

Weekly Report
January 20, 2022

GOVERNOR:

Governor's Inauguration – On January Texas Supreme Court Chief Justice swore Greg Abbott into a new four-year term as Texas Governor. The governor was then introduced by House Speaker Dade Phelan. In his address, he thanked Lt. Governor Dan Patrick and Speaker Dade Phelan for their leadership and pledged to work together with them to keep Texas the land of opportunity. He quoted the Texas state song, "Texas our Texas" in his remarks:

"Texas, Our Texas.

All hail the mighty State.

Texas, Our Texas.

So wonderful, so great.

Boldest and grandest, withstanding EV'RY test,

O Empire wide and glorious, you stand supremely blest.

God bless you Texas! And keep you brave and strong,

That you may grow in power and worth, throughout the ages long."

He said, "By the grace of God, we have fulfilled that aspiration to be that 'mighty state.' Texas is America's undisputed economic leader, providing pathways to prosperity for all Texans. Our \$2 trillion economy is now the ninth-largest in the world. Texas is number one in America in producing the food, the fiber, and the fuel that we use every day. The gas you put in your truck, the jeans you wear, the steak you eat for dinner, all of it is made in Texas. In fact, 'Made in Texas' is the mightiest brand in America, and we use it to build the number one economy in the United States. The second line of our state song declares: 'Texas, Our Texas! So wonderful, so great.' Texas is great in so many ways. We are home to more Fortune 500 headquarters than any state in America. We consistently rank number one in economic development and lead the nation in job growth. We're number one in semiconductor manufacturing. We have the world's largest medical center. We export more products than any other state. Texas is providing opportunity that people cannot get anywhere else. Much of our success is driven by our small local businesses. More than 95 percent of Texas businesses are small, and they employ nearly half of all working Texans. We have more black business owners, Hispanic women business owners, and veteran business owners than anywhere else in America. It just shows that everyone can succeed in Texas." He outlined his legislative priorities including:

- **Tax Relief** – "Our great economy has produced another record. We now have the largest budget surplus in the history of our state. But make no mistake, that money does not belong to the government. It belongs to the

taxpayers. We will use that budget surplus to provide the largest property tax cut in the Texas history.”

- **Infrastructure** – “Texas is the epicenter of innovation. We attract the brightest minds and hardest working entrepreneurs. To ensure that our booming state can meet the needs of our future, we must work this session to bolster our infrastructure including, the roads we drive on, the water we use at home and in the fields, and the ports that we use to ship products around the globe.”
- **Electric Grid** – “In 2021, I signed 14 bipartisan laws that fixed the flaw in our power grid. Then, last summer we set 11 all-time power generation records, and last month we weathered brutally freezing temperatures across the state. All without any disruption to the Texas grid. Since our bipartisan reforms, no Texan has lost power because of our grid. We all know that increased demand will be placed on the grid as Texas continues to grow. So, we will build a grid that powers our state for more than just the next four years, but for the next 40 years.”
- **Education** – “Texas is blessed in so many ways. One of our greatest blessings is our children. One thing they deserve is a quality education. Per-student funding for public schools is at an all-time high. We have one of the best high school graduation rates in America. We're number one for National Blue Ribbon Schools, and number one for Tier 1 Research Universities. Texas is now the knowledge capital of America. But we must remember this, our schools are for education, not indoctrination. Schools should not push social agendas. They must focus on fundamentals. We must reform curriculum to get kids back to the basics of learning and empower parents with the tools to challenge that curriculum when it falls short of expectations. No one knows what is better for a child's education than their parents. Those parents deserve the freedom to choose the education that's best for their child. One essential part of our schools is safety. We must prioritize protecting students and staff. We must provide mental health services to students who need it. Parents must know that their children are safe when they drop them off every morning. We will not end this session without making our schools safer.”
- **Public Safety** – “Public safety is a core priority for Texas. It flows from the chorus of our state song: ‘God bless you Texas, and keep you brave and strong.’ In Texas, we believe in law and order, and we support our law enforcement officers - period. Those who serve in law enforcement put their lives on the line for us every day. Last session, we passed a law that defunds any city that defunds their police. This session, we must end the easy bail policies that let dangerous criminals back on our streets. We must impose mandatory sentences on criminals caught with guns and on anyone caught smuggling illegal immigrants.”
- **Border Security** – “The border is a crisis for one simple reason. The Biden Administration is not enforcing the laws already on the books. As a result, more illegal immigrants crossed our border last year than ever before. In fact, over the past two years more illegal immigrants crossed

the border than the populations of Austin, El Paso, and Houston combined. With the Biden Administration missing in action, Texas is using every tool to protect our state. We are building a wall, deploying Texas National Guard soldiers and Department of Public Safety troopers to enforce the law, and targeting the Mexican drug cartels that traffic people, weapons, and drugs into our state. One of the worst consequences of Biden's open border policies is the deadly fentanyl pouring across the border. DPS has seized enough fentanyl to kill every man, woman, and child in the United States. In Harris County alone, more than one person dies a day because of fentanyl. Our job is to deliver solutions for our fellow Texans. That is exactly what we will do."

