

BILL ANALYSIS

C.S.H.J.R. 1
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Public School Finance, Select
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Since its very first Constitution, Texas has made the education of every child its primary goal. This state has not wavered from that commitment. Today, Texas is facing a crisis in providing funding for the public education system. Property taxes are too high, schools do not have the flexibility to raise additional revenue to meet the rising costs of inflation, and our current system of finance is being challenged in our courts. It is necessary to overhaul the public education funding system to stabilize and improve the way we fund public education in Texas. This requires changes to the Texas Constitution.

As proposed, C.S.H.J.R. 1 requires submission to the voters of a constitutional amendment authorizing the use of video lottery terminals for the benefit of public education, establishes the Texas education fund with a dedicated revenue stream to provide incentives for improved performance in our public schools, and provides taxpayer protection by capping the rate by which the appraised value of residence homesteads may increase from year to year.

RULEMAKING AUTHORITY

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

ANALYSIS

C.S.H.J.R. 1 authorizes the state to control and operate video lottery games and prohibits casino gaming operations in the state. The resolution sets forth provisions regarding the monitoring of video lottery terminals and the establishment of a comprehensive registration and licensing program. The resolution prescribes the entities authorized to operate video lottery games on behalf of the state, authorizes the state to impose and collect taxes, and provides for the distribution of revenue generated.

The resolution provides that in each fiscal biennium, an amount of general revenue equal to one-third of any increase in available state revenue must be used to reduce the school district maintenance tax rate. It also clarifies the taxing authority of junior college districts and reaffirms that a junior college district is not required to hold a new election to authorize an existing tax.

The resolution sets the maximum rate of \$1.05 per \$100 of taxable value of all property and authorizes a local option enrichment property tax of up to \$0.10 per \$100.

The resolution protects a school district's ability to support its bonded indebtedness after a change in the boundaries of the district and prevents districts from issuing bonds that are unissued after an annexation or consolidation.

C.S.H.J.R. 1 also creates the Texas education fund and establishes the sources of funding and use of revenue. The resolution lowers the existing appraisal cap of residence homesteads from 10% to 5% and includes all owner-occupied residential property. It sets forth temporary provisions to allow owner occupied residential property to qualify for the appraisal cap for the 2005 tax year without the current one year waiting period and provides that any net revenue derived from changes to the state sales and use tax by a political subdivision shall be deposited to the credit of the Texas education fund. The resolution

defines the language to be printed on the ballot proposition.

FOR ELECTION

This proposed constitutional amendment shall be submitted to the voters at an election on November 2, 2004.

COMPARISON OF ORIGINAL TO SUBSTITUTE

C.S.H.J.R. 1 differs from the original in that it specifically prohibits casino gaming and prohibits the Legislature from enacting laws allowing the operation of casino gaming. The substitute provides for continuous state monitoring of video lottery terminals and adds a comprehensive registration and licensing programs. The substitute removes provisions relating to contracting with certain entities to operate games on behalf of the state, clarifies the entities authorized to operate video lottery terminals, and authorizes the state to collect sales taxes for certain goods and services on tribal land. The substitute prohibits the unauthorized possession and operation of gaming devices and provides penalties. The substitute provides for a net revenue split between the state and video lottery terminal operators.

The substitute deletes the imposition of a state ad valorem tax on all taxable property for elementary and secondary public schools purposes. The substitute adds provisions relating to ad valorem taxes for school district maintenance and education enrichment programs. The substitute clarifies provisions relating to junior college districts.

The substitute sets forth provisions for a district's ability to support its bonded indebtedness.

The substitute modifies the original by providing for certain proceeds of the sale and use tax be dedicated to the Texas education fund instead of all proceeds. The substitute directs all monies in the fund to be used for education.

The substitute modifies the original by setting the appraisal cap of residence homesteads or certain other real property at 5% rather than 3% and provides for the implementation and expiration of the cap.

The substitute sets forth temporary provisions relating to qualification for the appraisal cap for the 2005 tax year and provides that any changes to the state sales tax rate for the purposes of school finance that would otherwise have gone to local political subdivisions will accrue to the state.