

DECEMBER 2022 REPORT

GOVERNOR:

Governor Announces Senior Staff Leadership – On December 1st, Governor Greg Abbott announced senior staff leadership in his administration following hiring and staff changes. Gardner Pate, who was named Chief-of-Staff last month, will lead the governor's team going into the 88th Legislative Session with Deputy Chief of Staff Jordan Hale and new Deputy Chief of Staff Toby Baker who will be joining the Governor's Office later this month. Governor Abbott said, "The upcoming legislative session will require a formidable staff within the Office of the Governor, and I am pleased to announce this experienced team of talented individuals who will help our office achieve great things for the people of Texas. Texans deserve leadership that will continue guiding our state towards a more prosperous future. I look forward to working alongside Gardner, Jordan, and Toby as this exceptional team tackles critical issues and enacts policies that will safeguard freedom and opportunity for every Texan across our great state." These staff leadership announcements became effective immediately, except Toby Baker and Shayne Woodard beginning their roles on December 15, 2022. Toby Baker will serve as Deputy Chief of Staff starting on December 15.

Toby Baker is currently the Executive Director of the Texas Commission on Environmental Quality (TCEQ) and previously served as Commissioner for the agency for six years. He also currently serves as an appointee to the Gulf Coast Ecosystem Restoration Council and Task Force on Infectious Disease Preparedness and Response. Prior to joining TCEQ, Baker was a policy advisor in the Governor's Office and worked as an advisor, clerk, and staffer in the Texas Legislature. Baker received a bachelor's degree from Texas A&M University and a Master of Public Service and Administration from the Texas A&M George Bush School of Government and Public Service. He is also a graduate of the National Outdoor Leadership School and the Governor's Executive Development Program at the University of Texas Lyndon B. Johnson School of Public Affairs.

Sarah Hicks has been promoted to Senior Advisor and Budget Director. Hicks joined Governor Abbott's team in October 2017 as the Budget Director and later assumed additional duties as Director of Budget and Policy. Hicks previously served as Assistant Vice Chancellor and Director of State Relations at the Texas A&M University System. Prior to that, she worked as the Committee Director of the Texas Senate Committee on Finance for former State Senators Tommy Williams and Steve Ogden. Hicks holds a Bachelor of Business Administration from Texas A&M University and a Master of Public Service Administration from the Bush School of Government and Public Service at Texas A&M University.

Shayne Woodard will serve as Director of Legislative Affairs beginning on December 15. Woodard is the founder of Waterloo Lobby & Advocacy, Inc. Prior to founding his lobbying firm, Woodard was the Chief of Staff for Railroad

Commissioner Barry Williamson. He has also worked as a legislative analyst for the Texas Association of Builders and as a staffer in and around the State Capitol for Comptroller Bob Bullock, the Texas Senate, and the Texas House of Representatives. Woodard is graduate of Texas Tech University with a B.S. in Agricultural Economics and a former Tech Student Body President. Woodard is succeeding Courtney Hjaltman, who will be departing for an appointment by the Governor, which will be announced in the coming days.

Tabatha Vasquez has been promoted to Policy Director. Vasquez previously served as the Governor's Deputy Budget and Policy Director. She has held various roles within the Legislature, including as a Chief of Staff in the House and as a Legislative Director and Sunset Committee Director for Senator Brian Birdwell. Prior to her state service, she consulted and managed dozens of campaigns for candidates at all levels of government, both in Texas and across the country. Vasquez attended Mars Hill University where she majored in sociology and criminal justice, minored in business, and played Division II Women's Soccer.

Rena Eze has been promoted to Communications Director. Eze has worked for Governor Abbott since 2020 and was most recently Press Secretary and Senior Communications Advisor within the Office of the Governor. Prior to joining Governor Abbott's office, Eze served as Communications Director for Mississippi Governor Tate Reeves and as Deputy Communications Director for his gubernatorial campaign. She also previously served as Arizona Communications Director for the Republican National Committee, along with various other communications roles in politics and campaigns across the country. Eze is a graduate of the University of Colorado at Boulder with a bachelor's degree in Political Science.

Bonnie Diehl has been promoted to Director of Scheduling and Advance. Diehl has previously served as Governor Abbott's Deputy Director of Scheduling and Advance, Deputy Director of Advance, and Advance Representative since 2019. Prior to joining the Governor's Office, Diehl was Field Representative for Senator Jane Nelson and worked at Schneider Transportation. Diehl is a graduate of the University of Houston with a bachelor's degree in Supply Chain and Logistics Technology.

The following senior staff will continue serving in their respective leadership roles within the Office of the Governor:

- Gardner Pate was named Governor Abbott's Chief of Staff last month
- Jordan Hale will continue serving as Deputy Chief of Staff
- Steve Munisteri will remain Senior Advisor to Governor Abbott
- Adriana Cruz will remain Executive Director of Economic Development and Tourism
- Aimee Snoddy will remain Executive Director of the Public Safety Office
- Peggy Venable will continue to serve as Governor Abbott's Appointments Director
- James P. Sullivan will continue to serve as General Counsel to the Governor.
- Wes Hambrick will continue serving as Director of State-Federal Relations

- Chelsea Holden will continue serving as Chief of Staff to First Lady Cecilia Abbott.
- Suzanne Johnson will continue serving as Director of Administration.

Secretary of State John Scott Resigns – On December 5th, Secretary of State John Scott sent a letter of resignation to Governor Greg Abbott saying, ‘When I took office as Texas Secretary of State in October of last year, I did so with a singular goal and mission in mind: to help restore Texas voters' confidence in the security of our state's elections. This was no small task, and I approached my duty with humility, patience, and an open mind. By listening directly to the concerns of local election officials, voters, and grassroots activists from across the political spectrum, I was able to understand how to better educate Texas voters about their most sacred civic duty. I also gained a deep appreciation for the difficult, meticulous, and often thankless work of local election officials in safeguarding the integrity of the ballot box. As Texas' Chief International Protocol Officer, I had the distinct privilege of visiting with representatives from more than 60 nations to strengthen our diplomatic and commercial relationships with Texas' international partners and bring even more foreign direct investment to the Lone Star State. I was also deeply honored to help negotiate historic agreements with the Mexican states of Nuevo Leon, Chihuahua, Coahuila and Tamaulipas, establishing direct lines of communication to coordinate on enhancing border security and efficient, legitimate cross-border commerce. Above all, I am proud to say that Texas has made tremendous progress in restoring faith in our elections over the past year, and that the Texas Secretary of State's office has developed a successful framework for analyzing and transparently reporting on election security through the forensic election audit process. With a successful 2022 General Election in the rear view mirror, and the final findings of the 2020 Texas forensic audit soon to be released, I write to inform you that I intend to return to my private law practice at the beginning of the New Year. As such, I respectfully submit to you my resignation as Texas Secretary of State, effective December 31, 2022. Thank you for the opportunity of a lifetime to serve.’