Conclusion – "Our state song closes with this aspiration: 'That you may grow in power and worth, throughout the ages long.' From our economy, to our people, to our public safety, Texas has never wielded more power or enjoyed such economic might as we do today. Ever since early pioneers settled our frontier, Texas has been the land of opportunity. We have built that brand for generations. We live in a state of infinite possibilities. A state that encourages Texans to reach for the heavens and beyond. We provide a ladder for anyone to climb from humble beginnings to the heights of success. A Texas where children can access the knowledge and tools they need to be the future entrepreneurs, scientists, and artists that will help shape the Texas legend for generations to come. A Texas where we value freedom, security, and the rule of law so that everyone can feel safe in their home, workplace, and school. A Texas where anyone can design their own destiny and then achieve it. Today, we gather on the threshold of a legislative session that will transform the lives of Texans for generations. Together, we will build the Texas of tomorrow, not just for the next four years but for the next century. Together, we will ensure that Texas remains the greatest state in the greatest country the world has ever known."

SENATE:

On Tuesday, January 17th, the Senate and House met in joint session for the inauguration of Governor Greg Abbott and Lt. Governor Dan Patrick.

Dan Patrick was sworn in for a new four-year term as Lt. Governor by his son, Ryan Patrick, a former state district judge. Lt. Governor Patrick was introduced by former Senator Eddie Lucio, Jr. (D-Brownsville) and Senator Brandon Creighton (R-Conroe). In his acceptance speech, he said, "Texas has added 11 million people since the year 2000. Why are they coming here? Because Americans look at Texas as the America that all America used to be. We still love God in this state. For me, I am Christian first, conservative second, and Republican third. People come to Texas because we love God, we love our country, we love our state, we salute our flag. When we kneel, it is not against the flag, it is to pray to God." He called his issue priorities "The People's Agenda," and he discussed those priorities:

- **Budget Surplus** – "As we come into this session, we have more of your money to spend on you wisely. And, of course, we will save some of that

because there is always another day ahead. We have the strongest economy on the planet. We have had 25 percent growth in the last two years. We have \$32 billion plus and we are going to do a lot of great things for the people of Texas because it is your money. We are a diverse economy; we are strong; the world is in chaos and they need a strong America and America is not strong without a strong Texas.”

- **Lowering Property Taxes** – “You want us to continue lowering your property taxes and we are committed to doing that – with billions of dollars. In 2015, we increased the homestead exemption from \$15,000 – \$25,000. Last session, we raised it to \$40,000. In the budget that will be released this week, the Texas Senate will raise your homestead exemption to \$70,000, enough to make a difference.”
- **Business Personal Property** – “For our business community, we lowered the business franchise tax by 25 percent in our first session. It is time this year to increase the business personal property exemption from \$2,500 to \$100,000 – it’s a nuisance tax that we need to get rid of to help grow more jobs and grow more businesses.”
- **Border Security** – “Our budget for border security has been \$4 billion in last two years because the president is not doing his job and even the Democratic mayors say he is not doing his job.”
- **School Choice** – “The governor and I are all in on school choice. Some say, it could hurt rural Texas. We have 1,207 school districts in the state. 486 of them have fewer than 500 students. There are not going to be any private schools coming in there. The economics don’t make sense. 76 percent of school districts have less than 3,000 students. The economics don’t make sense to make a change for them. 49 districts have more than 50 percent of the students in Texas – 200,000 in Harris County; and well over 100,000 in Dallas. Most of our schools are good schools. Many of our schools are great schools. We will have a plan to protect the rural schools financially and to make sure those parents have choice if their students are in a failing school or if their students have disabilities.”
- **Tenure** – “I don’t start any fights, but I do my best to finish a few on your behalf. Out of nowhere, some professors said, ‘We’re going to teach critical race theory at our college or university.’ We banned critical race theory in K-12 last session, and this session we will ban it in college. Our public professors are accountable to taxpayers because you pay their salaries. They are accountable to the legislature and to boards of regents. Tenure is fine for our research professors and doctors, but those professors in the classroom, need to be accountable. I want professors who love this country and love this state and raise up the next generation to be proud of our state.”
- **Sheriffs and County Judges** – “We are going to spend hundreds of millions of dollars for the first time in history to help our rural areas with law enforcement.”

- **Healthcare** – “We have a robust plan to build more mental healthcare hospitals. We need more healthcare for everyone in this state. We will give scholarships like we do for doctors to nurses to pay for college.”
- **Strengthen the Grid** – “Windmills are fine, solar is fine, renewables are fine, but we need more thermal power - natural gas, hydroelectric – we need dispatchable energy we can count on. We will add more megawatts of thermal power this session and strengthen the grid.”

