

**Weekly Report**  
**January 13, 2023**

**87<sup>th</sup> Session of the Texas Legislature** - The 88<sup>th</sup> session of the Texas Legislature kicked off at noon on Tuesday, January 10, 2023. As prescribed by the Constitution, the regular session of the legislature will last for 140 days. The last day of the session will be May 29, 2023.

**GOVERNOR:**

**Welcoming Senate and House Members** - Governor Greg Abbott gave welcoming speeches in both the Senate and House chambers on Tuesday. He said, 'The next 140 days will be one of the most consequential times of your lives. I have never been as excited about a session as I am about this session. We have an extraordinary opportunity to do more than just address the needs of our fellow Texans. We have a unique opportunity to advance the state and the lives of Texans more than any other session ever. This is a once in a generation opportunity to put the state on a course of excellence for literally generations to come. We need to understand the context within which we operate because not every state can say what we can say. As we sit here today with a budget surplus of \$32.7 billion, California has a budget deficit of \$20 billion. New York is seeking money from the federal government to help meet their needs. New York has to address the problem of people fleeing their state and what that means to their budget. We don't have those problems for several reasons, but the main reason that we have such a budget surplus is because, in Texas, we have the hardest working men and women in our workforce in the United States of America. Working class Texans have contributed to ensuring we have the surplus we have today. It would be wrong for us not to recognize another reason that we have the budget surplus is because the leaders in this room have been good stewards with the taxpayer's money. Paths could have been taken that would have spent money or not made effective use of the resources like some other states have done. If we had done that, perhaps we would be in a budget deficit instead of a budget surplus. But, because of the policies that we have enacted, and the freedom that we have allowed, for entrepreneurs to operate in this state, those are contributing reasons why Texas has this remarkable budget surplus that we are going to be able to use to change the state for the good. There is already coalescence about how to resolve the big issues that we are facing. That should lead to an extraordinarily successful session that will ensure that when we gavel out of session, we will know we will have made the lives of our fellow Texans better. We will have made Texas better, and we will have continued our legacy of keeping Texas the best state in the greatest nation in the history of the world. God bless you all and God bless the great state of Texas.'

## **SENATE:**

Lt. Governor Dan Patrick gaveled in the Texas Senate. Texas Supreme Court Chief Justice Nathan Hecht administered the oath of office to all 31 senators. Because the 2022 election cycle was the first election after redistricting, all 31 Senate districts were on the ballot.

**Election of President Pro Tempore** - The Senate unanimously elected Senator Kelly Hancock (R-North Richland Hills) as the President Pro Tempore for the Senate. Senator Hancock was nominated by Senator Robert Nichols (R-Jacksonville). Senators Judith Zaffirini (D-Laredo), Charles Perry (R-Lubbock), and John Whitmire (D-Houston) made seconding speeches. Senator Hancock said, "Texas is the #1 job creator in the country; we have more Fortune 500 companies than any other state; and we generate more electricity than California and New York combined. Our success has brought us to this place. We have 140 days in this session. We are called to make the most of every opportunity. Scripture tells us how to do that. It tells us we are to serve with faithfulness, self-control, patience, goodness, gentleness, joy, kindness, peace, and love for one another. We must love all Texans, not just our party, and love the process. As we start the 140 days, let's remember that we love one another as we accomplish and make the most of everything that lays before us." Senator Hancock will officially serve as Governor on occasions when both the Governor and Lt. Governor are out of the state.

**SR 1** – The Senate unanimously adopted **SR 1**, the **Caucus Resolution**, which authorizes the officers of the Senate and the budget. Key provisions:

- The total amount of staff salaries and intrastate staff travel expenses for each senator may not exceed \$60,000 per month.
- The per diem rate for the 88<sup>th</sup> Legislature is \$224.

**On Wednesday**, Senate members drew for lengths of terms for the remainder of the decade so that half of the Senate is up for re-election each election cycle.