Governor Appoints Senator Nelson Secretary of State – On December 6th, Governor Greg Abbott accepted the resignation of Texas Secretary of State John Scott and announced his intent to appoint Senator Jane Nelson to fill the role as the 115th Secretary of State for Texas. Scott has served as Secretary of State since October 2021 with the mission of helping restore Texans' confidence in the security of our state's elections. Senator Nelson did not run for re-election after serving 30 years in the Texas Senate, including serving as Chair of the Senate Finance Committee since 2014. Governor Abbott said, “Ensuring confidence in our elections and building the Texas brand on the international stage are crucial for the continued growth and success of our great state. I thank Secretary Scott for his tireless work educating Texas voters how they can participate in the electoral process and safeguarding the integrity of our state's elections. Senator Nelson's lifelong commitment to public service and deep understanding of state government will be assets in her new role ensuring the critical duties of Secretary

of State are fulfilled. Nothing is more important to a free society than fair elections, and the State of Texas will continue working to uphold and protect this right.” The Secretary serves as Chief Election Officer for Texas, assisting county election officials and ensuring the uniform application and interpretation of election laws throughout Texas. The Office of the Secretary of State also provides a repository for official business and commercial records required to be filed with the Office. The Secretary publishes government rules and regulations and commissions notaries public. The Secretary also serves as keeper of the state seal and attestor to the Governor's signature on official documents. In addition, the Secretary serves as senior advisor and liaison to the Governor for Texas Border and Mexican Affairs and serves as Chief International Protocol Officer for Texas.

Senator Jane Nelson is a businesswoman and former teacher who was first elected to the Texas Senate in 1992 after serving two terms on the State Board of Education. She was Chair of the Senate Health Committee longer than anyone in history before becoming the first woman to be Chair of the Senate Finance Committee. In addition to writing four balanced state budgets, Senator Nelson has a long list of accomplishments that include establishing the Cancer Research & Prevention Institute of Texas, reforming medical liability, achieving tax relief, overhauling the foster care system, expanding access to mental health care, and passing over 30 bills to protect victims of domestic violence, sexual assault, and human trafficking. Her work has been recognized with dozens of awards, including from the American Medical Association, American Cancer Society, Texas Association of Business, Texas Council on Family Violence, CASA, Texas Hospital Association, Big Brothers & Big Sisters, Texas PTA, Texas Retired Teachers Association, the Women's Health Coalition, and many others. Senator Nelson and her husband, J. Michael Nelson, owned and operated an aircraft component manufacturing company in Denton County. They have five children and 12 grandchildren.

Cold Weather Response – On December 21st, Governor Greg Abbott provided an update on the State of Texas' cold weather response ahead of the expected polar vortex expected to impact Texas through the Christmas holiday weekend. He encouraged Texans across the state should prepare for a severe cold weather event with freezing cold temperatures, wind-chills, and high winds. Governor Abbott said, "The State of Texas is ready to fully and robustly respond to the severe cold weather event expected to impact Texas this holiday week, and our state's electrical grid is absolutely prepared to meet demand over the course of this storm. As we continue to monitor the weather, we remain in close coordination with local leaders across the state to ensure they have the resources needed to keep our communities safe. I want to thank our emergency response personnel who are spending time away from their families this holiday season so that their fellow Texans are kept safe and warm during this severe weather event." Governor Abbott was joined at the press conference by Texas Division of Emergency Management Chief Nim Kidd, Public Utility Commission Chairman Peter Lake, and Electric Reliability Council of Texas (ERCOT)

President and CEO Pablo Vegas. During his update, the governor encouraged Texans to take necessary precautions to keep their homes, pets, and property safe from cold weather conditions and noted the State of Texas will have emergency response personnel available 24/7 to keep Texans safe. Chairman Lake and Mr. Vegas also informed Texans that the state's electrical grid is ready and reliable ahead of the cold weather event, and that the State of Texas has more power available than ever before and more backup fuel available to keep Texans' power on across the state. Chairman Lake reminded Texans to contact their local power providers in the event that damaging winds may cause local power outages. Mr. Vegas assured that ERCOT will be staffed around-the-clock to ensure that reliable service is delivered to all Texans. Prior to the press conference, the governor received a briefing on the state's cold weather response preparedness from state agency partners including Texas Department of Public Safety Steve McCraw and representatives from the Railroad Commission of Texas, Texas Commission on Environmental Quality, Texas Department of Public Safety, Texas Military Department, Texas A&M Forest Service, Texas A&M Engineering Extension Service, Texas Parks and Wildlife Department, Texas Department of Transportation, Texas Department of State Health Services, and Texas A&M AgriLife Extension Service.

[Here](#) is a link to TDEM's list of cold weather resources.

[Here](#) is a link to warming center information.

[Here](#) is a link to the PUC website to monitor local outages.

