

BILL ANALYSIS

C.S.H.J.R. 50
By: Pitts
Ways & Means
Committee Report (Substituted)

BACKGROUND AND PURPOSE

In 1988, school district property tax rates ranged from 21.3 cents to \$1.77 per \$100 valuation. School district property wealth ranged from \$20,000 per student to \$6,936,634 per student, a ratio of 1:300. Total revenue per pupil ranged from \$2,166 to \$19,229, with an average of \$3,513 per pupil. In 1989, the legislature began a guaranteed-yield system whereby the state guaranteed school districts tax revenue per penny per student.

In 1993, as a result of Texas Supreme Court decisions, the Legislature created a system, commonly referred to as the Robin Hood plan, which recaptured tax revenue from property wealthy school districts and redistributed the revenue to poorer school districts. The state guarantees a certain funding level, and when property values increase, the state revenue needed to fulfill the guaranteed-yield declines. Under the current system, districts can increase revenue by increasing property tax rates up to \$1.50 per \$100 of property value. In 2004, the district court ruling in the West Orange-Cove litigation found that, because more than half of the state's school districts were taxing at the maximum rate of \$1.50 per \$100 of property value, the cap created a de facto unconstitutional statewide property tax that negated school districts' meaningful financial discretion.

Furthermore, the state has paid less than half the cost of public education for over a decade. In 1988-1989 the state paid 41.3 percent. Overreliance on the local property tax and a system that rewards high tax rates have called for a reduction property tax rates and an increase in the state share of public education costs.

C.S.H.J.R. 50 proposes a constitutional amendment authorizing a state ad valorem property tax for the funding of public education and authorizing school districts to impose maintenance and enrichment taxes.

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. 50 amends the Constitution to authorize the state to impose ad valorem taxes, at a rate not to exceed \$.75 for each \$100 of taxable value, for public schools. The resolution authorizes the legislature to provide for the appraisal of property and the collection of property taxes.

The resolution further requires state ad valorem taxes to be assessed on the valuation of property subject to those taxes as determined by the appraisal officials in the county in which it is located. It provides that the assessment of a state ad valorem tax on that valuation is not invalid 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. This subsection expires at the end of the 2006 ad valorem tax year.

The resolution further authorizes school districts to impose an ad valorem tax for school maintenance at a rate not to exceed \$.25 for each \$100 of taxable value and an ad valorem tax for the purpose of providing an enriched educational program.

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The resolution provides that an election held before January 1, 2006, to authorize an ad valorem tax for school maintenance does not authorize the imposition of an enrichment tax.

The resolution provides for the creation, management, and control of junior college districts, and the imposition of ad valorem taxes in those districts. Junior college districts are prohibited from imposing these taxes unless the tax is approved by the voters. A junior college is not considered a school district under this subsection. The resolution further provides that this amendment does not affect a tax approved by the voters of a junior college district prior to November 8, 2005.

FOR ELECTION

This proposed constitutional amendment shall be submitted to the voters at an election to be held November 8, 2005.

COMPARISON OF ORIGINAL TO SUBSTITUTE

C.S.H.J.R. 50 differs from the original by changing the maximum state property tax rate from \$1.00 per \$100 of taxable value to \$0.75 per \$100 of taxable value.

C.S.H.J.R. 50 adds new language authorizing school districts to levy an enrichment tax. The substitute also adds new language providing for the creation, management, and control of junior college districts, and the imposition of ad valorem taxes in those districts and adds new language providing that a junior college district is not a school district for the taxes imposed by the resolution.