

GOVERNOR:

State of the State Address – On Tuesday, Governor Greg Abbott delivered his State of the State address to a joint session of the Texas Legislature. He started out by saying, “I am honored to work with Lt. Governor Dan Patrick and Speaker Dennis Bonnen as we embark on this new session. On this very day, about 1,000 new residents will call Texas home. That happens almost every day. Whether you like that or not, we can never lose sight of the reason so many people make life altering decisions to uproot their families and businesses and chart new paths – paths that guided them to Texas. They were fed up with big government policies increasingly running their lives and imposing burdensome regulations. They were taxed out of their states that some of their families had lived in for generations. The cost of doing business imposed by heavy-handed special interest groups simply became too oppressive. They needed an escape. They longed for freedom. They wanted hope. They found it in Texas. We may not be perfect, but to all the newcomers I talk to, they think Texas is a governmental Holy Grail. The newcomers have joined with long-time Texans, and together we have forged what has become the most powerful state in America. . . We have achieved so much thanks to the tireless efforts of our elected officials, and more importantly, because of the hard work of everyday Texans eager to secure a brighter future. We will continue to build on our state’s successes. But we must also address the serious challenges that require nothing short of our complete attention for the people that expect our complete devotion.”

Emergency Items – The governor identified five emergency items that the legislature can now take up immediately including:

- School finance reform and increasing teacher pay;
- Increased school safety;
- Greater access to mental health care services;
- Property tax reform; and
- Expanded disaster response and readiness programs.

In addition to the emergency issues, he discussed other key problems that he would like to see addressed this session. Among these are, taking care of the mental and physical health of veterans, fighting gangs and human trafficking networks in Texas, and fully securing the border.

Conclusion – The governor concluded, “No doubt, what I have outlined today is a transformative agenda. We have an opportunity to make Texas a far better state. We have the power to ensure Texas is a state where our citizens can realize their dream of owning a home or starting a business - where we prioritize student achievement and create safer schools. A state that puts public safety first, whether it’s in the face of natural disasters or dangerous gangs. A Texas where we expand economic opportunity and freedom to every corner of our state and where we provide our veterans with the support they deserve. What we must accomplish will require all of us working together on bold ideas. But Texas was built on bold ideas. It was built by the men and women who came

before us who worked together to make Texas the most exceptional state in the nation. Now, it is our time to chart a course that will make Texas even better - not just for the next four years, but for the next forty years. We have an opportunity to turn bold ideas into reality. We have the opportunity to grasp the brass ring that belongs to Texas. When we do that, we will keep Texas the greatest state in America.”

Note: Specifics on the governor’s proposals and his priorities are included in the Statewide and issue categories below.

SENATE:

The Senate was in session this week on Tuesday for the Governor’s State of the State address and on Wednesday for the Chief Justice’s State of the Judiciary address. On Wednesday, they recessed until Thursday for first reading and referral of bills to committees.

Next Week: The Senate will reconvene at 3:00 p.m. on Monday, February 11, 2019.

HOUSE:

The House was in session on Monday, Tuesday and Wednesday of this week.

Next Week: The House will reconvene at 4:00 p.m. on Monday, February 11, 2019.

BUDGET:

House Appropriations Committee:

On Monday, the House Appropriations Committee heard invited testimony on:

- School Finance
- School Safety
- Teacher Retirement System

Next Week:

Senate Finance Committee:

On Monday, February 11, 2019, the Senate Finance Committee will meet at 10:00 a.m. in E1.036 of the capitol extension to take up Article III Education Agencies:

- Texas Education Agency
- Teacher Retirement System
- Optional Retirement Program
- Higher Education Group Insurance
- Windham School District
- School for the Blind and Visually Impaired
- School for the Deaf

PUBLIC EDUCATION:

