprietorship [~~Persons~~] engaged in mechanical or [~~and~~] agricultural pursuits shall never be required to pay an occupation tax.

(c-1) The use of income earned or receipts after December 31, 1996, to measure or apportion to this State a privilege or franchise tax authorized by Subsection (c) of this section is not prohibited. This subsection expires January 1, 2000.

SECTION 5. Section 1-b(d), Article VIII, Texas Constitution, is amended to read as follows:

(d) Except as otherwise provided by this subsection, if a person receives the residence homestead exemption prescribed by Subsection (c) of this section for homesteads of persons sixty-five (65) years of age or older, the total amount of ad valorem taxes imposed on that homestead for general elementary and secondary public school purposes may not be increased while it remains the residence homestead of that person or that person's spouse who receives the exemption. If a person sixty-five (65) years of age or older dies in a year in which the person received the exemption, the total amount of ad valorem taxes imposed on the homestead for general elementary and secondary public school purposes may not be increased while it remains the residence homestead of that person's surviving spouse if the spouse is fifty-five (55) years of age or older at the time of the person's death, subject to any exceptions provided by general law. The legislature, by general law, may provide for the transfer of all or a proportionate amount of a limitation provided by this subsection for a person who qualifies

for the limitation and subsequently establishes a different residence homestead. However, taxes otherwise limited by this subsection may be increased to the extent the value of the homestead is increased by improvements other than repairs or improvements made to comply with governmental requirements and except as may be consistent with the transfer of a limitation under this subsection. If the total amount of a school district's taxes imposed in the 1997 tax year for public free school purposes on a residence homestead subject to a limitation provided by this subsection is less than the total amount of the school district's taxes on that residence homestead for those purposes in the first year that the residence homestead qualified for the limitation, in a subsequent tax year the total amount of taxes the school district may impose on the residence homestead for public free school purposes while it remains the residence homestead of a person entitled to the limitation may not exceed the amount of the 1997 school district taxes, except as otherwise provided by this subsection.

SECTION 6. Section 24, Article VIII, Texas Constitution, is amended by adding Subsection (k) to read as follows:

(k) This section does not apply to a privilege or franchise tax measured by the income of a corporation, partnership, or other business entity, other than a sole proprietorship.

SECTION 7. The following temporary provision is added to the Texas Constitution:

TEMPORARY PROVISION. (a) Subsection (a), Section 35, Article III, of this constitution does not apply to H.B. No. 4,

Acts of the 75th Legislature, Regular Session, 1997.

(b) This temporary provision is executed on adoption and expires January 1, 2003.

SECTION 8. This proposed constitutional amendment shall be submitted to the voters at an election to be held August 9, 1997. The ballot shall be printed to permit voting for or against the proposition: "The constitutional amendment to dedicate lottery revenue for public education, authorize a privilege or franchise tax on the income and capital of business organizations other than sole proprietorships, provide for the transfer to a different homestead of the school property tax freeze on homesteads of the elderly and the adjustment of the tax freeze for certain homesteads, provide for the creation of a commission to study and make recommendations on efficiency in state government, and establish public schools as the first priority in state spending and preserve the level of state funding of public schools."

SUPPLEMENTAL PRINTING

FISCAL NOTE

SENATE AMENDMENTS
HJR 4

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE
75th Regular Session

May 10, 1997

To: Honorable James E. "Pete" Laney
Speaker of the House
House of Representatives
Austin, Texas

IN RE: House Joint Resolution
No. 4, As Passed 2nd House
Craddick

From: John Keel, Director

In response to your request for a Fiscal Note on HJR4 (proposing a constitutional amendment dedicating lottery proceeds to public education, authorizing certain taxes on entities, and providing for the transfer or further reduction of a limitation of school tax on homesteads of the elderly.) this office has determined the following:

Biennial Net Impact to General Revenue Funds by HJR4-As Passed 2nd House

The fiscal implication to the State and units of local government would depend on the enabling legislation. The effects of House Joint Resolution 4, As Passed 2nd House, are included in the fiscal note on the As Passed 2nd House version of House Bill 4.

The cost to the state for publication of the resolution is $71,000.

The resolution proposes a constitutional amendment which, if adopted, would do the following:

(1) allow the Legislature to establish a commission that would make recommendations regarding abolition or modification of executive agencies to make them more cost effective;

(2) dedicate net lottery revenue to elementary and secondary public education;

(3) provide that support of elementary and secondary public education is the first

priority for State spending; and prohibit the Legislature from appropriating less for public schools in a biennium than in the prior biennium as adjusted for student population growth and inflation in the cost of educational goods and services;

(4) authorize the Legislature to impose a franchise or privilege tax measured by income or taxable capital on corporations, partnerships, and business entities other than sole proprietorships; and allow income earned after December 31, 1996 to measure or apportion the franchise tax;

(5) allow the Legislature to provide for the transfer of the sixty-five or over tax freeze to a different homestead and set the freeze level at the lower of the current freeze level and the amount of 1997 school district taxes; and

(6) exempt a franchise or privilege tax, other than one imposed on a sole proprietor, from the Article VIII, Section 24, requirements relating to the imposition of a net income tax.

The proposed amendment would be submitted to the voters on August 9, 1997.

Source: Agencies:

LBB Staff: JK, RR, BR

CONFERENCE COMMITTEE REPORT FORM

Austin, Texas

Date

97 MAY 29 PM 6:45
HOUSE OF REPRESENTATIVES

Honorable Bob Bullock
President of the Senate

Honorable James E. "Pete" Laney
Speaker of the House of Representatives

Sirs:

ADOPTED
MAY 3 1 1997
Sharon Carter
Chief Clerk
House of Representatives

126 yeas
18 nays
1 pnv.

We, Your Conference Committee, appointed to adjust the differences between the Senate and the House of Representatives on _____ have had the same under consideration, and beg to report it back with the recommendation that it do pass in the form and text hereto attached.

On the part of the Senate

On the part of the House

Note to Conference Committee Clerk:

Please type the names of the members of the Conference Committee under the lines provided for signature. Those members desiring to sign the report should sign each of the six copies. Attach a copy of the Conference Committee Report and a Section by Section side by side comparison to each of the six reporting forms. The original and two copies are filed in house of origin of the bill, and three copies in the other house.

CONFERENCE COMMITTEE REPORT

H.J.R. No. 4

A JOINT RESOLUTION

proposing a constitutional amendment increasing the amount of the school property tax residence homestead exemption and providing for the continuation and reduction of the school tax limitation on the homesteads of certain persons.

BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Sections 1-b(c) and (d), Article VIII, Texas Constitution, are amended to read as follows:

(c) Fifteen Thousand Dollars ($15,000) [~~Five--Thousand Dollars (~~$5,000~~)~~] of the market value of the residence homestead of a married or unmarried adult, including one living alone, is exempt from ad valorem taxation for general elementary and secondary public school purposes. The legislature by general law may provide that all or part of the exemption does not apply to a district or political subdivision that imposes ad valorem taxes for public education purposes but is not the principal school district providing general elementary and secondary public education throughout its territory. In addition to this exemption, the legislature by general law may exempt an amount not to exceed Ten Thousand Dollars ($10,000) of the market value of the residence homestead of a person who is disabled as defined in Subsection (b) of this section and of a person sixty-five (65) years of age or older from ad valorem taxation for general elementary and secondary public school purposes. The legislature by general law may base the amount of and condition eligibility for the additional

exemption authorized by this subsection for disabled persons and for persons sixty-five (65) years of age or older on economic need. An eligible disabled person who is sixty-five (65) years of age or older may not receive both exemptions from a school district but may choose either. An eligible person is entitled to receive both the exemption required by this subsection for all residence homesteads and any exemption adopted pursuant to Subsection (b) of this section, but the legislature shall provide by general law whether an eligible disabled or elderly person may receive both the additional exemption for the elderly and disabled authorized by this subsection and any exemption for the elderly or disabled adopted pursuant to Subsection (b) of this section. Where ad valorem tax has previously been pledged for the payment of debt, the taxing officers of a school district may continue to levy and collect the tax against the value of homesteads exempted under this subsection until the debt is discharged if the cessation of the levy would impair the obligation of the contract by which the debt was created. The legislature shall provide for formulas to protect school districts against all or part of the revenue loss incurred by the implementation of Article VIII, Sections 1-b(c), 1-b(d), and 1-d-1, of this constitution. The legislature by general law may define residence homestead for purposes of this section.

(d) Except as otherwise provided by this subsection, if a person receives the residence homestead exemption prescribed by Subsection (c) of this section for homesteads of persons sixty-five (65) years of age or older, the total amount of ad valorem taxes imposed on that homestead for general elementary and secondary

public school purposes may not be increased while it remains the residence homestead of that person or that person's spouse who receives the exemption. If a person sixty-five (65) years of age or older dies in a year in which the person received the exemption, the total amount of ad valorem taxes imposed on the homestead for general elementary and secondary public school purposes may not be increased while it remains the residence homestead of that person's surviving spouse if the spouse is fifty-five (55) years of age or older at the time of the person's death, subject to any exceptions provided by general law. The legislature, by general law, may provide for the transfer of all or a proportionate amount of a limitation provided by this subsection for a person who qualifies for the limitation and establishes a different residence homestead. However, taxes otherwise limited by this subsection may be increased to the extent the value of the homestead is increased by improvements other than repairs or improvements made to comply with governmental requirements and except as may be consistent with the transfer of a limitation under this subsection. For a residence homestead subject to the limitation provided by this subsection in the 1996 tax year or an earlier tax year, the legislature shall provide for a reduction in the amount of the limitation for the 1997 tax year and subsequent tax years in an amount equal to $10,000 multiplied by the 1997 tax rate for general elementary and secondary public school purposes applicable to the residence homestead.