**The following 15 Senate members drew two-year terms, and will be up for re-election in the 2024 election cycle:**

- Carol Alvarado (D-Houston)
- Paul Bettencourt (R-Houston)
- César Blanco (D-El Paso)
- Donna Campbell (R-New Braunfels)
- Sarah Eckhardt (D-Austin)
- Juan "Chuy" Hinojosa (D-McAllen)
- Joan Huffman (R-Houston)
- Nathan Johnson (D-Dallas)
- Phil King (R-Weatherford)
- Morgan La Mantia (D-South Padre Island)
- Tan Parker (R-Flower Mound)
- Angela Paxton (R-McKinney)

- Drew Springer (R-Muenster)
- Royce West (D-Dallas)
- John Whitmire (D-Houston)

**The following 16 Senate members drew four-year terms and will be up for re-election in the 2026 election cycle:**

- Brian Birdwell (R-Granbury)
- Brandon Creighton (R-Conroe)
- Pete Flores (R-Pleasanton)
- Roland Gutierrez (D-San Antonio)
- Bob Hall (R-Edgewood)
- Kelly Hancock (R-North Richland Hills)
- Bryan Hughes (R-Mineola)
- Lois Kolkhorst (R-Brenham)
- José Menéndez (D-San Antonio)
- Mayes Middleton (R-Wallisville)
- Borris Miles (D-Houston)
- Robert Nichols (R-Jacksonville)
- Charles Perry (R-Lubbock)
- Charles Schwertner (R-Georgetown)
- Kevin Sparks (R-Midland)
- Judith Zaffirini (D-Laredo)

**Also on Wednesday**, the Senate adopted **SR 2** by Joan Huffman (R-Houston) establishing **redistricting rules** for the 88<sup>th</sup> Legislature. Senator Huffman announced that the Senate Special Committee on Redistricting is re-opening the process for the drawing of state Senate districts because the US census results were delayed into 2021. This pushed back the state redistricting process by some months, but the legislature was able to pass redrawn district maps in the third called session, which fell in October of 2021. All Texas state lawmakers and congressional members were elected in 2022 based on these maps. The issue arises for state districts because Article III, Section 28 of the constitution reads "The legislature shall, at its first regular session after the publication of each United States decennial census, apportion the state into senatorial and representative districts." Because the final maps were approved during a special session in the fall and not the 140-day regular session beginning in January, there is some concern that it might raise legal issues. Senator Huffman said, "I am proposing that the 88<sup>th</sup> Legislature take up the Senate map again...out of an abundance of caution, to ensure that the legislature has fulfilled its duty to apportion the state into senatorial districts at its first regular session after the publication of the 24<sup>th</sup> decennial census of the United States." The panel will begin to take public testimony, both in person and virtually, in a series of regional meetings beginning on Wednesday, January 25<sup>th</sup> and running through Saturday, January 28<sup>th</sup>. Senator Huffman added, "This will ensure that every Texan can participate in the regional hearings, and we can have conversations with people from all parts of the state."

**Senate Special Committee on Redistricting** - Lt. Governor Dan Patrick appointed members to the Senate Special Committee on Redistricting:

- Joan Huffman (R-Houston), Chair
- Juan “Chuy” Hinojosa (D-McAllen), Vice-Chair
- Carol Alvarado (D-Houston)
- Brian Birdwell (R-Granbury)
- Brandon Creighton (R-Conroe)
- Kelly Hancock (R-North Richland Hills)
- Robert Nichols (R-Jacksonville)
- Charles Perry (R-Lubbock)
- Drew Springer (R-Muenster)
- Royce West (D-Dallas)
- Judith Zaffirini (D-Laredo)

And the Senate adopted **SR 8** by Bryan Hughes (R-Mineola), the Permanent **Rules of the Senate**. Changes to committees included:

- The Border Security Committee is established as a standing committee with five members.
- The Business and Commerce Committee is expanded from 9 to 11 members.
- The Education Committee is expanded from 11 to 13 members with a Subcommittee on Higher Education with 5 members.
- The Finance Committee is expanded from 15 to 17 members.
- The Higher Education Committee is eliminated.
- The State Affairs Committee is expanded from 9 to 11 members.
- The name of the Veteran Affairs and Border Security Committee is changed to the Veteran Affairs Committee.

**On Thursday**, the Senate and House met in joint session in the House chamber to officially canvas the 2022 statewide General Election votes for governor and lieutenant governor.

**New Senate Members** – The Texas Senate has five new members:

S-10 former State Representative Phil King (R-Weatherford)

S-11 former State Representative Mayes Middleton (R-Wallisville)

S-12 former State Representative Tan Parker (R-Flower Mound)

S-27 Morgan LaMantia (D-Harlingen)

S-31 Kevin Sparks (R-Midland)

**1 Former Senator is Returning to the Senate:**

S-24 former State Senator Pete Flores (R-Pleasanton)

**Partisan Numbers** – In 2021, the Texas Senate had 18 Republicans and 13 Democrats. For the 88<sup>th</sup> Legislature, the Texas Senate has 19 Republicans and 12 Democrats.