Conclusion – “We are not in a battle between Republicans and Democrats any more. 98-99 percent of all bills are passed with Democrats and Republicans signing off on the bill. We are not like Washington D.C. We’re a family in this legislature. We pray together as we did last session. There are differences between the parties and those are fought out in strong debates. But we must be together because the battle in this country is between powers and principalities, between good and evil, between darkness and light. And, America looks to us as a leader. Texas is that leader. I will be relentless in protecting the freedom and liberty of Texas. I will be relentless in the fight for good over evil. I will be relentless in working together with the Senators, the House members, the governor and the speaker so that this continues to be the greatest place to live on planet earth.”

On Wednesday, the Senate honored the Houston Astros on winning the 2022 World Series.

Next Week: The Senate adjourned until 11:00 a.m. on Tuesday, January 24th. The Senate is expected to be in session on Tuesday and Wednesday next week.

HOUSE:

On Tuesday, the House met in joint session with the Senate for the inauguration of Governor Greg Abbott and Lt. Governor Dan Patrick.

On Wednesday, the House also honored the Houston Astros on winning the 2022 World Series.

Next Week: The House adjourned until 2:00 p.m. on Tuesday, January 24th. The House is also expected to be in session next week on Tuesday and Wednesday.

BUDGET:

Senate Base Budget Filed – On January 18th, Senator Joan Huffman (R-Houston) filed **SB 1**, the Senate's base budget for the 2024-2025 biennium. The general appropriations bill is a culmination of months of due diligence and input from state agencies and stakeholders. It establishes property tax relief, public safety, mental health, education, and many other critical needs as priorities for the upcoming two-year budget. The state's commitment to fiscal responsibility has paid major dividends and the Texas economy is booming. We have an obligation to the people of Texas to continue our state's incredible trajectory by making investments that will keep Texas as the best place to live, work, and raise

a family. The base budget is a starting point, and I look forward to working with my colleagues to develop a conservative and sustainable budget that addresses our needs and strengthens our economy." As filed, SB 1 appropriates \$288.7 billion in All Funds and \$130.1 billion in General Revenue.

Highlights of SB 1 include:

- **Property Tax Relief** - \$15.0 billion reserved for property tax relief over future years contingent on the passage of legislation, including \$3 billion to raise the residential homestead exemption to \$70,000.
- **State Employee Pay Raise** - \$1.8 billion for an across-the-board state employee pay raise to address a state workforce crisis, the highest across-the-board salary increase in over 40 years.
- **Foundation School Program** – Funding for the full Foundation School Program entitlement, including enrollment growth.
- **Operation Lone Star** - \$4.6 billion to continue current support for Operation Lone Star, the state-sponsored effort to secure the southern border.
- **Teacher Retirement System** - \$5.8 billion, an increase of \$753 million, for payroll growth and continued reforms to the Teacher Retirement System (TRS) passed in 2019. \$960.2 million, an increase of \$46.3 million, for statutorily required contributions to TRS-Care.
- **Law Enforcement and Judicial Retirement Fund** - \$855 million to eliminate all unfunded liability for both the Law Enforcement & Custodial Officer Retirement Fund and the Judicial Retirement Fund.
- **Law Enforcement in Rural Communities** - \$350 million for a new fund to bolster law enforcement and criminal justice efforts in rural Texas Communities.
- **Department of Criminal Justice** – Significant investments to address training and security needs at the Department of Criminal Justice with an additional \$35 million for a correctional officer training facility and \$23.9 million to provide body-worn cameras for all maximum-security units.
- **Juvenile Justice** - \$200 million to construct two new secure state juvenile facilities with mental health capacity.
- **Higher Education** - \$9.24 billion to fund enrollment at higher education institutions through the formulas. \$2.5 billion set aside for a higher education endowment fund, contingent on the passage of legislation.
- **Graduate Medical Education** - \$232.4 million, an increase of \$33.3 million to maintain the state's 1.1 to 1 ratio of graduate medical education slots in relation to the number of medical school graduates.
- **Community Colleges** - \$650 million to reform community college funding formulas to prioritize student outcomes, pending legislation.
- **Medicaid** – Funding to cover projected Medicaid caseloads.
- **Mental Health Services** - \$9 billion in total funding for mental health services across 26 state agencies, including additional funding for continued transformation of the state's mental health system including:
 - \$236.3 million to address workforce challenges at state facilities, including state hospitals;