Governor Abbott on Public Education – In his State of the State speech, the governor said, “Our mission begins with our students. We are graduating more students from high school than ever before. But we have more students graduating who are not ready for college or a career. Only about 40 percent of 3rd graders are reading at grade level by the time they finish the 3rd grade. Not surprisingly, less than 40 percent of students who took the SAT or ACT were prepared for college. To improve this, we must target education funding to help our students achieve in school. That starts with teachers in the classroom. Texas must recruit and retain the best and brightest teachers to educate our students. This session, we must pay our teachers more. We must provide incentives to put effective teachers in the schools and classrooms where they are needed the most. And we must create a pathway for the best teachers to earn a six-figure salary. The teacher pay system used by Dallas ISD shows this strategy works. Working together, we will create a Texas where every student is reading at grade level by the time they finish the 3rd grade. Where every child, regardless of their zip code, receives a quality education. And where every student graduates with more than just a diploma. They will graduate with the tools they need to excel in college or a career.”

Governor Abbott on School Safety – The governor also discussed school safety saying, “As we improve our schools, it’s not enough to give our students a quality education. We must create a learning environment that is safe. No student should be afraid to go to school. No parent should be fearful when dropping their child off at school. Texas must act now to make our schools safer, so I am making school safety an emergency item. After the horrific shooting at Santa Fe High School, I held roundtables with parents, students, educators, law enforcement, and mental health experts. We developed innovative solutions to better protect our children and teachers. It’s time to turn ideas into action. We must do all we can to make our schools safer. Working together, we will deliver on this promise to our parents, to our students, and to our teachers. When it comes to improving school safety, one solution everyone agreed on was the need to address mental health in our schools. I commend Senator Nelson, who wasted no time crafting a strategy that does exactly that. As she has pointed out, many of our universities already have innovative mental health programs. Programs like the telemedicine wellness project at Texas Tech. It partners with school districts in West Texas to identify and remove students who pose a potential threat. And it provides students the help they need. School districts across Texas deserve access to these services. And as we all know, mental health issues are not confined to our schools. They touch our entire society. To better address these needs, Senator Nelson provided a broad-based plan. A plan that creates the Texas Mental Health Care Consortium to collaborate on statewide mental health needs. In typical Texas fashion, her idea is big and bold. To ensure it has enough time to become law this session, I’m declaring it an emergency item.”

Emergency Items – Here is the specific wording of the proclamations on school safety, mental health, and public school finance reform:

- Legislation relating to the creation of the Texas Mental Health Care Consortium.
- Legislation relating to safety in elementary and secondary schools and in public junior colleges.
- Legislation or resolutions relating to comprehensive school finance reform as recommended by the Texas Commission on Public School Finance, and increased teacher pay.

Responses to Governor Abbott’s Education Proposals on public school finance reform, educator compensation and school safety included:

Texas American Federation of Teachers President Louis Malfaro commented on the speech saying, “The governor is out of step with the Texas public when it comes to school students, teachers and the misuse of standardized testing. The governor has rightly declared increasing teacher pay as an emergency item for the session, but he fails to see the real emergency. He is pushing a scheme for teacher raises for a scant few, based on the misuse of the STAAR test. The governor’s call doesn’t solve the crisis in our profession that is facing a shortage of certified teachers. It doesn’t address the emergency of educators and our families not being able to go to the doctor when we’re ill because we can’t afford treatment. It doesn’t address the emergency of teachers leaving the profession due to stagnant salaries - more than \$7,000 less than the national average and some 28 percent lower than comparable professions - and seeing them as an insult to our hard work and something that leaves us unable to support our families. The governor’s fixation on money for test scores certainly won’t help the emergency of the state reneging on its promise to provide a dignified life for our retired educators with pension and health care that can support them after decades of service to our schoolchildren. The governor gives offense to Texas teachers every time he and his education commissioner claim to want more pay for the so-called best teachers, the implication being that the hundreds of thousands of women and men who teach and support the 5.4 million students in Texas’ public schools are unworthy of being paid decently for the hard work they do every day.”

