

CSHJR 1, a Joint Resolution proposing a constitutional amendment relating to establishing the Texas Great Classroom Fund as a sequestered fund, funded by a Reformed Franchise Tax and a portion of the sales tax, a portion of the taxon motor vehicles and a portion of the sales tax on cigarettes and dedicated exclusively to school finance; prohibiting any other statewide business tax; providing for mandatory ad valorem property tax relief, and providing that 10% of any locally approved increase in property tax after the mandatory property tax relief must be remitted to the state for use in teaching and instruction in those school districts whose average annual household income falls within the lowest 25% of average annual household incomes of school districts within this State.

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

§ 5. Permanent school fund; available school fund; Texas Great Classroom Fund, use of funds; distributions; investments; Texas growth fund

Sec. 5. (a) The principal of all bonds and other funds, and the principal arising from the sale of the lands hereinbefore set apart to said school fund, shall be the permanent school fund, and all the interest derivable therefrom and the taxes herein authorized and levied shall be the available school fund. The available school fund shall be applied annually to the support of the public free schools. Except as provided by this section, no law shall ever be enacted appropriating any part of the permanent or available school fund to any other purpose whatever; nor shall the same, or any part thereof ever be appropriated to or used for the support of any sectarian school[~~; and the available school fund herein provided shall be distributed to the several counties according to their scholastic population and applied in such manner as may be provided by law~~].

(b) The legislature by law may provide for using the permanent school fund and the income from the permanent school fund to guarantee bonds issued by school districts or by the state for the purpose of making loans to or purchasing the bonds of school districts for the purpose of acquisition, construction, or

improvement of instructional facilities including all furnishings thereto. If any payment is required to be made by the permanent school fund as a result of its guarantee of bonds issued by the state, an amount equal to this payment shall be immediately paid by the state from the treasury to the permanent school fund. An amount owed by the state to the permanent school fund under this section shall be a general obligation of the state until paid. The amount of bonds authorized hereunder shall not exceed \$750 million or a higher amount authorized by a two-thirds record vote of both houses of the legislature. If the proceeds of bonds issued by the state are used to provide a loan to a school district and the district becomes delinquent on the loan payments, the amount of the delinquent payments shall be offset against state aid to which the district is otherwise entitled.

(c) The legislature may appropriate part of the available school fund for administration of the permanent school fund or of a bond guarantee program established under this section.

(d) Notwithstanding any other provision of this constitution, in managing the assets of the permanent school fund, the State Board of Education may acquire, exchange, sell, supervise, manage, or retain, through procedures and subject to restrictions it establishes and in amounts it considers appropriate, any kind of investment, including investments in the Texas growth fund created by Article XVI, Section 70, of this constitution, that persons of ordinary prudence, discretion, and intelligence, exercising the judgment and care under the circumstances then prevailing, acquire or retain for their own account in the management of their affairs, not in regard to speculation but in regard to the permanent disposition of their funds, considering the probable income as well as the probable safety of their capital.

(e) A separate fund, to be known as the Texas Great Classroom Fund, shall be applied annually for the support of teaching, instruction, and the construction or maintenance of instructional facilities in the public free schools. No law shall ever be enacted appropriating any part of the Texas Great Classroom Fund to any other purpose whatever; nor shall the same, or any part

thereof, ever be appropriated to or used for the support of any sectarian school. Any unused portion of such revenue shall be applied annually to the support of public free schools, and distributed in such manne ras may be provided by law.

(f) The following revenue sources shall be dedicated to the Texas Great Classroom Fund:

(i) 100 % of the net revenue collected from a Reformed Franchise Tax, consisting of a 3.60% tax on employers, including municipals, based on compensation paid to employees performing services for in this state and a tax on the net earnings from self employment on partnerships and individuals, other than partners of a partnership;

(ii) 100% of gross receipts collected by a tax on cigarettes of \$83.00 per thousand cigarettes;

(iii) 34.62% of gross receipts collected by a sales tax of 6.50%, and

(iv) 29.03% of total consideration or gross rental receipts on a tax on the sale, rental, or use of a motor vehicle in this state at a rate of 7.75%.

(g) To the extent that The Texas Great Classroom Fund requires additional revenues to fully fund expenditures for teaching, instruction, and the construction or maintenance of educational facilities, monies from the available school fund and the Foundation school fund shall be dedicated to fully funding the Texas Great Classroom Fund. If the available school fund receives more revenue than is needed to fully fund the Texas Great Classroom Fund, the unused portion of that revenue shall be applied annually to the support of public free schools, and distributed in such manner as may be provided by law.