- \$331.4 million for additional community inpatient beds;
- \$22 million to expand step-down transition housing for individuals exiting a state hospital;
- \$55.5 million to expand child and adult mental health crisis services; including youth mobile crisis outreach teams and youth crisis respite units;
- \$60 million to expand community mental health grant programs across Texas such as mental health jail diversion programs and child and family community mental health programs;
- Over 30 million to expand multisystemic therapy for at-risk youth and their families;
- \$156.2 million to expand children’s mental health services through the Texas Child Mental Health Care Consortium; and
- \$24.8 million to expand the current loan repayment program for mental health professionals.
- **Nursing Facilities** - \$1 billion to increase support for nursing facilities that provide care for Texas’ most vulnerable citizens and have been heavily impacted by the COVID-19 pandemic.
- **Women’s Health Programs** - \$140.1 million increase for women’s health programs, including additional prenatal and postpartum care, and expansion of screening, referral, and treatment of maternal mental health.
- **Foster Care** - \$128.1 million increase for Community-based Foster Care, including funding to expand into four new geographic areas. \$100 million to enhance foster care provider rates to expand capacity and improve care for our most vulnerable children.
- **Nursing Education** - \$32 million to increase support for nursing education and repayment programs.
- **Transportation** - \$35.6 billion to address the state’s transportation needs, including \$30.5 billion dedicated for highway planning, design, construction, and maintenance; \$150 million for port capital improvement projects; and \$400 million to capitalize the Ship Channel Improvement Revolving Fund.
- **Gulf Coast Protection District** – Up to \$500 million in new funding for Gulf Coast Protection District projects contingent upon commitment by federal partners.
- **Alamo Complex** - \$400 million to complete the restoration, development, and maintenance of the Alamo Complex.

Lt. Governor Dan Patrick said, “Today, Senate Finance Chair Huffman filed SB 1, the Senate’s proposed state budget for fiscal years 2024 and 2025. I thank Chair Huffman for her tireless work during the interim to introduce this budget. I think she did an outstanding job. I also want to thank my budget team who worked alongside Chair Huffman for their hard work to reflect Texas conservative priorities.

- SB 1 keeps our promises to Texans and charts a course for our state’s continued prosperity. Our conservative budgeting principles applied

throughout SB 1 make sure that government does not grow faster than population times inflation.

- The state (general) fund budget totals \$130.1 billion, an increase of \$11.9 billion, or 10.1 percent. The total of all funds budget, including federal funds, is \$288.7 billion, a decrease of \$8.5 billion or 2.9 percent due to the removal of one-time federal COVID-19 funds.
- SB 1 is an estimated \$4 billion below the spending limit set by the Legislative Budget Board (LBB) in November 2022 for the FY 2024-2025 budget. In addition, the legislature retains an additional \$3.5 billion in spending capacity under the FY 2022-2023 spending limit and has an estimated \$5.5 billion of federal American Rescue Plan Act dollars to allocate.

The press has reported there is a \$32 billion surplus above our spending limit. The LBB says there are billions more available. Comptroller Glenn Hegar's unprecedented revenue estimate is a testament to Texas's economic strength, but the true strength of our economy lies within all Texans. It is the state's job to use those resources wisely. As I have stated previously, multiple times, first and foremost, we must return a significant portion of the record surplus to those who created it: the taxpayers. That is why we have increased the homestead exemption to \$70,000 in our base budget. We must prioritize spending that will keep Texas the nation's economic powerhouse. It is also imperative that we save a sizable portion of the money for the future. Our conservative policy is to never spend all the money because you never know what challenges or opportunities lie ahead. Our steady-handed conservative approach to budgeting puts our state on excellent footing heading into the next biennium and beyond. I look forward to the legislature's final product."

House Budget Bill – Representative Greg Bonnen (R-Friendswood) filed **HB 1**, the general appropriations bill. As filed, HB 1 appropriates \$288.7 billion in All Funds; \$130.1 billion in General Revenue Funds; \$6.3 billion in General Revenue Dedicated Funds; and a combined \$136.4 billion in General Revenue and General Revenue Dedicated Funds.

Foundation School Program - Funding of \$57.6 billion in All Funds is recommended for state aid to school districts and charter schools through the Foundation School Program (FSP), which represents a \$9.8 billion increase from the 2022–23 biennium. Recommendations include an estimated \$2.5 billion in All Funds for student enrollment growth; \$6.4 billion in All Funds savings due to district property value growth; \$12.8 billion in All Funds for additional state aid related to property tax relief; and \$2.4 billion in All Funds related to an increase in the golden penny yield.

Property Tax Relief - Recommendations for property tax relief include \$15.0 billion in increased funding from the General Revenue Fund and the Property Tax Relief Fund and a reduction of \$2.2 billion in recapture payments.

Medicaid - Funding recommendations for the 2024–25 biennium include \$76.9 billion in All Funds, including \$30.0 billion in General Revenue Funds and \$0.1 billion in General Revenue–Dedicated Funds, for the Texas Medicaid program.

This amount is a decrease of \$7.9 billion in All Funds, but a \$1.5 billion increase in General Revenue Funds, compared to 2022–23 biennial levels. The 2022–23 biennial amounts for Medicaid assume supplemental funding to address supplemental needs to complete fiscal year 2023 expenditures.

Transportation - Funding recommendations provide \$35.6 billion in All Funds for all functions at the Texas Department of Transportation (TxDOT). Estimated funding for the 2024–25 biennium includes \$21.1 billion in Other Funds from all State Highway Fund (SHF) revenue sources, which includes the following amounts:

- \$6.2 billion from anticipated state sales tax and motor vehicle sales and rental tax deposits to the SHF (Proposition 7, 2015);
- \$5.4 billion from oil and natural gas tax-related transfers to the SHF (Proposition 1, 2014); and
- \$9.5 billion from all other SHF tax and fee revenue sources.

