

By: _____ .J.R. No. _____

Substitute the following for ____J.R. No. _____:

By: _____ C.S.____J.R. No. _____

A JOINT RESOLUTION

1 proposing a constitutional amendment providing for funding public
2 education, authorizing a state ad valorem tax for public education,
3 creating the Texas educational excellence fund, dedicating
4 increases in available state revenue to school ad valorem tax
5 relief and the funding of public education, authorizing the
6 legislature to limit increases in the appraised value of
7 residential real property for ad valorem tax purposes to three
8 percent or more, providing that political subdivisions are exempt
9 from unfunded legislative mandates, and authorizing the state to
10 operate video lottery games at racetracks and on Indian lands.

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

12 SECTION 1. Section 47, Article III, Texas Constitution, is
13 amended by amending Subsection (a) and adding Subsections (f) and
14 (g) to read as follows:

15 (a) The Legislature shall pass laws prohibiting lotteries
16 and gift enterprises in this State other than those authorized by
17 Subsections (b), (d), ~~(e)~~, and (f) of this section.

18 (f) The Legislature by general law may authorize one or more
19 of the following legal entities to operate video lottery games on
20 behalf of the State as a form of lottery authorized by Subsection
21 (e) of this section:

22 (1) a person licensed in this State to conduct
23 wagering on a horse race or greyhound race; or

24 (2) an Indian tribe recognized by the United States

1 government under federal law that:

2 (A) enters into a contract with the State, in
3 accordance with State law, that authorizes the tribe to operate the
4 games; and

5 (B) operates the games on premises designated by
6 the tribe for video lottery activity on land recognized as tribal
7 land of that tribe by the federal government on January 1, 2001.

8 (g) For purposes of Subsection (f) of this section, "video
9 lottery game" means a game of chance that may be played for
10 consideration by an individual on an electronic machine or video
11 display and in which the player may win a thing of value each time
12 the game is played.

13 SECTION 2. Article III, Texas Constitution, is amended by
14 adding Sections 67 and 68 to read as follows:

15 Sec. 67. (a) In this section:

16 (1) "Available state revenue" means state revenue from
17 any source other than the state ad valorem tax under Section 1-e,
18 Article VIII, of this constitution, or federal funds. The term does
19 not include revenue that, under another provision of this
20 constitution, may be used only for a particular purpose.

21 (2) "Increase in available state revenue" means the
22 amount by which the estimate made by the comptroller of public
23 accounts under Section 49a(a) of this article of available state
24 revenue for the succeeding fiscal biennium exceeds the estimate
25 made by the comptroller under that section of available state
26 revenue for the current fiscal biennium.

27 (b) Except as provided by Subsection (d) of this section,

1 the legislature shall appropriate a portion of an increase in
2 available state revenue for transfer to the Texas educational
3 excellence fund and for providing school district and state ad
4 valorem tax relief by reducing the rates of those taxes until the
5 rates do not exceed 75 cents for each \$100 of taxable value.

6 (c) For the future economic viability of this state and to
7 maintain a strong economy and creation of new employment, a general
8 law under which the legislature reduces the rates of the school
9 district ad valorem tax for maintenance and operations authorized
10 under Section 3(e)(1), Article VII, of this constitution and the
11 state ad valorem tax under Section 1-e, Article VIII, of this
12 constitution must maintain proportionality between those rates.

13 (d) An increase in state revenue may not be appropriated to
14 reduce the rates of school district ad valorem taxes for
15 maintenance and operations authorized under Section 3(e)(1),
16 Article VII, of this constitution and the state ad valorem tax under
17 Section 1-e, Article VIII, of this constitution to less than 75
18 cents for each \$100 of taxable value. If, for the ad valorem tax
19 year beginning in the second year of the current fiscal biennium,
20 the rate of each school district's ad valorem tax for maintenance
21 and operations is not more than 75 cents for each \$100 of taxable
22 value, and the rate of the state ad valorem tax is 75 cents for each
23 \$100 of taxable value, the legislature shall appropriate a portion
24 of an increase in available state revenue to the Texas educational
25 excellence fund.

26 Sec. 68. (a) In this section, "legislative mandate" means a
27 statutory provision enacted by the legislature that requires a

1 political subdivision to establish, expand, or modify an activity
2 in a way that requires an expenditure of revenue that would not have
3 been required in the absence of the provision.