SENATE:

Lt. Governor Dan Patrick's Priorities – On November 30th, Lt. Governor Dan Patrick released a list of his priorities for the 88th Legislative Session:

Property Tax Relief:

- Raise the Homestead Exemption for More Homeowner Relief
- Cut Taxes for Businesses by Expanding the Personal Property Exemption

Electric Grid Reliability:

- Build More Natural Gas Power Plants to Add Needed Megawatts
- Level the Playing Field Between Renewable Energy and Dispatchable Energy to Ensure Reliability

Border Security and Law Enforcement:

- Rural Law Enforcement Fund
- Sheriff Pay Enhancement
- 10-year Mandatory Minimum Sentence to Criminals who Use a Firearm in the Commission of a Crime
- Recall District Attorneys and Judges who Refuse to Follow Texas Law
- Continue Border Security Funding

Education and School Security:

- New Fund for Non-PUF Schools
- Expand Usage of Current Scholarship Programs for Teachers and Law Enforcement
- Increase Teacher Pay

- 13th Check or COLA for Retired Teachers
- Empower Parents by Giving Them a Vote in Their Children's Education
- Continue School Safety Funding
- Reform Tenure in Higher Education

Moving Texas Forward:

- Continued investment in the State Mental Health System
- Finish Alamo Restoration
- Retire Debt Where it Saves the State Money

Election Integrity:

- Restore Voter Fraud to a Felony
- Ensure Timely Counting of Votes and Review of Machines

And Don't Spend All the Money

ATPE Responds to Lt. Governor's Priorities – On November 30th, the Association of Texas Professional Educators (ATPE) Executive Director Shannon Holmes responded to Lt. Governor Dan Patrick's priorities for allocating funds in the 2024-25 biennial budget saying, "The lieutenant governor's priorities include 'concepts' that active and retired educators would welcome, including a teacher pay increase and either a cost-of-living adjustment or 13th check for retired teachers. We also appreciate the interest in providing student aid to future teachers and continuing school safety funding. At the 30,000-foot level, those sound good. But the devil is always in the details, and we urge lawmakers to listen to the feedback of public educators as they craft these plans to ensure they are designed to ultimately provide maximum benefit for Texas students. Similarly, we caution lawmakers as they examine legislation to raise the cap on the Rainy Day Fund. We need to strike a balance between overspending and sitting on tax dollars the state has collected from hard-working people. Texas school districts are struggling to recruit and retain educators. The budget surplus could go a long way toward attracting, retaining, and compensating educators, as well as ensuring our schools have ample resources to enact safety measures and upgrades."

HOUSE:

House Administration Committee – On December 6th, the House Administration Committee held a meeting to hear invited testimony from House members who submitted a proposal suggesting changes in the **rules of the House** for the 88th Legislative Session. Close to 50 proposed rules changes were submitted from 12 House members – Representatives Mike Schofield (R-Katy), Cody Vasut (R-Angelton), Valoree Swanson (R-Spring), Vikki Goodwin (D-Austin), Brooks Landgraf (R-Odessa), Tom Oliverson (R-Cypress), Tony Tinderholt (R-Arlington), Bryan Slaton (Royce City), Steve Allison (R-San Antonio), Donna Howard (D-Austin), Ryan Guillen (R-Rio Grande City), and Erin Zwiener (D-Driftwood). The proposals presented included points of order procedures, virtual testimony, ballot language, unexcused absences, germaneness, access to committee documents and committee substituted, pandemic rules, tax equity notes, vote verifications, prohibiting minority party

committee chairs, and requiring local bills to have sign off of the local legislator. Other proposals involving the housekeeping resolution, mostly involving House operating budgets, were also discussed. Representative Todd Hunter (R-Corpus Christi) is not a member of the committee, but participated in the hearing because he will sponsor the House Rules of Procedure Resolution. Chairman Will Metcalf asked members to work together with Representative Hunter to address their issues.

BUDGET:

LBB Adopts Spending Limits - On November 30th, the Legislative Budget Board (LBB) met to adopt spending limits for the current and next biennium.

Current Biennium - LBB Director Jerry McGinty updated the General Revenue spending capacity for the remainder of the 2022-23 biennium. The Comptroller’s July 2022 Certification Revenue Estimate (CRE) increased the amount of available revenue for general-purpose spending by \$13.8 billion from the previous estimate. That results in an ending certification balance of \$26.9 billion for the Article III pay-as-you-go limit. LBB staff has updated the 2022-23 Article VIII tax spending limit calculation to account for updated estimates in the Comptroller’s CRE and final fiscal year 2022 revenue and appropriation data. The updates increased 2022-2023 General Revenue spending authority for supplemental appropriations under the tax spending limit to \$5.1 billion. The consolidated general revenue limit, created by SB 1336 (87th) is not included in the analysis because it is not effective during the 2022-2023 biennium, but will restrict spending during the 2024-25 biennium.

Next Biennium - The LBB also considered the items of information necessary to establish the Article VIII constitutional tax spending limit on appropriations from tax revenue not dedicated by the constitution and the consolidated general revenue spending limit, created by SB 1336 (87th). Section 316.002 of the Government Code defines the growth rate for the tax spending limit as the estimated rate of growth in Texas personal income. Additionally, the consolidated general revenue limit, the growth rate is defined as the average growth in population and inflation during the current and next biennia. LBB staff compiled various person income, population, and inflation growth rates.

Estimated Growth Rate in the Texas Personal Income from the 2022-2023 Biennium to the 2024-2025 Biennium

Source of Forecast	Personal Income	Date of Forecast
Moody’s Analytics New York City, NY	14.57%	November 2022
Perryman Group Waco, Texas	10.22%	November 2022
S&P Global New York City, NY	14.19%	November 2022
Texas A&M University Department of Economics	14.19%	November 2022

College Station, TX		
Texas Comptroller Austin, TX	9.48%	November 2022

Average Growth of Texas Population and Inflation during the 2022-23 Biennium and the 2024-25 Biennium

Source	Population	Inflation	Compounded	Date
Moody's	2.3%	9.38%	11.93%	November 2022
Perryman Group	2.07%	9.84%	12.11%	November 2022
S&P Global	2.38%	9.72%	12.33%	November 2022
Texas A&M	N/A	10.17%	N/A	November 2022
Texas Comptroller	2.38%	9.35%	12.15%	November 2022
Texas Demographic Center San Antonio	2.62%	N/A	N/A	November 2022

On a motion by Speaker Dade Phelan, seconded by Senator Charles Schwertner, the LBB unanimously established:

The estimated rate of growth of:

- a. The Texas economy from the 2022-23 biennium to the 2024-25 biennium is 12.33%
- b. The estimated average biennial rate of growth of the state's population during 2022-23 and during 2024-25, adjusted by the estimated average biennial rate of monetary inflation in the state during the same period is 12.33%

The level of appropriations for the 2022-23 biennium from

- a. State tax revenue not dedicated by the Constitution is \$101,582,185,996; and
- b. Consolidated General Revenue is \$121,000,192,084
- c. These amounts are subject to adjustments resulting from revenue forecast revisions or subsequent appropriations certified by the Comptroller

The amount of appropriations that can be made for the 2024-2025 biennium, without special concurrent resolution, from

- State tax revenue not dedicated by the Constitution is \$114,107,269,529
- Consolidated General Revenue is \$135,929,515,767
- These are subject to adjustments to the 2022-23 biennial appropriations referenced above.