Funding recommendations provide \$30.5 billion in All Funds for highway planning and design, right-of-way acquisition, construction, and maintenance and preservation. The All Funds amount includes \$12.3 billion in Federal Funds; \$18.1 billion from all SHF revenue sources; and \$0.2 billion in Other Funds from the Texas Mobility Fund. Funding recommendations provide \$2.2 billion in All Funds for debt service payments and other financing costs associated with TxDOT borrowing programs, including \$1.3 billion in Other Funds from SHF revenue sources; \$0.8 billion in Other Funds from the Texas Mobility Fund; and \$117.6 million in Federal Funds from Build America Bond interest payment subsidies.

Behavioral Health - Funding recommendations include \$5.5 billion in All Funds, including \$4.4 billion in General Revenue Funds and General Revenue–Dedicated Funds, for non-Medicaid/Children’s Health Insurance Program (CHIP) behavioral health services. Funding supports programs at 26 agencies across six articles and includes the following areas:

- funding for inpatient client services at state hospitals and community hospitals;
- outpatient services provided through local mental health authorities and local behavioral health authorities;
- substance abuse prevention, intervention, and treatment services for adults and children;
- mental healthcare and substance abuse treatment for incarcerated offenders;
- mental healthcare services for veterans; and
- other services.

Medicaid expenditures for behavioral health services are estimated to total \$3.4 billion in All Funds for the 2024–25 biennium. CHIP expenditures are estimated to total \$91.2 million in All Funds. Total behavioral health-related funding recommendations, including estimated Medicaid and CHIP expenditures, are estimated to be \$9.0 billion in All Funds for the biennium.

Child Protective Services - Funding of \$4.0 billion in All Funds, including \$2.5 billion in General Revenue Funds, is recommended for all Child Protective

Services (CPS) functions at the Department of Family and Protective Services. This amount is an increase of \$196.3 million in All Funds, including \$350.7 million in General Revenue Funds, from the 2022-23 biennium.

Higher Education Formula Funding - Higher education formulas are supported by \$8.8 billion in General Revenue Funds and \$1.7 billion in General Revenue–Dedicated Funds. Included in these recommended amounts are an increase of \$193.8 million in General Revenue Funds and a decrease of \$27.5 million in General Revenue–Dedicated Funds, primarily for statutory tuition. Funding for the general academic institutions (GAI) Instruction and Operations (I&O) formula is recommended at \$55.66 per weighted semester credit hour, maintaining the rate from the 2022–23 biennium. Funding for the GAI Infrastructure formula also maintains the 2022–23 biennial rate of \$5.47 per predicted square foot. Funding for the formulas for health-related institutions (HRI) I&O, Infrastructure Support, Graduate Medical Education, and HRI Research Enhancement is maintained at 2022–23 biennial rates.

Teacher Retirement and Health Benefits - Funding of \$5.8 billion in All Funds is recommended for the state contribution to retirement benefits of the Teacher Retirement System of Texas (TRS), including \$5,703.0 million in General Revenue Funds, \$73.7 million in General Revenue–Dedicated Funds, and \$14.2 million in Other Funds from the Teacher Retirement System Trust Fund. Funding amounts represent a state contribution rate of 8.25 percent of employee payroll for fiscal years 2024 and 2025, increases from the required 7.75 and 8.0 percent of payroll in fiscal years 2022 and 2023, respectively, pursuant to SB 12 (86R). Retiree health insurance funding totals \$960.2 million in General Revenue Funds to provide a statutorily required state contribution to TRS-Care of 1.25 percent of public education payroll. Funding levels are anticipated to be sufficient to maintain current TRS-Care premiums and benefits for the 2024–25 biennium. Funding recommendations for TRS assume 3.6 percent annual payroll growth for public education retirement, 6.0 percent annual payroll growth for higher education retirement, and 3.6 percent annual payroll growth for TRS-Care.

Adult Corrections - Funding of \$7,981.0 million in All Funds, including \$7,814.5 million in General Revenue Funds, is recommended for the incarceration, probation, and parole of adult offenders in the Texas Department of Criminal Justice (TDCJ), which includes housing, security, classification, food and necessities, healthcare, and treatment services, as well as agency administration. Recommended funding for correctional managed healthcare (CMHC) totals \$1,394.3 million. Total All Funds recommendations increased by \$877.2 million from the 2022–23 biennium.

Border Security - Funding recommendations include \$4,639.3 million in All Funds for border security efforts at 13 state agencies across several articles of government. The majority of recommended border security funding is appropriated to three agencies: \$2,265.5 million to the Texas Military Department (TMD); \$1,194.6 million to the Department of Public Safety (DPS), and \$1,043.7 million to the Office of the Governor (OOG). At DPS, border security funding recommendations maintain support for the personnel at full deployment levels. Funding recommendations for the OOG border security activities total \$1,043.7

million for the 2024–25 biennium, which would provide support for OLS including transportation, border barriers, processing centers, and local border grants.