**Next Week:** The Senate recessed until 11:00 a.m. on Tuesday, January 17, 2023 for the inauguration of Governor Greg Abbott and Lt. Governor Dan Patrick. Upon completion of the inauguration, the Senate will adjourn until 10:00 a.m. Wednesday, January 18, 2023.

## **HOUSE:**

The House was convened by Secretary of State (and former Senator) Jane Nelson. She presided over the House until the Speaker was elected. The Chief Clerk of the House, Stephen Brown, administered the oath of office to House members.

**Election of Speaker** - The first order of business after the swearing in was election of the Speaker of the House. Two House members were nominated. Representative Dade Phelan (R-Beaumont) was nominated by Representative Cody Harris (R-Palestine) and seconded by Representatives Angie Chen Button (R-Garland), Tracy O. King (D-Batesville), John Lujan (R-San Antonio), Toni Rose (D-Dallas), and Shelby Slawson (R-Stephenville). Representative Tony Tinderholt (R-Arlington) was nominated by Representative Bryan Slaton (R-Royce City) and seconded by freshman Representative Nate Schatzline (R-Fort Worth). Representative Tinderholt also spoke on his own behalf. Tinderholt said, "Our speaker courted the Democrats to get his position, gave them chairmanships, protected them from being punished when they fled to D.C. ... and today, every single one of our Democrat colleagues will be voting for his leadership in this chamber." Representative Dade Phelan (R-Beaumont) was elected by a record vote of 145 to 3. Representative Tinderholt received three votes - Representatives Bryan Slaton, Nate Schatzline and himself.

**Speaker Acceptance Speech** - In accepting the gavel, Speaker Phelan thanked the spouses and families who support the legislators while they do the work of the people. Speaker Phelan said, "It is a privilege to serve as a member of this distinguished body, and I am once again humbled by the opportunity to serve as Speaker of the Texas House. As I look out upon this distinguished gathering, I see 149 people – ordinary Texans – who are eager to get to work on extraordinary things. I am grateful to the majority of you who have honored me with your vote, but I am proud to represent all of you as Speaker of the 88<sup>th</sup> Legislature. For the newcomers here, our freshman class of 2023, congratulations. Words of caution - please do not confuse this body with the one in Washington, DC. After watching Congress attempt to function last week, I cannot imagine why some want Texas to be like DC. You are now in the Texas House of Representatives - and part of a historic assembly. One hundred years after the first woman was elected to the Texas House, our membership now includes 45 women, the highest number ever. All of us together represent 150 unique populations from cities, the suburbs and the countryside. 194,000 strong in each district. And while our districts are certainly unique, they have one thing in common: they have trusted us to be their voice. And this is what we will be over the next 140 days – one day at a time, one issue at a time, one bill at a time.

. . If we are going to be a family-focused House, and I do hope we will be, we must take a long look at what matters to Texas families. Fortunately, everyone in here just spent the better part of a year on the campaign trail, hearing directly from our constituents. Like you, I heard some very straightforward concerns from the families in my district.” Some of Phelan’s priorities include:

**Property Tax Relief** – “Ever-increasing property taxes have led many to feel – year-in and year-out – that they are renting their property from the government. Like them, I believe that tax relief should be a priority. Time and time again, we have seen the legislature provide some form of property tax relief, but to make it lasting, we must do something about runaway appraisals. Taxpayers deserve better.”

**Healthcare** – “My constituents also talked about the need for quality healthcare at a reasonable price for families and businesses. They appreciate the progress we made last session, tackling the cost of prescription drugs and health plans, pricing transparency, and improving outcomes for women and children – and they need us to do more. So, let us continue our momentum by giving patients greater control over their health care as well as better access. . . Last week, I read a story about the local county hospital joining the 60 percent of rural Texas hospitals that no longer deliver babies. Mothers in rural areas now face hour-long drives for basic services. We should not leave this session without a firm commitment to reversing this trend. Because in my dictionary, the definition of ‘pro-life’ includes ensuring access to affordable healthcare for all, especially Texas mothers and their babies. To show the Texas House is committed to the maternal health of our own staff this session, I am proud to announce we are now offering additional resources to guarantee twelve full weeks of paid maternal and paternal leave for those working in this chamber this session.”

