Pursuant to Article IV, Section 14 of the Texas Constitution, I, William P. Clements, Jr., Governor of Texas, do hereby veto S.B. 1 because of the following objections:

In a fundamental sense S.B. 1 is a tax bill, not an education bill. S.B. 1 would result in unacceptably high increases in local property taxes and massive budget deficits that could be paid for only through the imposition of a state income tax. This bill contains provisions that attempt to unconstitutionally bind future legislatures to expenditure levels that would require these tax increases. Even worse, this bill would result in these new and increased taxes while at the same time failing to fix our broken public education finance system.

It is the finance system itself which is at the heart of the Texas Supreme Court holding that our education system violates the Constitution. The current system is not fair, and it is not equitable. Yet, S.B. 1 would basically continue the current system of subsidizing wealthier school districts at the expense of property poor school districts. And, the cost of S.B. 1 would be largely paid for by requiring more than 800 of the state's 1052 school districts to raise local property taxes to maximize state assistance. Only through massive tax increases can the current inequitable system be maintained and still provide the state assistance that property poor school districts desperately need. This bill places an unfair burden on local property taxpayers to support an inequitable system. My veto of this bill will help reduce future property tax increases.

I strongly support the state's role in supplementing local education dollars and ensuring that no child is denied access to a basic quality education. I think that it is good and appropriate that nearly 50% of the state's entire budget has historically been spent for public education. But, it is simply not right to continue the current system of using complicated funding formulas to subsidize some school districts with state tax dollars thereby permitting these districts to have property taxes well below the state average. SB 1 would make our already complex funding scheme even more complex <u>and</u> it would fail to correct the inequities caused by the current system. I have publicly supported two different plans that would fix the inequities - the Task Force plan and the Uher/Schoolcraft plan. Uher/Schoolcraft has the added advantage of greatly simplifying an unnecessarily complex funding system. Unfortunately, while the legislature has come close, it has been unable to agree on adopting either of these plans.

In fairness to the legislature, many of the reforms that I support have been addressed in S.B. 1. And, in the attempt to build a consensus between myself, the House and the Senate, I have compromised on several issues that I consider important but not critical to the fundamental fix that is needed. As I have said before, I will not sign an education bill that does not contain reforms to

deregulate our public schools from burdensome state regulations, provide for greater local control through accountability to parents and taxpayers, and give schools incentives for improving performance. I want to point out, therefore, in addition to my primary objections, that the bill fails to reform the state governance structure for managing public education and it fails to grant sufficient relief to schools from state regulations.

The Texas Supreme Court specifically stated in its decision that it was not ordering any new or increased taxes. The court based its decision on the inefficiency of our public education finance system. I think that many Texans would reluctantly agree to pay new or increased taxes if they were convinced that it was necessary to pay for public education. But I am sure that few Texans would agree to pay additional taxes that were made necessary by the continuation of an inequitable and unfair finance system. I am also sure that Texans would not agree to pay additional taxes when significant revenues are readily available within our state's current $49 billion budget to address immediate funding needs.

The line must be drawn on behalf of taxpayers and in favor of real education finance reform. Local control must not be pushed aside for state bureaucratic control. The legislature must find the political will and courage to fix our education system instead of imposing new taxes on everyone to pay for the old, broken system. I am vetoing SB 1 because it will hit taxpayers in three different ways: (1) the imposition of a state income tax in the near future; (2) spiraling local property tax increases; and (3) an increase in the state sales tax which I have already vetoed, and will veto again if it is sent to me.

I want to commend the approximately seventy members of the legislature who share my views on the importance of fixing the finance system and reforming our state education laws. I will continue to stand with them in this fight. Sufficient time remains for their colleagues in the legislature to join with them to address this critical issue without the court's intervention. I remain optimistic that the legislature will do what is right for all Texas and especially for our children.

The Secretary of State shall take notice of this action and notify the legislature.

IN TESTIMONY WHEREOF, I have hereunto signed my name officially and caused the seal of the State to be affixed hereto at Austin, this 22 day of May, 1990.

William P. Clements, Jr.
Governor of Texas

George S. Bayoud, Jr.
Secretary of State

FILED IN THE OFFICE OF THE
SECRETARY OF STATE
9:45 am

MAY 22 1990

Secretary of State