SECTION 2. The following temporary provision is added to the Texas Constitution:

TEMPORARY PROVISION. (a) This temporary provision applies to the constitutional amendment proposed by H.J.R. No. 4, 75th Legislature, Regular Session, 1997, and expires January 2, 1998.

(b) The amendment to Section 1-b(c), Article VIII, of this constitution takes effect for the tax year beginning January 1, 1997.

SECTION 3. This proposed constitutional amendment shall be submitted to the voters at an election to be held August 9, 1997. The ballot shall be printed to permit voting for or against the proposition: "The constitutional amendment providing school property tax relief by increasing the residence homestead exemption by $10,000 and providing for the transfer of the tax limitation to another qualified homestead for persons over 65 and a reduction in taxes on homesteads subject to the limitation."

House Joint Resolution 4
Conference Committee Report
Section-by-Section Analysis
May 28, 1997

HOUSE VERSION	SENATE VERSION	CONFERENCE
SECTION 1. Amends Section 1, Article VII, Texas Constitution, to establish the financial support of elementary and secondary public school education as the first priority among state spending and appropriations, subject only to constitutional revenue dedications and the payment of lawfully incurred state debt. Sets forth as state policy the state's responsibility for the provision of public education, encompassing the provision and substantial financing through state revenue of a thorough and efficient system that gives students access to programs and services appropriate to their educational needs on a substantially equal basis. Requires the public school finance system to adhere to a standard of neutrality that provides for substantially equal access to similar revenue per student at similar tax effort, considering legitimate student and district cost differential factors. Prohibits the legislature from appropriating, for any biennium, an amount of state funds for the maintenance and operation of public schools and their buildings that is less than the amount appropriated in the prior biennium, adjusted for student population growth.	SECTION 3. Establishes the same priority but uses "public free schools" rather than "elementary and secondary public school education." Deletes the portions relating to the state's responsibility for the provision of public education and the adherence to a standard of neutrality. Includes the prohibition relating to appropriations but allows adjustment for educational cost inflation as well as student population growth.	No equivalent provision.
SECTION 2. Amends Section 1-e, Article VIII, Texas Constitution, to authorize the legislature to impose a state property tax for elementary and secondary public free school purposes, at a rate not to exceed $1.05 per $100 of taxable value, on property not subject to taxation for maintenance and operations purposes by a school district and not otherwise exempted by this constitution or by the legislature under the	No equivalent provision.	No equivalent provision.

HOUSE VERSION	SENATE VERSION	CONFERENCE
authority of this constitution. Authorizes the legislature to provide for the appraisal, equalization of taxable value, and collection of taxes imposed on property subject to a state property tax. Deletes obsolete language relating to the disposition of receipts from the previously authorized state property tax. Authorizes the legislature to exempt from state property taxes all or part of any property value that was exempted from school district property taxes pursuant to a tax abatement agreement entered into by the school district before January 1, 1997, or in certain reinvestment zones created on or before April 1, 1997. Adds a temporary provision, effective through the end of the 1999 property tax year, that requires state property taxes to be assessed on the valuation of property subject to those taxes as determined by appraisal officials in the county where the property is located, and provides that the assessment of a state property tax on that valuation is valid if the appraisal and equalization process conform to accepted standards and practices. Authorizes the legislature by general law to authorize the state to use increases in property tax revenues imposed on property in a reinvestment zone to finance the development or redevelopment of property in the zone under certain circumstances.		
SECTION 3. Amends Section 3, Article VII, Texas Constitution, to provide that lottery proceeds, less prize money and administrative costs, be spent only for elementary and secondary public free schools. Cross references the new	SECTION 2. Adds Section 47(f), Article III, Texas Constitution, to provide that lottery proceeds, less prize money and administrative costs, be spent only as provided by general law for public free schools.	No equivalent provision.

HOUSE VERSION	SENATE VERSION	CONFERENCE
version of the state property tax in Section 1-e, Article VIII, Texas Constitution, as amended by SECTION 2. Deletes obsolete references to the original state property tax and poll taxes. Authorizes the legislature to empower school districts to impose property taxes on residential property, as that property is defined by law, for purposes of maintenance and operations. Authorizes the legislature to set a statutory cap on school district property taxes, but prohibits a school district tax for maintenance and operations at a rate greater than $1.05 per $100 valuation of taxable property. Authorizes the legislature to provide for school districts to impose an additional property tax on all otherwise nonexempt property for purposes of the erection and equipment of school buildings if approved in an election by a majority of the voters of a school district. Makes conforming changes.		
SECTION 4. Amends Section 1, Article VIII, Texas Constitution, to authorize the legislature to impose privilege or franchise taxes, measured by the income or taxable capital of a corporation, partnership, or business entity other than a sole proprietorship. Exempts sole proprietorships engaged in mechanical or agricultural pursuits from ever being be required to pay an occupation tax. Provides that this subsection does not prohibit a tax on a municipal corporation's gas, electric, or water utility. Adds a temporary provision, effective until January 1, 2000, that allows the use of income earned or receipts after December 31, 1996, to measure or apportion to this state a privilege or franchise tax.	SECTION 4. Similar to House version in authorizing the legislature to impose privilege or franchise taxes, measured by the income or taxable capital of a corporation, partnership, or business entity other than a sole proprietorship; exempting sole proprietors engaged in mechanical or agricultural pursuits from ever having to pay an occupation tax; and allowing the use of income earned or receipts after December 31, 1996, for apportionment purposes in regard to state privilege or franchise taxes. Senate version does not include House provisions relating to the imposition of taxes on municipal gas, electric, or water utilities, nor to the legislature's authority to limit both the maximum annual	No equivalent provision.

HOUSE VERSION	SENATE VERSION	CONFERENCE
Allows the legislature to limit, by general law, the maximum annual increase in the appraised value of residence homesteads for property tax purposes to provide tax relief under certain circumstances, and to limit the frequency with which increases in the appraised value of real property may be recognized.	increases in appraised residential values for property tax purposes and the frequency with which increases in appraised property value may be recognized.	
SECTION 5. Amends Section 1-b(d), Article VIII, Texas Constitution.	SECTION 5. Amends Section 1-b(d), Article VIII, Texas Constitution.	SECTION 1. Amends Sections 1-b(c) and (d), Article VIII, Texas Constitution.
No equivalent provision.	No equivalent provision.	(c) Increases from $5,000 to $15,000 the residence homestead exemption from ad valorem taxation for general elementary and secondary public school purposes. Authorizes the legislature, by general law, to provide that all or part of the exemption does not apply to a district or political subdivision that imposes ad valorem taxes for public education purposes but is not the principal school district providing general elementary and secondary public education throughout its territory.
(d) Authorizes the legislature, by general law, to provide for the transfer of the tax freeze on residence homesteads of the elderly, for those who qualify for the freeze and establish a different residence homestead. Provides that if the tax imposed on an elderly homeowner's property in 1997 under a lower school district tax rate is less than the tax previously imposed, the 1997 amount becomes the new cap for that homeowner. Removes obsolete references to county	(d) Substantively the same as the House version, although not identical in language. Refers to "public free school purposes" rather than "elementary and secondary public school purposes."	(d) Includes the House version's authorization of the legislature to provide for the transfer of the freeze. Directs the legislature to provide for a reduction in the freeze amount for 1997 and subsequent years for residence homesteads that were subject to the freeze in 1996 or earlier in an amount equal to $10,000 multiplied by the applicable 1997 school tax rate.

HOUSE VERSION	SENATE VERSION	CONFERENCE
education districts.		
SECTION 6. Adds Section 1-b-2, Article VIII, Texas Constitution, applicable to certain escrow accounts that are required to be maintained in connection with a mortgage on a residence. Requires the person controlling the escrow account to deliver to the person who pays money into the account a notice of property tax reductions resulting from tax relief legislation and a likely consequent decrease in required payments into the account. Sets forth the language of the notice. Provides for an expiration of the section on December 31, 1998.	No equivalent provision.	No equivalent provision.
SECTION 7. Adds Section 1-b-3, Article VIII, Texas Constitution, to require the chief appraiser of each appraisal district, not later than October 1, 1997, to send to each owner of a residence homestead in the appraisal district a notice of school district property tax reductions resulting from tax relief legislation, and providing other information. Sets forth the language of the notice. Provides for the expiration of the section on December 31, 1998.	No equivalent provision.	No equivalent provision.
SECTION 8. Amends Section 1-j, Article VIII, Texas Constitution, to provide that the freeport exemption on certain property does not apply to the state property tax if the property is located in a school district that taxes it for the tax year.	No equivalent provision.	No equivalent provision.