Center for Public Policy Priorities CEO Ann Beeson said, “We are pleased to hear Governor Abbott reiterate his commitment to remodeling Texas public school finance this legislative session. We are working closely with lawmakers and their staff to ensure that Texas students from all ZIP codes and backgrounds receive the high-quality education they deserve. Instead of the misguided SB 2/HB 2 property tax scheme, the state should pay its fair share of public education costs if it wants to lower property taxes. It’s true that about 1,000 people move to Texas every day, and that means our state needs to invest more revenue in public education, health care and other services. Much of our state’s wealth comes from investments made by previous generations in our schools, hospitals and infrastructure. Instead of attacking critical sources of revenue, it’s time for state leaders to invest in the people of Texas. Proactive investments in

education and health care today will secure our economic success for generations to come. The Governor says that the state of Texas has ‘never been better.’ While some Texans are thriving, 1 in 5 children live in poverty, and many more Texans are struggling. That’s not good enough for Texas.”

Council For A Strong America’s spokesperson Joe McMahan said “We appreciate Governor Abbott’s thoughtful approach and long-range planning for school finance that was addressed during the State of the State. His recommendation to invest more in early childhood education will play a vital role in not only increasing academic achievement for Texas students, but also will help ensure that our great state continues to be competitive and prosperous in the future.”

Austin Independent School District’s Nicole Conley added, “We thank Governor Abbott, Speaker Bonnen and the legislature for building on the work of the school finance commission to address one of the most important and formidable issues facing Texas: how the state funds education. The future economy and social fabric of the Lone Star State is being shaped in our classrooms today. By investing in our greatest assets - our young people - we can ensure Texas continues to thrive and lead in an ever-increasing, competitive and global marketplace.”

The Commit Partnership’s Todd Williams said, “As a former member of the Texas Commission on Public School Finance, I am thrilled that the Governor has prioritized school finance for the 86th Legislative session, and I hope his fellow lawmakers will honor his goals by implementing our recommendations. Our state is facing enormous challenges in the areas of third-grade reading, college readiness, and educational equity. I’m thankful we have state leadership with the vision necessary to enact new and effective strategies that directly address these critical issues.”

Dallas Independent School District’s Dr. Michael Hinojosa: “I am optimistic that Governor Abbott and legislators are ready to take the necessary action to move our state’s educational infrastructure forward in real and lasting ways. We are encouraged by what we have heard today and will continue to closely watch the rollout of legislation and speak out in favor of positive change. We welcome the opportunity to be part of the solution our state needs to prepare future generations of productive and responsible citizens.”

Early Matters Dallas’ Kimberly Manns said, “The Early Matters coalition is grateful that Governor Abbott has prioritized public school finance in the upcoming legislative session. It is our hope that any reform to this system includes an emphasis on improving third grade reading scores, a crucial indicator of future success. We also hope legislators will work to improve the quality and sustainability of the childcare industry. Our newest generation of Texans are depending on it.”

San Antonio Independent School District’s Dr. Pedro Martinez said, “We were very encouraged to hear Governor Abbott lay out a comprehensive vision for what school finance reform looks like in Texas. By making key investments in early childhood education, creating a tier of weights to recognize that it takes more resources to educate students based on their level of poverty, and

investing in dual language education among other essential priorities, it is clear that the Governor wants to make significant investments in Texas public schools while lowering the rate of property tax increases.”

House Public Education Committee – The House Public Education Committee held meetings on Tuesday and Wednesday this week.

Tuesday, February 5, 2019 – The House Public Education Committee heard invited testimony on the public school finance system from Education Commissioner Mike Morath; Von Byer and Leo Lopez of Texas Education Agency, and Aaron Henricksen and Andy MacLaurin of the Legislative Budget Board.

Wednesday, February 6, 2019 – The House Public Education Committee heard testimony on the final report of the Texas Commission on Public School Finance. Witnesses included Korry Castillo of the Comptroller’s office; State Board of Education member Keven Ellis; Nicole Conley of Austin ISD; and Todd Williams from Commit Partnership.

Senate Education Committee – On Thursday, the Senate Education Committee held an organizational meeting. The committee heard from Education Commissioner Mike Morath and Justin Porter of Texas Education Agency.