The 88th Texas Legislature will have \$5.1 billion to spend in the current biennium in a supplemental appropriations bill, and \$12.5 billion additional money to spend in the upcoming biennium over the current budget.

TAB Policy Conference – On December 9th, Texas Association of Business held its pre-session policy conference. Comptroller Glenn Hegar gave an update on the budget outlook.

Comptroller Glenn Hegar:

- Texas has been on the most remarkable run of revenue into the treasury in Texas history. When the last fiscal year closed end of August, revenue was up 25 percent over the previous year, a once in a lifetime event. It has only been over 20 percent three times in the last 30 years.
- That will impact the revenue estimate in January, which he implied will probably go up.
- His office is constantly reevaluating the data. There are clouds on the horizon – the global economy, supply chains, inflationary pressures.
- The sales tax is strong, partially because the price of items is higher due to inflationary pressures.
- They are still seeing a strong economy in variety of sectors, although there are still some cracks in some industry sectors.
- Texas will continue to outpace the national average.
- He indicated that his revenue estimate could reach \$30 billion, and that does not include \$4 billion in unspent ARPA money. The ARPA funds can free up general revenue. And, the state is still expecting more FEMA dollars.
- He suggested that the legislature look further out from the two-year budget and invest in infrastructure - roads, water, electric grid, and broadband – need continued investment. 7 million Texans have no Internet connection at their home
- His office staffed up to try to process the increased number of Chapter 313 applications filed before the deadline. Prior to this year, the most applications processed in a year were 100. This year over 400 were filed, not including amendments to applications. His office sent notices this week that there is a number we couldn't get to.
- He thinks 313 should go away, but it should be replaced with something else and not just completely expire.

ENERGY

ERCOT Update on Grid Conditions – On December 16th, as a series of cold fronts approached Texas, ERCOT announced that it is closely monitoring weather forecasts and models. ERCOT said they expect sufficient generation to meet forecasted demand and will continue to provide updates. Earlier on December 16th, ERCOT issued an Operating Condition Notice (OCN), a procedural notification to transmission and distribution owners and generation resources that temperatures will meet ERCOT's criteria of 25 degrees or lower in the Austin/San Antonio and the Dallas Fort-Worth areas between Thursday, December 22nd through Monday, December 26th. Over the past 18 months, ERCOT has worked closely with the Public Utility Commission and elected officials to implement reforms and increase grid reliability, including:

- weatherization,
- bringing more generation online sooner if needed, and
- purchasing more reserve power.

As a result, the reliability and resiliency of the grid has been strengthened significantly. Pablo Vegas, ERCOT President and CEO said, “Providing Texans with a reliable electric grid is our highest priority. As we monitor weather conditions, we want to assure Texans that the grid is resilient and reliable. We will keep the public informed as weather conditions change throughout the coming week.” Improvements Implemented that Make the Grid More Reliable:

- Weatherization and Inspections - Electric generation units and transmission facilities weatherize and are inspected by ERCOT.
- Firm Fuel Supply Service - An additional source of fuel onsite for generators benefits the grid by providing a redundant, or additional, fuel source should there be a natural gas scarcity.
- Scheduled Maintenance Period - ERCOT has worked with generators and transmission operators to schedule their maintenance so they could prepare their equipment for winter.
- Fast Frequency Response Service - This is a new addition to our ancillary services that provides a group of generators that can power up quickly during operating conditions that change rapidly.
- Reliability Unit Commitments - ERCOT can bring more generation online sooner when needed.
- Critical Supply Chain and Critical Infrastructure Map - This map was created to share the locations and connectivity of all the critical parts of the Texas power infrastructure.
- Improved Communications - Agencies are seeing improved communications through both the Texas Department of Emergency Management and Texas Energy Reliability Council.

[Here](#) is a link to ERCOT’s Grid and Market Conditions page.

Proposal to Address Reliability of the Electric Grid – On December 21st, Senator Bob Hall (R-Edgewood) filed **SB 330** to address the resiliency and reliability of the Texas electric grid. Senator Hall said, “As seen during Winter Storm Uri, our grid is vulnerable. The natural threat of the winter storm took the lives of over 200 people, had a direct/indirect economic impact of over \$130 billion, and brought us to within four minutes of a state-wide grid failure, which would have meant weeks or even months without electricity as the grid was ‘restarted.’ In addition to the natural threats of severe weather, earthquakes, hurricanes, and geomagnetic disturbances (GMD), there are also threats from cyber-attacks, terrorist attacks, and electromagnetic pulses (EMP). Electricity is the second most important thing to sustaining life in our modern society, behind only air. While some may say water is the second most important for human life, without electricity, our water supply would not work for most people. It is time that Texas take a serious look at these vulnerabilities and take steps to protect Texans from another widespread outage. SB 330 would create the Texas Electric

Grid Security Commission, charged with evaluating the vulnerabilities to the grid and critical infrastructure and developing standards that will mitigate these threats. This bill has wide bipartisan support, with fourteen senators signing on as coauthors. The standards the commission implements will address the risks of both natural and man-made threats to our grid and critical infrastructure. We must harden our infrastructure to ensure that we are protected against another widespread grid failure and that, in the inevitable event of another storm like Uri, our communities must not lose access to basic living necessities, safe drinking water, financial institutions, food, and transportation, and can return to normalcy as quickly as possible. Given the increased focus on energy reliability and the recency of the near-total grid collapse, this legislative session may be the one that this topic gets the attention it needs to finally be addressed.”

Governor Calls for Investigation of Atmos Energy – On December 28th, Governor Greg Abbott today sent letters to Attorney General Ken Paxton and Railroad Commission Chairman Christi Craddick calling on their respective agencies to investigate Atmos Energy's failure to prepare for the recent winter weather event and deliver critical natural gas service to Texans in north and central Texas. The letters said, "Leading up to, and during the winter event, State of Texas agencies worked around the clock to mobilize resources and assist utilities in any way possible. At no time did Atmos Energy request assistance. Atmos' conduct is unacceptable and concrete action must be taken. . . to ensure it is not repeated the next time that winter weather engulfs our state. It is for these reasons I request [your agency] to investigate Atmos Energy. Because we are just beginning the winter season, and because customers of Atmos deserve to have reliable natural gas service during this winter, there is an urgency to have [your agency's] investigation concluded in a matter of weeks."