HOUSE VERSION	SENATE VERSION	CONFERENCE
SECTION 9. Adds Section 1-m, Article VIII, Texas Constitution, to authorize the legislature, by general law, to allow certain owners of producing oil and gas property to elect to pay a gross wellhead receipts tax in lieu of property taxes. Directs revenue from such gross receipts taxes to the same uses and purposes as the revenue from property taxes.	No equivalent provision.	No equivalent provision.
SECTION 10. Adds Section 1-n, Article VIII, Texas Constitution, to allow the legislature, by general law, to make a river authority that owns or operates one or more steam generating plants subject to a franchise tax, but restricts the legislature's imposition of such franchise taxes to the portion of the authority's business that is directly related to the generation, transmission, or distribution of electricity, and at a rate not to exceed the rate imposed on private entities similarly engaged in the electric business.	No equivalent provision.	No equivalent provision.
SECTION 11. Amends Section 22, Article VIII, Texas Constitution, to add a subsection providing that the restriction on the rate of growth of appropriations from nondedicated revenue does not apply, for the FY2000-FY2001 biennium, to appropriations to the extent made from the amount of the increase in revenue resulting from House Bill 4, 75th Legislature, Regular Session, 1997. Provides for expiration of the subsection on September 1, 2001.	No equivalent provision.	No equivalent provision.
SECTION 12. Adds Subsection (k), Section 24, Article VIII, Texas Constitution, to provide that the restrictions on	SECTION 6. Same as House version.	No equivalent provision.

HOUSE VERSION	SENATE VERSION	CONFERENCE
imposition of a personal income tax do not apply to a privilege or franchise tax measured by the income of a corporation, partnership, or other taxable business entity, other than a sole proprietorship.		
SECTION 13. Adds Section 31a, Article III, Texas Constitution, to authorize the legislature, by general law, to create a Texas Grace Commission to study state agencies, institutions, and programs in the executive branch and recommend that certain of those agencies, institutions, or programs be abolished, reduced in size, or otherwise modified to make them more cost-effective. Provides that the legislature must accept or reject, but may not amend, each substantive recommendation presented it by the commission. Provides for the repeal of the section on September 1, 1999.	SECTION 1. Same as House version, but deletes the restriction on the legislature relating to the acceptance or rejection of, but not the amendment of, commission recommendations.	No equivalent provision.
No equivalent provision.	SECTION 7. Adds a temporary provision stating that the constitutional restriction on the inclusion of more than one subject in a bill does not apply to House Bill 4, 75th Legislature, Regular Session, 1997. Provides that the temporary provision is executed on adoption and expires on January 1, 2003.	No equivalent provision.
No equivalent provision.	No equivalent provision.	SECTION 2. Adds a temporary provision, which expires January 2, 1998, to provide that the portion of the constitutional amendment that increases the homestead exemption takes effect for the tax year beginning January 1, 1997.

HOUSE VERSION	SENATE VERSION	CONFERENCE
SECTION 14. Provides for an election date of August 9, 1997, for the constitutional amendment proposed by the joint resolution. Lists the items to be included in the ballot language for the amendment proposition, including reference to (1) the dedication of lottery revenue to public schools; (2) authorization of a limited state property tax on nonresidential property; (3) authorization of a privilege or franchise tax on business income or capital and exempting sole proprietors; (4) provision for portability of certain tax freezes for elderly homeowners; (5) capping of school district maintenance and operations tax rates; (6), authorization of legislative limits on appraisal frequency and annual increases in appraised property values; (7) creation of a commission on efficiency in state government; (8) establishment of a school funding equity standard; (9) provision for alternative taxation of oil and gas interests; (10) authorization of a franchise tax on certain electricity-generating river authorities; and (11) establishment of public school funding as a state priority and preservation of state school funding level.	SECTION 8. Also provides for an election date of August 9, 1997, for the constitutional amendment proposed by the joint resolution and specifies ballot language, but ballot language reflects narrower scope of the joint resolution.	SECTION 3. Also provides for an election date of August 9, 1997, for the constitutional amendment proposed by the joint resolution and specifies ballot language, but ballot language reflects narrower scope of the joint resolution.

CONFERENCE COMMITTEE REPORT FORM

Austin, Texas

Date

Honorable Bob Bullock
President of the Senate

Honorable James E. "Pete" Laney
Speaker of the House of Representatives

ADOPTED
27-3
MAY 31 1997

Betty King
Secretary of the Senate

Sirs:

We, Your Conference Committee, appointed to adjust the differences between the Senate and the House of Representatives on _____ have had the same under consideration, and beg to report it back with the recommendation that it do pass in the form and text hereto attached.

On the part of the Senate

On the part of the House

Note to Conference Committee Clerk:

Please type the names of the members of the Conference Committee under the lines provided for signature. Those members desiring to sign the report should sign each of the six copies. Attach a copy of the Conference Committee Report and a Section by Section side by side comparison to each of the six reporting forms. The original and two copies are filed in house of origin of the bill, and three copies in the other house.

MAY 29 1997 4:30 p.m.

CONFERENCE COMMITTEE REPORT

H.J.R. No. 4

A JOINT RESOLUTION

proposing a constitutional amendment increasing the amount of the school property tax residence homestead exemption and providing for the continuation and reduction of the school tax limitation on the homesteads of certain persons.

BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Sections 1-b(c) and (d), Article VIII, Texas Constitution, are amended to read as follows:

(c) Fifteen Thousand Dollars ($15,000) [~~Five--Thousand Dollars-($5,000)~~] of the market value of the residence homestead of a married or unmarried adult, including one living alone, is exempt from ad valorem taxation for general elementary and secondary public school purposes. The legislature by general law may provide that all or part of the exemption does not apply to a district or political subdivision that imposes ad valorem taxes for public education purposes but is not the principal school district providing general elementary and secondary public education throughout its territory. In addition to this exemption, the legislature by general law may exempt an amount not to exceed Ten Thousand Dollars ($10,000) of the market value of the residence homestead of a person who is disabled as defined in Subsection (b) of this section and of a person sixty-five (65) years of age or older from ad valorem taxation for general elementary and secondary public school purposes. The legislature by general law may base the amount of and condition eligibility for the additional

exemption authorized by this subsection for disabled persons and for persons sixty-five (65) years of age or older on economic need. An eligible disabled person who is sixty-five (65) years of age or older may not receive both exemptions from a school district but may choose either. An eligible person is entitled to receive both the exemption required by this subsection for all residence homesteads and any exemption adopted pursuant to Subsection (b) of this section, but the legislature shall provide by general law whether an eligible disabled or elderly person may receive both the additional exemption for the elderly and disabled authorized by this subsection and any exemption for the elderly or disabled adopted pursuant to Subsection (b) of this section. Where ad valorem tax has previously been pledged for the payment of debt, the taxing officers of a school district may continue to levy and collect the tax against the value of homesteads exempted under this subsection until the debt is discharged if the cessation of the levy would impair the obligation of the contract by which the debt was created. The legislature shall provide for formulas to protect school districts against all or part of the revenue loss incurred by the implementation of Article VIII, Sections 1-b(c), 1-b(d), and 1-d-1, of this constitution. The legislature by general law may define residence homestead for purposes of this section.

(d) Except as otherwise provided by this subsection, if a person receives the residence homestead exemption prescribed by Subsection (c) of this section for homesteads of persons sixty-five (65) years of age or older, the total amount of ad valorem taxes imposed on that homestead for general elementary and secondary

public school purposes may not be increased while it remains the residence homestead of that person or that person's spouse who receives the exemption. If a person sixty-five (65) years of age or older dies in a year in which the person received the exemption, the total amount of ad valorem taxes imposed on the homestead for general elementary and secondary public school purposes may not be increased while it remains the residence homestead of that person's surviving spouse if the spouse is fifty-five (55) years of age or older at the time of the person's death, subject to any exceptions provided by general law. The legislature, by general law, may provide for the transfer of all or a proportionate amount of a limitation provided by this subsection for a person who qualifies for the limitation and establishes a different residence homestead. However, taxes otherwise limited by this subsection may be increased to the extent the value of the homestead is increased by improvements other than repairs or improvements made to comply with governmental requirements and except as may be consistent with the transfer of a limitation under this subsection. For a residence homestead subject to the limitation provided by this subsection in the 1996 tax year or an earlier tax year, the legislature shall provide for a reduction in the amount of the limitation for the 1997 tax year and subsequent tax years in an amount equal to $10,000 multiplied by the 1997 tax rate for general elementary and secondary public school purposes applicable to the residence homestead.

SECTION 2. The following temporary provision is added to the Texas Constitution:

TEMPORARY PROVISION. (a) This temporary provision applies to the constitutional amendment proposed by H.J.R. No. 4, 75th Legislature, Regular Session, 1997, and expires January 2, 1998.

(b) The amendment to Section 1-b(c), Article VIII, of this constitution takes effect for the tax year beginning January 1, 1997.

SECTION 3. This proposed constitutional amendment shall be submitted to the voters at an election to be held August 9, 1997. The ballot shall be printed to permit voting for or against the proposition: "The constitutional amendment providing school property tax relief by increasing the residence homestead exemption by $10,000 and providing for the transfer of the tax limitation to another qualified homestead for persons over 65 and a reduction in taxes on homesteads subject to the limitation."