Next Week:

Tuesday, February 12, 2019 - The **House Public Education Committee** will meet at 10:30 a.m. or upon adjournment in E2.036 of the capitol extension to hear invited testimony regarding school finance and the final report of the Texas Commission on Public School Finance.

Wednesday, February 13, 2019 – The **House Public Education Committee** will also meet at 10:30 a.m. or upon adjournment in E2.036 to hear invited testimony regarding school finance and the final report of the Texas Commission on Public School Finance.

TAX:

Governor Abbott on Property Tax Reform – On the issue of property tax reform, the governor said, “I think we can all agree another emergency is property tax reform. If we are going to keep Texas the economic engine of America, we must rein in a property tax system that punishes families and businesses and prevents younger Texans from achieving their dream of homeownership. We can no longer sit idly by while property owners are reduced to tenants of their own property with taxing authorities playing the role of landlord. Our constituents are counting on us. I applaud leaders of the Senate and House for working together in historic fashion on identical bills that limit the ability of taxing authorities to raise your taxes. At the same time, the state will be making new investments in education and reducing Robin Hood. This isn’t just about restraining the growth of property taxes, it’s about restoring power to the people of Texas. That’s why I propose giving taxpayers the ability to fire their property tax appraiser and elect a better one. By taking these actions, we’ll do more than

just reform our property tax system. We will ensure seniors who have worked their entire lives can afford to retire in a home they've already paid off. We will give hope to the next generation of Texans, that they too can realize their dream of owning a home. And we will ensure that middle and low-income Texans can remain in the neighborhoods they cherish. It is for those Texans that I am making property tax reform an emergency item this session.”

Emergency Proclamation on Property Tax Reform – Specific wording of Governor Abbott’s proclamation designating property tax reform as an emergency item for early consideration by the legislature is, “Legislation relating to reform of the property tax system by requiring voter approval to exceed a 2.5 percent rollback rate, by improving accountability in the selection of a chief appraiser, and by increasing transparency.”

Response to Governor Abbott’s Property Tax Reform Comments:
House Democratic Caucus member Eddie Rodriguez (Austin), Dean of the Travis County delegation to the Texas House and member of the House Ways & Means Committee, responded to Governor Abbott’s State of the State address saying, “Governor Abbott identified several priorities that will require bipartisan cooperation in both chambers of the 86th Texas Legislature to address, including public school finance and property tax reform. There is widespread agreement over the need to work across the aisle on these issues. However, Governor Abbott’s arguments for his property tax reform proposal are misleading. There is no revenue source designated nor safety net established for local governments in HB 2, only mechanisms that would restrict cities’ ability to raise revenue for funding crucial public services like law enforcement, fire rescue and waste management. Speaker Bonnen has assured me that all members will have the opportunity to weigh in on this most important issue, and I will argue for providing Texans lasting property tax relief by significantly shifting the burden for funding public education back to the state where it belongs. We have an opportunity to enact lasting public school finance and property tax reform in the 86th Legislative Session, but these and other priorities will require lengthy debate by the legislature and significant investment of public resources.”

Senate Property Tax Committee – The Senate Property Tax Committee met on Wednesday to take testimony on **SB 2** by Senator Paul Bettencourt (R-Houston), the committee chair, which is the omnibus **property tax reform** bill. The committee heard from several witnesses.

Texas Taxpayers and Research Association president Dale Craymer testified saying, “SB 2 has three basic pillars:

Tax Visibility - We hear the word ‘transparency’ used in talking about this bill, but I quibble with that word. SB 2 does not make your property tax bill more transparent; it does just the opposite. It makes your bill more visible, and consequently, more understandable. That is exactly what the system needs. We strongly support the provisions of SB 2 that provide taxpayers a real time website on which they can see how proposed tax rates are going to affect their tax bill,

who the decision makers are, and how they can make their opinion known before those rates are adopted. This process is standardized with uniform worksheets promulgated by the Comptroller that will be publicly available to taxpayers.