State Employee Salaries, Retirement, Health Benefits, Social Security, and Full-Time-Equivalent Positions - Funding recommendations of \$1.8 billion in All Funds, including \$1.3 billion in General Revenue Funds and General Revenue–Dedicated Funds, provides for a 5.0 percent increase in state employee salaries, with a minimum of \$3,000 per year in fiscal year 2024 followed by a 5.0 percent increase with a minimum of \$3,000 per year in fiscal year 2025. Comparable increases also are provided to employees of the Texas Higher Education Coordinating Board, Texas A&M University services agencies, adult and juvenile probation employees, and certain Correctional Managed Health Care employees. Funding recommendations of \$1.6 billion in All Funds, including \$1.1 billion in General Revenue Funds and General Revenue–Dedicated Funds, provides for the state contribution to the Employees Retirement System of Texas (ERS) retirement program. This amount is an increase of \$227.1 million in All Funds, and an increase of \$213.0 million in General Revenue Funds and General Revenue–Dedicated Funds, for state employees’ retirement benefits, due to assuming 0.77 percent annual payroll growth for fiscal years 2024 and 2025. Funding recommendations of \$4.1 billion in All Funds, including \$2.9 billion in General Revenue Funds and General Revenue–Dedicated Funds, provides for the state contribution for group insurance benefits for general state employees, retirees, and their dependents. The funding recommendation is an increase of \$265.5 million in All Funds, including \$286.9 million in General Revenue Funds and General Revenue–Dedicated Funds, prompted by assumed active and retired member growth. Funding recommendations do not provide a per-member contribution rate increase and instead rely upon the agency spending down the contingency reserve fund, which has achieved historically high fund balances due to savings in health plan contracts.

Debt Service - Funding recommendations for the 2024–25 biennium fully fund debt service and total \$4.3 billion in All Funds. This recommended amount is an increase of \$21.6 million from the 2022–23 biennium.

COVID-19 Pandemic-Related Stimulus Funds - The U.S. Congress passed six major spending bills from March 6, 2020, to March 11, 2021, which, excluding direct allocations to local entities and nonstate agencies, provided an estimated \$80.1 billion in financial support to help respond to and mitigate the financial impact of the COVID-19 pandemic. The performance periods of most federal pandemic-related awards will expire by September 1, 2023.

Remaining Coronavirus Relief Fund Balance - Due to the following factors, Texas has a remaining balance of federal funding related to the COVID-19 pandemic of \$5.4 billion:

- In November 2021, the Texas Workforce Commission (TWC) provided a revised estimate of funds necessary to replenish the Unemployment Insurance Trust Fund. From the original appropriation of \$7.3 billion, TWC expended \$7.0 billion and returned \$266.2 million of CSFR funding to the state’s Coronavirus Relief Fund. Additionally, TWC returned \$758.7 million

in CSFR funds after receiving an allocation of CARES Act funding on September 30, 2022.

- Two provisions of Senate Bill 8, enacted November 8, 2021, which would have funded certain university construction projects and maintenance projects at the Bob Bullock Texas State History Museum, were deemed not eligible uses, and the funding was returned. General Revenue Funds were made available to the awarded agencies for similar uses.
- The planned supplemental appropriations bill would make available \$200.0 million initially appropriated to the Department of Information Resources for cybersecurity projects.
- The Department of State Health Services reported December 19, 2022, that the agency would return \$800.0 million of its appropriated \$2.0 billion due to reimbursements for the same uses of funds through the Federal Emergency Management Agency Public Assistance grant.

CSFR funding must be obligated by the end of calendar year 2024 and expended by the end of calendar year 2026. Funds may be used to replace lost public sector revenue, respond to the public health and negative economic impacts caused by the pandemic, provide premium pay for essential workers, and build infrastructure for sewer, water, and broadband communications. Funds may not be used to pay debt service, replenish reserve funds, nor offset a negative tax reduction that resulted from a change of law, regulation, or administrative interpretation by the state. In addition to funds directly appropriated to the state, \$10.5 billion from the Coronavirus Local Fiscal Recovery Fund was awarded directly to all counties, major cities, and non-entitlement units.