House Joint Resolution 4
Conference Committee Report
Section-by-Section Analysis
May 28, 1997

HOUSE VERSION	SENATE VERSION	CONFERENCE
SECTION 1. Amends Section 1, Article VII, Texas Constitution, to establish the financial support of elementary and secondary public school education as the first priority among state spending and appropriations, subject only to constitutional revenue dedications and the payment of lawfully incurred state debt. Sets forth as state policy the state's responsibility for the provision of public education, encompassing the provision and substantial financing through state revenue of a thorough and efficient system that gives students access to programs and services appropriate to their educational needs on a substantially equal basis. Requires the public school finance system to adhere to a standard of neutrality that provides for substantially equal access to similar revenue per student at similar tax effort, considering legitimate student and district cost differential factors. Prohibits the legislature from appropriating, for any biennium, an amount of state funds for the maintenance and operation of public schools and their buildings that is less than the amount appropriated in the prior biennium, adjusted for student population growth.	SECTION 3. Establishes the same priority but uses "public free schools" rather than "elementary and secondary public school education." Deletes the portions relating to the state's responsibility for the provision of public education and the adherence to a standard of neutrality. Includes the prohibition relating to appropriations but allows adjustment for educational cost inflation as well as student population growth.	No equivalent provision.
SECTION 2. Amends Section 1-e, Article VIII, Texas Constitution, to authorize the legislature to impose a state property tax for elementary and secondary public free school purposes, at a rate not to exceed $1.05 per $100 of taxable value, on property not subject to taxation for maintenance and operations purposes by a school district and not otherwise exempted by this constitution or by the legislature under the	No equivalent provision.	No equivalent provision.

HOUSE VERSION	SENATE VERSION	CONFERENCE
authority of this constitution. Authorizes the legislature to provide for the appraisal, equalization of taxable value, and collection of taxes imposed on property subject to a state property tax. Deletes obsolete language relating to the disposition of receipts from the previously authorized state property tax. Authorizes the legislature to exempt from state property taxes all or part of any property value that was exempted from school district property taxes pursuant to a tax abatement agreement entered into by the school district before January 1, 1997, or in certain reinvestment zones created on or before April 1, 1997. Adds a temporary provision, effective through the end of the 1999 property tax year, that requires state property taxes to be assessed on the valuation of property subject to those taxes as determined by appraisal officials in the county where the property is located, and provides that the assessment of a state property tax on that valuation is valid if the appraisal and equalization process conform to accepted standards and practices. Authorizes the legislature by general law to authorize the state to use increases in property tax revenues imposed on property in a reinvestment zone to finance the development or redevelopment of property in the zone under certain circumstances.		
SECTION 3. Amends Section 3, Article VII, Texas Constitution, to provide that lottery proceeds, less prize money and administrative costs, be spent only for elementary and secondary public free schools. Cross references the new	SECTION 2. Adds Section 47(f), Article III, Texas Constitution, to provide that lottery proceeds, less prize money and administrative costs, be spent only as provided by general law for public free schools.	No equivalent provision.

HOUSE VERSION	SENATE VERSION	CONFERENCE
version of the state property tax in Section 1-e, Article VIII, Texas Constitution, as amended by SECTION 2. Deletes obsolete references to the original state property tax and poll taxes. Authorizes the legislature to empower school districts to impose property taxes on residential property, as that property is defined by law, for purposes of maintenance and operations. Authorizes the legislature to set a statutory cap on school district property taxes, but prohibits a school district tax for maintenance and operations at a rate greater than $1.05 per $100 valuation of taxable property. Authorizes the legislature to provide for school districts to impose an additional property tax on all otherwise nonexempt property for purposes of the erection and equipment of school buildings if approved in an election by a majority of the voters of a school district. Makes conforming changes.		
SECTION 4. Amends Section 1, Article VIII, Texas Constitution, to authorize the legislature to impose privilege or franchise taxes, measured by the income or taxable capital of a corporation, partnership, or business entity other than a sole proprietorship. Exempts sole proprietorships engaged in mechanical or agricultural pursuits from ever being be required to pay an occupation tax. Provides that this subsection does not prohibit a tax on a municipal corporation's gas, electric, or water utility. Adds a temporary provision, effective until January 1, 2000, that allows the use of income earned or receipts after December 31, 1996, to measure or apportion to this state a privilege or franchise tax.	SECTION 4. Similar to House version in authorizing the legislature to impose privilege or franchise taxes, measured by the income or taxable capital of a corporation, partnership, or business entity other than a sole proprietorship; exempting sole proprietors engaged in mechanical or agricultural pursuits from ever having to pay an occupation tax; and allowing the use of income earned or receipts after December 31, 1996, for apportionment purposes in regard to state privilege or franchise taxes. Senate version does not include House provisions relating to the imposition of taxes on municipal gas, electric, or water utilities, nor to the legislature's authority to limit both the maximum annual	No equivalent provision.

HOUSE VERSION	SENATE VERSION	CONFERENCE
Allows the legislature to limit, by general law, the maximum annual increase in the appraised value of residence homesteads for property tax purposes to provide tax relief under certain circumstances, and to limit the frequency with which increases in the appraised value of real property may be recognized.	increases in appraised residential values for property tax purposes and the frequency with which increases in appraised property value may be recognized.	
SECTION 5. Amends Section 1-b(d), Article VIII, Texas Constitution.	SECTION 5. Amends Section 1-b(d), Article VIII, Texas Constitution.	SECTION 1. Amends Sections 1-b(c) and (d), Article VIII, Texas Constitution.
No equivalent provision.	No equivalent provision.	(c) Increases from $5,000 to $15,000 the residence homestead exemption from ad valorem taxation for general elementary and secondary public school purposes. Authorizes the legislature, by general law, to provide that all or part of the exemption does not apply to a district or political subdivision that imposes ad valorem taxes for public education purposes but is not the principal school district providing general elementary and secondary public education throughout its territory.
(d) Authorizes the legislature, by general law, to provide for the transfer of the tax freeze on residence homesteads of the elderly, for those who qualify for the freeze and establish a different residence homestead. Provides that if the tax imposed on an elderly homeowner's property in 1997 under a lower school district tax rate is less than the tax previously imposed, the 1997 amount becomes the new cap for that homeowner. Removes obsolete references to county	(d) Substantively the same as the House version, although not identical in language. Refers to "public free school purposes" rather than "elementary and secondary public school purposes."	(d) Includes the House version's authorization of the legislature to provide for the transfer of the freeze. Directs the legislature to provide for a reduction in the freeze amount for 1997 and subsequent years for residence homesteads that were subject to the freeze in 1996 or earlier in an amount equal to $10,000 multiplied by the applicable 1997 school tax rate.

HOUSE VERSION	SENATE VERSION	CONFERENCE
education districts.		
SECTION 6. Adds Section 1-b-2, Article VIII, Texas Constitution, applicable to certain escrow accounts that are required to be maintained in connection with a mortgage on a residence. Requires the person controlling the escrow account to deliver to the person who pays money into the account a notice of property tax reductions resulting from tax relief legislation and a likely consequent decrease in required payments into the account. Sets forth the language of the notice. Provides for an expiration of the section on December 31, 1998.	No equivalent provision.	No equivalent provision.
SECTION 7. Adds Section 1-b-3, Article VIII, Texas Constitution, to require the chief appraiser of each appraisal district, not later than October 1, 1997, to send to each owner of a residence homestead in the appraisal district a notice of school district property tax reductions resulting from tax relief legislation, and providing other information. Sets forth the language of the notice. Provides for the expiration of the section on December 31, 1998.	No equivalent provision.	No equivalent provision.
SECTION 8. Amends Section 1-j, Article VIII, Texas Constitution, to provide that the freeport exemption on certain property does not apply to the state property tax if the property is located in a school district that taxes it for the tax year.	No equivalent provision.	No equivalent provision.

HOUSE VERSION	SENATE VERSION	CONFERENCE
SECTION 9. Adds Section 1-m, Article VIII, Texas Constitution, to authorize the legislature, by general law, to allow certain owners of producing oil and gas property to elect to pay a gross wellhead receipts tax in lieu of property taxes. Directs revenue from such gross receipts taxes to the same uses and purposes as the revenue from property taxes.	No equivalent provision.	No equivalent provision.
SECTION 10. Adds Section 1-n, Article VIII, Texas Constitution, to allow the legislature, by general law, to make a river authority that owns or operates one or more steam generating plants subject to a franchise tax, but restricts the legislature's imposition of such franchise taxes to the portion of the authority's business that is directly related to the generation, transmission, or distribution of electricity, and at a rate not to exceed the rate imposed on private entities similarly engaged in the electric business.	No equivalent provision.	No equivalent provision.
SECTION 11. Amends Section 22, Article VIII, Texas Constitution, to add a subsection providing that the restriction on the rate of growth of appropriations from nondedicated revenue does not apply, for the FY2000-FY2001 biennium, to appropriations to the extent made from the amount of the increase in revenue resulting from House Bill 4, 75th Legislature, Regular Session, 1997. Provides for expiration of the subsection on September 1, 2001.	No equivalent provision.	No equivalent provision.
SECTION 12. Adds Subsection (k), Section 24, Article VIII, Texas Constitution, to provide that the restrictions on	SECTION 6. Same as House version.	No equivalent provision.