[Here](#) is a link to the governor's letter to Attorney General Ken Paxton.

[Here](#) is a link to the governor's letter to Railroad Commissioner Christi Craddick.

RRC Investigates Atmos Energy – On December 28th, the Railroad Commission launched an investigation on the performance of Atmos Energy, Mid-Tex Division's gas distribution system during Winter Storm Elliott. On Friday, Dec. 23rd, Atmos cited low pressure as the reason customers in parts of Texas experienced gas service issues at their homes. The RRC was in immediate communication with Atmos and directed the company to quickly resolve the issue which included the company bringing in additional technicians to affected areas and adding call center staff to answer calls from impacted residents. The RRC also posted updates on social media to keep Atmos' customers informed. By the afternoon of Christmas Eve, Atmos reported that pressure had returned to normal throughout its system. Given RRC's concern, the commission issued a request to Atmos Energy to provide a full account of the details of what occurred. Those include:

- a detailed account of the number and location of customers whose service was negatively impacted and the duration of such impact;

- detailed explanations of the cause of low pressure or other issues negatively impacting natural gas service in each location;
- status and data of pipeline and system capacity to meet demand growth in the areas; and
- Atmos' plan to address the issues so that interruptions to natural gas service will not occur again in the future, with estimated costs and timeline to remedy the cause.

HIGHER EDUCATION:

TAB Policy Conference – On December 9th, Texas Association of Business held its pre-session policy conference. They had a panel on the future of community colleges with panelists Dr. Brenda Hellyer, Chancellor, San Jacinto College; Ray Martinez, Texas Association of Community Colleges; and Steve Head, Chancellor of Lone Star College.

Ray Martinez, Texas Association of Community Colleges:

- TACC is a membership association with 48 of the state's 50 community colleges as members.
- Community colleges play a critical role to ensure growth in the economy by providing high-quality, affordable academic programs, workforce training and industry-based certifications, and continuing education.
- 640,000 students are enrolled in community colleges in Texas, representing 46 percent of total undergraduate enrollment.
- Community colleges also offer CTE and training; total CTE. Over 90 percent of CTE comes from a community college campus to address the middle-skills gap providing some training beyond high school.
- 39 million Americans between the ages of 25 and 64 have some-college but no credential, they stopped out. In Texas, three to four million people are in that category. A key Texas Commission on Community College Finance (TCCCF) recommendation addresses that issue by providing Texas Education Opportunity Grant financial aid flexibility.

Steve Head, Chancellor, Lone Star College:

- TCCCF is looking at a different community college finance model.
- The needs vary across the state. 143 of the state's 254 counties lost population in last decade. 22 of the 50 community colleges have less than 5,000 students. There is a population shift. The Implications of that is there is major disparity in terms of what cc's can do and what their wealth level is.
- He said, "Every Texan deserves access to higher education. There is such a disparity across the state, that is only going to get worse. That's the background of the commission. We want people to have opportunities to stay in rural areas, so we are looking at a better system. I strongly support outcomes funding."
- There is a recommendation for shared services including statewide options providing on-line opportunities in rural communities; technology systems; and common reporting system. Community colleges can opt-in

and opt-out. The Coordinating Board is offering seed money, but ultimately community colleges will have to pay their own share.

- They are trying to create opportunity across the state for astounding number of economically-disadvantaged students.
- Partnerships are important including advisory committees, and partnerships with local and regional governments. He said, “We have to work together to solve common problems. The view of workforce has changed – partnership is the key.”
- Texas has a premier community college system, partly due to cost but also to availability and flexibility. But, many people need financial help. The state needs to put more money in Texas Economic Opportunity Grant program TEOG, and it needs to be expanded to provide more financial aid, especially for economically-disadvantaged students.

Brenda Hellyer, Chancellor, San Jacinto College:

- Outcomes based funding is a significant shift from contact hours. Currently less than 15 percent of community college funding is performance based. Under the TCCCF recommendations, it will be 90 percent.
- Performance funding will be based on credentials awarded (degrees and certificates); credit/non-credit; credentials in high demand areas based on regional needs; transfer to 4-year universities; and dual credit students in an academic or workforce pathway.
- The formula will be dynamic and predictable.
- One component gives recognition for academically-disadvantaged students, economically-disadvantaged students, and adult students with some college but no credential – getting them back.
- Foundational funding will be provided for smaller colleges. That calculation has not yet been determined, but there is a need to help the colleges that do not have a strong tax base because there are fixed costs of running an institution.
- San Jacinto College has a chancellor’s advisory council with representatives from industry. The college worked in partnership with industry to redesign curriculum and degree programs in the petrochemical industry. Industry helped build the center for petrochemical technology to provide students with training in processing and shift work. They used the same model for maritime and aerospace programs. She said, “We create a culture of the good, bad and ugly and we fix the bad and the ugly.”
- The Commission model aligns with what her institution has been doing – focusing on credentialing.
- An example of a non-credit program that led to a degree program was their maritime program. They needed to try out the program. It started with incumbent workers who needed re-skilling. They starting with a two-week training, and then developed an associates degree. She said, “We take that approach with everything we are doing. We have conversations and then respond.”
- She also supports increased TEOG funding to move it from serving 28 percent of students who qualify to 70 percent of students who apply.

- The commission is also asking for more TEPG flexibility so it can be for non-credit programs (like truck drivers) and for returning adult students coming back.

State of Higher Education – On December 8th, Higher Education Commission Harrison Keller called on leaders across the state in higher education, industry, philanthropy, and government to seize that momentum in his annual State of Higher Education address. In front of nearly 300 attendees at the 2022 Texas Higher Education Leadership Conference, hosted by the Texas Higher Education Coordinating Board, Commissioner Keller outlined the three challenges facing Texas higher education today:

- **Educational attainment** – “The pandemic accelerated changes in how we work, the kinds of jobs available, and the types of credentials, degrees, and certificates required to fill those jobs.”
- **Workforce education** – “The Texas economy is changing at an unprecedented pace, in directions that require more education beyond high school diplomas, from short-term workforce credentials to graduate degrees.”
- **Research and development** – “Competitiveness in every industry, the strength of the state and national economies, and even national security increasingly depend on how well we compete at the frontiers of knowledge and discovery.”