**Criminal Justice Reform** - “In my travels, I also heard about Texans’ desire for safe streets. During the 87<sup>th</sup>, we reset the national conversation on criminal justice. We showed it is possible to improve public safety while defending the rights of the accused and offering second chances when deserved. We lead the nation in decreasing incarceration rates, reducing recidivism, and facilitating reentry. We have proven you can be tough on violent criminals while also making the criminal justice system work better for nonviolent offenders. And that is what we will continue to do. We can work all day on these issues, but if rogue District Attorneys will not uphold the law, what progress are we really making? It is time to rein them in.”

**Infrastructure** - “Our constituents also want roads that can move them in a timely manner from their home to their job, to their child’s school, or their place of worship. Texans want a reliable supply of water, resiliency from flooding, dependable energy and high-speed internet across this great state.”

**Education and Children’s Issues** – “They want exceptional schools with exceptional teachers. With a once in a lifetime budget surplus, now is the time to put a down payment on the future of Texas. To make this down payment even more critical – over a thousand people move to Texas every single day. They do not bring these investments with them. We all serve different regions, but we recognize these as common obligations. Perhaps we have no greater task ahead

of us than protecting those who will carry on what we have started – the children of Texas. I created the Select Committee on Youth Health & Safety last session to examine the issues facing our children. The threats to their safety are all too real: child trafficking, violence in schools, bad actors seeking to exploit their innocence, and social media companies that prey on the insecurities of children, leaving them vulnerable to exploitation, sexualization, and indoctrination. Members, we must stand up for the children of Texas. Teachers and parents alike want safer schools, and our kids deserve them. Last May, the lives of 21 Texans – teachers and children – were stolen when a gunman opened fire at Robb Elementary in Uvalde, Texas. We owe it to the memory of those children and teachers to make sensible, meaningful change. I want to thank the families of Uvalde for inviting me to meet with them just last week. Having heard from them directly - and taking into account the findings of our investigative committee - we have insights to inform our decisions. This is going to be an especially tough conversation, but this body has proven capable of handling tough conversations in the past. I am confident we will do so again. As we work to make Texas an even better place to raise a family, we must acknowledge there is true suffering in society, and we have to make things better for those families in the toughest situations.”

**Jobs and the Economy** – “The most important thing to do, certainly, is to ensure our economy continues to generate quality jobs and meaningful wages. After all, an opportunity to provide for one’s family is a powerful motivator, no matter where one is in life. At the same time, let us not forget people who need more than just a job. Even with a vibrant economy, a single parent who can work, afford childcare, healthcare, transportation and housing, is indeed rare. How can we improve their lives and their children’s futures? Tax-free diapers, wipes and other childcare supplies would be a great start, and so would ensuring health coverage for new moms that lasts – not sixty days, not six months but a full year.”

**Border Security** – “Making things better for all Texas families is how we deliver on the limitless potential for our state in every area, from gainful employment to public safety. That includes border security, which is certainly on the minds of our members, but especially for those who represent border communities. We can all agree that our border towns have been bearing the brunt of Washington’s failed immigration policies – some going as far as declaring themselves to be in a state of disaster. It is a legal and humanitarian crisis. Every Texas budget I have ever voted for has poured hundreds of millions, now billions, of dollars into the gap between federal policies and the realities on the ground. As stewards of every budget dollar, we must ensure our strategy not only fits the realities on the ground, but is truly, measurably effective. We must also acknowledge the additional threats posed by a porous border. More than 1,600 Texans died from fentanyl overdoses in 2021. That is 1,600 too many. Before more Texas families get that heartbreaking call, we must stop the cartels in their tracks. And we will.”

**Conclusion** – “Members, though we may face many challenges this session, there will be even more opportunities. The work is hard, but it is worthwhile. The work is demanding, but it is noble. The work is necessary, and, because we have

the privilege of doing it for the people of Texas, I know we will get it done together. It is a privilege to serve as a member of this distinguished body, and I am once again humbled by the opportunity to serve as your Speaker. Thank you for this enormous honor and thank you for serving this great state. May God bless you and May God bless the great State of Texas.”

**On Wednesday**, the House adopted **HR 3**, the **housekeeping resolution**.

Changes to the housekeeping resolution included:

- The salary cap for employees of a member, a committee or any person, firm, or corporation employed by a committee or subcommittee will increase from \$5,280 to \$6,000 per month.
- The monthly allocation to members’ operating accounts will increase from \$15,250 to \$17,250 per month during the session; and from \$13,500 to \$15,500 per month during the interim.
- A provision codifying a constitutional prohibition on the use of public resources for political purposes was added to the resolution.

