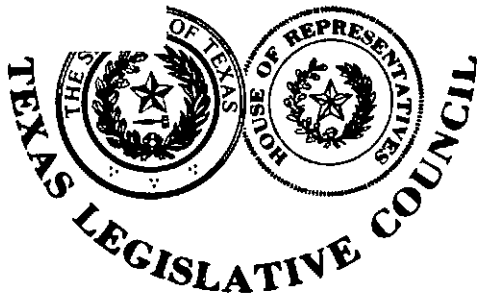


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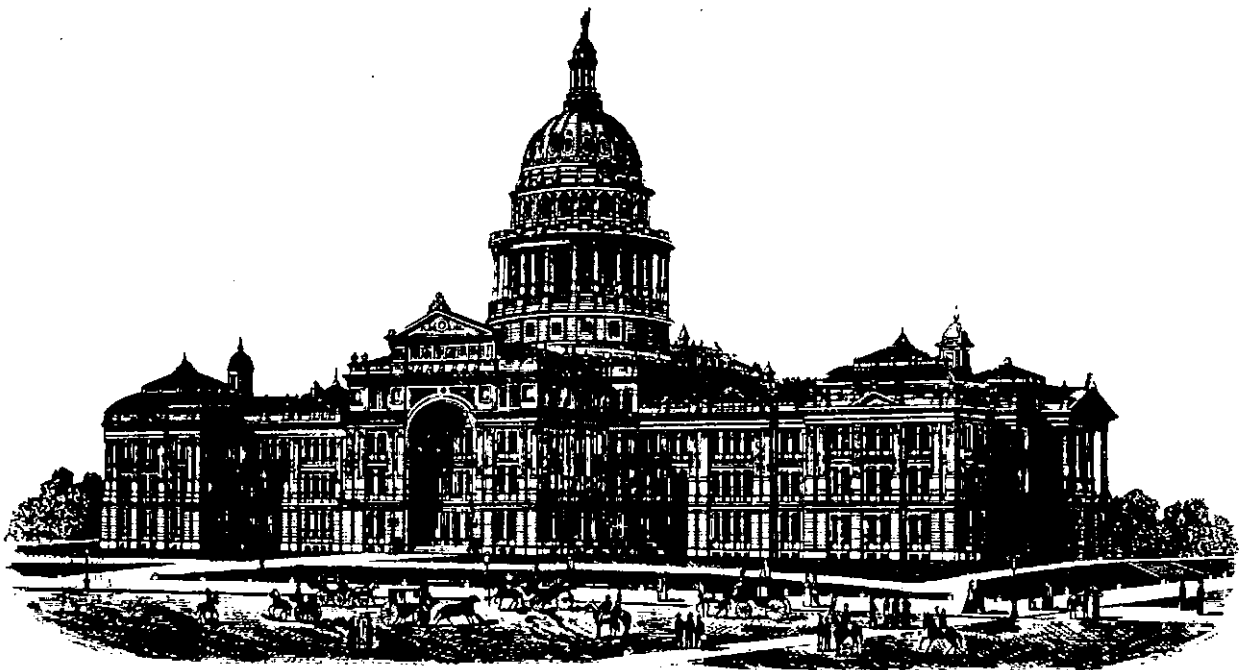
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Analyses of  
Proposed Constitutional Amendments  
Appearing on November 3, 1981, Ballot

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ANALYSES OF PROPOSED CONSTITUTIONAL AMENDMENTS  
For Election November 3, 1981

Prepared by the Staff  
of the  
Texas Legislative Council



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of the

67th LEGISLATURE OF TEXAS

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## INTRODUCTION

In the 1981 regular and 1st called sessions, the Texas Legislature proposed 10 constitutional amendments for voter consideration; seven of the resolutions were passed during the regular session and three were passed during the special session.

Seven proposals, including four from the regular session and all from the special session, will be submitted to voters at the November 3, 1981, election. The provisions of these amendments are discussed in detail in the following pages. The remaining three amendments, all from the regular session, will appear on the general election ballot on November 2, 1982. They include:

House Joint Resolution 62--authorizing the legislature to provide assistance through the appropriations process to needy dependent children and caretakers of such children and to annually adjust the ceiling on the permissible amount of state assistance by an amount not to exceed one percent of the state budget;

House Joint Resolution 77--authorizing the legislature to provide terms not to exceed four years for members of governing boards of certain water districts and conservation and reclamation districts;

House Joint Resolution 119--providing a procedure to abolish the office of county treasurer in Tarrant and Bee counties.

A booklet containing an analysis of each of these three amendments, and others that may be proposed at any further special sessions, will be published by the Texas Legislative Council in 1982.

The Texas Constitution provides that the legislature, by a two-thirds vote of all members, may propose amendments revising the constitution and that proposed amendments must then be voted on by the qualified electors for statewide offices and propositions. An amendment becomes a part of the constitution if the majority of the votes cast for it in such an election are cast in its favor. Since its adoption in 1876, the state's present constitution has been amended 242 times, with 387 proposed amendments submitted to the voters. The 10 proposals approved by the 67th Legislature for vote in 1981 and 1982 bring the total number of amendments submitted to 397. The following table lists the years in which constitutional amendments have been proposed by the Texas Legislature, the number of amendments proposed, and the number of those adopted.

# 1876 CONSTITUTION --

## AMENDMENTS PROPOSED AND ADOPTED

year proposed	number proposed	number adopted	year proposed	number proposed	number adopted
1879	1	1	1933	12	4
1881	2	0	1935	13	10
1883	5	5	1937	7	6
1887	6	0	1939	4	3
1889	2	2	1941	5	1
1891	5	5	1943	3**	3
1893	2	2	1945	8	7
1895	2	1	1947	9	9
1897	5	1	1949	10	2
1899	1	0	1951	7	3
1901	1	1	1953	11	11
1903	3	3	1955	9	9
1905	3	2	1957	12	10
1907	9	1	1959	4	4
1909	4	4	1961	14	10
1911	5	4	1963	7	4
1913	8*	0	1965	27	20
1915	7	0	1967	20	13
1917	3	3	1969	16	9
1919	13	3	1971	18	12
1921	5**	1	1973	9	6
1923	2+	1	1975	12++	3
1925	4	4	1977	15	11
1927	8**	4	1978	1	1
1929	7**	5	1979	12	9
1931	9	9			

TOTAL PROPOSED 387

TOTAL ADOPTED 242

### Notes:

\* Eight resolutions were approved by the legislature, but only six were actually submitted on the ballot; one proposal which included two amendments was not submitted to the voters.

\*\* Total reflects two amendments which were included in one joint resolution.

+ Two resolutions were approved by the legislature, but only one was actually submitted on the ballot.

++ Total reflects eight amendments which would have provided for an entire new Texas Constitution and which were included in one joint resolution.

## AMENDMENT NO. 1

Senate Joint Resolution 8, proposing a constitutional amendment authorizing cities, towns, and other taxing units to encourage the improvement, development, or redevelopment of certain areas through property tax relief and through the issuance of bonds and notes.

The proposed amendment would add Section 1-g to Article VIII of the Texas Constitution. Subsection (a) of Section 1-g would authorize the legislature to enact laws that would allow cities, towns, and other taxing units to encourage redevelopment of property in reinvestment zones by granting exemptions or other relief from property taxes. Subsection (b) of Section 1-g would authorize the legislature to enact laws that would permit incorporated cities or towns to finance redevelopment of certain economically distressed areas by issuing bonds or notes payable from increases in property tax revenues on property in the areas designated for redevelopment.

## BACKGROUND

In 1977, the legislature enacted legislation and proposed a constitutional amendment that would have authorized cities or towns to use tax increment financing to redevelop property in blighted areas. See Chapter 361, Acts of the 65th Legislature, Regular Session, 1977 (Article 1066d, Vernon's Texas Civil Statutes), and S.J.R. 44, 65th Legislature, Regular Session, 1977. The legislation was contingent on the adoption of the amendment. Texas voters rejected the amendment in 1978, and the legislation never took effect.

If the 1977 legislation had taken effect, incorporated cities and towns in Texas would have been authorized to use any increases in property taxes on property that resulted from redevelopment of the property to retire bonds initially issued by the cities or towns to finance the redevelopment. The increases in property taxes resulting from redevelopment are called tax increments and occur because of the increases in taxable values of redeveloped property. Under the 1977 legislation, the city or town issuing the bonds would have been authorized to pledge for repayment of the bonds not only its own tax increments, but also the tax increments

of other taxing units taxing the redeveloped property.

In 1979, the legislature enacted tax increment financing legislation similar to the legislation passed in 1977. See Chapter 695, Acts of the 66th Legislature, Regular Session, 1979 (Article 1066d, Vernon's Texas Civil Statutes). The 1979 legislation was not contingent on the adoption of a constitutional amendment, although it authorized an incorporated city or town to finance redevelopment of property in blighted areas by issuing bonds or notes payable from the tax increments in the property tax revenues of the city or town generated by the redevelopment. The 1979 legislation did not authorize the city or town to pledge for repayment of the bonds or notes the tax increments in the property tax revenues of other taxing units taxing the redeveloped property. Despite the limitation on the use of tax increment financing to a city or town's own tax increments, the attorney general of Texas held the 1979 legislation unconstitutional because it violated the requirement of Section 1, Article VIII, that all taxation be equal and uniform [Tex. Att'y Gen. Op. No. MW-337 (1981)]. El Paso and Laredo have established tax incremental districts to encourage redevelopment of property under the 1979 legislation.