Commissioner Keller said, “The heart of the matter is that expectations for higher education have changed, faster than anyone expected. Now, there is a significant disconnect between the scale of our needs in each of these areas versus what our higher education institutions and policies were designed to do.” Despite challenges brought on by the pandemic, Commissioner Keller said the foundation for success is in place because of the nearly \$360 million in Governor’s Emergency Education Relief funds dedicated to higher education since 2020 and the adoption of the state’s new strategic plan for higher education, Building a Talent Strong Texas. With the plan’s three core goals in mind – to improve educational attainment, increase production of credentials of value, and bolster research and development – Commissioner Keller challenged attendees to commit to advancing these goals equitably and at scale saying, “We can’t get there by tinkering around the margins and doing just a little more of what we’ve already been doing. We have to achieve impact at scale – impact as big as Texas.” The conference also included a keynote address from U.S. Under Secretary of Education James Kvaal, who thanked those in attendance for making Texas a “state to watch” in higher education. Kvaal applauded Texas for leading the way in its data modernization efforts, development of credentials of value, and focus on inclusivity. Panel discussions and breakout sessions included conversations on credentials of value, the Commission on Community College Finance and its report, higher education and the 88th Texas Legislative Session, and philanthropy in higher education, among many other topics.

[Here](#) is a link to the commissioner’s State of Higher Education address.

PUBLIC EDUCATION:

Texas Commission on Virtual Education – On December 14th, the Texas Commission on Virtual Education adopted their final report and recommendations. The commission was established through HB 3643 (87th) and charged to develop and make recommendations regarding the delivery of virtual education in the public school system and the provision of state funding for virtual education under the Foundation School Program. The commission adopted the following findings and recommendations:

Findings - Virtual learning can be a powerful solution to some of Texas' most significant education needs. Offered through a variety of delivery models, judiciously implemented, and with intentional planning and design, and strong accountability, virtual education can be a critical tool for:

- Responding effectively to family and student demand for approaches that fit their learners' unique needs and interests;
- Bridging access to high-quality instruction amidst emerging and longstanding challenges, such as staffing shortages, local course availability, specialized interventions, and individualized supports;
- Offering flexible learning models that open up new learning opportunities (e.g., work-based learning, early-college credit, and independent study) in support of individual and collective education and workforce goals; and
- Broadening professional models for teachers desiring career options, innovations, and advancement which will be helpful in addressing teacher recruitment and retention.

Recommendations – There is a need for policies to offer a comprehensive and coherent vision that addresses access, quality, funding, teacher support, accountability, and addresses barriers to entry for students and local education agencies (LEA's) seeking to serve them.

Objective A: Increasing Access to High-Quality Virtual School Options to Ensure Families Can Choose the Best Modality for Each Student:

A1: Ensure long-term provision of full-time virtual and hybrid schools with one clear policy framework and approval process:

- Modify TEC Chapter 30A with one clear framework for virtual, hybrid, and supplemental programs to replace current fragmented rules and statutes.
- Establish a TEA approval process for a new full-time virtual or hybrid schools and programs that includes a required planning year to verify that high-quality design criteria are met.
- Create a separate approval process for current Texas programs and providers to receive a fast track approval and a "grace period year" to operate while moving toward formal approval in the new system, while verifying that high-quality design criteria are met (including outcomes data including student outcomes and operational performance data).
- Ensure special populations have access to all state and federally-required rights.

- Consider aligning requirements for approval processes to national standards to high-quality virtual learning programs (e.g. National Quality Standards, Quality Matters, Online Learning Consortium).

A2: Ensure Student and Local Education Agency Eligibility Requirements are Consistent Across Models:

- Enabling districts to partner with families to offer the modality that is best for each student by ensuring eligibility requirements mirror in-person learning (i.e., no prior year student academic performance, attendance, or other such eligibility criteria or limitations on grade level).

Objective B: Ensuring Course Access and Promoting Work-Based Learning Advancement Through Streamlined Supplemental Course Catalog:

B1: Ensure long-term provision of high-quality options through supplemental course catalog

- Ensure long-term provision of supplemental course catalog by Phase-in of new supplemental course catalog statute as part of new policy framework.
- Simplify process for course approval and course updates that allows the certification and regular recertification of a program or provider, while verifying that high-quality design criteria are met.
- Create a separate approval process for current Texas supplemental programs and providers (e.g. TXVSN Course Catalog providers) to receive a fast track approval and a “grace period year” to operate while moving toward formal approval in the new system, while verifying that high-quality design criteria are met.
- Ensure special populations have access to all state and federally-required rights.
- Consider aligning requirements for approval processes to national standards for high-quality virtual learning programs (e.g. National Quality Standards, Quality Matters, Online Learning Consortium).

B2: Require LEAs to Create Mechanisms for informing students and families of opportunities:

- Ensure an LEA parent notification requirement, similar to existing statute (TEC 30A.007 a-1), is included in the new policy framework and enforced.

Objective C: Ensuring Learning Continuity for Students and Schools in the Face of Known and Future Challenges:

C1: Revise Existing Statute to Enable Clarity and Flexibility for LEA’s to Temporarily Deliver Instruction in Key Circumstances:

- Direct TEA to expand opportunity for emergency or stopgap virtual learning and revise existing Student Attendance Accounting Handbook (SAAH) language to enable a more LEA-friendly emergency virtual education framework, including:
 - Allowing for flexibility in mode of delivery (e.g. teachers may provide recordings or stream instruction as long as it does not detract from in-person instruction), within a limited period of time with a TEA waiver to better support districts in quickly “turning on” emergency instruction.

- Stipulating more use cases for such emergency virtual learning (e.g., severe natural disasters).
- Allow for students with long-term illnesses to access/move to virtual options if their LEA offers virtual learning.
- Allow LEA's to partner with Education Service Centers, other LEA's and approved virtual, hybrid, and supplemental entities to implement emergency learning plans.

Objective D: Building Educator Readiness and Skill to Deliver Virtual Learning with Excellence:

D1: Offer Research-Based Professional Learning Opportunities for Existing Teachers:

- For teachers in our workforce already, direct TEA in partnerships with ESC's and LEA's to provide professional development offerings for existing teachers aligned with research-based best practices in high quality virtual/hybrid learning, engaging with key stakeholders and subject matter experts.
- Teachers who choose to teach in a virtual program must complete professional development aligned to research-based best practices for virtual learning.