Supplemental Appropriations Bill – Representative Greg Bonnen (R-Friendswood) is also expected to file **HB 2**, which will be the supplemental appropriations bill and will appropriate additional money for the current biennium. It is expected to include funding for the following:

- **Health and Human Services Commission** - \$2.3 billion for state hospital construction and additional inpatient capacity;
- **Employees Retirement System of Texas (ERS)** - \$1.0 billion for a onetime legacy payment to ERS;
- **Texas Education Agency** - \$600.0 million to assist school districts in implementing school safety initiatives;
- **Texas Facilities Commission** - \$400.0 million to be deposited into General Revenue–Dedicated Account No. 5166, Deferred Maintenance, to address future maintenance of state buildings, and \$210.0 million for construction of a new records storage/archive facility for the Texas State Library and Archives Commission;
- **Water Development Board** - \$400.0 million for flood mitigation;
- **Texas Historical Commission** - \$300.0 million to be deposited in an endowment fund in the Safe Keeping Trust Fund for maintenance of historical sites contingent on enactment of legislation creating the fund, and \$217.1 million for various restoration, maintenance, and improvement projects;

- **Cross-article Funding to Various Agencies** - \$273.6 million for vehicle replacement funding at state agencies;
- **Fiscal Programs within the Comptroller of Public Accounts** - \$243.8 million to fully fund all remaining Texas Guaranteed Tuition Plan obligations;
- **State Preservation Board** - \$200.0 million to be deposited in an endowment fund in the Safe Keeping Trust Fund for maintenance of state facilities contingent on enactment of legislation creating the fund;
- **Parks and Wildlife Department** - \$100.0 million to fund park acquisition;
- **Salary Increases** - \$148.9 million to fund three months in fiscal year 2023 of a 5.0 percent pay increase for classified state employees (or \$250 per month, if greater); and
- **Texas Public Finance Authority** - sufficient funding to meet the obligations issued by the Texas Natural Gas Securitization Finance Corporation pursuant to House Bill 1520, Eighty-seventh Legislature, Regular Session, 2021, or similar legislation passed by the Eighty-eighth Legislature, 2023.

Associations Commenting on the Proposed Budgets:

Texas Public Policy Foundation's Policy Director for the Government for the People Campaign James Quintero released the following statement regarding the House and Senate budget proposals saying, "Both the House and the Senate budgets include the two most important priorities for Texans: the largest property tax cut in state history and maintaining a conservative Texas budget. Fulfilling these priorities will ensure Texas remains the country's economic engine and a leader in fiscally responsible policy. While the massive tax cut certainly deserves a lot of attention, it's important to point out that at a moment of historically high inflation the Texas legislature is still aiming to restrain spending considerably below population growth plus inflation. In fact, both budgets have spending levels under what TPPF would consider to be responsible spending growth. It is a real testament to our state's commitment to protect taxpayers, ability to focus on the real priorities, and keep Texas, Texas."

Texans for Fiscal Responsibility also issued a statement saying, "Today, both the Texas House and Senate have released their budgets. Both the House and Senate appropriation bills provide \$15B for property tax relief, with \$12B to compress Maintenance & Operations rates by 7.75 percent and \$3B to increase the homestead exemption from \$40,000 to \$70,000. The general revenue-related fund (GRR) increase with property tax relief is 9.2 percent, which keeps the budget below the 12.3 percent spending cap. TFR applauds the legislature for their effort on property tax compression and wants to encourage them to dig deeper for Texas taxpayers. While this budget is a great start, it falls short of providing the largest property tax cut in Texas history. As Governor Abbott and Lt. Governor Patrick have both said, we have a 'once in a lifetime, historic opportunity' to provide real property tax relief. Abbott has promised to deliver the largest property tax relief in Texas history. The current record stands at \$14.2 billion in compression from the 2008-2009 biennium. To beat that, adjusting for

inflation, the legislature would need to provide around \$20 billion in compression. However, the best option would be what Abbott said was his goal in his debate against Beto: to eliminate school property taxes, so Texans can actually own their homes. We encourage the legislature to continue down the path they have started and put Texas on a path toward the elimination of property taxes, and to come through on Abbott's plan of the largest property tax cut in history by cutting more spending and providing at least \$20 billion in M&O compression; preferably, however, the entire \$32.6 surplus will be used. As both Abbott and Patrick have said, 'This is not the government's money. This is taxpayers' money.' TFR would like to see all of it given back to Texans. TFR's Texas Prosperity Plan lays out our vision for a 'no-growth budget' operating from the premise that government is already too big and Texas needs to stop the 'slow the growth' method of budgeting in favor of cutting spending and stopping government growth in its tracks. The benefits of a no-growth budget would be historic, and the resulting surplus would likely be able to eliminate school property taxes in less than a decade. We call on the legislature to seize this historic opportunity to cut government spending, freeze the growth of government, and deliver historic relief to all Texas taxpayers."

Texas Public Employees Association Executive Director Ann Bishop commented on the proposed base budget developed by legislative leaders saying, "The proposed pay raise for state workers is welcome news. We fully support increasing salaries by 5 percent for each of the next two years, and we thank legislative leaders for their commitment to all Texans who serve the public and keep our state running daily. State employees have not seen a general pay raise since 2014. The buying power of their paycheck has dropped 27 percent in that time. And 22 percent left their jobs last year. We are also pleased that the proposed budget shores up our public pension systems. It would eliminate all debt for judicial and law enforcement officer retirement funds and invest \$1 billion in the Employees Retirement System. These investments provide needed stability for our retirees and will save taxpayer dollars that would have otherwise gone to interest payments. With a historic state surplus, this is the right time to make an overdue investment in both current and retired state employees. The Texas Public Employees Association will work with legislators to ensure these measures are included in the final budget."