HOUSE VERSION	SENATE VERSION	CONFERENCE
imposition of a personal income tax do not apply to a privilege or franchise tax measured by the income of a corporation, partnership, or other taxable business entity, other than a sole proprietorship.		
SECTION 13. Adds Section 31a, Article III, Texas Constitution, to authorize the legislature, by general law, to create a Texas Grace Commission to study state agencies, institutions, and programs in the executive branch and recommend that certain of those agencies, institutions, or programs be abolished, reduced in size, or otherwise modified to make them more cost-effective. Provides that the legislature must accept or reject, but may not amend, each substantive recommendation presented it by the commission. Provides for the repeal of the section on September 1, 1999.	SECTION 1. Same as House version, but deletes the restriction on the legislature relating to the acceptance or rejection of, but not the amendment of, commission recommendations.	No equivalent provision.
No equivalent provision.	SECTION 7. Adds a temporary provision stating that the constitutional restriction on the inclusion of more than one subject in a bill does not apply to House Bill 4, 75th Legislature, Regular Session, 1997. Provides that the temporary provision is executed on adoption and expires on January 1, 2003.	No equivalent provision.
No equivalent provision.	No equivalent provision.	SECTION 2. Adds a temporary provision, which expires January 2, 1998, to provide that the portion of the constitutional amendment that increases the homestead exemption takes effect for the tax year beginning January 1, 1997.

HOUSE VERSION	SENATE VERSION	CONFERENCE
SECTION 14. Provides for an election date of August 9, 1997, for the constitutional amendment proposed by the joint resolution. Lists the items to be included in the ballot language for the amendment proposition, including reference to (1) the dedication of lottery revenue to public schools; (2) authorization of a limited state property tax on nonresidential property; (3) authorization of a privilege or franchise tax on business income or capital and exempting sole proprietors; (4) provision for portability of certain tax freezes for elderly homeowners; (5) capping of school district maintenance and operations tax rates; (6), authorization of legislative limits on appraisal frequency and annual increases in appraised property values; (7) creation of a commission on efficiency in state government; (8) establishment of a school funding equity standard; (9) provision for alternative taxation of oil and gas interests; (10) authorization of a franchise tax on certain electricity-generating river authorities; and (11) establishment of public school funding as a state priority and preservation of state school funding level.	SECTION 8. Also provides for an election date of August 9, 1997, for the constitutional amendment proposed by the joint resolution and specifies ballot language, but ballot language reflects narrower scope of the joint resolution.	SECTION 3. Also provides for an election date of August 9, 1997, for the constitutional amendment proposed by the joint resolution and specifies ballot language, but ballot language reflects narrower scope of the joint resolution.

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE
75th Regular Session

May 30, 1997

To: Honorable Bob Bullock
Lieutenant Governor
Senate
Austin, Texas

Honorable James E. "Pete" Laney
Speaker of the House
House of Representatives
Austin, Texas

From: John Keel, Director

In response to your request for a Fiscal Note on HJR4 (proposing a constitutional amendment increasing the amount of the school property tax residence homestead exemption and providing for the continuation and reduction of the school tax limitation on the homesteads of certain persons) this office has determined the following:

Biennial Net Impact to General Revenue Funds by HJR4-Conference Committee Report

Implementing the provisions of the bill would result in a net negative impact of $(1,044,625,000) to General Revenue Related Funds through the biennium ending August 31, 1999.

Fiscal Analysis

The resolution proposes a constitutional amendment that would increase the homestead exemption for school district property taxes by $10,000.

The proposed amendment would adjust the school district tax freeze for sixty-five and older homeowners so that the benefit of the $10,000 increase in the homestead exemption would be realized by those homeowners currently eligible for the freeze.

The proposed amendment would also allow the Legislature to provide for the transfer of all or part of the sixty-five or over tax freeze to a different homestead.

The amendment would be submitted to the voters on August 9, 1997.

The cost to the state for publication of the resolution is $71,000.

Methodology

Estimates of the revenue loss from the increased homestead exemption are based on estimates provided by the Comptroller of Public Accounts. The fiscal note assumes that the State would fully offset the property tax losses to school districts with increased state aid under the foundation school program.

The probable fiscal implication relating to the increased homestead exemption and publication of the resolution during each of the first six years following passage is estimated as follows:

Six Year Impact:

Fiscal Year	Probable Savings/(Cost) from General Revenue Fund 0001	Probable Savings/(Cost) from General Revenue Fund for Publication of the Resolution 0001
1997	$0	($71,000)
1998	(511,665,000)	0
1999	(532,889,000)	0
2000	(554,893,000)	0
2001	(577,704,000)	0
2002	(601,350,000)	0

The fiscal note reflects only the costs related to the increased homestead exemption for school district property taxes. (These costs are also included in the fiscal note for the Conference Committee Report of House Bill 4.)

The effect of portability of the sixty-five and over freeze would depend on the enabling legislation, House Bill 4.

Net Impact on General Revenue Related Funds:

The probable fiscal implication to General Revenue related funds during each of the first five years is estimated as follows:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
1997	($71,000)
1998	(511,665,000)
1999	(532,889,000)
2000	(554,893,000)
2001	(577,704,000)
2002	(601,350,000)

Similar annual fiscal implications would continue as long as the provisions of the amendment are in effect.

The fiscal implications to school districts would depend on the enabling legislation, House Bill 4, therefore the fiscal implications to school districts are shown in the fiscal note for that bill. The increase in the school district homestead exemption would have the effect of shifting a small portion of appraisal district administrative cost from school districts to other taxing units.

Source: Agencies:
304 Comptroller of Public Accounts, 701 Texas Education Agency - Administra
LBB Staff: JK, RR, RS, BR

CONFERENCE COMMITTEE REPORT FORM

Austin, Texas

May ~~28~~ 29, 1997
Date

Honorable Bob Bullock
President of the Senate

Honorable James E. "Pete" Laney
Speaker of the House of Representatives

Sirs:

We, Your Conference Committee, appointed to adjust the differences between the Senate and the House of Representatives on HJR 4 have had the same under consideration, and beg to report it back with the recommendation that it do pass in the form and text hereto attached.

Senator Ken Armbrister	Rep. Paul Sadler
Senator Teel Bivins	Rep. Kim Brimer
Senator Chris Harris	Rep. Tom Craddick
Senator Gregory Luna	Rep. Scott Hochberg
On the part of the Senate Senator Florence Shapiro	On the part of the House Rep. Mark Stiles

Note to Conference Committee Clerk:

Please type the names of the members of the Conference Committee under the lines provided for signature. Those members desiring to sign the report should sign each of the six copies. Attach a copy of the Conference Committee Report and a Section by Section side by side comparison to each of the six reporting forms. The original and two copies are filed in house of origin of the bill, and three copies in the other house.

CONFERENCE COMMITTEE REPORT

3rd Printing

H.J.R. No. 4

A JOINT RESOLUTION

proposing a constitutional amendment increasing the amount of the school property tax residence homestead exemption and providing for the continuation and reduction of the school tax limitation on the homesteads of certain persons.

BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Sections 1-b(c) and (d), Article VIII, Texas Constitution, are amended to read as follows:

(c) Fifteen Thousand Dollars ($15,000) [~~Five--Thousand Dollars-(~~$5,000~~)~~] of the market value of the residence homestead of a married or unmarried adult, including one living alone, is exempt from ad valorem taxation for general elementary and secondary public school purposes. The legislature by general law may provide that all or part of the exemption does not apply to a district or political subdivision that imposes ad valorem taxes for public education purposes but is not the principal school district providing general elementary and secondary public education throughout its territory. In addition to this exemption, the legislature by general law may exempt an amount not to exceed Ten Thousand Dollars ($10,000) of the market value of the residence homestead of a person who is disabled as defined in Subsection (b) of this section and of a person sixty-five (65) years of age or older from ad valorem taxation for general elementary and secondary public school purposes. The legislature by general law may base the amount of and condition eligibility for the additional

exemption authorized by this subsection for disabled persons and for persons sixty-five (65) years of age or older on economic need. An eligible disabled person who is sixty-five (65) years of age or older may not receive both exemptions from a school district but may choose either. An eligible person is entitled to receive both the exemption required by this subsection for all residence homesteads and any exemption adopted pursuant to Subsection (b) of this section, but the legislature shall provide by general law whether an eligible disabled or elderly person may receive both the additional exemption for the elderly and disabled authorized by this subsection and any exemption for the elderly or disabled adopted pursuant to Subsection (b) of this section. Where ad valorem tax has previously been pledged for the payment of debt, the taxing officers of a school district may continue to levy and collect the tax against the value of homesteads exempted under this subsection until the debt is discharged if the cessation of the levy would impair the obligation of the contract by which the debt was created. The legislature shall provide for formulas to protect school districts against all or part of the revenue loss incurred by the implementation of Article VIII, Sections 1-b(c), 1-b(d), and 1-d-1, of this constitution. The legislature by general law may define residence homestead for purposes of this section.

(d) Except as otherwise provided by this subsection, if a person receives the residence homestead exemption prescribed by Subsection (c) of this section for homesteads of persons sixty-five (65) years of age or older, the total amount of ad valorem taxes imposed on that homestead for general elementary and secondary

public school purposes may not be increased while it remains the residence homestead of that person or that person's spouse who receives the exemption. If a person sixty-five (65) years of age or older dies in a year in which the person received the exemption, the total amount of ad valorem taxes imposed on the homestead for general elementary and secondary public school purposes may not be increased while it remains the residence homestead of that person's surviving spouse if the spouse is fifty-five (55) years of age or older at the time of the person's death, subject to any exceptions provided by general law. The legislature, by general law, may provide for the transfer of all or a proportionate amount of a limitation provided by this subsection for a person who qualifies for the limitation and establishes a different residence homestead. However, taxes otherwise limited by this subsection may be increased to the extent the value of the homestead is increased by improvements other than repairs or improvements made to comply with governmental requirements and except as may be consistent with the transfer of a limitation under this subsection. For a residence homestead subject to the limitation provided by this subsection in the 1996 tax year or an earlier tax year, the legislature shall provide for a reduction in the amount of the limitation for the 1997 tax year and subsequent tax years in an amount equal to $10,000 multiplied by the 1997 tax rate for general elementary and secondary public school purposes applicable to the residence homestead.