D2: Embed a Framework for Virtual and Hybrid Learning into Educator Preparation:

- For teachers in the pipeline, require SBEC, with stakeholder engagement, to define and provide a framework for hybrid/virtual learning training that can be embedded into educator preparation programs (EPPs), including pedagogy and using virtual tools.

D3: Create Micro-Credential Program to Incentivize and Recognize Virtual/Hybrid Expertise:

- Offer a micro-credential for teachers to be recognized for professional expertise in virtual education.
- Direct TEA and SBEC to engage stakeholders during the creation of and planning for the micro-credential program.
- Incentivize, rather than require, accelerated uptake of high-quality professional development for interested teachers and districts, in the form of paying for the micro-credential and a stipend for the time to earn it.

D4: Providing Guardrails to Deliver Virtual Learning with Excellence:

- Teachers should not be required to teach virtually outside of stopgap/emergency scenarios.
- Teachers should not teach concurrently.

Objective E: Creating Aligned and Appropriate Accountability and Planning Expectations Across Schools Regardless of Modality:

E1: Creation of Strong Approval & Recertification Process for Programs With an Emphasis on Planning and Design:

- Creation of a strong approval process for full-time virtual, hybrid, and supplemental programs. After approval, require TEA to recertify virtual/hybrid programs at Year 3 and every subsequent 5-year marks

(e.g. Year 3, Year 8, Year 13) based on outcomes data including student outcomes and operational performance.

E2: Align Accountability for Virtual and Hybrid Programs with Existing In-Person Systems:

- Virtual and hybrid programs should have an accountability system that is as close to the in-person accountability system as possible (e.g. Standard A-F accountability and Alternative Education Accountability).
- For full-time virtual and hybrid programs, TEA should assign the program separate accountability ratings as if the program were a campus of the LEA.

E3: Publish Historic Performance of Virtual and Hybrid Providers:

- Direct TEA to publish on their website the historic performance of full-time, hybrid, and supplemental providers to provide transparency for families and students about available options.
- Direct TEA to include virtual program outcomes in the overall LEA report card, but clearly reported separately.

E4: Monitor Implementation of Virtual Programs and Student Outcomes Related to Policy Changes.

- Request that the legislature include a future interim charge to monitor the implementation of new virtual policy framework and related outcomes.

Objective F: Establishing Adequate and Equitable Virtual Learning Funding Mechanisms to Support Clarity, Consistency, and Success:

F1: Establish a Fiscally-Neutral, Enrollment-Based Funding Formula for Full-Time Virtual and Hybrid Programs:

- Establish a fiscally-neutral, enrollment-based (enrolled and eligible) funding system to better enable the flexibility needed for approved full-time virtual and hybrid programs.
- Modify existing reporting structure to capture enrollment (enrolled and eligible) for virtual learners throughout the year.
- LEAs will report a student indicator with beginning and end dates in the virtual program, rather than reporting daily attendance for funding purposes. Student funding will be adjusted based on district in-person ADA rates, but not to exceed full-time ADA rates.

F2: Invest in Start-Up Grants and Agency Capacity to Provide Assistance and Ensure Quality for Full-Time Virtual and Hybrid Programs:

- Provide start-up grants with technical assistance to incentivize and support LEAs in launching high-quality virtual/hybrid options, in alignment with TEA approved process.
- Provide TEA with additional FTE funding to adequately support new and existing virtual programs and related administrative needs.

F3: Establish Supplemental Course Threshold for Reporting Students as Virtual Students:

- Establish a threshold that treats students as either a virtual or an in-person student using a ratio of on-campus to supplemental courses to determine reporting structure (i.e., majority of day on-campus then student is

reported on-campus or majority of day learning virtually then student is reported as virtual).

F4: Support Multi-District, Cross-Sector, Rural Pathway Partnerships:

- Modeled after the Rural School Innovation Zone, the legislature should incentivize and support rural partnerships that multiply the high-quality college and career pathways available to students in each district and take advantage of the flexibilities of virtual and hybrid learning.

F5: Clarify Emergency/Stop-Gap Funding to Ensure Access to High-Quality Instruction:

- Continue ADA-based model for limited emergency/stopgap virtual learning (remote conferencing).
- Retain existing synchronous and asynchronous attendance reporting structure for remote conferencing.

Texas School Safety Center – On December 9th, Governor Greg Abbott appointed Noe E. Perez to the Texas School Safety Center Board for a term set to expire on February 1, 2023. The board reports to the Governor, the Legislature, the State Board of Education, and the Texas Education Agency regarding school safety and security and advises the center on its function, budget, and strategic planning initiatives.

Noe E. Perez of Laguna Vista is a social studies teacher for the Los Fresnos Consolidated Independent School District, where he teaches U.S government and personal financial literacy at Los Fresnos High School. He has over 30 years of teaching experience, including a previous role teaching U.S. history as an adjunct instructor with the University of Texas at Brownsville. Perez has authored historical articles published by The University of Texas Rio Grande Valley and Texas Southmost College in their Studies in Rio Grande Valley Regional History Series and by the Texas State Historical Association Handbook of Texas Online. Perez received a Bachelor of Science in Mathematics from the University of Texas – Pan American in Edinburg, a Master of Arts in Interdisciplinary Studies with a Major in History and Minors in Government and Sociology from the University of Texas at Brownsville.

Southern Regional Education Board – On December 13th, Governor Greg Abbott reappointed Commissioner of Education Mike Morath and appointed Kendall Baker to the Southern Regional Education Board (SREB) for terms set to expire on June 30, 2026 and June 30, 2023, respectively. The Southern Regional Education Board works with states to improve public education at every level, from early childhood through doctoral education. The nation’s first regional interstate compact for education, SREB was created in 1948 by Southern governors and legislators who recognized the link between education and economic vitality.

Mike Morath of Austin has served as the Commissioner of Education since 2016. During that time, he has worked to refocus the Texas Education Agency around four key strategic priorities in support of Texas students: Recruiting, Supporting, and Retaining Teachers and Principals; Building a Foundation of

Math and Reading; Connecting High School to Career and College; and Improving Low-Performing Schools. He is a former board member of the Texas Association of School Boards and Dallas Independent School District Board of Trustees. Morath received a Bachelor of Business Administration in Finance from George Washington University.