4 (b) For purposes of this section, a legislative mandate is
5 considered to be unfunded during any period for which the
6 legislature has not appropriated or otherwise provided funds, other
7 than revenue of the political subdivision, estimated to be
8 sufficient to meet the cost of financing the expenditure, as
9 determined by law.

10 (c) A political subdivision is exempt from a legislative
11 mandate during a period in which the mandate is unfunded. The
12 legislature by general law shall authorize a state officer or state
13 agency, which may include members of the legislature, to identify
14 legislative mandates and determine whether a legislative mandate is
15 considered unfunded for a specific period.

16 (d) This section does not apply to:

17 (1) a legislative mandate enacted before January 1,
18 2004;

19 (2) a legislative mandate that is necessary to comply
20 with a requirement of the Texas Constitution, federal law, or a
21 court order; or

22 (3) a legislative mandate that creates a criminal
23 offense or changes the elements of a criminal offense.

24 SECTION 3. Section 3, Article VII, Texas Constitution, is
25 amended by amending Subsections (d) and (e) and adding Subsections
26 (f)-(i) to read as follows:

27 (d) The Legislature may provide for the formation of school

1 districts by general laws, and all such school districts may
2 embrace parts of two or more counties.

3 ~~[(e)]~~ The Legislature by general law may provide ~~[shall be~~
4 ~~authorized to pass laws for the assessment and collection of taxes~~
5 ~~in all school districts and]~~ for the management and control of the
6 public ~~[school or]~~ schools of such districts.

7 (e) The ~~[, whether such districts are composed of territory~~
8 ~~wholly within a county or in parts of two or more counties, and the]~~
9 Legislature may provide for school districts to impose:

10 (1) [authorize] an [additional] ad valorem tax on all
11 residential property, as defined by general law, in the district
12 ~~[to be levied and collected within all school districts]~~ for the
13 ~~[further]~~ maintenance and operation of public free schools;

14 (2) an additional ad valorem tax on all residential
15 property, as defined by general law, in the district for the
16 enrichment of public school programs; and

17 (3) an additional ad valorem tax on all taxable
18 property in the district ~~[, and]~~ for the erection and equipment of
19 school buildings.

20 (f) A school district may not impose a tax under Subsection
21 (e) of this section unless the tax is approved by ~~[therein, provided~~
22 ~~that]~~ a majority of the qualified voters of the district voting at
23 an election to be held for that purpose ~~[, shall approve the tax]~~.

24 (g) The Legislature by general law may require each school
25 district to lower the rate of the district's maintenance and
26 operations tax. A law enacted under this subsection or a law
27 enacted under Section 67, Article III, of this constitution to

1 reduce school district ad valorem taxes does not create a state ad
2 valorem tax for purposes of Section 1-e, Article VIII, of this
3 constitution.

4 (h) The Legislature may pass laws for the creation of junior
5 college districts, the management and control of those districts,
6 and the imposition of ad valorem taxes in those districts. A junior
7 college district may not impose a tax under this subsection unless
8 the tax is approved by a majority of the qualified voters of the
9 district voting at an election held for that purpose. A junior
10 college district is not a school district for purposes of this
11 section.

12 (i) An ad valorem tax approved by the voters of a junior
13 college district under this section before the date this subsection
14 and Subsection (h) of this section become effective is not affected
15 by the amendment of this section approved by the voters on November
16 2, 2004, and the junior college district is not required to hold a
17 new election to authorize the existing tax. This subsection
18 expires January 1, 2005.

19 SECTION 4. Article VII, Texas Constitution, is amended by
20 adding Section 5A to read as follows:

21 Sec. 5A. (a) The Texas educational excellence fund
22 consists of:

23 (1) the proceeds of the state ad valorem tax under
24 Section 1-e, Article VIII, of this constitution;

25 (2) the net revenue from any increase after January 1,
26 2004, in the rate of the tax imposed on a person who uses or disposes
27 of cigarettes or tobacco products, as those terms are defined by

1 general law, in this state;

2 (3) the amount of net revenue received in a state
3 fiscal year from the business franchise tax that exceeds the amount
4 of revenue from that tax that was deposited to the credit of the
5 general revenue fund in the state fiscal year ending August 31,
6 2004;

7 (4) the net revenue, as determined by general law, of
8 any video lottery games operated under Section 47(f), Article III,
9 of this constitution; and

10 (5) amounts deposited in the fund as provided by
11 Section 67, Article III, of this constitution.

12 (b) The fund may be used only for purposes of public
13 education as provided by general law.