SECTION 2. The following temporary provision is added to the Texas Constitution:

TEMPORARY PROVISION. (a) This temporary provision applies to the constitutional amendment proposed by H.J.R. No. 4, 75th Legislature, Regular Session, 1997, and expires January 2, 1998.

(b) The amendment to Section 1-b(c), Article VIII, of this constitution takes effect for the tax year beginning January 1, 1997.

SECTION 3. This proposed constitutional amendment shall be submitted to the voters at an election to be held August 9, 1997. The ballot shall be printed to permit voting for or against the proposition: "The constitutional amendment providing school property tax relief by increasing the residence homestead exemption by $10,000 and providing for the transfer of the tax limitation to another qualified homestead for persons over 65 and a reduction in taxes on homesteads subject to the limitation."

House Joint Resolution 4
Conference Committee Report
Section-by-Section Analysis
May 28, 1997

HOUSE VERSION	SENATE VERSION	CONFERENCE
SECTION 1. Amends Section 1, Article VII, Texas Constitution, to establish the financial support of elementary and secondary public school education as the first priority among state spending and appropriations, subject only to constitutional revenue dedications and the payment of lawfully incurred state debt. Sets forth as state policy the state's responsibility for the provision of public education, encompassing the provision and substantial financing through state revenue of a thorough and efficient system that gives students access to programs and services appropriate to their educational needs on a substantially equal basis. Requires the public school finance system to adhere to a standard of neutrality that provides for substantially equal access to similar revenue per student at similar tax effort, considering legitimate student and district cost differential factors. Prohibits the legislature from appropriating, for any biennium, an amount of state funds for the maintenance and operation of public schools and their buildings that is less than the amount appropriated in the prior biennium, adjusted for student population growth.	SECTION 3. Establishes the same priority but uses "public free schools" rather than "elementary and secondary public school education." Deletes the portions relating to the state's responsibility for the provision of public education and the adherence to a standard of neutrality. Includes the prohibition relating to appropriations but allows adjustment for educational cost inflation as well as student population growth.	No equivalent provision.
SECTION 2. Amends Section 1-e, Article VIII, Texas Constitution, to authorize the legislature to impose a state property tax for elementary and secondary public free school purposes, at a rate not to exceed $1.05 per $100 of taxable value, on property not subject to taxation for maintenance and operations purposes by a school district and not otherwise exempted by this constitution or by the legislature under the	No equivalent provision.	No equivalent provision.

HOUSE VERSION	SENATE VERSION	CONFERENCE
authority of this constitution. Authorizes the legislature to provide for the appraisal, equalization of taxable value, and collection of taxes imposed on property subject to a state property tax. Deletes obsolete language relating to the disposition of receipts from the previously authorized state property tax. Authorizes the legislature to exempt from state property taxes all or part of any property value that was exempted from school district property taxes pursuant to a tax abatement agreement entered into by the school district before January 1, 1997, or in certain reinvestment zones created on or before April 1, 1997. Adds a temporary provision, effective through the end of the 1999 property tax year, that requires state property taxes to be assessed on the valuation of property subject to those taxes as determined by appraisal officials in the county where the property is located, and provides that the assessment of a state property tax on that valuation is valid if the appraisal and equalization process conform to accepted standards and practices. Authorizes the legislature by general law to authorize the state to use increases in property tax revenues imposed on property in a reinvestment zone to finance the development or redevelopment of property in the zone under certain circumstances.		
SECTION 3. Amends Section 3, Article VII, Texas Constitution, to provide that lottery proceeds, less prize money and administrative costs, be spent only for elementary and secondary public free schools. Cross references the new	SECTION 2. Adds Section 47(f), Article III, Texas Constitution, to provide that lottery proceeds, less prize money and administrative costs, be spent only as provided by general law for public free schools.	No equivalent provision.

HOUSE VERSION	SENATE VERSION	CONFERENCE
version of the state property tax in Section 1-e, Article VIII, Texas Constitution, as amended by SECTION 2. Deletes obsolete references to the original state property tax and poll taxes. Authorizes the legislature to empower school districts to impose property taxes on residential property, as that property is defined by law, for purposes of maintenance and operations. Authorizes the legislature to set a statutory cap on school district property taxes, but prohibits a school district tax for maintenance and operations at a rate greater than $1.05 per $100 valuation of taxable property. Authorizes the legislature to provide for school districts to impose an additional property tax on all otherwise nonexempt property for purposes of the erection and equipment of school buildings if approved in an election by a majority of the voters of a school district. Makes conforming changes.		
SECTION 4. Amends Section 1, Article VIII, Texas Constitution, to authorize the legislature to impose privilege or franchise taxes, measured by the income or taxable capital of a corporation, partnership, or business entity other than a sole proprietorship. Exempts sole proprietorships engaged in mechanical or agricultural pursuits from ever being be required to pay an occupation tax. Provides that this subsection does not prohibit a tax on a municipal corporation's gas, electric, or water utility. Adds a temporary provision, effective until January 1, 2000, that allows the use of income earned or receipts after December 31, 1996, to measure or apportion to this state a privilege or franchise tax.	SECTION 4. Similar to House version in authorizing the legislature to impose privilege or franchise taxes, measured by the income or taxable capital of a corporation, partnership, or business entity other than a sole proprietorship; exempting sole proprietors engaged in mechanical or agricultural pursuits from ever having to pay an occupation tax; and allowing the use of income earned or receipts after December 31, 1996, for apportionment purposes in regard to state privilege or franchise taxes. Senate version does not include House provisions relating to the imposition of taxes on municipal gas, electric, or water utilities, nor to the legislature's authority to limit both the maximum annual	No equivalent provision.

HOUSE VERSION	SENATE VERSION	CONFERENCE
Allows the legislature to limit, by general law, the maximum annual increase in the appraised value of residence homesteads for property tax purposes to provide tax relief under certain circumstances, and to limit the frequency with which increases in the appraised value of real property may be recognized.	increases in appraised residential values for property tax purposes and the frequency with which increases in appraised property value may be recognized.	
SECTION 5. Amends Section 1-b(d), Article VIII, Texas Constitution.	SECTION 5. Amends Section 1-b(d), Article VIII, Texas Constitution.	SECTION 1. Amends Sections 1-b(c) and (d), Article VIII, Texas Constitution.
No equivalent provision.	No equivalent provision.	(c) Increases from $5,000 to $15,000 the residence homestead exemption from ad valorem taxation for general elementary and secondary public school purposes. Authorizes the legislature, by general law, to provide that all or part of the exemption does not apply to a district or political subdivision that imposes ad valorem taxes for public education purposes but is not the principal school district providing general elementary and secondary public education throughout its territory.
(d) Authorizes the legislature, by general law, to provide for the transfer of the tax freeze on residence homesteads of the elderly, for those who qualify for the freeze and establish a different residence homestead. Provides that if the tax imposed on an elderly homeowner's property in 1997 under a lower school district tax rate is less than the tax previously imposed, the 1997 amount becomes the new cap for that homeowner. Removes obsolete references to county	(d) Substantively the same as the House version, although not identical in language. Refers to "public free school purposes" rather than "elementary and secondary public school purposes."	(d) Includes the House version's authorization of the legislature to provide for the transfer of the freeze. Directs the legislature to provide for a reduction in the freeze amount for 1997 and subsequent years for residence homesteads that were subject to the freeze in 1996 or earlier in an amount equal to $10,000 multiplied by the applicable 1997 school tax rate.

HOUSE VERSION	SENATE VERSION	CONFERENCE
education districts.		
SECTION 6. Adds Section 1-b-2, Article VIII, Texas Constitution, applicable to certain escrow accounts that are required to be maintained in connection with a mortgage on a residence. Requires the person controlling the escrow account to deliver to the person who pays money into the account a notice of property tax reductions resulting from tax relief legislation and a likely consequent decrease in required payments into the account. Sets forth the language of the notice. Provides for an expiration of the section on December 31, 1998.	No equivalent provision.	No equivalent provision.
SECTION 7. Adds Section 1-b-3, Article VIII, Texas Constitution, to require the chief appraiser of each appraisal district, not later than October 1, 1997, to send to each owner of a residence homestead in the appraisal district a notice of school district property tax reductions resulting from tax relief legislation, and providing other information. Sets forth the language of the notice. Provides for the expiration of the section on December 31, 1998.	No equivalent provision.	No equivalent provision.
SECTION 8. Amends Section 1-j, Article VIII, Texas Constitution, to provide that the freeport exemption on certain property does not apply to the state property tax if the property is located in a school district that taxes it for the tax year.	No equivalent provision.	No equivalent provision.

