

JOURNAL
OF THE
House of Representatives
OF THE
SECOND CALLED SESSION
OF THE
Fifty-sixth Legislature
OF THE
STATE OF TEXAS
BEGUN AND HELD AT
THE CITY OF AUSTIN
JUNE 17, 1959



ADDRESS BY THE HONORABLE
PRICE DANIEL, GOVERNOR

(The Senate and the House of Representatives in Joint Session).

In accordance with the provisions of House Concurrent Resolution No. 2, providing for a Joint Session of the Senate and House at 2:00 o'clock p. m., today, for the purpose of hearing the message of Honorable Price Daniel, Governor, the Honorable Senators, at 2:00 o'clock p. m., were announced at the Bar of the House, and being duly admitted, occupied seats prepared for them.

Lieutenant Governor Ben Ramsey was escorted to a seat on the Speaker's Rostrum.

Honorable Price Daniel, Governor, Mrs. Price Daniel, and party, escorted by Senators Aikin, Kazen, Herring, Secrest and Rogers, Committee on the part of the Senate; and Messrs. Cory, Dewey, Kennard, Percy and Jamison, Committee on the part of the House, were announced at the Bar of the House and, being admitted, were escorted to seats on the Speaker's Rostrum.

Honorable Waggoner Carr, Speaker, called the Joint Session to order and stated that the two Houses were in Joint Session for the purpose of hearing an address by Honorable Price Daniel, Governor.

Lieutenant Governor Ben Ramsey called the Senate to order and announced a quorum of the Senate present.

Speaker Waggoner Carr called the House to order.

A quorum of the House was announced present.

Speaker Waggoner Carr presented Honorable Price Daniel, Governor of Texas, to the Joint Session.

Governor Daniel then addressed the Joint Session, speaking as follows:

Message of Governor Price Daniel
To the 56th Legislature
Second Called Session
June 17, 1959

To the Members of the 56th
Legislature:

I share your disappointment in the failure to solve the State's financial problems during the 4-month Regular Session and the 30-day Called Session which ended last night. However, I hasten to thank and commend all of you who labored in good faith on this important task and wish you success in this Second Called Session.

I know you are weary and tired. If possible, I would have delayed the call of this Second Special Session. That was impossible because even a day's delay in meeting the State's financial crisis is too expensive upon the taxpayers of our State.

As you know, for every month of delay in the effective date of the new tax bill, we must levy approximately \$7,000,000 in additional taxes for the next fiscal year. At this rate, further delay will cost the taxpayers of this State over \$200,000 per day in additional taxes.

We have reached the time when delay between sessions and during long weekends has become very expensive to the people we serve. In fact, the time has come when a vote against adjournment is a vote for economy, and when expedition will substantially lighten the total tax which we must levy for the next year.

Furthermore, the immediate continuation of the unfinished task will enable you to salvage much of the hard work already performed. Although this is technically and legally a new session, in truth and in fact it is a mere continuation of the unfinished business of passing a general appropriation bill and raising the necessary revenue. Your committees have held full and complete hearings in both the House and Senate on my tax recommendations and all other tax bills which have been offered. In my opinion, your committees would be fully justified in beginning immediate action this afternoon on both the tax and appropriation bills.

Thus, considering this session as a mere continuation of that which ended last night, I shall stand on the fiscal recommendations which I made to you 30 days ago. They were delivered to you in person and by printed message dated May 18, 1959. It is unnecessary that I repeat them to you on this occasion. Instead, I adopt these recommendations as the best that I have to offer for a fair and equitable distribution of the new tax burden required to retire the deficit and meet expenditures for the next two years.

By way of emphasis, I simply remind you of my recommendation that the people and their family budgets should not be taxed any heavier than corporations and natural resources. I believe we should preserve a healthy tax climate for business but also a healthy tax climate for individual human beings.

According to the Texas Almanac's figures, based on the last federal census, a majority of the families of this State have gross earnings of less than \$3500 per year. Corporate profits, especially of natural gas pipelines, have increased far more in recent years than our family incomes.

Of course, the corporations and natural gas people have their paid representatives here to look after their interests. The average families of this State have no special representatives in the "Third House." They must depend alone upon their elected representatives—the Governor and the Legislature—to look after their interests.

It is our job to see that taxes are left in a fair and proper proportion between the business and corporate interests on the one hand, and individual citizens on the other. This is no easy task, because the people's elected representatives are far outnumbered by those who speak for special interests in this capital city. In this city we have at least five registered lobbyists for every one Legislator. They have a right to be here, to see that justice is done to their corporations in the matter of taxation, but you and I have the duty to see that they do not bring about an injustice upon the individual citizens or thwart the will of the people of Texas.