Kendall Baker of Houston is a Trustee of the Houston Independent School District. He is a member of Houston Ministers Against Crime and the Houston Area Pastor Council. Baker serves as a Senior Pastor of Christ Solid International Church. He holds a Doctor of Divinity from Kingdom Builders Bible Seminary.

School Land Board – On December 15th, Governor Greg Abbott appointed Brad Curlee and reappointed Michael A. Neill to the School Land Board for terms set to expire on August 29, 2023. The Board manages the acquisition, sale, and mineral leasing of the lands that comprise the Permanent School Fund, which contributes billions of dollars each year to public education in Texas.

Brad Curlee of Round Rock is the Banking Center President for Prosperity Bank. He is a commercial lender and licensed with the Federal Nationwide Mortgage Licensing System. He recently served on the Finance Committee for the Georgetown Health Foundation, is a member of the Rotary Club of Georgetown, and participates in the Georgetown Chamber of Commerce. Curlee received a Bachelor of Business Administration in Finance from the University of Texas at Austin.

Michael A. Neill of Athens is the Chief Executive Officer of First State Bank in Athens. He serves on the Board of Directors of the Texas Bankers Association and is Treasurer and Scholarship Chair of the Henderson County Texas Exes. Neill received a Bachelor of Business Administration in Finance from the University of Texas at Austin and a Master of Business Administration in Banking and Financial Institutions from Sam Houston State University, and is a graduate of the Southwestern Graduate School of Banking at Southern Methodist University.

State Board for Educator Certification – On December 20th, Governor Greg Abbott appointed Michael D. McFarland, Ed.D. to the State Board for Educator Certification for a term set to expire on February 1, 2027. The board develops certification and continuing education requirements and standards of conduct for public school teachers.

Michael D. McFarland, Ed.D. of Crowley has 30 years of experience in public education and is currently the Superintendent of Schools for Crowley Independent School District, where he has served since 2017. Previously, he served as the Superintendent of Schools for Lancaster Independent School District, Assistant Superintendent of Achievement and Pupil Services for Champaign Public Schools in Champaign, Illinois, and Principal for John Tyler High School in Tyler and Foster Middle School in Longview. He is the past President of the National Alliance of Black School Educators, a member and past President of the Texas Alliance of Black School Educators, and a former board

member of the Texas Association of School Boards Risk Management Fund. He is a member of the American and Texas Association of School Administrators (TASA), Association for Supervision of Curriculum Development, Association of School Business Officials, TASA Future Ready Superintendent Task Force, and the Texas Education Agency Commissioner's Accountability Policy Advisory Committee. Additionally, he is a member of the Baylor University Board of Regents, Crowley Chamber of Commerce and the Rotary Club, a former member of the Lancaster Chamber of Commerce and Best Southwest Chamber of Commerce, and a former member of Lions Club. McFarland received a Bachelor of Business Administration from Baylor University, a Master of Education from Stephen F. Austin State University, and a Doctor of Education from Baylor University.

TAX:

November Sales Tax Revenue – On December 1st, Comptroller Glenn Hegar said state sales tax revenue totaled \$3.96 billion in November, the highest monthly collection on record and 11.2 percent more than in November 2021. The majority of November sales tax revenue is based on sales made in October and remitted to the agency in November. That compares to:

- October 2022 collections were \$3.82 billion, 11.9 percent more than October 2021;
- September 2022 collections were \$3.69 billion, 17.2 percent more than September 2021;
- August 2022 collections were \$3.77 billion, 13 percent more than August 2021;
- July 2022 collections were \$3.88 billion, 14.7 percent more than July 2021;
- June 2022 collections were 3.68 billion, 16.5 percent more than June 2021;
- May 2022 collections were \$3.69 billion, 8.6 percent more than May 2021;
- April 2022 collections were \$3.83 billion, 12.8 percent more than April 2021;
- March 2022 collections were \$3.37 billion, 28.5 percent more than in March 2021;
- February 2022 collections were \$3.23 billion, 28.6 percent more than in February 2021;
- January 2022 collections were \$3.85 billion, 25.3 percent more than January 2021;
- December 2021 collections were \$3.56 billion, 24.4 percent more than December 2020;
- November 2021 collections were \$3.56 billion, 19.4 percent more than November 2020; and
- October 2021 collections were \$3.41 billion, 25.2 percent more than October 2020.

Comptroller Hegar said, "With persistently elevated inflation continuing to drive prices - and consequently revenues - higher, November sales tax collections

were once again led by growth in non-retail sectors, with mining sector receipts showing the largest percentage increase from a year ago. Strong growth in receipts from the construction, manufacturing, wholesale trade and rental and leasing sectors continued in November as well, with each again achieving double digit-percentage gains compared with last year. Growth in receipts from the services sector also reached double digits, while those from restaurants grew at about the rate of inflation for food away from home. Collections from the retail trade sector grew in November, at about the rate of inflation in consumer goods prices. The fastest growth in collections among retail trade segments continued to be from electronic shopping and automobile and parts dealers, while receipts from electronics and appliance stores and furniture and home furnishing stores declined from a year ago.” Total sales tax revenue for the three months ending in November 2022 was up 13.3 percent compared with the same period a year ago. Sales tax is the largest source of state funding for the state budget, accounting for 56 percent of all tax collections. Texas collected the following revenue from other major taxes:

- motor vehicle sales and rental taxes - \$525 million, up 1 percent from November 2021;
- motor fuel taxes - \$331 million, down 1 percent from November 2021;
- oil production tax - \$570 million, up 19 percent from November 2021;
- natural gas production tax - \$410 million, up 41 percent from November 2021;
- hotel occupancy tax - \$73 million, up 24 percent from November 2021; and
- alcoholic beverage taxes - \$151 million, up 8 percent from November 2021.

Key Dates – 88th Legislative Session:

Prefiling Legislation Begins: November 14, 2022

88th Legislative Session Begins: January 10, 2023

Bill Filing Deadline: March 10, 2023

88th Legislative Session Ends: May 29, 2023

State Websites - Additional information can be obtained via the Senate, House, and capitol websites:

www.senate.state.tx.us

www.house.state.tx.us

www.capitol.state.tx.us