HOUSE VERSION	SENATE VERSION	CONFERENCE
SECTION 9. Adds Section 1-m, Article VIII, Texas Constitution, to authorize the legislature, by general law, to allow certain owners of producing oil and gas property to elect to pay a gross wellhead receipts tax in lieu of property taxes. Directs revenue from such gross receipts taxes to the same uses and purposes as the revenue from property taxes.	No equivalent provision.	No equivalent provision.
SECTION 10. Adds Section 1-n, Article VIII, Texas Constitution, to allow the legislature, by general law, to make a river authority that owns or operates one or more steam generating plants subject to a franchise tax, but restricts the legislature's imposition of such franchise taxes to the portion of the authority's business that is directly related to the generation, transmission, or distribution of electricity, and at a rate not to exceed the rate imposed on private entities similarly engaged in the electric business.	No equivalent provision.	No equivalent provision.
SECTION 11. Amends Section 22, Article VIII, Texas Constitution, to add a subsection providing that the restriction on the rate of growth of appropriations from nondedicated revenue does not apply, for the FY2000-FY2001 biennium, to appropriations to the extent made from the amount of the increase in revenue resulting from House Bill 4, 75th Legislature, Regular Session, 1997. Provides for expiration of the subsection on September 1, 2001.	No equivalent provision.	No equivalent provision.
SECTION 12. Adds Subsection (k), Section 24, Article VIII, Texas Constitution, to provide that the restrictions on	SECTION 6. Same as House version.	No equivalent provision.

HOUSE VERSION	SENATE VERSION	CONFERENCE
imposition of a personal income tax do not apply to a privilege or franchise tax measured by the income of a corporation, partnership, or other taxable business entity, other than a sole proprietorship.		
SECTION 13. Adds Section 31a, Article III, Texas Constitution, to authorize the legislature, by general law, to create a Texas Grace Commission to study state agencies, institutions, and programs in the executive branch and recommend that certain of those agencies, institutions, or programs be abolished, reduced in size, or otherwise modified to make them more cost-effective. Provides that the legislature must accept or reject, but may not amend, each substantive recommendation presented it by the commission. Provides for the repeal of the section on September 1, 1999.	SECTION 1. Same as House version, but deletes the restriction on the legislature relating to the acceptance or rejection of, but not the amendment of, commission recommendations.	No equivalent provision.
No equivalent provision.	SECTION 7. Adds a temporary provision stating that the constitutional restriction on the inclusion of more than one subject in a bill does not apply to House Bill 4, 75th Legislature, Regular Session, 1997. Provides that the temporary provision is executed on adoption and expires on January 1, 2003.	No equivalent provision.
No equivalent provision.	No equivalent provision.	SECTION 2. Adds a temporary provision, which expires January 2, 1998, to provide that the portion of the constitutional amendment that increases the homestead exemption takes effect for the tax year beginning January 1, 1997.

HOUSE VERSION	SENATE VERSION	CONFERENCE
SECTION 14. Provides for an election date of August 9, 1997, for the constitutional amendment proposed by the joint resolution. Lists the items to be included in the ballot language for the amendment proposition, including reference to (1) the dedication of lottery revenue to public schools; (2) authorization of a limited state property tax on nonresidential property; (3) authorization of a privilege or franchise tax on business income or capital and exempting sole proprietors; (4) provision for portability of certain tax freezes for elderly homeowners; (5) capping of school district maintenance and operations tax rates; (6), authorization of legislative limits on appraisal frequency and annual increases in appraised property values; (7) creation of a commission on efficiency in state government; (8) establishment of a school funding equity standard; (9) provision for alternative taxation of oil and gas interests; (10) authorization of a franchise tax on certain electricity-generating river authorities; and (11) establishment of public school funding as a state priority and preservation of state school funding level.	SECTION 8. Also provides for an election date of August 9, 1997, for the constitutional amendment proposed by the joint resolution and specifies ballot language, but ballot language reflects narrower scope of the joint resolution.	SECTION 3. Also provides for an election date of August 9, 1997, for the constitutional amendment proposed by the joint resolution and specifies ballot language, but ballot language reflects narrower scope of the joint resolution.

ENROLLED

H.J.R. No. 4

A JOINT RESOLUTION

proposing a constitutional amendment increasing the amount of the school property tax residence homestead exemption and providing for the continuation and reduction of the school tax limitation on the homesteads of certain persons.

BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Sections 1-b(c) and (d), Article VIII, Texas Constitution, are amended to read as follows:

(c) Fifteen Thousand Dollars ($15,000) [~~Five--Thousand Dollars-(~~$5,000~~)~~] of the market value of the residence homestead of a married or unmarried adult, including one living alone, is exempt from ad valorem taxation for general elementary and secondary public school purposes. The legislature by general law may provide that all or part of the exemption does not apply to a district or political subdivision that imposes ad valorem taxes for public education purposes but is not the principal school district providing general elementary and secondary public education throughout its territory. In addition to this exemption, the legislature by general law may exempt an amount not to exceed Ten Thousand Dollars ($10,000) of the market value of the residence homestead of a person who is disabled as defined in Subsection (b) of this section and of a person sixty-five (65) years of age or older from ad valorem taxation for general elementary and secondary public school purposes. The legislature by general law may base the amount of and condition eligibility for the additional

exemption authorized by this subsection for disabled persons and for persons sixty-five (65) years of age or older on economic need. An eligible disabled person who is sixty-five (65) years of age or older may not receive both exemptions from a school district but may choose either. An eligible person is entitled to receive both the exemption required by this subsection for all residence homesteads and any exemption adopted pursuant to Subsection (b) of this section, but the legislature shall provide by general law whether an eligible disabled or elderly person may receive both the additional exemption for the elderly and disabled authorized by this subsection and any exemption for the elderly or disabled adopted pursuant to Subsection (b) of this section. Where ad valorem tax has previously been pledged for the payment of debt, the taxing officers of a school district may continue to levy and collect the tax against the value of homesteads exempted under this subsection until the debt is discharged if the cessation of the levy would impair the obligation of the contract by which the debt was created. The legislature shall provide for formulas to protect school districts against all or part of the revenue loss incurred by the implementation of Article VIII, Sections 1-b(c), 1-b(d), and 1-d-1, of this constitution. The legislature by general law may define residence homestead for purposes of this section.

(d) Except as otherwise provided by this subsection, if a person receives the residence homestead exemption prescribed by Subsection (c) of this section for homesteads of persons sixty-five (65) years of age or older, the total amount of ad valorem taxes imposed on that homestead for general elementary and secondary

public school purposes may not be increased while it remains the residence homestead of that person or that person's spouse who receives the exemption. If a person sixty-five (65) years of age or older dies in a year in which the person received the exemption, the total amount of ad valorem taxes imposed on the homestead for general elementary and secondary public school purposes may not be increased while it remains the residence homestead of that person's surviving spouse if the spouse is fifty-five (55) years of age or older at the time of the person's death, subject to any exceptions provided by general law. The legislature, by general law, may provide for the transfer of all or a proportionate amount of a limitation provided by this subsection for a person who qualifies for the limitation and establishes a different residence homestead. However, taxes otherwise limited by this subsection may be increased to the extent the value of the homestead is increased by improvements other than repairs or improvements made to comply with governmental requirements and except as may be consistent with the transfer of a limitation under this subsection. For a residence homestead subject to the limitation provided by this subsection in the 1996 tax year or an earlier tax year, the legislature shall provide for a reduction in the amount of the limitation for the 1997 tax year and subsequent tax years in an amount equal to $10,000 multiplied by the 1997 tax rate for general elementary and secondary public school purposes applicable to the residence homestead.

SECTION 2. The following temporary provision is added to the Texas Constitution:

TEMPORARY PROVISION. (a) This temporary provision applies to the constitutional amendment proposed by H.J.R. No. 4, 75th Legislature, Regular Session, 1997, and expires January 2, 1998.

(b) The amendment to Section 1-b(c), Article VIII, of this constitution takes effect for the tax year beginning January 1, 1997.

SECTION 3. This proposed constitutional amendment shall be submitted to the voters at an election to be held August 9, 1997. The ballot shall be printed to permit voting for or against the proposition: "The constitutional amendment providing school property tax relief by increasing the residence homestead exemption by $10,000 and providing for the transfer of the tax limitation to another qualified homestead for persons over 65 and a reduction in taxes on homesteads subject to the limitation."

President of the Senate

Speaker of the House

I certify that H.J.R. No. 4 was passed by the House on April 23, 1997, by the following vote: Yeas 114, Nays 35, 0 present, not voting; that the House refused to concur in Senate amendments to H.J.R. No. 4 on May 12, 1997, by a non-record vote and requested the appointment of a conference committee to consider the differences between the two houses; and that the House adopted the conference committee report on H.J.R. No. 4 on May 31, 1997, by the following vote: Yeas 126, Nays 18, 2 present, not voting.

Chief Clerk of the House

H.J.R. No. 4

I certify that H.J.R. No. 4 was passed by the Senate, with amendments, on May 10, 1997, by the following vote: Yeas 23, Nays 7; at the request of the House, the Senate appointed a conference committee to consider the differences between the two houses; and that the Senate adopted the conference committee report on H.J.R. No. 4 on May 31, 1997, by the following vote: Yeas 27, Nays 3.

_____

Secretary of the Senate

RECEIVED:

_____

Date

_____

Secretary of State

President of the Senate | Speaker of the House

I certify that H.J.R. No. 4 (1) was passed by the House on April 23 (2), 1997, by the following vote: Yeas 114 (3), Nays 35 0 present, not voting (4);

that the House refused to concur in Senate amendments to H.J.R. No. 4 on May 12 (5), 1997, by a non-record ~~the following~~ vote ~~Yeas (6), Nays (7)~~

and requested the appointment of a conference committee to consider the differences between the two houses; and that the House adopted the conference committee report on H.J.R. No. 4 on May 31 (8), 1997, by the following vote: Yeas 126 (9), Nays 18, 2 present, not voting (10).