My strong advocacy of increased taxes on natural gas pipeline companies and interstate corporations has incurred the ill will and powerful opposition of one of the strongest and most persistent lobbies that this capital has ever known. It is nothing new to me. I landed here as a member of this House 20 years ago, in the midst of a similar tax fight. I withstood the pressures from the same vested interests which are exerted upon you today. I understand some of the gas lobby has decided to make this session an all out fight against the Governor. I am not the first Governor who has been cursed and criticized across the dining tables of the Stephen F. Austin and Driskill hotels, and I hope I will not be the last.

Governor Jim Hogg, who was a constant target of the special interests, called these gentlemen the "Knights of Congress Avenue." In a speech at the old Opera House, Austin, Governor Hogg said:

"Let's have Texas, the Empire State, governed by the people in Texas; not Texas, the truck-patch, ruled by corporate lobbyists."

We have drifted a long way from the philosophy of Governor Jim Hogg, who advocated a higher franchise tax on foreign corporations than on domestic companies. Today we have a corporate franchise tax which discriminates against domestic corporations in favor of the multi-billion dollar corporations of New York, Delaware and Pennsylvania. This discrimination in favor of interstate corporations should be removed by requiring them to pay on the same tax formula that is applied in their own States and that their own States apply to Texas corporations which operate in those States.

It is inconceivable to me that with this discrimination properly called to our attention by the Texas Research League and the Texas Tax Study Commission, that we should fail to adjust the corporate franchise tax formula so the 7,000 foreign and interstate corporations will pay more nearly on the same basis as our 33,000 wholly domestic corporations.

Of course, you and I know that the major issue which has deadlocked this Legislature has been the question of

whether natural gas pipeline companies should bear a fairer and larger share of the tax burden of this State. I think they should. I am positive that a majority of the people of this State, if permitted to vote on the issue, would favor additional taxes on those who have tied up the natural gas reserves of this State and who are transporting to other States and foreign countries 53% of all marketed gas produced in Texas.

I sincerely believe this view is shared by a majority of the members of the House and Senate and that a majority in each House is nearer together on the subject than indicated by some of the votes during the last 30 days.

I see no reason to put all of the natural gas tax increase on Texas producers and royalty owners when there is a constitutional method available for placing it on the gas pipeline companies. I have recommended a severance beneficiary tax which the Attorney General of this State has upheld as being constitutional. It would fall principally upon the gas pipeline companies. It would make our total tax on natural gas less than half the amount now being collected by our chief competitor State, Louisiana.

My only regret is that I did not recommend a higher tax on these pipeline companies. As I pointed out in my message of May 18, Governor Shivers, one of the most conservative Governors in the history of our State, recommended to the Legislature in 1954 a similar tax of $\frac{1}{2}\%$ per MCF. On average priced gas, this would be considerably higher than what I have recommended. I suggested the lower and more reasonable figure in the hope that business statesmanship on the part of the gas pipeline companies would lead them to accept rather than oppose this measure. On the contrary, they have fought it as much as if I had recommended the higher tax. If you do not accept at least the 3% severance beneficiary tax which I originally recommended, in addition to the present 7% production tax, then I recommend your consideration of a gross receipts tax levied directly on gas pipeline companies, based on all receipts in Texas and half of all receipts from interstate transmission and sales. This could be set at a rate that would

bring even more revenue than the tax which I have heretofore recommended, and this apportionment of interstate sales has been upheld in connection with income tax and franchise tax cases in other States.

In view of the passage of the Book-keeping Bill, for which I commend and congratulate you, the remainder necessary in new revenue to meet the tentative appropriation bill agreed upon by the joint conference committee and retirement of the deficit is approximately \$181 million. I understand that a bill will be introduced or has already been filed with sufficient additions to raise this amount.

If the Abandoned Property-Escheat Bill, or any reasonable version thereof, is enacted, the sum of \$25 million can be deducted from the proposed new taxes. Thereby the taxpayers of this State will be saved \$25 million by simply providing ways and means for the Attorney General to collect the money which now belongs to the State under the present law of escheat. This bill can be reduced to a simple three or four-page measure requiring annual reporting of all monies now held by banks, oil companies or other institutions which are subject to the present escheat laws, providing for auditing of these reports and class actions by the Attorney General under present laws.

If any one of us had \$25 million which we had inherited but which was held by various unknown banks and oil companies, and they refused to reveal their records or turn over the money, I am sure that we would equip our lawyers to take them to the courthouse very promptly. If necessary, I am sure we would ask the Legislature to pass a law requiring such institutions to make their books available to interested parties. That is exactly the position in which the State stands today. The State has inherited, so to speak, millions of dollars now being held and used by banks, pipeline companies and other institutions because there are no other owners or heirs, and because our present law says that under such circumstances the property escheats to the State. According to court decisions, this money already belongs to the State. As representatives of the State, it is our duty to provide the State's attorney with the means to identify the money, find heirs or own-

ers if they exist, and if not, bring court actions which will transfer the money to the State.