Adoption of S.J.R. 8 would authorize the use of tax increment financing to encourage the redevelopment of property in economically distressed areas. The amendment was proposed by the 67th Legislature, 1st Called Session, 1981, in response to the attorney general's opinion that the 1979 tax increment financing legislation was unconstitutional. The proposed amendment would also authorize the local adoption of exemptions from property taxation to encourage redevelopment. Pending federal legislation, if enacted, would permit a state or a political subdivision of a state to designate part of its territory for redevelopment as an enterprise zone if it reduced property taxes or offered other financial incentives to encourage jobs and improvement of property in the zone. Businesses and employers in areas designated enterprise zones would qualify for certain federal tax credits or federal tax deductions. The proposed amendment would allow political subdivisions in Texas to take advantage of the pending federal legislation if it is enacted.

Senate Bills 16 and 17 were enacted by the 67th Legislature, 1st Called Session, 1981, to implement the various provisions of the proposed amendment. Both are contingent on the adoption of the proposed amendment. Senate Bill 17, the Property Redevelopment and Tax Abatement Act, implements Subsection (a) of Section 1-g. It would authorize incorporated cities or towns to exempt all or part of the value of residential, commercial, or industrial property in

certain designated reinvestment zones. To qualify for the exemption, the property would have to be economically impaired, be predominantly open or otherwise impaired so as to arrest redevelopment, or be located in or adjacent to areas qualifying for certain federal assistance. Property could not be exempt for more than 15 years, and property exempt from taxation to encourage its redevelopment could not also qualify for tax increment financing. To obtain the exemption, owners of property would have to agree in writing with a city or town to make certain improvements or repairs to the property. If the owners failed to make the improvements or repairs, the city or town would be able to recapture the property tax revenues lost as a result of the exemption. A taxing unit other than a city or town would be authorized to execute agreements with owners of property exempting their property from property taxes if the agreements contain terms identical to those in the written agreements the owners execute with the city or town. Failure of a taxing unit to execute such an agreement on the property once a city or town has executed an agreement would result in restriction of the taxing unit's powers of taxation. Upon such a failure, the taxing unit would be limited to taxing the property on the value at which the property was taxed in the year prior to the execution of the agreement with the city or town for a period of time equal to twice the duration of the agreement.

Property designated for redevelopment and included in a reinvestment zone would have to be primarily nonresidential as well as economically distressed or be located in or adjacent to an area qualifying for certain federal assistance. The value of all property designated for redevelopment and included in reinvestment zones could be no more than 15 percent of the total value of all taxable real property located in the city or town or in industrial districts created by the city or town. Tax increment bonds or notes would have to mature within 20 years and reinvestment zones whose territory is redeveloped by use of the proceeds of the bonds or notes must terminate no later than the date by which both the bonds or notes are retired and all redevelopment costs are paid. The tax collector for the city or town would be authorized to collect the tax increments of other taxing units as well as the city or town's own tax increments on taxable real property in a reinvestment zone. After collection, the tax increments would be deposited in a tax increment fund for the zone and disbursed only to retire tax increment bonds or notes or to pay costs of redevelopment projects in the zone. The tax increment financing legislation would expire December 31, 1991.

Senate Bill 16, the Texas Tax Increment Financing Act of 1981, will also take effect if the proposed amendment is adopted.

This act would implement Subsection (b) of Section 1-g, authorizing a city or town to designate an area within its jurisdiction as a reinvestment zone, redevelop property in the zone, and finance the redevelopment by bonds or notes payable solely from tax increments from the reinvestment zone.

#### ARGUMENTS

FOR:

1. The authority to grant exemptions from property taxation would enable cities or towns to provide incentives for rebuilding economically distressed areas. Employment would increase because of commercial or industrial expansion in the distressed areas or residential areas would be stabilized as a result of completed improvements or repairs to residential property. Employment in distressed areas might further increase if future federal legislation establishes enterprise zones, since Texas cities or towns would be in a position to designate certain distressed areas as enterprise zones under the federal legislation.

2. Property tax exemptions and tax increment financing would provide municipal governments with flexible, effective incentives for redevelopment of property. Redeveloped property would have higher taxable value and the increase in the tax base of the municipality and other taxing units would create higher property taxes that would eventually be available to finance general services of the municipality and other taxing units.

3. Conventional interest rates are currently high and the federal government is reducing federal tax incentives and other subsidies for deteriorating urban areas. Tax exempt tax increment bonds or notes would be issued at lower interest rates than private bonds or notes. The availability of development capital at lower interest rates and exemptions from property taxation would combine to make development and construction by private businesses profitable in these urban areas. Without these financial incentives, growth in the private sector would not occur to the extent necessary to offset the decrease in federal financial assistance and the impact on the economy caused by high interest rates.

AGAINST:

1. The exemption from property taxation would not be limited to just commercial or industrial property or restricted to a percentage of the value of the economically distressed property or property qualifying for certain federal assistance. Cities or towns would be able to remove from their tax rolls a substantial amount of the value of all taxable property and thereby place the cost of redevelopment on owners of the taxable property remaining on the rolls.

2. A city or town would be able to use the tax increments of other taxing units as well as its own tax increments to finance redevelopment in reinvestment zones. Tax increments in property tax revenues of school districts or other taxing units used to finance municipal redevelopment would not be available for school district purposes or to pay for services of other taxing units until termination of the reinvestment zone.

3. Tax increment financing would not be limited to use by small businesses or for development of manufacturing or industrial property. Large national corporations engaged in commercial activity would be able to use the proceeds of tax increment bonds or notes to construct hotels, motels, restaurants, or other wholesale or retail sales facilities. Tax increment bonds or notes would be tax exempt and would be marketed at lower interest rates than conventional private bonds or notes. Construction of commercial facilities for large national corporations would be subsidized to the extent of the difference between the interest rate on the tax increment bonds or notes and the rate on conventional bonds or notes issued to finance private construction.

## AMENDMENT NO. 2

House Joint Resolution 117, proposing a constitutional amendment to authorize the commissioner of the General Land Office to issue patents for certain public free school fund land held in good faith under color of title for at least 50 years as of November 15, 1981.

The proposed amendment of Article VII is designed to remedy title defects in certain public free school fund lands held by individuals. If a landholder could meet certain criteria, the commissioner of the General Land Office would be authorized to issue a document in the form of a patent, which would establish title to the land in question and would confirm the property interest of the landholder.

To qualify for such a patent, a landholder would have to prove that the land was acquired without knowledge that the title was defective. He would also have to establish that he, or the persons who had the interest in the land before him, had held a recorded deed to the land and had paid all taxes on it for at least 50 years as of November 15, 1981. If these requirements were satisfied, the landholder could apply for a patent with the School Land Board and would follow the administrative procedures set forth in the amendment to receive the patent or to appeal its denial.

The amendment provisions would not apply to beach land, submerged land, or islands, and could not be used to resolve a boundary dispute. They also would not apply to land interests determined to belong to the state in an earlier court decision or to state-owned land that is producing under a mineral lease at the time the amendment takes effect.

## BACKGROUND

In 1900, the state dedicated to a permanent fund for the support of public free schools all public land not officially granted to individuals and not held for other public purposes. The proper legal requirements for obtaining good title from the state were not always followed in the 19th century. Because of that, some Texans have recently discovered that land which they bought in good faith and on which they have paid taxes for years, belongs not



to them but to the state and legally remains a part of the permanent school fund.

The attorney general of Texas advises that a constitutional amendment is necessary to allow the state to pass good title to these individuals without additional compensation [See Tex. Att'y Gen. Op. No. H-881 (1976)]. Without an amendment, these individuals would have to formally purchase the land from the state.

#### ARGUMENTS

##### FOR:

1. The individuals with title problems that are proposed to be remedied by this amendment purchased lands in good faith and have paid the taxes on them for a long period of time. The state neither claimed nor inspected these lands until 1966. The state issued claims to the lands in 1978. The amendment provides a simple way for the state to correct an inequitable situation.

2. The conditions required for obtaining title under this amendment will prevent unworthy applicants from receiving titles.

##### AGAINST:

1. The land in question is currently dedicated to the permanent school fund. Under the current constitution, land may not be given from a constitutional fund without just compensation to the state. To resolve the title problems of these individuals in the manner prescribed by the amendment would effectively be making a gift of the lands.

2. The proposed amendment discriminates unfairly. It prescribes rigid eligibility requirements that would apply to only a small class of landholders, excluding other landholders in similar, but not identical, circumstances who may be just as worthy of relief.

### AMENDMENT NO. 3

House Joint Resolution 38, proposing a constitutional amendment to allow the legislature to grant to a state finance management committee the power to manage the expenditure of certain appropriated funds.

The proposed amendment would allow the legislature to authorize or direct a state finance management committee to manage the expenditure of appropriated funds, excluding funds constitutionally dedicated to a specific purpose. The committee would be composed of the governor (chairman), the lieutenant governor (vice-chairman), the speaker of the house of representatives, the chairman of the senate state affairs committee, the chairman of the house of representatives ways and means committee, and the chairmen of the senate and house of representatives committees having jurisdiction over appropriations. The legislature, by law or rider to the General Appropriations Act, could authorize the committee to act and could set conditions and limitations on the committee's authority. The current General Appropriations Act contains a rider contingent on adoption of this amendment that would allow the committee to manage federal block grants.