ARB Reforms - SB 2 provides improved training for Appraisal Review Board members and special panels with specific expertise to hear disputes over complex properties, along with a number of other reforms we view very positively including: time and dates of hearings, access to evidence from the CAD, protections against abusive determinations (ARB can't raise your value), and protections against political influence over the appraisal process (taxing unit can't challenge).

Tax Rate Adoption Provisions - We have two areas of the bill that lead us to be neutral over-all on the bill, at this time. First, the bill strikes the current requirement by which voters may determine if their local schools may impose a tax rate for maintenance and operations (M&O) above \$1.04. We would ask that the provision in current law be retained, regardless of what is done with school tax relief. Otherwise, within 5 years, property owners could see their school M&O tax rate climb to \$1.17 without ever having an opportunity to vote on the increase. This would negate any benefits we might otherwise see with city, county, and special districts' tax rates. We would note that even at the \$1.04 tax rate, under our school finance system school districts are guaranteed that they receive full funding for enrollment growth as well as additional equity funding based rising values. Second, in 2017 we supported the senate property tax bills in both the regular and special sessions. We believe that the 8 percent rollback threshold in current law does not reflect the realities of today's inflation and economic environment. Nor do we find the current petition requirement for an election to be workable in larger jurisdictions. We believe an election to exceed the rollback threshold should be mandatory, as SB 2 provides; however, we are unable, at this time, to say that a 2.5 percent rollback threshold is the appropriate level."

Other Suggestions:

- We strongly support uniform school tax rate compression as property values increase - either the Governor's 2.5 percent or, perhaps and hopefully, even a rate lower than that. While I understand that may be included in the school finance bill, if it is not, we would like to see such a provision added to this bill.
- While SB 2 increases the reporting requirements of data concerning property taxes, it is critical that the data be accurate. We would ask that the legislation provide the Comptroller the authority and resources to verify and correct property tax data submitted. Any of us who have worked with the data files have found it is sometimes sent to the agency with, for example, decimal errors that must be manually corrected for accurate analysis.
- Consider using a maintenance and operations levy, rather than the total levy, as the basis for determining a small district, allowing them to remain under the 8 percent rollback. Voter-approved debt service would be

excluded from the threshold, as this obligation has already been approved in an election.”

Texas Association of Manufacturers president Tony Bennett registered a position of “neutral” on SB 2. He said, “Today, TAM is testifying “neutral” on SB 2, knowing there will be additional debate in the coming weeks to ensure a final rollback rate that is fair to both taxpayers and local governments. Many of our member companies operate major facilities within dozens of cities across Texas. TAM members want to ensure that our local communities have the resources they need for public safety, infrastructure and a high quality of life for our employees and their families. However, our member companies do agree with the general direction of this bill. We certainly believe that the current 8 percent rollback rate is far too high. TAM is on record in previous legislative sessions favoring between a 4 percent to 6 percent rollback rate. Our members believe that the legislature will eventually reach an appropriate rollback rate that fits today’s more stable economic climate. TAM also agrees with the bill’s changes regarding appraisal review boards, transparency for tax rate notices, and taxpayer website information. TAM members also applaud the fact that SB 2 is a solution that treats all taxpayers equally. Businesses and homeowners alike would benefit in the same way.”

Other Witnesses – The committee also heard from representatives of Galveston and Collin Counties, Center for Public Policy Priorities, Rice University’s Baker Institute for Public Policy, Texas Public Policy Foundation, Travis County Appraisal District, Texas Association of Appraisal Districts, Texas Building Owners and Managers Association, Center for Public Policy, Texas Oil and Gas Association, and several other individuals.

Next Week: The **House Ways & Means Committee** will meet on Wednesday, February 13, 2019 at 8:00 a.m. in Room 140 of the John H. Reagan State Office Building to hear invited testimony from:

- The Legislative Budget Board
- Office of the Comptroller
- Texas Taxpayers and Research Association
- Center for Public Policy Priorities