Texas Nurses Association CEO Serena Bumpus said, "Both the Texas Senate and House of Representatives issued base budgets for the 88th legislative session which included increased funding for the Nursing Shortage Reduction Program (NSRP), a bill passed in by the 77th Legislature which has proven to positively impact the number of qualified nursing students entering the education pipeline. In addition, the budget included funding for the Nursing Faculty Loan Repayment Program, another essential tool for addressing the state's nursing faculty shortage. Today's announcement of the base budget represents a significant step in rebuilding from the pandemic. Having these funds proposed so early in the legislative session shows that Texas leaders understand the seriousness of the ongoing shortage and are rising to meet the demand. It is a relief to know that our state leaders understand the urgency of addressing the

nursing workforce challenges and are willing to invest in Texas nurses now and in the future. The NSRP will continue paying returns if the legislature chooses to further fund the program.” Jack Frazee, JD, Director of Government Affairs at the Texas Nurses Association added, “We have existing programs that are proven to increase the numbers of working nurses in Texas. Rather than creating new legislation, we can fully fund what we already know works. The state will continue to see returns on its investment in this crucial part of our healthcare system’s workforce. We are pleased to see the sums allocated to nursing education and we appreciate House and Senate leaders who are clearly making nursing a priority this session.”

ELECTIONS:

Campaign Finance Reports – January 15th Campaign Finance Reports were filed this week covering July 1 – December 31, 2022 (unless noted).

GOVERNOR – Governor **Greg Abbott** (R-Austin), Texans for Greg Abbott – reported for October 30 – December 31, 2022 and listed:

Contributions: \$7,819,228.51

Expenditures: \$5,174,638.64

Cash-on-Hand: \$7,099,866.99

Debt: \$0

LT. GOVERNOR – Lt. Governor **Dan Patrick** (R-Houston), Texans for Dan Patrick PAC – reported for October 30 – December 31, 2022 and listed:

Contributions: \$1,973,994.26

Expenditures: \$2,333,493.83

Cash-on-Hand: \$16,480,537.30

Debt: \$0

ATTORNEY GENERAL – Attorney **General Ken Paxton** (R-McKinney) – reported for October 30 – December 31, 2022 and listed:

Contributions: \$699,439.24

Expenditures: \$1,767,888.25

Cash-on-Hand: \$2,348,423.55

Debt: \$1,330,000.00

COMPTROLLER – Comptroller **Glenn Hegar** (R-Katy) – reported for October 30 – December 31, 2022 and listed:

Contributions: \$498,342.68

Expenditures: \$308,023.86

Cash-on-Hand: \$8,973,453.54

Debt: \$0

AGRICULTURE COMMISSIONER – Agriculture Commissioner **Sid Miller** (R-Stephenville) – reported for October 30 – December 31, 2022 and listed:

Contributions: \$242,408.92

Expenditures: \$83,11.70

Cash-on-Hand: \$370,401.03

Debt: \$200,000.00

LAND COMMISSIONER – Land Commissioner **Dawn Buckingham** (R-Lakeway) – reported for October 30 – December 31, 2022 and listed:

Contributions: \$317,859.03
Expenditures: \$149,228.14
Cash-on-Hand: \$696,723.31
Debt: \$0

RAILROAD COMMISSIONER – Railroad Commissioner **Christi Craddick** (R-Austin) listed:

Contributions: \$951,235.32
Expenditures: \$394,518.38
Cash-on-Hand: \$3,866,714.33
Debt: \$0

RAILROAD COMMISSIONER – Railroad Commissioner **Wayne Christian** (R-Center) – reported for October 30 – December 31, 2022 and listed:

Contributions: \$83,047.21
Expenditures: \$167,954.51
Cash-on-Hand: \$294,777.64
Debt: \$0

RAILROAD COMMISSIONER – Railroad Commissioner **James D. “Jim” Wright** (R-Houston) listed:

Contributions: \$204,425.00
Expenditures: \$71,195.24
Cash-on-Hand: \$306,671.95
Debt: \$0

House District 21 – Representative **Dade Phelan** (R-Nederland) listed:

Contributions: \$4,494,847.14
Expenditures: \$3,753,160.59
Cash-on-Hand: \$5,106,410.79
Debt: \$0

COVID-19 RESPONSE:

COVID-19 Disaster Declaration – On January 15th, Governor Greg Abbott renewed the COVID-19 Disaster Declaration. It has been renewed every 30-days since originally issued on March 13, 2020.

Key Dates – 88th Legislative Session:

88th Legislative Session Begins: January 10, 2023
Inauguration of Governor and Lt. Governor – January 17, 2023
Bill Filing Deadline: March 10, 2023
88th Legislative Session Ends: May 29, 2023
Governor’s Veto Deadline: June 18, 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