### BACKGROUND

The Texas Legislature meets in regular session every two years. During this session or in special session before the state's fiscal year begins on September 1, the legislature enacts the General Appropriations Act to govern state spending during the state's fiscal biennium. After the legislature adjourns, there is no central budget management authority, and each state agency has sole authority over its budget. However, this authority is subject to the limitations imposed by the General Appropriations Act. As a result, state agencies may spend only money appropriated to them by the legislature regardless of emergencies or changed circumstances that may arise in the interim between sessions.

This situation arises from the fact that the appropriations process is a legislative function. Article II of the Texas Constitution establishes the principle of separation of powers between the three governmental branches and provides that each

branch may exercise only those powers assigned to it by Article II unless other provisions of the constitution expressly provide otherwise. H.J.R. 38 provides an exception to the separation of powers principle in two ways. It confers a legislative power, the power to set the budget and establish legislative policy regarding state expenditures, on a committee partially composed of members of the executive branch. It also confers an executive power, budget management, on a committee composed partially of members of the legislative branch.

A similar amendment was proposed by the legislature in 1979. That amendment would have given the governor budget-execution authority over appropriated funds. Actions by the governor would have been subject to the approval of a budget execution committee composed of the governor, the lieutenant governor, the speaker of the house, and the chairman and vice-chairman of the house appropriations committee and of the senate finance committee. The amendment was defeated by the voters in November, 1980, by a vote of 1,400,301 for and 1,775,810 against (44 percent to 56 percent), in spite of the fact that the 1973 Constitutional Revision Commission, the 1974 Constitutional Convention, and the 1976 Joint Advisory Committee on Government Operations (Hobby-Clayton Committee) all recommended giving budget-execution authority to the governor.

## ARGUMENTS

### FOR:

1. With no central authority for budget management, the state spends over \$10 billion a year of the taxpayers' money. By giving a committee of elected officials the power to oversee expenditures, unnecessary spending could be cut and increased efficiency could be brought to agency programs. In addition, eliminating current fragmented budget management authority could help stop the rising cost of state government.

2. Currently, agencies submit budget estimates at least 14 months before the beginning of the fiscal biennium. This is 38 months before the end of the biennium, during which time emergencies may arise and circumstances may change. The amendment would provide much-needed flexibility in responding to unanticipated expenses.

3. In the fiscal 1982 federal budget, some categorical grants to the states have been changed to block grants. The

increased discretion allowed to the state in the use of these funds should not be left entirely in the control of unelected agency officials. The committee would have the authority, under a contingent rider to the current General Appropriations Act, to manage certain federal block grants without further action by the legislature.

AGAINST:

1. Fiscal management is an administrative function that should be performed by persons who have responsibility for program operations. This amendment would allow political concerns to invade what should be professional administrative decisions. Since committee members run for reelection, politics could be the main basis for determining fiscal management policies.

2. The committee's power could be used to harass agencies that are out of favor with the committee. Since the committee's power is so important and extensive, it would be easy to circumvent legislative intent and change state policy. The power becomes even more important with the state's receipt of federal block grants and could result in the committee and not the legislature determining a large part of budget priorities.

3. The theory behind the principle of separation of powers is undermined by having a joint executive-legislative committee decide state fiscal policy. The amendment would allow members of one branch to assume some of the powers of another branch. The potential for mutual backscratching between some of the most powerful figures in each governmental branch far outweighs the advantage of having a central budget management authority.

#### AMENDMENT NO. 4

House Joint Resolution 6, proposing a constitutional amendment to dedicate excess state revenue to certain special funds, to authorize state guarantee of certain local government obligations, and to increase the allowable interest rate on certain bonds.

This proposed constitutional amendment would add Section 24 to Article VIII of the Texas Constitution and would dedicate one-half of excess state tax revenue above the state spending limit to a special fund or funds created by the legislature for conservation and development of water resources, water quality enhancement, and flood control. The remaining one-half of the excess state tax revenue could be dedicated by the legislature to any other purposes designated by law, including creation of state bond retirement funds authorized under the amendment. By law, the legislature could limit the amount of the excess state tax revenue that may be deposited in the water fund or funds and could transfer money from the general revenue fund to any fund created under the proposed amendment.

In addition to the dedication of excess state tax revenue, the proposed amendment would authorize the legislature to provide by law for creation, administration, and implementation of a water bond guaranty program under which the state may pledge up to \$500 million of its credit to the payment in whole or in part of the principal of and interest on bonds or other obligations issued by local governments for conservation and development of water resources, water quality enhancement, and flood control.

Finally, the amendment would authorize bonds guaranteed by the full faith and credit of the state that are authorized by the constitution and issued after the adoption of the amendment to bear a net effective interest rate of not more than 12 percent. This rate could be raised above the 12 percent limit by a law adopted by a two-thirds vote of the members of each house of the legislature.

## BACKGROUND

1. Under Article III, Sections 49-c and 49-d, of the Texas Constitution, the Texas Water Development Board is authorized, under certain conditions, to issue up to \$400 million in water development bonds for purposes of funding water development projects. Article III, Section 49d-1, of the Texas Constitution authorizes the issuance of an additional \$200 million in water development bonds to be used for water quality enhancement purposes. These three sections of the constitution form the basis for current state funding of water projects.

The diminishing participation of the federal government in funding water programs coupled with the impact of the nation's general economic problems and the influx of large numbers of individuals and businesses into the state has created a severe strain on the ability of the state through its current water funding programs together with local governments through taxes and the issuance of bonded indebtedness to provide adequate water supplies, waste treatment, and flood control and to meet other water needs. The proposed constitutional amendment would do the following to resolve this problem:

(a) Each biennium, one-half of the state's tax revenue that exceeds the state spending limit is dedicated to and would be deposited in a special fund or funds for use in providing financing for conservation and development of water resources, water quality enhancement, and flood control. (The state spending limit is the limitation on appropriations of state tax revenue for each biennium as determined under Article VIII, Section 22, of the Texas Constitution.) Pursuant to Chapter 15 of the Water Code, the dedicated revenue will be deposited in the water assistance fund and will be made available in the form of loans to local governments, through storage acquisition by the state in water projects, and for grants for flood control planning and water research. These programs and the fund will be administered by the Texas Water Development Board.

To implement this proposal, the state comptroller, immediately after the end of each biennium, will determine the amount of the state tax revenue that exceeds the state spending limit and, unless the legislature adopts a law limiting the amount of the deposit to the fund, will deposit one-half of that amount in the water assistance fund and any other water funds created under the amendment.

Money deposited in the water assistance fund, or any other

water fund, that is not already obligated to the purposes for which the fund is created may be used for other purposes by the legislature in the manner provided by law adopted for that purpose.

Money deposited in the water assistance fund or any other water fund created under the proposed amendment cannot be used, except on a temporary, interim basis, to finance any project or to provide aid for any project that contemplates or results in removing from the basin of origin any surface water that is necessary to supply the reasonably foreseeable future water requirements for the next ensuing 50-year period within the river basin of origin.

(b) In addition to the creation of the dedicated funds, the proposed amendment also authorizes the pledge of up to \$500 million of the state's credit to payment of bonds and other obligations of cities, towns, counties, districts, authorities, and other political subdivisions of the state. Through this program, a local government that qualifies will be able to market its bonds and other obligations with a guarantee by the state that the state will pay any principal or interest or both principal and interest on the bonds or other obligations in the event of default on payment by the local government. With the state's guarantee, the bonds or other obligations may be sold under more favorable financial conditions; this should produce more favorable interest rates.

By law, the state would be required to pay under the guarantee only after a default is determined through hearing procedures of the Texas Water Development Board, and the state would have various means for collecting from the defaulting local government any amounts paid by the state to cover amounts due on default.

The total amount of guarantees that may be executed by the state under the program is set by law at twice the total amount that the state is obligated to pay under the amendment. This means that the state may guarantee payment of up to \$1 billion in bonds and other obligations while actually being obligated to pay not more than a total of \$500 million on all of its guarantees. Payment of guarantees by the state on default will be made from the first money that comes into the state treasury, and the state is not required to set aside in a special fund \$500 million for making such payments.

(c) Currently, for reasons to be discussed in Part (4) of this background analysis, water development bonds issued under the constitution cannot be sold. The increased interest rate

limitations proposed by this amendment will allow issued but unsold water development bonds to be marketed and will produce additional funds not now available for water projects.

(d) The proposed amendment authorizes the legislature to transfer money from the general revenue fund to the water assistance fund and any other water funds created pursuant to this amendment.

2. In the past, the state has created programs and dedicated funds to assure adequate and orderly development of areas that are of major concern to the state, including the areas of education and highways and transportation. Under the proposed amendment, the legislature would be authorized to create additional programs and dedicate state funds to those programs when needs arise. The remaining one-half of the excess state tax revenue above the state spending limit that is not dedicated to water purposes could be used for funding these programs. Also, money may be transferred from the general revenue fund to any of these funds by act of the legislature.

3. Under current constitutional provisions, the state has issued bonds to provide funding for water development, water quality enhancement, park development, the veterans' land program, and student loans. To pay these bonds, the state is required to spend millions of dollars each year.