(h) Subject to ad valorem tax increases for local supplementation provided for in § (i), in the first year in which the Texas Great Classroom Fund is created, no independent school district shall receive more in combined state aid and local ad

valorem revenue than 100% of such amount received in the prior year. Each school district shall reduce its local ad valorem tax assessments by whatever amount is necessary to meet the requirements of this section. A school district shall be deemed to have complied with the requirements of this section if it reduces its local ad valorem tax assessments to zero.

(i) After the reduction, if any, in local ad valorem tax assessment have been made as provided in § 5(h), a school district may subsequently increase the ad valorem maintenance and operation tax rate, by an election called and held for that purpose, if approved by a majority of those actually voting in the election; provided, however, that 10% of any such increase must be remitted annually to a state fund as may be provided by law and is thereafter used solely for the support of teaching and instruction in the public schools within those school districts whose annual average household incomes falls within the lowest 25% of the annual average household incomes of school districts within this State. A school district that qualifies to receive such funds is not required to remit such excess to the fund.

(j) No school district shall impose an ad valorem tax at a rate exceeding \$1.25 per \$100 of taxable property within the district.

SECTION 2. Section 1(c), Article VIII, Texas Constitution, is 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, partnerships, and upon corporations, other than municipal, doing any business in this State. Notwithstanding the preceding sentence, no franchise, income, or similar tax shall be imposed on the earnings retained, the stock value, or the income earned by a corporation, a partnership, a limited liability company, unincorporated association, or other business entity except for the Reformed Franchise Tax as provided for in section 5(f)(i), Article VII of this Constitution and there shall be no other tax on employers, including municipal, based on compensation paid to employees performing services for employers in this state

or a tax on the net earnings from self employment on partnerships and individuals, other than partners of a partnership. Subject to the restrictions of Section 24 of this Article, it may also tax incomes of both natural persons and corporations other than municipal. Increases in the Reformed Franchise Tax must be used to fund education. Persons engaged in mechanical and agricultural pursuits shall never be required to pay an occupation tax.

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

§ 1. Proposed amendments; submission to voters; adoption

Sec. 1. (a) The Legislature, at any regular session, or at any special session when the matter is included within the purposes for which the session is convened, may propose amendments revising the Constitution, to be voted upon by the qualified voters for statewide offices and propositions, as defined in the Constitution and statutes of this State. The date of the elections shall be specified by the Legislature. The proposal for submission must be approved by a vote of two-thirds of all the members elected to each House, entered by yeas and nays on the journals.

(b) A brief explanatory statement of the nature of a proposed amendment, together with the date of the election and the wording of the proposition as it is to appear on the ballot, shall be published twice in each newspaper in the State which meets requirements set by the Legislature for the publication of official notices of officers and departments of the state government. The explanatory statement shall be prepared by the Secretary of State and shall be approved by the Attorney General. The Secretary of State shall send a full and complete copy of the proposed amendment or amendments to each county clerk who shall post the same in a public place in the courthouse at least 30 days prior to the election on said amendment. The first notice shall be published not more than 60 days nor less than 50 days before the date of the election, and the second notice shall be published on the same day in the succeeding week. The Legislature shall fix the standards for the rate of charge for the publication, which may not be higher than the newspaper's published national rate for advertising per column inch.

(c) The election shall be held in accordance with procedures prescribed by the Legislature, and the returning officer in each county shall make returns to the Secretary of State of the number of legal votes cast at the election for and against each amendment. Except in the case of a proposed amendment that seeks to alter, repeal, or modify any portion of Article XVII, Section 5, subsections (e) through (j), or in the case of an amendment that seeks to alter the manner in which this constitution may be amended, if [~~if~~] it appears from the returns that a majority of the votes cast have been cast in favor of an amendment, it shall become a part of this Constitution, and proclamation thereof shall be made by the Governor. In the case of a proposed amendment that seeks to alter, repeal, or modify any portion of Article XVII, Section 5, subsections (e) through (j), or in the case of an amendment that seeks to alter the manner in which this constitution may be amended, if 80% of the votes cast have been cast in favor of such an amendment, it shall become part of this Constitution, and a proclamation thereof shall be made by the Governor.

SECTION 4. (a) This proposed constitutional amendment shall be submitted to the voters at an election held _____, 200__. The ballot shall be printed to permit voting for or against the proposition: "The constitutional amendment to establish the Texas Great Classroom Fund as a sequestered fund, funded by the Reformed Franchise Tax and a portion of the sales tax, a portion of the tax on motor vehicles and a portion of the sales tax on cigarettes, with net proceeds dedicated exclusively to funding of the Texas Great Classroom Fund; to prohibit any other statewide business tax; and to provide for mandatory ad valorem property tax relief, and providing that 10% of any locally approved increase in property tax after the mandatory property tax relief must be remitted to the state for use in teaching and instruction in those school districts whose average household income falls within the lowest 25% of average annual household incomes of school districts within this State."