*HR 3 passed by a vote of 147 to 2 (Bryan Slaton and Tony Tinderholt voted no).*

**Also on Wednesday**, the House adopted **HR 4**, the **House rules**.

**Changes in the proposed rules included:**

- The House Agriculture and Livestock Committee’s jurisdiction reference to the Food and Fibers Research Council was deleted.
- Special Rule 16 relating to House and committee procedures during disruptions caused by actual or imminent threats of an emergency, including epidemics and pandemics was amended to provide that Rule 16 will only be activated upon a disaster declaration by the U.S. president, the Texas governor, or the governing body of a political subdivision or if the commission of state health services or local health authority makes a determination of a public health disaster under the Communicable Disease Prevention and Control Act.

**Amendment added on the House floor:**

- Amendment #1 by Representative Todd Hunter (R-Corpus Christi) provides that a member who is absent without leave for the purpose of impeding the action of the House, is subject to one or more of the following: fines, payment of costs incurred by the sergeant-at-arms, reprimand, censure, or expulsion.

**Proposed amendments that failed:**

- Amendment #4 by Mike Schofield (R-Katy) would have required points-of-order to be raised on a bill on the legislative day prior to House consideration of the bill.
- Amendment #9 by Tony Tinderholt (R-Arlington) would have required committee chairs to hold a record vote on bills that have been heard in the committee within 14 days after requested by the bill author or the last day on which the committee could have sufficient time to send the bill to the Calendars Committee to meet end-of-session deadlines.



- Amendment #10 by Tony Tinderholt (R-Arlington) would have prohibited tagging of a bill in the Calendars Committee.
- Amendment #11 by Ron Reynolds (D-Missouri City) would have required the Redistricting Committee to make any experts hired by the committee equally available to every member of the committee.
- Amendment #12 by Victoria Neave Criado (D-Dallas) would have required the committee report on redistricting bills to include a statistical analysis of relevant election data to evaluate the bill's impact on the ability of racial voting blocks to elect candidates of their choice.
- Amendment #13 by Mike Schofield (R-Katy) would have allowed a bill author to provide an author's statement correcting a mistake in a bill analysis to correct a potential point-of-order.
- Amendment #14 by Tony Tinderholt (R-Arlington) would have allowed a recall vote of the speaker by five signatures (instead of 76) from House members.
- Amendment #16 by Christina Morales (D-Houston) would have increased the layout period (to 240 hours) for redistricting bills prior to House consideration.
- Amendment #17 by Bryan Slaton (R-Royce City) would have required the Calendars Committee to vote on whether to place a resolution proposing impeachment on the calendar within seven calendar days.
- Amendment # 21 by Tony Tinderholt (R-Arlington) would have prohibited the speaker from designating a committee chair who resides in a county with a population greater than two million.

**Proposed Amendments Stricken Down on a Point-of-Order:**

- Amendment #3 by Bryan Slaton (R-Royce City) would have required committee chairs to be from the majority party.
- Amendment #5 by Tony Tinderholt (R-Arlington) would have required committee chairs to submit an affidavit stating that the chair believes that there are only two genders.
- Amendment #6 by Bryan Slaton (R-Royce City) would have required the chairs of 14 (specified) House committees to be from the majority party.
- Amendment #7 by Bryan Slaton (R-Royce City) would have required committee chairs to submit a statement as to whether the chair supports Marxism or not.
- Amendment #8 by Bryan Slaton (R-Royce City) would have prohibited a committee chair from enforcing a speech code that restricts the use of biologically correct pronouns.
- Amendment #15 by Bryan Slaton (R-Royce City) would have required the text overlay of a member's name in a video broadcast to be followed by the member's party affiliation.
- Amendment #18 by Bryan Slaton (R-Royce City) would have prohibited the speaker from laying out a bill that names a highway, bridge, or street unless the House first passes a bill banning erotic performances and drag shows in the presence of minors.

- Amendment #19 by Bryan Slaton (R-Royce City) would have prohibited the speaker from laying out a bill that names a highway, bridge, or street unless the House first passes a bill that bans child gender modification.
- Amendment #20 by Tony Tinderholt (R-Arlington) would have prevented a signature block on official House correspondence from describing the writer's preferred gender pronouns.