The proposed constitutional amendment authorizes the legislature to create one or more state bond retirement funds and to dedicate state revenue to these funds for the purpose of ultimately paying all money due on the bonds. Money deposited in a bond retirement fund would be invested. At such time as the money and investments in the fund, including income from investments, are determined by the comptroller to be sufficient to make all remaining payments on the bonds to whose payment the fund is dedicated, the comptroller will certify to that fact and the fund will be used exclusively to pay those bonds when due. When payment begins from a bond retirement fund, the state is no longer obligated to make further payment from any other state funds designated for payment of the bonds so long as the dedicated fund provides sufficient money to make the payments. The money previously designated by the constitution or by law to pay those bonds may be used for any of the purposes for which proceeds of the bonds for which they were to make payment could be used; however, the legislature can provide by law for use of those funds for other public purposes.



After full payment of bonds to which a bond retirement fund is dedicated, any money remaining in that fund is to be transferred to the general revenue fund.

As with other funds created under the proposed amendment, money may be transferred from the general revenue fund to a state bond retirement fund by act of the legislature.

4. Presently, Article III, Section 65, of the Texas Constitution limits the amount of interest that may be paid on state constitutional bonds to a maximum of six percent a year. At the same time, interest rates on bonds being sold in the market have reached and exceeded 10 percent. As a result of the constitutional interest rate limitation and current market conditions, it has been difficult or impossible to sell bonds issued by the state to fund its water programs, student loans, veterans' land program, and park development.

The proposed constitutional amendment would authorize bonds issued by authority of the constitution that are unissued on the effective date of the proposed amendment to be issued bearing an interest rate not to exceed 12 percent a year. This interest rate limitation could be raised above 12 percent a year by law enacted by an affirmative record vote of two-thirds of the members of each house.

5. The proposed amendment authorizes the legislature to adopt legislation in anticipation of the adoption of the amendment. During the 1st Called Session of the 67th Legislature, the legislature adopted H.B. 8, which provides a comprehensive water funding program.

#### ARGUMENTS

FOR:

1. An adequate, clean, and controlled water supply has been a key ingredient in making Texas a good place to live and work and in providing a strong, growing, and varied economy in a time of economic crisis in the rest of the nation. The dedication of a portion of the state's excess tax revenue is vital to assure that necessary money will be available to state and local government to continue to provide such a water supply and thus protect the well-being of the state's people and its economy.

2. The creation of a water bond guaranty program and

pledging up to \$500 million of the state's credit to guarantee local government bonds will allow the local governments to borrow money at lower interest rates to fund water projects while at the same time not actually tying up state money in water projects or setting aside state money in a fund so that it cannot be spent for other purposes.

3. The creation of state bond retirement funds to pay bonds issued by the state for various purposes will allow the state to more quickly accumulate money to pay those bonds and will simultaneously make available money designated to pay those bonds for use for other purposes.

4. Current interest rate limitations in the constitution coupled with the period of very high interest rates presently being experienced has made it difficult or impossible to issue bonds to fund water programs, park development, the veterans' land program, and the state student loan program. These programs are vitally needed. The interest rate that may be paid on constitutional state bonds must be raised so that the bonds may be sold and the funds for these programs provided.

5. The approaching water shortage in the United States is now one of the most discussed and most difficult to solve problems to be faced in the 1980's. Unless steps are taken now to construct projects to provide the necessary water supply for future years, Texas will face a water shortage problem in the next few years that will rival the oil and gas shortage problem of the 1970's. The adoption of this broad-based water funding proposal will provide the funding to construct these projects and will assure that Texas will not face difficult social and economic problems in the future as a result of water shortages.

#### AGAINST:

1. Economic uncertainty has been for the last several years, and will continue to be for some time in the future, the major problem to be faced by this state as well as the United States and the rest of the world. The state should not embark on a financing program as proposed by this amendment that will tie up funds for specific purposes and will not allow the state to maintain financial flexibility to meet problems as they arise.

2. The state has already created too many dedicated funds. The ability to create a water fund and other funds proposed by this constitutional amendment will only lead to the creation of more dedicated funds. Such a situation will reduce the ability of the

state in future years to easily respond to its needs without imposing new taxes and facing financial crisis.

3. Before the state embarks on programs based on the proposals in this constitutional amendment, more research should be done and study should be given to the state's priorities for funding and to alternative funding sources to assure that state money will be spent to fulfill the greatest needs of the state in the most economically feasible manner.

4. The proposed amendment is so broad that it has the effect of making unknown amounts of money available for numerous unknown purposes. If state money is to be made available for water or any other purposes, the amounts to be dedicated should be specifically stated so that some limitation is placed on those amounts and the purposes for use of the money should be specifically defined so that money will be spent only for programs and projects that are necessary.

## AMENDMENT NO. 5

House Joint Resolution 49, proposing a constitutional amendment providing for the inclusion of livestock and poultry with farm products as exempt from taxation.

The proposed amendment of Article VIII, Section 19, of the Texas Constitution, approved by the 67th Legislature, Regular Session, 1981, exempts from taxation livestock and poultry in the hands of the producer. The amendment is self-executing, and no enabling legislation is necessary to make the exemption effective. Once adopted, the exemption for livestock and poultry is effective until otherwise directed by legislation approved by a two-thirds vote of the members of each house of the legislature.

Article VIII, Section 19, presently exempts from taxation farm products in the hands of the producer. Section 11.16, Property Tax Code, codifies this constitutional exemption. Although it is clear that the current constitutional exemption applies to agricultural crops, legal opinion differs on whether livestock and poultry are also covered. The proposed amendment, if adopted, would settle the current legal uncertainty by providing an express constitutional tax exemption for livestock and poultry in the hands of the producer. The adoption of the amendment will also assure the constitutionality of the exemption from property taxation for livestock and poultry in the hands of the producer provided by H.B. 911, 67th Legislature, Regular Session, 1981, which amends Section 11.16, Property Tax Code, effective January 1, 1982, to define farm products to include livestock and poultry.

## BACKGROUND

Article VIII, Section 19, was added to the Texas Constitution in 1879 to offset the harsh effects of an economic depression in Texas by providing tax relief to farmers and other Texas citizens. It exempts from taxation farm products in the hands of the producer as well as family supplies for home and farm use. Neither Article VIII, Section 19, nor any other provision of the Texas Constitution defines "farm products" or "family supplies" for purposes of exemption from taxation.

A constitutional provision expressly exempting farm products

or livestock and poultry is required because the Texas Constitution prohibits the exemption from taxation of any property not expressly exempt by some provision of the constitution; no other provision of the constitution exempts from taxation farm products, livestock, or poultry.

Since its adoption in 1879, the constitutional exemption for farm products has been construed by the Texas attorney general to include various agricultural crops or their by-products such as rice, wool, cottonseed oil, wheat, and sugar cane or molasses [e.g., Tex. Att'y Gen. Op. Nos. M-632 (1970) (cottonseed oil), V-511 (1948) (wheat)]. The constitution, however, does not provide a guide to construction of the meaning of "farm products." As a general rule, exemptions from taxation are narrowly construed with all doubts being resolved against exemption from taxation [Kirby Lumber Corp. v. Hardin Independent School District, 351 S.W.2d 310, 312 (Tex. Civ. App.-Waco 1961, writ ref'd n.r.e.)]. In 1976, the Texas attorney general construed the exemption for farm products narrowly so as not to include livestock and poultry in the hands of the producer [Tex. Att'y Gen. Op. No. H-898 (1976)]. Governmental units that impose property taxes have recognized the difference in exemption from taxation of agricultural crops and livestock and poultry and have imposed property taxes on livestock and poultry that they have been able to locate and list on their tax rolls.

## ARGUMENTS

FOR:

1. Under the present Texas Constitution, only agricultural crops or their by-products are exempt from taxation as farm products. Livestock and poultry in the hands of the producer are not exempt. As a result, producers of soybean, wheat, or other crops may exempt their crops from property taxes while producers of cattle, sheep, pigs, goats, or poultry must pay property taxes on their livestock or poultry. Adoption of the amendment would result in all agricultural producers being treated alike for purposes of taxation.

2. At the present time, Texas has an important cattle feedlot and slaughtering industry. Approximately 80 percent of the cattle slaughtered in Texas have been fattened in Texas feedlots. The Texas feedlot industry is at a competitive disadvantage to similar industry in other major feedlot states because those states allow either an absolute or partial exemption of cattle from property taxation. Texas feedlots, for the most part, are located

in only a few taxing units, and it has been estimated that less than one percent of the total property taxes generated statewide would be lost if livestock and poultry were removed from the tax rolls. Adoption of the amendment would place the Texas feedlot industry on an equal basis with similar industry in other states.

3. Livestock and poultry are often difficult to locate and value for purposes of taxation. Some taxing units have incurred administrative costs in the location or valuation of livestock or poultry disproportionate to the revenue generated by property taxation of the livestock or poultry. Adoption of the amendment would eliminate the administrative difficulties of these taxing units.

AGAINST:

1. Taxation of livestock and poultry has generated some revenue to provide public services. In 1979, property taxation of livestock and poultry by taxing units in Texas generated approximately 6 million dollars. Adoption of the amendment would eliminate this property tax revenue, which could be a hardship on local governments where a large number of cattle feedlots are located.

2. Exemption of one particular class of property from taxation favors one group of property owners over others. Adoption of the amendment would favor producers of livestock and poultry over other taxpayers, such as commercial businesses or homeowners.

AMENDMENT NO. 6

House Joint Resolution 81, proposing a constitutional amendment to authorize certain property tax relief for owners of residence homesteads and to change certain property tax administrative procedures.