I do not believe that we should impose an additional \$25 million in taxes on the people of this State in order that the banks and other institutions may continue to use this money free, and in some instances to dissipate and consume it by service charges.

I am sure there is no need for me to stress further the emergency nature of this session. Every function of State government, including the operation of our schools, colleges, hospitals, and prisons, and payment of State salaries and old age pensions, depends upon the enactment of an appropriation bill before September 1, together with a tax bill to support it.

I read a newspaper story Sunday which said that if we fail to work out our money troubles before September 1, "vital State services will be seriously crippled." That is an understatement. Such services not only will be crippled, they will be completely stopped. Not one dollar of State money can be spent without a new appropriation bill in effect by September 1.

Time is of the essence for another reason. Most of the other States with financial difficulties far worse than Texas have met their problems. It will not help the good name of our State to stand alone with Michigan as the only States which have not put their financial houses in order.

Furthermore, our struggle throughout the years to preserve State rights is at stake. We merely surrender these rights when we fail to exercise them. We cannot compete with the Federal Government unless we raise the money here at home to take care of our State responsibilities. In this connection, I remind you that the large corporate interests which have opposed the taxes I have recommended will pay to the Federal Government 52% of every dollar that they save by defeating or reducing their tax bills here in Texas.

When we fail to levy fair and adequate corporation taxes which are deductible from the federal income tax, it simply means that the Federal Government will get 52% of all we fail to collect. It will be used to compete with Texas and the other

States in rendering services and taking over operations that should remain at the State and local level.

The fact that all of the business taxes I have recommended can be deducted from the federal income tax, while a majority of the selective sales taxes falling upon individuals cannot be so deducted, is another good reason why we should maintain as nearly as possible a fair and equal division of the new tax burden, between corporations and individuals.

With these comments, I leave the matter in your hands. Contrary to some expressed beliefs, I do not wish to dictate or direct your decisions. I will make recommendations and I will fight for them in the manner that I deem best. The people of Texas elected me to this office and I am beholden only to them. They elected you, too, and while we may disagree on some of the vital issues, I shall always respect your offices and your responsibility under the Constitution.

I assure each of you of my cooperation any time that it is desired, day or night, from this minute forward until the burden and responsibility of this session has been discharged. Without delaying your work another minute, I check the matter to you and wish you every success on behalf of the finest people and the greatest State any public officials could ever be privileged to serve.

MESSAGE FROM THE GOVERNOR

The Speaker laid before the House and had read the following message from the Governor:

Austin, Texas, July 2, 1959

To The Members of The Fifty-Sixth Legislature, Second Called Session:

I hereby submit as additional subjects for consideration in this Second Called Session the following legislation:

1. Requirement of approval by the State Banking Commissioner before sale is made of majority control of any State Bank.

2. Any emergency appropriation for State agencies.

3. Approval of the Southern Interstate Nuclear Compact.

4. Transfer of funds due from the State Highway Department to A & M College for an agricultural experiment station in Smith County.

5. Authorizing State Board of Insurance additional time to move into new quarters.

6. Any local or general bills relating to game and fish laws; courts and district attorneys; navigation and water control and improvement districts; river authorities; road districts; school districts, including creation of new districts and elections; State supported institutions of higher education; fire fighting equipment; rural fire prevention districts; airports; traffic safety; boat and water safety; city gas distribution systems; city boundaries and validation thereof; group insurance; regulation of small loans and corporate sureties; marriage licenses; dependent children; search warrants and procedures relating to private residences.

Respectfully submitted,
PRICE DANIEL, Governor.

MESSAGE FROM THE GOVERNOR

The Speaker laid before the House and had read the following message from the Governor:

Message From The Governor

Austin, Texas, July 8, 1959

To The Members Of The Fifty-sixth
Legislature, Second Called Session:

I hereby submit as additional subjects for consideration in this Second Called Session the following legislation:

1. Reorganization of the Texas Merit System Council.

2. Authorization for Commissioners Courts to build and equip coliseums and auditoriums.

Respectfully submitted,

PRICE DANIEL,
Governor.

MESSAGE FROM THE GOVERNOR

The Speaker laid before the House and had read the following message from the Governor:

Austin, Texas, July 10, 1959

To The Members of the Fifty-sixth
Legislature, Second Called Session:

I hereby submit as an additional subject for consideration in this Second Called Session legislation authorizing the refunding of the bonds of the State of Texas now held by the several permanent funds of the State.

Respectfully submitted,

PRICE DANIEL,
Governor.