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TEXAS HOUSE OF REPRESENTATIVES

*Constitutional Amendment Election*  
*November 5, 2013*

Proposition 1, HJR 62: Tax Exemptions for Surviving Spouses of Deceased Veterans

The Ballot will Read: "The constitutional amendment authorizing the legislature to provide for an exemption from ad valorem taxation of all or part of the market value of the residence homestead of the surviving spouse of a member of the armed services of the United States who is killed in action."

Summary: Allows the legislature to grant a property tax exemption to the surviving spouse of a member of the armed services who was killed in action. The exemption would be limited to the dollar amount of the prior qualifying homestead exemption. The exemption would end if the surviving spouse remarries.

Supporters: Prop. 1 would provide real financial assistance to a surviving spouse of a military service member who gave his or her life for country. Because the exemptions would apply to a small group of people, they would not impose an economic burden on local governments or the state.

Opponents: If the Legislature continues expanding tax exemptions, local governments will need to raise property taxes on the remaining taxpayers in order to raise the same amount of money.

Proposition 2, HJR 79: Eliminating the State Medical Education Board and Fund

The Ballot will Read: "The constitutional amendment eliminating an obsolete requirement for a State Medical Education Board and a State Medical Education Fund, neither of which is operational."

Summary: The State Medical Education Board (SMEB) and State Medical Education Fund (SMEF) were established in 1952 to provide direct loans to medical students to encourage them to practice in rural areas of Texas. Over the years, the program proved to be ineffective with a high default rate. No new loans have been issued since 1988 and those loans in default have been turned over to the Attorney General. New loan programs with better accountability have replaced direct loan assistance. Prop. 2 dissolves the now non-operational SMEB and SMEF and places all medical loan repayment programs under the oversight of the Higher Education Coordinating Board.

Supporters: This places accountability and oversight for medical loan assistance programs under an established board that handles all higher education issues. This will better streamline state government.

Opponents: The two boards should be restructured to become more effective. There is the potential that the medical needs in rural and underserved areas may suffer if the board and funds are combined with other higher education programs.

### Proposition 3, HJR 133: Tax Exemptions for Aircraft Parts

The Ballot will Read: "The constitutional amendment to authorize a political subdivision of this state to extend the number of days that aircraft parts that are exempt from ad valorem taxation due to their location in this state for a temporary period may be located in this state for purposes of qualifying for the tax exemption."

Summary: In Texas, business inventory is taxed with certain limited exceptions. Goods that are in the state no longer than 175 days are referred to as "freeport" goods and are exempt from ad valorem taxes. Prop. 3 would extend the "freeport" goods exemption to aircraft parts that are in the state no longer than 730 days (two years.) This specific exemption would be at the discretion of each local taxing entity and applicable only to aircraft parts.

Supporters: This measure would be applied entirely at the discretion of local taxing entities and would accommodate the particular nature of the specialized aircraft parts industry. Airplane parts are expensive and, when needed, must be shipped to a customer with haste. However, because requests for special parts are rare, inventory often sits on the shelves prior to sale for longer than in other industries. This would help small businesses in a tax heavy environment.

Opponents: Texas is one of the few states that still assesses a property tax on inventory, a fact that places businesses in the state at a competitive disadvantage. Instead of granting extensions to the freeport exemption, the Legislature should consider completely eliminating the antiquated and punitive inventory tax.

### Proposition 4, HJR 2: Tax Exemptions for Disabled Veterans with Charity Donated Homesteads

The Ballot will Read: "The constitutional amendment authorizing the legislature to provide for an exemption from ad valorem taxation of part of the market value of the residence homestead of a partially disabled veteran or the surviving spouse of a partially disabled veteran if the residence homestead was donated to the disabled veteran by a charitable organization."

Summary: The Constitution currently allows the Legislature to exempt from property taxes all or part of the value of the residence homestead of a 100 percent disabled veteran. This amendment would allow the Legislature to exempt from property taxation a percentage of the value of the residence homestead of a partially disabled veteran or that person's surviving spouse equal to the disabled veteran's percentage of disability if the residence homestead was donated by a charitable organization at no cost to the veteran.

Supporters: The service injuries suffered by veterans often limit their job opportunities, and the tax liability on a donated home could become an expensive burden. Prop. 4 would help ensure that homes donated by charitable organizations did not become a financial burden to the recipient due to the property taxes associated with these gifts.

Opponents: Adding additional groups for a tax exemption, regardless of how deserving the groups may be, raises issues of fairness in taxation and could potentially increase tax burdens for other non tax exempt homeowners.

### Proposition 5, SJR 18: Reverse Mortgage Loans for the Purchase of Homestead Property

The Ballot will Read: "The constitutional amendment to authorize the making of a reverse mortgage loan for the purchase of homestead property and to amend lender disclosures and other requirements in connection with a reverse mortgage loan."

Summary: Currently, traditional reverse mortgage allows homeowners age 62 or older to borrow against the equity of their homestead to use for living expenses. Prop. 5 would allow seniors age 62 or older to now use a reverse mortgage for the purchase of a residence homestead, all in one single transaction.

Supporters: Giving seniors this option would allow them to buy a home closer to family members, downsize to a smaller home, or upgrade to a home fitted and designed to meet the needs of aging homeowners. The U.S. Department of Housing and Urban Development (HUD) oversees virtually all reverse mortgages.