The proposed amendment, by adding Subsection (e) to Article VIII, Section 1-b, of the Texas Constitution, would authorize the governing body of a political subdivision to exempt from property taxation a percentage of the market value of all residence homesteads. The exemption, if granted, would have to conform to certain percentage and monetary restrictions. The percentage of the exemption could not exceed 40 percent for 1982 through 1984, 30 percent for 1985 through 1987, and 20 percent for 1988 and subsequent years. The monetary amount of the exemption in any year would have to be at least \$5,000. The legislature, however, would have authority to prescribe by general law other monetary restrictions. Consequently, future legislation could provide a different monetary minimum or could establish a monetary maximum on the amount of the exemption. The proposed exemption would be in addition to other applicable exemptions provided by law.

If the exemption would impair the ability of a political subdivision to pay a debt incurred before the exemption was granted, the political subdivision could impose taxes on the homestead without regard to the exemption until the debt was paid.

The proposed amendment would also change the "truth in taxation" requirements of Article VIII, Section 21, Subsection (c), of the constitution. Under the current provision, a political subdivision is required to formally notify a property owner whose property is revalued for tax purposes of the amount of taxes that would be imposed on his property according to the new value if neither the tax rate nor the assessment ratio for the preceding year was changed. Under the proposed amendment, instead of this information, the political subdivision would have to inform the property owner of the total amount of property taxes that would be imposed on his property if total property taxes imposed by the political subdivision were not increased over the amount imposed in the preceding year.

## BACKGROUND

### Optional Residence Homestead Exemption

In 1978, Texas voters approved a tax relief amendment that amended Article VIII, Section 1-b, of the Texas Constitution to increase the number of exemptions from property taxation available to owners of residence homesteads. The exemptions were to provide property tax relief to homeowners who were experiencing higher property taxes as inflationary rises in real estate prices were reflected on tax rolls as a result of reappraisals.

The property tax relief provided in 1978 to homeowners may be offset by higher property taxes caused by reappraisal, which has had the practical effect of shifting part of the tax burden in a political subdivision away from commercial and industrial property and to residential property. A 1981 analysis of tax shifts that will result from reappraisal, based on data prepared by the State Property Tax Board, shows an average increase of 27.5 percent in the tax burden carried by residential property in school districts and an average decrease of 6 percent in the burden borne by commercial and industrial property. Several Texas cities have recently completed reappraisals of property. Their reappraisals have caused a substantial increase in the tax burden placed on residential property and a shift of the burden away from business property. This shift in the tax burden is especially likely to occur with reappraisals in political subdivisions that historically appraised residential property less frequently or at a lower percentage of market value than business property. A shift in the tax burden may also reflect a greater inflationary rise in recent years in the value of homes than in the value of business inventory or equipment.

The proposed amendment would authorize a political subdivision to offset a shift in the tax burden to residential property by adopting a percentage exemption for all residence homesteads for 1982 and any year after 1982. The permissible percentage of value exempted from property tax decreases from 40 percent to 20 percent by 1988, but the minimum value exempted must be at least \$5,000 in any year. By future legislation, other monetary restrictions may be added. The flexibility allowed the political subdivisions in setting the percentage, however, should enable the subdivisions to offer property tax relief locally.

### Content Of Notices Of Reappraisal

In 1978, Texas voters approved the addition to the



constitution of Article VIII, Section 21. Subsection (c) of Section 21 presently requires a political subdivision, subject to reasonable exceptions, to give notice to a property owner in a reappraisal notice of the reappraised value of his property and the amount of taxes that would result from the reappraised value if neither the tax rate nor assessment ratio for the preceding year is reduced. Procedures for a reappraisal notice and notice of the effect on property taxes from reappraised value could have been required by statute without accompanying constitutional authority. Subsection (c) had the effect of compelling the legislature to enact a statute that required reappraisal notices which complied with the express terms of Subsection (c). As a result, the statutory provisions enacted under the present language of Article VIII, Section 21, Subsection (c), require political subdivisions to mail notices of reappraisal that include the amount of property taxes that would be imposed on the reappraised value on the basis of the tax rate and assessment ratio for the preceding year.

Reappraisal notices that include amounts for property taxes for the current year based on the rate for the preceding year may be misleading if a significant portion of the property in the political subdivision is reappraised. The resulting large increase in the total value of property on the tax rolls of the subdivision would allow the subdivision to reduce the tax rate for the current year and still generate the same total amount of property tax revenue as generated for the preceding year. Several Texas cities have recently completed major reappraisals of property. They have experienced some difficulty with the constitutional notice requirement of Subsection (c) and the companion statutory provisions that the amount of property taxes to be imposed on reappraised value be included in reappraisal notices on the basis of the tax rate for the preceding year. In the case of reappraisals that doubled the value of property, the cities had to notify the property owner that property taxes on his property would double even though the cities intended to lower the tax rate for the current year and thereby offset the impact of reappraised value.

The experience of these cities shows that the present notice requirement based on the use of the tax rate for the preceding year may confuse a taxpayer rather than reasonably inform him of the property taxes to be imposed on his property for the current year. The proposed amendment to Subsection (c) would eliminate the present requirement that the tax rate for the preceding year be used. Instead, the proposed amendment substitutes the requirement that a political subdivision give notice to a property owner of a reasonable estimate of the amount of property taxes that would be

imposed on his property as a result of reappraised value if the total amount of property taxes for the subdivision for the current year is not increased above the total amount for the preceding year. The 67th Legislature, 1st Called Session, 1981, included a provision in H.B. 30, contingent on the adoption of the proposed amendment to Subsection (c), that eliminates the requirement that reappraisal notices include the amount of property taxes to be imposed on reappraised value on the basis of the tax rate for the preceding year. If the proposed amendment is adopted, the statutory change in requirements for reappraisal notices is effective January 1, 1982.

#### ARGUMENTS

In both the "for" and "against" arguments, the first two arguments relate to the optional residence homestead exemption and the third relates to the content of notices of reappraisal.

#### FOR:

1. A shift in the local property tax burden from business property to residential property is likely to occur as a result of reappraisal. Adoption of the proposed amendment would authorize political subdivisions to offset the shift in the tax burden and the resulting higher residential taxes by offering to owners of residences a percentage exemption from property taxation.

2. Higher property taxes on residences along with the inflationary rise in the value of real estate make it increasingly difficult for individuals with fixed or low incomes to become and remain homeowners. Adoption of the proposed amendment would enhance the chances of buying and keeping a home.

3. Elimination of the present notice requirement would lessen the possibility that property owners would be misinformed or misled about the effect of reappraised value on their property taxes for the current year. Instead of giving notice of the amount of property taxes that would be imposed using the tax rate for the preceding year, political subdivisions would include in reappraisal notices a reasonable estimate of property taxes that would result from reappraised value if the total amount of property taxes is not increased above the amount for the preceding year. A flexible standard based on reasonableness would allow political subdivisions freedom to give notice of the amount of property taxes most likely to be imposed for the current year as a result of reappraised value.

AGAINST:

1. A shift in the tax burden to residences is not likely to occur in political subdivisions that have in the past appraised residences at the same percentage and as frequently as other property. Adoption of the proposed amendment may result in political subdivisions extending unnecessary tax relief to owners of residences and shifting more of the tax burden to owners of businesses.

2. The percentage exemption authorized by the proposed amendment is based on homeownership and not solely on the financial need of homeowners. Adoption of the proposed amendment may result in some financially able homeowners receiving property tax relief that they do not need.

3. The present notice requirement does provide to property owners some additional information about the effects of reappraised value on property taxes and, in those cases where political subdivisions do not reduce the tax rate for the preceding year, the information may accurately inform property owners of the effect of reappraised value. A flexible standard based on reasonableness, rather than a standard tied to a certain tax rate such as the rate for the preceding year, may be misused by some political subdivisions to avoid accurately informing property owners about the probable effect of reappraised value on property taxes.

## AMENDMENT NO. 7

House Joint Resolution 4, proposing a constitutional amendment to authorize the issuance of additional bonds or obligations of the state for the veterans' land fund and to increase the maximum interest rate allowable on those bonds and obligations.

The proposed amendment would authorize the Veterans' Land Board to issue and sell an additional \$250 million in bonds or obligations, the proceeds from which would be deposited in the veterans' land fund. Other changes which the proposed amendment would make are the following:

1. The additional \$250 million in bonds or obligations authorized for the program would extend the maximum amount in bonds or obligations of the State of Texas for the veterans' land fund from the existing \$700 million to \$950 million, with \$700 million heretofore authorized; and

2. The maximum interest rate allowable on a bond or obligation authorized for the program would increase from an annual rate of 6 percent to a rate not exceeding 10 percent that is set by the Veterans' Land Board or a higher rate set by the legislature.

## BACKGROUND

Article III, Section 49-b, was originally adopted in 1946 for the purpose of setting up the Veterans' Land Board, through which Texas veterans of World War II were allowed to purchase land at a low rate of interest. Since the original section was adopted, it has been amended to provide additional amounts of bonds and obligations to be sold and to allow Texas veterans of the Korean conflict, veterans of the Vietnam conflict, and veterans who have served in the armed forces during peace time to participate in the program.

