

Preview of The 84th Texas Legislature

TASSCUBO 2014 Summer Conference

Barry McBee
*Vice Chancellor and Chief Governmental
Relations Officer*



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July 15, 2014



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State Budget Forecast for FY 2016 - 2017

- Current budget (2014-2015) balanced without significant accounting “tricks”
- Improving Texas economy, fueling growth in sales tax revenue, will likely yield a significant surplus.
- “Surplus” = expected revenue minus current expenditures





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State Budget Forecast for FY 2016 - 2017

- The surplus is growing:
 - May 2013 Comptroller estimate: \$0.7 B surplus
 - Current Comptroller estimate: \$2.6 B surplus
 - Possible surplus, current trends: \$5 B surplus
- Estimated \$380 million in current biennium under spending limit and available for supplemental appropriations





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State Budget Forecast for FY 2016 - 2017

- Economic Stabilization Act (“Rainy Day”) Fund
 - Estimated \$8 billion balance by end of FY 14
 - Maybe growing to \$10 B by 2015 (capped at 10% of general revenue for preceding biennium)
 - Increase attributed to growth in oil and gas production taxes
 - May be spent for any purpose, but requires a 2/3 vote in each chamber



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State Budget Forecast for FY 2016 - 2017

Competing Demands for “Surplus”

- Normal Budget Pressures

- Medicaid growth, underfunded (maybe \$1 billion)
- Public schools’ enrollment growth
 - Projected 20% growth in Texas high school students by 2021 (*Nat’l Center for Education Statistics*)
- Other (transportation, higher education, retirement systems, corrections, etc.)





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State Budget Forecast for FY 2016 - 2017

- New or Additional Budget Pressures
 - School finance lawsuit
 - Ending diversions (State Highway Fund alone = \$1.2-\$1.3 billion)
 - Additional TxDoT needs for roads, infrastructure
 - Border security
 - Tax relief, particularly local property taxes (reimbursements of school districts yields GR obligation that counts against spending limit) or business tax relief
 - Higher education capital construction
 - Water





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State Budget Forecast for FY 2016 - 2017

State revenues will be above current spending levels, but will a more conservative legislature spend those funds?





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Selected Higher Ed Legislative Priorities

- State support for capital projects (TRBs or an alternative)
- Formula Funding
 - Outcomes-based funding for academic institutions



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Selected Higher Ed Legislative Priorities

- Research-based funding:
 - Flagships: Texas Competitive Knowledge Fund
 - Emerging Research Institutions: Texas Research Incentive Program
 - Cancer Prevention and Research Institute of Texas (CPRIT)
 - Research Development Fund
 - Future of Emerging Technology Fund
- Higher Education Fund
- Fund exceptional items



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Selected Higher Ed Legislative Priorities

- Full state funding for Hazlewood tuition exemption for veterans and families
- Support for student financial aid





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Other Higher Education Issues

- In-state tuition for undocumented students
- Concealed handguns
- Domestic partner benefits
- Community colleges awarding baccalaureate degrees
- Student success and completion
- Governance
- New governor's agenda??



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Other Statewide Issues

- Public Education
 - Finance lawsuit
 - Vouchers/Choice
 - Testing
 - Common Core
- Water
- Immigration
- Property and business tax relief
- Sunset - Health & Human Service Commission and subsidiary agencies



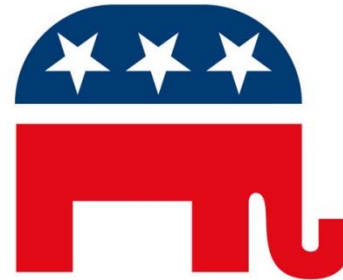


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Changes in Legislature

House: A MORE conservative body

- Partisan balance today
 - 95 Republicans
 - 55 Democrats
- 71 unopposed Republicans and Democrats
 - 38 Republicans
 - 33 Democrats
- 21 new members due to incumbents not running or losing primary
 - At least 58 sophomore or freshman members
- Only 15 races nominally “competitive” on November 4
- At least seven new chairmen, including Appropriations and Higher Education
- Speaker’s race



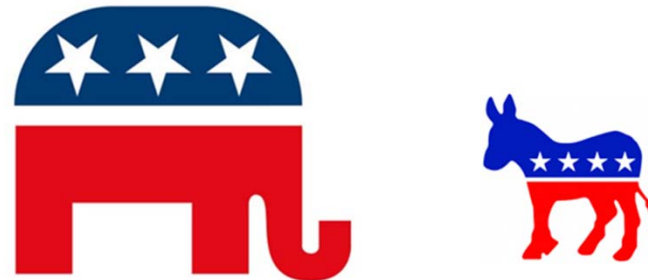


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Change in Legislature

Senate: EVEN MORE conservative than House

- New Lt. Governor, new plans
 - Reduce number of Democratic committee chairs or elimination of all
 - Reduce 2/3 rule to 60%
- Partisan balance today
 - 19 Republicans
 - 12 Democrats
- 15 seats up for re-election
 - No unopposed seats
 - Only one race nominally “competitive”
- At least 7 of 31 (probably 8 and perhaps 9) will be freshmen due to incumbents not running or losing primary
- Changes to committee chairs and membership, including Finance, State Affairs, and possibly Higher Education





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Key Dates

- General Election on Tuesday, November 4, 2014
- Pre-filing of legislation begins Monday, November 10, 2014
- The 84th Legislature convenes Tuesday, January 13, 2015
- In January 2015
 - New Governor delivers State of the State Address
 - Comptroller issues revenue estimate for 2016-2017
 - Lt. Governor and Speaker organize committees
 - House begins hearings on base appropriations bill



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Key Dates

- Sine Die is Monday, June 1, 2015
- Gubernatorial veto period ends on Sunday, June 21, 2015
- Possible special sessions through Summer or into 2016
 - Public school funding post-Texas Supreme Court decision
 - Can this conservative legislature adopt a budget?
- Filing for 2016 Election Begins December 2015



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QUESTIONS?