14 SECTION 5. Section 1-e, Article VIII, Texas Constitution,
15 is amended to read as follows:

16 Sec. 1-e. (a) Except as provided by Subsection (b) of this
17 section, no [No] State ad valorem taxes shall be levied upon any
18 property within this State.

19 (b) A State ad valorem tax for elementary and secondary
20 public free school purposes is imposed on all taxable property in
21 this State that is not subject to taxation for maintenance and
22 operations purposes by a school district. The tax is imposed at a
23 rate of \$1.40 for each \$100 of taxable value, unless:

24 (1) the legislature by general law enacted after
25 January 1, 2005, provides for the tax to be imposed at a lower rate;

26 or

27 (2) the rate is reduced pursuant to Section 67,

1 Article III, of this constitution or a general law enacted under
2 that section.

3 (c) Notwithstanding Subsection (a), Section 1, of this
4 article, the legislature by general law may provide for the
5 appraisal of property subject to State ad valorem taxes, for the
6 equalization of the taxable values of that property, and for the
7 collection of the State ad valorem taxes imposed on that property.

8 (d) The legislature by general law may exempt from ad
9 valorem taxes imposed under Subsection (b) of this section in any
10 tax year all or a portion of the value of property that is exempt in
11 that tax year from ad valorem taxation by a school district pursuant
12 to a tax abatement agreement entered into by the school district:

13 (1) before January 1, 2004; or

14 (2) in a reinvestment zone created by municipal
15 ordinance on or before April 1, 2004, for which a municipal tax
16 abatement agreement is entered into before July 1, 2004.

17 (e) Property described by Section 1-j of this article or by
18 Section 1-n of this article, as added by S.J.R. No. 6, 77th
19 Legislature, Regular Session, 2001, is not exempt from taxes
20 imposed under Subsection (b) of this section in a tax year if the
21 property is located in a school district that taxes the property for
22 that tax year.

23 (f) State ad valorem taxes shall be assessed on the
24 valuation of property subject to those taxes as determined by the
25 appraisal officials in the county in which the property is located.
26 If an appraisal official uses generally accepted appraisal
27 standards and practices to appraise property subject to the State

1 ad valorem tax and the valuation of the property subject to that tax
2 conforms to or is equalized by the local appraisal review process to
3 conform to the accepted standards and practices, the assessment of
4 a State ad valorem tax on that valuation is not invalid. This
5 subsection expires at the end of the 2005 ad valorem tax year.

6 SECTION 6. Section 1(i), Article VIII, Texas Constitution,
7 is amended to read as follows:

8 (i) Notwithstanding Subsections (a) and (b) of this
9 section, the Legislature by general law may limit the maximum
10 average annual percentage increase in the appraised value of
11 residential real property, as defined by the Legislature,
12 [residence homesteads] for ad valorem tax purposes to three [10]
13 percent, or a greater percentage, for each year since the most
14 recent tax appraisal. A limitation on appraisal increases for
15 residential real property authorized by this subsection:

16 (1) takes effect in the tax year following the first
17 tax year in which the owner owns the property on January 1 or, if the
18 property qualifies for an exemption as the [to a] residence
19 homestead of the owner under Section 1-b of this article in the tax
20 year in which the owner acquires the property, in [on the later of
21 the effective date of the law imposing the limitation or January 1
22 of] the tax year following the [first] tax year in which the owner
23 acquires [qualifies] the property [for an exemption under Section
24 1-b of this article]; and

25 (2) expires on January 1 of the [first] tax year
26 following the tax year in which [that neither] the owner of the
27 property when the limitation took effect ceases to own the

1 property, except that the Legislature by general law may provide
2 for the limitation applicable to a residence homestead to continue
3 during ownership of the property by [nor] the owner's spouse or
4 surviving spouse [~~qualifies for an exemption under Section 1-b of~~
5 ~~this article~~].

6 SECTION 7. This proposed constitutional amendment shall be
7 submitted to the voters at an election to be held November 2, 2004.
8 The ballot shall be printed to permit voting for or against the
9 proposition: "The constitutional amendment providing for funding
10 public education, authorizing a state ad valorem tax for public
11 education, creating the Texas educational excellence fund,
12 dedicating increases in available state revenue to school ad
13 valorem tax relief and the funding of public education, authorizing
14 the legislature to limit increases in the appraised value of
15 residential real property for ad valorem tax purposes to three
16 percent or more, providing that political subdivisions are exempt
17 from unfunded legislative mandates, and authorizing the state to
18 operate video lottery games at racetracks and on Indian lands."