The bonds and obligations of the State of Texas which have been issued have never been an expense for which tax money has been used. Interest rates allowable on these bonds and obligations were originally set at a maximum rate of 3 percent a year. However, in order to keep the bonds and obligations saleable on subsequent bond

markets, the maximum interest rate allowable was increased to 4-1/2 percent and then, in 1973, to 6 percent, the rate now applicable on all bonds and obligations of the state under Article III, Section 65, of the Texas Constitution, which was adopted by the Texas electorate on November 7, 1972.

All but \$74 million of the \$700 million of bonds and obligations which the Texas Constitution now authorizes for the veterans' land fund have already been issued. The unissued bonds are unmarketable at the currently allowable six percent maximum interest rate. Therefore, if the program as it currently exists is to continue, an additional amount must be authorized and the maximum interest rate allowable on the bonds and obligations must be increased. The proposed amendment makes such an authorization in the amount of an additional \$250 million of bonds and obligations which may be issued and sold and increases the maximum interest rate allowable from 6 percent to 10 percent or such higher rate as is set by the legislature.

#### ARGUMENTS

##### FOR:

1. The people of Texas have previously seen fit to allow Texans who have served in the armed forces of the United States the benefit of purchasing land through the veterans' land program. In order to continue this program and to extend its benefits to those veterans who were eligible under the program but for whom money was unavailable for a loan because of the fund's depletion, authorization for the additional bonds or obligations should be approved.

2. If the maximum interest rate allowable on bonds and obligations issued by the Veterans' Land Board is not increased, the bonds and obligations will be unmarketable and the Veterans' Land Board will be unable to continue the program.

##### AGAINST:

1. The federal government already provides generous benefits for veterans, and compensation of veterans is a federal rather than a state responsibility. Extension of the program should no longer be necessary as there has been sufficient time since the Vietnamese conflict for all those who desire land to make application and obtain loans through the veterans' land program and other loan programs available through federal and private institutions.

2. Increasing the maximum interest rate allowable on bonds and obligations authorized for the program would mean that the program would be paying more for the money it borrows through the issuance of bonds and obligations and a smaller percentage of the money raised by the program would be available for loans to veterans.

## APPENDIX





AMENDMENT NO. 1

S.J.R. No. 8

A JOINT RESOLUTION proposing a constitutional amendment authorizing cities, towns, and other taxing units to encourage the improvement, development, or redevelopment of certain areas through property tax relief and through the issuance of bonds and notes.

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

SECTION 1. That Article VIII of the Texas Constitution be amended by adding Section 1-g to read as follows:

"Section 1-g. (a) The legislature by general law may authorize cities, towns, and other taxing units to grant exemptions or other relief from ad valorem taxes on property located in a reinvestment zone for the purpose of encouraging development or redevelopment and improvement of the property.

"(b) The legislature by general law may authorize an incorporated city or town to issue bonds or notes to finance the development or redevelopment of an unproductive, underdeveloped, or blighted area within the city or town and to pledge for repayment of those bonds or notes increases in ad valorem tax revenues imposed on property in the area by the city or town and other political subdivisions."

SECTION 2. This proposed constitutional amendment shall be submitted to the voters at an election to be held on November 3, 1981. The ballot shall be printed to provide for voting for or against the proposition: "The constitutional amendment to authorize cities, towns, and other taxing units to encourage the improvement, development, or redevelopment of certain areas through property tax relief and the issuance of bonds and notes."

AMENDMENT NO. 2

H.J.R. No. 117

A JOINT RESOLUTION proposing a constitutional amendment authorizing the commissioner of the General Land Office to issue patents for certain public free school fund land held in good faith under color of title for at least 50 years as of November 15, 1981.

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

SECTION 1. That Article VII of the Texas Constitution be amended by adding Section 4A to read as follows:

Sec. 4A. (a) On application to the School Land Board, a natural person is entitled to receive a patent to land from the commissioner of the General Land Office if:

(1) the land is surveyed public free school land, either surveyed or platted according to records of the General Land Office;

(2) the land was not patentable under the law in effect immediately before adoption of this section;

(3) the person acquired the land without knowledge of the title defect out of the State of Texas or Republic of Texas and held the land under color of title, the chain of which dates from at least as early as January 1, 1932; and

(4) the person, in conjunction with his predecessors in interest:

(A) has a recorded deed on file in the respective county courthouse and has claimed the land for a continuous period of at least 50 years as of November 15, 1981; and

(B) for at least 50 years has paid taxes on the land together with all interest and penalties associated with any period

of delinquency of said taxes; provided, however, that in the event that public records concerning the tax payments on the land are unavailable for any period within the past 50 years, the tax assessors-collectors of the taxing jurisdictions in which the land is located shall provide the School Land Board with a sworn certificate stating that, to the best of their knowledge, all taxes have been paid for the past 50 years and there are no outstanding taxes nor interest or penalties currently due against the property.

(b) The applicant for the patent must submit to the School Land Board certified copies of his chain of title and a survey of the land for which a patent is sought, if requested to do so by the board. The board shall determine the qualifications of the applicant to receive a patent under this section. Upon a finding by the board that the applicant meets the requirements of Subsection (a) of this section, the commissioner of the General Land Office shall award the applicant a patent. If the applicant is denied a patent, he may file suit against the board in a district court of the county in which the land is situated within 60 days from the date of the denial of the patent under this section. The trial shall be de novo and not subject to the Administrative Procedure and Texas Register Act, and the burden of proof is on the applicant.

(c) This section does not apply to beach land, submerged land, or islands, and may not be used by an applicant to resolve a boundary dispute. This section does not apply to land that, previous to the effective date of this section, was found by a court of competent jurisdiction to be state owned or to land on which the state has given a mineral lease that on the effective date of this section was productive.

(d) Application for a patent under this section must be filed with the School Land Board within five years from the effective date of this section.

(e) This section is self-executing.

(f) This section expires on January 1, 1990.

SECTION 2. This proposed constitutional amendment shall be submitted to the voters at an election to be held on November 3, 1981. The ballot shall be printed to provide for voting for or

against the proposition: "The constitutional amendment authorizing the commissioner of the General Land Office to issue patents for certain public free school fund land held in good faith under color of title for at least 50 years as of November 15, 1981."

AMENDMENT NO. 3

H.J.R. No. 38

A JOINT RESOLUTION proposing a constitutional amendment to allow the legislature to grant to a state finance management committee the power to manage the expenditure of certain appropriated funds.

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

SECTION 1. That Article IV of the Texas Constitution be amended by adding Section 14a to read as follows:

Sec. 14a. (a) The legislature by general law, or by rider in a general appropriations act not inconsistent with general law, may authorize or direct the state finance management committee to manage the expenditure of appropriated funds, except funds constitutionally dedicated to a specific purpose, in the manner, to the extent, and subject to the conditions and limitations provided by the law or rider.

(b) The state finance management committee is composed of the governor, who serves as chairman, the lieutenant governor, who serves as vice-chairman, the speaker of the house of representatives, the chairman of the senate committee having jurisdiction over appropriations, the chairman of the senate state affairs committee, the chairman of the committee of the house of representatives having jurisdiction over appropriations, and the chairman of the house of representatives ways and means committee.

SECTION 2. This proposed constitutional amendment shall be submitted to the voters at an election to be held on November 3, 1981. The ballot shall be printed to provide for voting for or against the proposition: "The constitutional amendment to allow the legislature to grant to a state finance management committee the power to manage the expenditure of certain appropriated funds."

AMENDMENT NO. 4

H.J.R. No. 6

A JOINT RESOLUTION proposing a constitutional amendment to dedicate excess state revenue to certain special funds, to authorize state guarantee of certain local government obligations, and to increase the allowable interest rate on certain bonds.

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

SECTION 1. That Article VIII of the Texas Constitution be amended by adding Section 24 to read as follows:

Sec. 24. (a) If the total amount of state tax revenue that is collected in a particular biennium and that is not otherwise dedicated by this constitution exceeds the limitation on appropriations of state tax revenue for that biennium under Article VIII, Section 22, of this constitution, one-half of that excess state tax revenue is dedicated to the special fund or funds created to carry out the purposes under Subsection (b) of this section. All or part of the remaining one-half of the excess state tax revenue may be dedicated by law for any purposes determined by the legislature including the creation of state bond retirement funds under this section. As soon as possible after the end of each biennium, the comptroller of public accounts shall determine the amount of the excess state tax revenue and, subject to Subsection (g) of this section, shall deposit one-half of the excess state tax revenue in the fund or funds created under Subsection (b) of this section and all or that part of the remaining one-half of the excess state tax revenue to any other fund or funds created by law to which excess state tax revenue has been dedicated by the legislature.

(b) The legislature, by law, shall create one or more special funds in the state treasury for use for or in aid of water development, water conservation, water quality enhancement, or flood control or any combination of these purposes and shall provide the manner in which deposits will be made to the fund or

funds, the purposes for which the fund or funds may be used, and the manner in which money in the fund or funds will be made available. To the extent that the action does not impair contracts previously entered into obligating money on deposit in the fund or funds created under this subsection, the legislature, by law, may use money dedicated by Subsection (a) of this section to the fund or funds created under this subsection for purposes other than those purposes provided in this subsection. Money on deposit in the fund or funds created under this subsection shall not be used to finance or aid any project that contemplates or results in the removal from the basin of origin of any surface water necessary to supply the reasonably foreseeable future water requirements for the next ensuing 50-year period within the river basin of origin, except on a temporary, interim basis.