Chief Clerk of the House

**** Preparation: CT21;

I certify that H.J.R. No. 4 (1) was passed by the Senate, with amendments, on May 10 (2), 1997, by the following vote: Yeas 23 (3), Nays 7 (4);

at the request of the House, the Senate appointed a conference committee to consider the differences between the two houses; and that the Senate adopted the conference committee report on H.J.R. No. 4 on May 31 (5), 1997, by the following vote: Yeas 27 (6), Nays 3 (7).

Secretary of the Senate

RECEIVED:

Date

Secretary of State

**** Preparation: CT22;

75TH LEGISLATURE

COAUTHOR AUTHORIZATION
(please request your coauthors to sign this form in lieu of the front or the back of the original bill)

For chief clerk use only
Bill or Resolution Number: HJR 4

signature of **primary** author — printed name of **primary** author — Date 2-6-97

PERMISSION TO SIGN hjr 4 (bill or resolution #) HAS BEEN GIVEN TO **(check only one of the following)**:

✔ ALL REPRESENTATIVES

___ THE FOLLOWING REPRESENTATIVE(S): _____

I authorize the Chief Clerk to include my name as a coauthor of the legislation indicated above:

A2120 Alexander	Date	A2645 Cuellar	Date	A2935 Giddings	Date
A2115 Allen	Date	A2635 Culberson	Date	A2880 Glaze	Date
A2105 Alvarado	Date	A2670 Danburg	Date	A2985 Goodman	Date
A2135 Averitt	Date	A2675 Davila	Date	A2990 Goolsby	Date
A2160 Bailey	Date	A2625 Davis	Date	A3005 Gray	Date
A2200 Berlanga	Date	A2680 Delisi	Date	A3010 Greenberg	Date
A2250 Bonnen	Date	A3385 Denny	Date	A3020 Grusendorf	Date
A2275 Bosse	Date	A2705 Driver	Date	A3030 Gutierrez	Date
A2260 Brimer	Date	A2665 Dukes	Date	A3035 Haggerty	Date
A2255 Burnam	Date	A2660 Dunnam	Date	A2695 Hamric	Date
A2400 Carter	Date	A2650 Dutton	Date	A3170 Hartnett	Date
A2585 Chavez	Date	A2770 Edwards	Date	A3345 Hawley	Date
A2480 Chisum	Date	A2760 Ehrhardt	Date	A3180 Heflin	Date
A2525 Christian	Date	A2775 Eiland	Date	A3230 Hernandez	Date
A2520 Clark	Date	A2785 Elkins	Date	A3240 Hightower	Date
A2435 Coleman	Date	A2810 Farrar	Date	A3310 Hilbert	Date
A2565 Cook	Date	A2830 Finnell	Date	A3250 Hilderbran	Date
A2595 Corte	Date	A2840 Flores	Date	A3275 Hill	Date
A2600 Counts	Date	A2920 Gallego	Date	A3270 Hinojosa	Date
A2605 Crabb	Date	A2910 Galloway	Date	A3285 Hirschi	Date
A2610 Craddick	Date	A2930 Garcia	Date	A3305 Hochberg	Date

For chief clerk use only
Bill or Resolution Number:_____

A3290 Hodge	Date	A3845 McReynolds	Date	A4435 Shields	Date
A3295 Holzheauser	Date	A3840 Merritt	Date	A4445 Siebert	Date
A3300 Horn	Date	A3850 Moffat	Date	A4525 Smith	Date
A3315 Howard	Date	A3860 Moreno	Date	A4530 Smithee	Date
A3355 Hunter	Date	A3865 Mowery	Date	A4550 Solis	Date
A3360 Hupp	Date	A3885 Naishtat	Date	A4505 Solomons	Date
A3375 Isett	Date	A3895 Nixon	Date	A4515 Staples	Date
A3380 Jackson	Date	A3875 Oakley	Date	A4510 Stiles	Date
A3415 Janek	Date	A3880 Oliveira	Date	A4570 Swinford	Date
A3405 Jones, Delwin	Date	A3886 Olivo	Date	A4585 Talton	Date
A3400 Jones, Jesse	Date	A4010 Palmer	Date	A4605 Telford	Date
A3440 Junell	Date	A4070 Patterson	Date	A4630 Thompson	Date
A3460 Kamel	Date	A4180 Pickett	Date	A4635 Tillery	Date
A3475 Keel	Date	A4185 Pitts	Date	A4640 Torres	Date
A3480 Keffer	Date	A4110 Place	Date	A2730 Turner, Bob	Date
A3465 King	Date	A4190 Price	Date	A4685 Turner, Sylvester	Date
A3485 Krusee	Date	A4200 Puente	Date	A4690 Uher	Date
A3490 Kubiak	Date	A4230 Rabuck	Date	A4720 Van de Putte	Date
A3450 Kuempel	Date	A4210 Ramsay	Date	A4990 Walker	Date
A3510 Laney	Date	A4240 Rangel	Date	A4995 West	Date
A3605 Lewis, Glenn	Date	A4235 Raymond	Date	A5035 Williams	Date
A3600 Lewis, Ron	Date	A4245 Reyna, Arthur	Date	A5010 Williamson	Date
A3615 Longoria	Date	A4236 Reyna, Elvira	Date	A5000 Wilson	Date
A3620 Luna,Vilma	Date	A4260 Rhodes	Date	A5020 Wise	Date
A3715 Madden	Date	A4315 Rodriguez	Date	A5015 Wohlgemuth	Date
A3750 Marchant	Date	A4320 Roman	Date	A4980 Wolens	Date
A2700 Maxey	Date	A4370 Sadler	Date	A5005 Woolley	Date
A3665 McCall	Date	A4420 Seaman	Date	A5025 Yarbrough	Date
A3650 McClendon	Date	A4460 Serna	Date	A5040 Zbranek	Date

for chief clerk use only
Bill or Resolution Number: HJR 4

JOINT AUTHOR AUTHORIZATION

As primary author of hjr 4 I hereby authorize the following joint author(s):
(bill or resolution #)

Junell	
printed name of joint author #1	signature of joint author #1
printed name of joint author #2	signature of joint author #2
printed name of joint author #3	signature of joint author #3
printed name of joint author #4	signature of joint author #4

Craddick
signature of primary author

[illegible] 6 1997
date

ORIGINAL FORM--Place in book

SEND COPIES TO:
Debbie Irvine (Legislative Council)
Legislative Reference Library
House Journal

H.J.R. No. 4 By Craddick

Proposing a constitutional amendment to provide a school property tax cut, create the Texas School Trust Fund, authorize the replacement of certain taxes, and dedicate certain revenue for primary and secondary public schools.

FEB 1997 Filed with the Chief Clerk

FEB 10 1997 Read first time and referred to select Committee on Revenue & Public Education Funding

APR 16 1997 Reported ___ favorably [redacted] (as substituted)

April 18, 1997 Sent to Committee on Calendars

APR 23 1997 Read second time (comm. subst.) (amended) and adopted ([redacted]) by a record vote of 114 yeas, 35 nays, 0 present, not voting

Read third time (amended) and finally adopted (failed of adoption) by a record vote of _____ yeas, _____ nays, _____ present, not voting

April 24, 1997 Engrossed

APR 24 1997 Sent to Senate

Sharon Carter
CHIEF CLERK OF THE HOUSE

OTHER HOUSE ACTION: April 22, 1997 Motion to postpone further consideration of HJR No. 10 until Wed April 23, 1995 at 10 AM prevailed by a non-record vote.

APR 24 1997 Received from the House

APR 24 1997 Read and referred to Committee on Select Committee on Tax Reform and Public & School Finance

Reported favorably _____

MAY 09 1997 Reported adversely, with favorable Committee Substitute; Committee Substitute read first time

Ordered not printed

Laid before the Senate

MAY 09 1997 Senate and Constitutional Rules to permit consideration suspended by ~~(unanimous consent)~~ (24 yeas, 7 nays)

MAY 09 1997 Read second time, amended, and passed to third reading by ~~(unanimous consent)~~ ~~(a viva voce vote)~~ (24 yeas, 7 nays)

Senate and Constitutional 3 Day Rules suspended by a vote of _____ yeas, _____ nays

MAY 10 1997 Senate Rules suspended by 23 yeas 7 nays

MAY 10 1997 Read third time, amended, and passed by 23 yeas, 7 nays

5-10-97 Returned to the House

Betty King
SECRETARY OF THE SENATE

OTHER SENATE ACTION:

MAY 10 1997 — Returned from the Senate (as substituted)
(with amendments)

_____ House concurred in Senate amendments by a (non-record vote)
(record vote of _____ yeas, _____ nays, _____ present, not voting)

MAY 12 1997 — House refused to concur in Senate amendments and requested the appointment of a conference committee by a (non-record vote)[redacted]ote of _____[redacted]ng)

MAY 12 1997 — House conferees appointed: Sadler, Chair; Craddick, Hochberg, Brimer, Stiles

May 13, 1997 — Senate granted House request. Senate conferees appointed: Ambrister, Chair; Bivins, Harris, Luna, Shapiro

MAY 31 1997 — Conference committee report adopted [redacted] by the House by a record vote of 126 yeas, 18 nays, 2 present, not voting

MAY 31 1997 — Conference committee report adopted [redacted] by the Senate by a record vote of 27 yeas, 3 nays