Opponents: If the senior is not able to sell his or her existing homestead from which they received the reverse mortgage, they could potentially face serious financial difficulty.

### Proposition 6, SJR 1: State Water Funding

The Ballot will Read: "The constitutional amendment providing for the creation of the State Water Implementation Fund for Texas (SWIFT) and the State Water Implementation Revenue Fund for Texas (SWIRFT) to assist in the financing of priority projects in the state water plan to ensure the availability of adequate water resources."

Summary: Prop. 6 allows the state to dedicate specific funds for infrastructure water needs as outlined in the state water plan. Prop. 6 creates the State Water Implementation Fund (SWIFT), a state water infrastructure bank, in which \$2 billion will be appropriated from the Economic Stabilization Fund, also known as the "Rainy Day Fund". The \$2 billion would be invested by the state comptroller's office, under the Texas Treasury Safe Keeping Trust, and be used for loan assistance to implement various projects in the state water plan. Prop. 6 also creates the State Water Implementation Revenue Fund of Texas (SWIRFT), a special fund with revenue bond authority that will enable the state the ability to fully leverage the \$2 billion into \$27 billion over the next 50 years.

Supporters: Texas has fallen behind on water infrastructure and many smaller communities need financial assistance to complete their water projects. The lingering drought has also increased the need for the state to dedicate financial resources to speed up many planned projects. All projects will continue to be evaluated and approved by the existing Texas Water Development Board (TWDB). Currently there is a Rainy Day Fund balance of \$8 billion. This is the best time to allocate a portion of this fund while oil and gas revenues are at their height.

Opponents: The \$2 billion to fund SWIFT will be taken out of the "Rainy Day Fund". There is concern this could curtail the state's ability to deal with a future revenue shortfall or a natural disaster.

### Proposition 7, HJR 87: Filling Vacant Elected Seats in Home-Rule Cities

The Ballot will Read: "The constitutional amendment authorizing a home-rule municipality to provide in its charter the procedure to fill a vacancy on its governing body for which the unexpired term is 12 months or less."

Summary: The Constitution currently prohibits a city with terms of office between two and four years from filling vacancies by appointment. Instead, cities must fill vacancies by majority vote during a special election held within 120 days after the start of the vacancy. Prop. 7 would allow a home-rule city (a city with a population of more than 5,000 that has adopted a home-rule charter) to specify through its charter the procedure to fill a vacancy in city government that had an unexpired term of 12 months or less.

Supporters: Prop. 7 would allow some cities to avoid certain expensive special elections, thus cutting taxpayer costs while preserving accountability. Currently, taxpayers sometimes must pay tens of thousands of dollars to hold special elections only a few months before a regular election. The proposed amendment would allow cities to avoid an unnecessary expense since the regular election would take place in less than 12 months.

Opponents: Voting and elections are the best way to ensure democratic accountability. The cost of special elections is a small price to pay to ensure that voters always have the opportunity to voice their preference.

### Proposition 8, HJR 147 and SJR 54: Hidalgo County Hospital District Tax

The Ballot will Read: "The constitutional amendment repealing Section 7, Article IX, Texas Constitution, which relates to the creation of a hospital district in Hidalgo County."

Summary: This constitutional amendment would repeal Article 9, Section 7 of the Texas Constitution, removing a maximum tax rate of 10 cents per \$100 property valuation for a hospital district in Hidalgo County and allow it to be in line with other hospital districts in the state which have a maximum rate of 75 cents per \$100 valuation of taxable property value.

Supporters: Hidalgo is the largest county in Texas without a hospital district. Prop. 8 would enable Hidalgo County to have better means to fund a hospital district capable of serving a needy population and strengthening the region's ability to apply for federal matching funds for uninsured and indigent medical needs. The county voters must approve any proposed tax rate.

Opponents: This is a vehicle for increased taxation for Hidalgo County property owners. The new tax rate could be set as high as 75 cents per \$100 property valuation.

### Proposition 9, SJR 42: State Commission on Judicial Conduct Sanctioning Authority

The Ballot will Read: "The constitutional amendment relating to expanding the types of sanctions that may be assessed against a judge or justice following a formal proceeding instituted by the State Commission on Judicial Conduct."

Summary: Prop. 9 would expand the options/actions available to the State Commission on Judicial Conduct after formal proceedings into a complaint of judicial misconduct. Currently, if the commission opts to hold a formal proceeding about a complaint its options are limited to public censure or recommending the removal or retirement of the judge. Prop. 9 expands those options to allow the commission to issue a public admonition, warning, or reprimand or require that the judge or justice obtain training or education.

Supporters: Prop. 9 would ensure that the State Commission on Judicial Conduct had adequate tools to respond to allegations of alleged judicial misconduct investigated by the commission through formal, public hearings. This would allow the commission to discipline judges appropriately after all types of investigations into judicial misconduct.

Opponents: Current provisions restricting potential actions by the commission after a formal proceeding are appropriate because they help ensure that formal proceedings are used only in the most serious cases of alleged judicial misconduct. This helps protect the confidentiality of judges and shields them from public exposure resulting from low-level or unwarranted allegations and from those unhappy with the results of a case or from political opponents.