(c) In addition to any program established by law to be funded with money from funds created under Subsection (b) of this section, the legislature, by law, may provide for the creation, administration, and implementation of a bond guaranty program in which the state pledges its general credit in an amount not to exceed \$500,000,000 to the payment in whole or in part of the principal of and interest on bonds or other obligations that are issued by cities, towns, counties, districts, authorities, and any other political subdivisions of the state as defined by law for any of the purposes for which the fund or funds created under Subsection (b) of this section may be used. The state agency authorized by law to administer this bond guaranty program may be authorized by law to execute guarantees that bind the state to make payment of the principal of and interest on the bonds in the event of their default. The payment, if any, of any guarantee executed under this subsection shall be made from the first money coming into the state treasury that is not otherwise dedicated by this constitution. Notwithstanding the total amount of guarantees executed under this subsection, the total amount paid by the state under this subsection, excluding the costs of administration, may not exceed \$500,000,000. The ratio of guarantees to the total liability of the state under this subsection shall be established by law.

(d) The legislature, by law, may create and may dedicate state revenue to one or more state bond retirement funds in the state treasury for the purpose of making provision for the payment of state bonds. In this section, "state bonds" means bonds that

have been issued by the state or by its agencies, departments, or officers as general obligations, guaranteed by the full faith and credit of the state, and that are designated by the legislature for payment from a state bond retirement fund created under this section.

(e) If one or more state bond retirement funds are created under Subsection (d) of this section, the comptroller of public accounts or other state officer designated by law shall certify the date as of which the principal amount of the investments held by each respective fund, together with the earnings on the investments, are in such amounts and, according to their terms, will mature and become due at such times as will provide on a timely basis, without the necessity of reinvestment, sums of money that, together with uninvested money on deposit in the fund, to a mathematical certainty, are sufficient to pay, when and as due, the principal of and interest on the state bonds to which each respective fund is dedicated. After the date of a certification under this subsection, the amounts transferred to that bond retirement fund, together with the principal of and earnings on the investments held by the fund, shall be used exclusively for the purpose of paying, when and as due, the principal of and interest on the state bonds to which that fund is dedicated. So long as those amounts are sufficient to pay, when and as due, the principal of and interest on the state bonds, further payments from any other funds of the state established to pay those state bonds are not required. However, all state bonds, whether or not provision for their payment is made under this section, shall continue to be general obligations of the state, guaranteed by its full faith and credit under this constitution. After the full payment of all state bonds to which a debt retirement fund is dedicated, any remaining amount in that fund shall be transferred to the general revenue fund.

(f) After a date certified by the comptroller of public accounts or other state officer designated by law under Subsection (e) of this section, the receipts, revenues, and funds pledged by another section of this constitution, by law, or by a contract of a state agency or officer to the payment of the state bonds as to which the certification is made may be used for or in aid of any of the purposes for which the proceeds of the state bonds to which the receipts, revenues, and funds were pledged may be used under this constitution. However, the legislature may provide by law that all



or part of the pledged receipts, revenues, and funds may be used for or in aid of other public purposes.

(g) The legislature by law may limit the amount of excess state revenues that may be deposited to the fund or funds created under Subsection (b) of this section.

(h) Any fund or funds created under this section shall be invested as authorized by law. The investment earnings of the fund or funds created under this section become part of the fund or funds from which the earnings are realized.

(i) The legislature, by law, may transfer money from the general revenue fund to any of the funds created under this section.

(j) Any bonds guaranteed by the full faith and credit of the state that are authorized by this constitution but are unissued on the effective date of this section, if otherwise authorized to be issued under this constitution, may be issued bearing a net effective interest rate not to exceed 12 percent per annum, or, if a net effective interest rate higher than 12 percent per annum is approved by law enacted by an affirmative record vote of two-thirds of the members of each house, not to exceed the higher rate approved. For the purpose of this subsection, the net effective interest rate shall be determined in the manner provided by law for bonds issued by cities.

(k) Laws may be enacted in anticipation of the adoption of this section.

SECTION 2. This proposed constitutional amendment shall be submitted to the voters at an election to be held on November 3, 1981. The ballot shall be printed to provide for voting for or against the proposition: "The constitutional amendment authorizing the use of a portion of the excess revenues of the state for water development, water conservation, water quality enhancement, and flood control purposes; authorizing the use of the state's credit, not to exceed five hundred million dollars, to guarantee the bonds of cities, counties, towns, and other units of local government in the financing of projects for such purposes; increasing the interest rate that may be paid on previously approved but unissued state bonds; and authorizing a program to retire state bonds."

AMENDMENT NO. 5

H.J.R. No. 49

A JOINT RESOLUTION providing for the inclusion of livestock and poultry with farm products as exempt from taxation.

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

SECTION 1. That Article VIII, Section 19, of the Texas Constitution be amended to read as follows:

Sec. 19. Farm products, livestock, and poultry in the hands of the producer, and family supplies for home and farm use, are exempt from all taxation until otherwise directed by a two-thirds vote of all the members elect to both houses of the Legislature.

SECTION 2. This proposed constitutional amendment shall be submitted to the voters at an election to be held on November 3, 1981. The ballot shall be printed to provide for voting for or against the proposition: "The constitutional amendment to provide for the inclusion of livestock and poultry with farm products as exempt from taxation."

AMENDMENT NO. 6

H.J.R. No. 81

A JOINT RESOLUTION proposing a constitutional amendment to authorize certain property tax relief for owners of residence homesteads and to change certain property tax administrative procedures.

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

SECTION 1. That Article VIII, Section 1-b, of the Texas Constitution be amended by adding Subsections (e) and (e-1) to read as follows:

(e) The governing body of a political subdivision may exempt from ad valorem taxation a percentage of the market value of the residence homestead of a married or unmarried adult, including one living alone. The percentage may not exceed forty percent (40%) for the years 1982 through 1984, thirty percent (30%) for the years 1985 through 1987, and twenty percent (20%) in 1988 and each subsequent year. However, the amount of an exemption authorized pursuant to this subsection may not be less than Five Thousand Dollars (\$5,000) unless the legislature by general law prescribes other monetary restrictions on the amount of the exemption. An eligible adult is entitled to receive other applicable exemptions provided by law. Where ad valorem tax has previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect the tax against the value of the homesteads exempted under this subsection until the debt is discharged if the cessation of the levy would impair the obligation of the contract by which the debt was created. The legislature by general law may prescribe procedures for the administration of residence homestead exemptions.

(e-1) Subsection (e) of this section takes effect January 1, 1982. This subsection expires January 2, 1982.

SECTION 2. Article VIII, Section 21, Subsection (c), of the Texas Constitution is amended to read as follows:

(c) The legislature by general law shall require that, subject to reasonable exceptions, a property owner be given notice of a revaluation of his property and a reasonable estimate of the amount of taxes that would be imposed on his property if the total amount of property taxes for the subdivision were not increased according to any law enacted pursuant to Subsection (a) of this section [~~and-of-the-amount-of--taxes--that--will--result--from--the reappraised--value--if--neither--the--tax--rate--nor--the--ratio-of assessment-in-effect-in-the-preceding-year-is-reduced~~]. The notice must be given before the procedures required in Subsection (a) are instituted.

SECTION 3. This proposed constitutional amendment shall be submitted to the voters at an election to be held November 3, 1981. The ballot shall be printed to provide for voting for or against the proposition: "The constitutional amendment authorizing a political subdivision to provide property tax relief for owners of residence homesteads and changing certain property tax administrative procedures."

AMENDMENT NO. 7

H.J.R. No. 4

A JOINT RESOLUTION proposing a constitutional amendment to authorize the issuance of additional bonds or obligations of the state for the veterans' land fund.

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

SECTION 1. That Article III, Section 49-b, of the Texas Constitution be amended to read as follows:

Sec. 49-b. By virtue of prior Amendments to this Constitution, there has been created a governmental agency of the State of Texas performing governmental duties which has been designated the Veterans' Land Board. Said Board shall continue to function for the purposes specified in all of the prior Constitutional Amendments except as modified herein. Said Board shall be composed of the Commissioner of the General Land Office and two (2) citizens of the State of Texas, one (1) of whom shall be well versed in veterans' affairs and one (1) of whom shall be well versed in finances. One (1) such citizen member shall, with the advice and consent of the Senate, be appointed biennially by the Governor to serve for a term of four (4) years; but the members serving on said Board on the date of adoption hereof shall complete the terms to which they were appointed. In the event of the resignation or death of any such citizen member, the Governor shall appoint a replacement to serve for the unexpired portion of the term to which the deceased or resigning member had been appointed. The compensation for said citizen members shall be as is now or may hereafter be fixed by the Legislature; and each shall make bond in such amount as is now or may hereafter be prescribed by the Legislature.

The Commissioner of the General Land Office shall act as Chairman of said Board and shall be the administrator of the Veterans' Land Program under such terms and restrictions as are now or may hereafter be provided by law. In the absence or illness of said Commissioner, the Chief Clerk of the General Land Office shall

be the Acting Chairman of said Board with the same duties and powers that said Commissioner would have if present.

The Veterans' Land Board may provide for, issue and sell not to exceed Nine Hundred and Fifty Million Dollars (\$950,000,000) [~~Seven--Hundred--Millien--Dollars--(\$700,000,000)~~] in bonds or obligations of the State of Texas for the purpose of creating a fund to be known as the Veterans' Land Fund, Seven Hundred Million Dollars (\$700,000,000) [~~Five---Hundred---Millien---Dollars (\$500,000,000)~~] of which have heretofore been authorized. Such bonds or obligations shall be sold for not less than par value and accrued interest; shall be issued in such forms, denominations, and upon such terms as are now or may hereafter be provided by law; shall be issued and sold at such times, at such places, and in such installments as may be determined by said Board; and shall bear a rate or rates of interest as may be fixed by said Board but the weighted average annual interest rate, as that phrase is commonly and ordinarily used and understood in the municipal bond market, of all the bonds issued and sold in any installment of any bonds may not exceed the rate specified in Section 65 of this Article. All bonds or obligations issued and sold hereunder shall, after execution by the Board, approval by the Attorney General of Texas, registration by the Comptroller of Public Accounts of the State of Texas, and delivery to the purchaser or purchasers, be incontestable and shall constitute general obligations of the State of Texas under the Constitution of Texas; and all bonds heretofore issued and sold by said Board are hereby in all respects validated and declared to be general obligations of the State of Texas. In order to prevent default in the payment of principal or interest on any such bonds, the Legislature shall appropriate a sufficient amount to pay the same.

In the sale of any such bonds or obligations, a preferential right of purchase shall be given to the administrators of the various Teacher Retirement Funds, the Permanent University Funds, and the Permanent School Funds.

Said Veterans' Land Fund shall consist of any lands heretofore or hereafter purchased by said Board, until the sale price therefor, together with any interest and penalties due, have been received by said Board (although nothing herein shall be construed to prevent said Board from accepting full payment for a portion of any tract), and of the moneys attributable to any bonds

heretofore or hereafter issued and sold by said Board which moneys so attributable shall include but shall not be limited to the proceeds from the issuance and sale of such bonds; the moneys received from the sale or resale of any lands, or rights therein, purchased with such proceeds; the moneys received from the sale or resale of any lands, or rights therein, purchased with other moneys attributable to such bonds; the interest and penalties received from the sale or resale of such lands, or rights therein; the bonuses, income, rents, royalties, and any other pecuniary benefit received by said Board from any such lands; sums received by way of indemnity or forfeiture for the failure of any bidder for the purchase of any such bonds to comply with his bid and accept and pay for such bonds or for the failure of any bidder for the purchase of any lands comprising a part of said Fund to comply with his bid and accept and pay for any such lands; and interest received from investments of any such moneys. The principal and interest on the bonds heretofore and hereafter issued by said Board shall be paid out of the moneys of said Fund in conformance with the Constitutional provisions authorizing such bonds; but the moneys of said Fund which are not immediately committed to the payment of principal and interest on such bonds, the purchase of lands as herein provided, or the payment of expenses as herein provided may be invested in bonds or obligations of the United States until such funds are needed for such purposes.

All moneys comprising a part of said Fund and not expended for the purposes herein provided shall be a part of said Fund until there are sufficient moneys therein to retire fully all of the bonds heretofore or hereafter issued and sold by said Board, at which time all such moneys remaining in said Fund, except such portion thereof as may be necessary to retire all such bonds which portion shall be set aside and retained in said Fund for the purpose of retiring all such bonds, shall be deposited to the credit of the General Revenue Fund to be appropriated to such purposes as may be prescribed by law. All moneys becoming a part of said Fund thereafter shall likewise be deposited to the credit of the General Revenue Fund.

When a Division of said Fund (each Division consisting of the moneys attributable to the bonds issued and sold pursuant to a single Constitutional authorization and the lands purchased therewith) contains sufficient moneys to retire all of the bonds secured by such Division, the moneys thereof, except such portion

as may be needed to retire all of the bonds secured by such Division which portion shall be set aside and remain a part of such Division for the purpose of retiring all such bonds, may be used for the purpose of paying the principal and the interest thereon, together with the expenses herein authorized, of any other bonds heretofore or hereafter issued and sold by said Board. Such use shall be a matter for the discretion and direction of said Board; but there may be no such use of any such moneys contrary to the rights of any holder of any of the bonds issued and sold by said Board or violative of any contract to which said Board is a party.

The Veterans' Land Fund shall be used by said Board for the purpose of purchasing lands situated in the State of Texas owned by the United States or any governmental agency thereof, owned by the Texas Prison System or any other governmental agency of the State of Texas, or owned by any person, firm, or corporation. All lands thus purchased shall be acquired at the lowest price obtainable, to be paid for in cash, and shall be a part of said Fund. Such lands heretofore or hereafter purchased and comprising a part of said Fund are hereby declared to be held for a governmental purpose, although the individual purchasers thereof shall be subject to taxation to the same extent and in the same manner as are purchasers of lands dedicated to the Permanent Free Public School Fund.

The lands of the Veterans' Land Fund shall be sold by said Board in such quantities, on such terms, at such prices, at such rates of interest and under such rules and regulations as are now or may hereafter be provided by law to veterans who served not less than ninety (90) continuous days, unless sooner discharged by reason of a service-connected disability, on active duty in the Army, Navy, Air Force, Coast Guard or Marine Corps of the United States after September 16, 1940, and who, upon the date of filing his or her application to purchase any such land is a citizen of the United States, is a bona fide resident of the State of Texas, and has not been dishonorably discharged from any branch of the Armed Forces above-named and who at the time of his or her enlistment, induction, commissioning, or drafting was a bona fide resident of the State of Texas, or who has resided in Texas at least five (5) years prior to the date of filing his or her application, and provided that in the event of the death of an eligible Texas Veteran after the veteran has filed with the Board an application and contract of sale to purchase through the Board



the tract selected by him or her and before the purchase has been completed, then the surviving spouse may complete the transaction. The unmarried surviving spouses of veterans who died in the line of duty may also apply to purchase a tract through the Board provided the deceased veterans meet the requirements set out in this Article with the exception that the deceased veterans need not have served ninety (90) continuous days and provided further that the deceased veterans were bona fide residents of the State of Texas at the time of enlistment, induction, commissioning, or drafting. The foregoing notwithstanding, any lands in the Veterans' Land Fund which have been first offered for sale to veterans and which have not been sold may be sold or resold to such purchasers, in such quantities, and on such terms, and at such prices and rates of interest, and under such rules and regulations as are now or may hereafter be provided by law.

Said Veterans' Land Fund, to the extent of the moneys attributable to any bonds hereafter issued and sold by said Board may be used by said Board, as is now or may hereafter be provided by law, for the purpose of paying the expenses of surveying, monumenting, road construction, legal fees, recordation fees, advertising and other like costs necessary or incidental to the purchase and sale, or resale, of any lands purchased with any of the moneys attributable to such additional bonds, such expenses to be added to the price of such lands when sold, or resold, by said Board; for the purpose of paying the expenses of issuing, selling, and delivering any such additional bonds; and for the purpose of meeting the expenses of paying the interest or principal due or to become due on any such additional bonds.

All of the moneys attributable to any series of bonds hereafter issued and sold by said Board (a "series of bonds" being all of the bonds issued and sold in a single transaction as a single installment of bonds) may be used for the purchase of lands as herein provided, to be sold as herein provided, for a period ending eight (8) years after the date of sale of such series of bonds; provided, however, that so much of such moneys as may be necessary to pay interest on bonds hereafter issued and sold shall be set aside for that purpose in accordance with the resolution adopted by said Board authorizing the issuance and sale of such series of bonds. After such eight (8) year period, all of such moneys shall be set aside for the retirement of any bonds hereafter issued and sold and to pay interest thereon, together with any

expenses as provided herein, in accordance with the resolution or resolutions authorizing the issuance and sale of such additional bonds, until there are sufficient moneys to retire all of the bonds hereafter issued and sold, at which time all such moneys then remaining a part of said Veterans' Land Fund and thereafter becoming a part of said Fund shall be governed as elsewhere provided herein.

This Amendment being intended only to establish a basic framework and not to be a comprehensive treatment of the Veterans' Land Program, there is hereby reposed in the Legislature full power to implement and effectuate the design and objects of this Amendment, including the power to delegate such duties, responsibilities, functions, and authority to the Veterans' Land Board as it believes necessary.

Should the Legislature enact any enabling laws in anticipation of this Amendment, no such law shall be void by reason of its anticipatory nature.

~~[This Amendment shall become effective upon its adoption.]~~

SECTION 2. That Article III, Section 65, of the Texas Constitution be amended to read as follows:

Sec. 65. (a) Wherever the Constitution authorizes an agency, instrumentality, or subdivision of the State to issue bonds and specifies the maximum rate of interest which may be paid on such bonds issued pursuant to such constitutional authority, such bonds may bear interest at rates not to exceed a weighted average annual interest rate of 6%. All Constitutional provisions specifically setting rates in conflict with this provision are hereby repealed.

(b) Bonds issued by the Veterans' Land Board after the effective date of this subsection bear interest at a rate or rates determined by the board, but the rate or rates may not exceed a net effective interest rate of 10% per year unless otherwise provided by law. A statute that is in effect on the effective date of this subsection and that sets as a maximum interest rate payable on bonds issued by the Veterans' Land Board a rate different from the maximum rate provided by this subsection is ineffective unless reenacted by the legislature after that date.

SECTION 3. This proposed constitutional amendment shall be submitted to the voters at an election to be held on November 3, 1981. The ballot shall be printed to provide for voting for or against the proposition: "The constitutional amendment authorizing the issuance of additional bonds to finance the veterans' land program and to increase the maximum interest rate allowable on veterans' land fund bonds."