*HR 4 passed by a vote of 123 to 19.*

**On Thursday**, the Senate and House met in joint session in the House chamber to officially canvas the 2022 statewide General Election vote for governor and lieutenant governor. Speaker Phelan announced that committee preference cards will be in members' boxes Thursday afternoon. Completed cards are due to the Speaker by 3:00 p.m. on January 26, 2023.

**New House Members** – This session, the Texas House has 27 new members:

**New Representatives in 2023:**

- H-13 Angelia Duke Orr (R-Itasca)
- H-17 Stan Gerdes (R-Smithville)
- H-19 Ellen Troxclair (R-Austin)
- H-22 Christian Manuel Hayes (D-Beaumont)
- H-23 Terri Leo-Wilson (R-Galveston)
- H-37 Janie Lopez (R-San Benito)
- H-38 Erin Elizabeth Gamez (D-Brownsville) elected in Special Election on May 7, 2022
- H-51 Maria Luisa "Lulu" Flores (D-Austin)
- H-52 Caroline Harris (R-Round Rock)
- H-57 Richard D. Hayes (R-Hickory Creek)
- H-61 Frederick Frazier (R-McKinney)
- H-63 Ben Bumgarner (R-Flower Mound)
- H-65 Kronda Thimesch (R-Lewisville)
- H-70 Mihaela Plesa (D-Dallas)
- H-73 Carrie Isaac (R-Dripping Springs)
- H-76 Suleman Lalani (D-Sugar Land)
- H-84 Carl Tepper (R-Lubbock)
- H-85 Stan Kitzman (R-Pattison)
- H-92 Salman Bhojani (D-Euless)
- H-93 Nate Schatzline (R-Fort Worth)
- H-100 Venton Jones (D-Dallas)
- H-118 John Lujan (R-San Antonio) – elected in a Special Election on November 2, 2021
- H-122 Mark Dorazio (R-San Antonio)
- H-124 Josey Garcia (D-San Antonio)
- H-127 Charles Cunningham (R-Humble)
- H-133 Mano DeAyala (R-Houston)
- H-147 Jolanda Jones (D-Houston) – elected in a Special Election on May 18, 2022

## **One Former House Member Is Returning to the House:**

H-114 John Bryant (D-Dallas)

**Partisan Numbers** – In the 2021 Legislative Session, the Texas House had 83 Republicans and 67 Democrats. Representative Ryan Guillen switched from Democrat to Republican on November 15, 2021; and Representative John Lujan picked up House District 118 for the Republicans in a Special Election on November 2, 2021. Prior to the General Election in 2022, The House had 85 Republicans and 65 Democrats. This session, the Texas House has 86 Republicans and 64 Democrats.

**Next Week:** The House adjourned until 10:00 a.m. on Tuesday, January 17, 2023 and will meet in joint session with the Senate for the inauguration of Governor Greg Abbott and Lt. Governor Dan Patrick. After that, the House will adjourn until 10:00 a.m. on Wednesday, January 18, 2023.

## **BUDGET:**

**Biennial Revenue Estimate** – On September 9<sup>th</sup>, Comptroller Glenn Hegar released the Biennial Revenue Estimate (BRE), showing the state is projected to have a record \$188.2 billion in revenue available for general-purpose spending during the 2024-25 biennium, a 26.3 percent increase from the 2022-23 biennium. The increase is a direct result of vigorous economic growth since the end of COVID-19 pandemic restrictions, spikes in energy prices and, unfortunately, the highest rate of general price inflation in 40 years. As state lawmakers prepare for the start of the Regular Session of the 88<sup>th</sup> Legislature, Hegar urged state policymakers to spend money wisely and prudently to benefit Texans now and in the future. He said, “We cannot, and we will not, lose sight of the fact that every tax dollar received by the state is coming out of Texans’ pockets. I know very well that the legislature decides how to use all the money they have available, yet I must advise some caution as these decisions are made: Bluntly, don’t count on me announcing another big revenue jump two years from now. The revenue increases that we’ve seen have been, in many ways, unprecedented, and we cannot reasonably expect a repeat. We are unlikely to have an opportunity like this again. This budgeting session is truly a once-in-a-lifetime session.” The \$188.2 billion available for general-purpose spending includes 2024-25 collections of \$165.9 billion in General Revenue-Related (GR-R) funds. These collections are augmented by an expected 2022-23 ending GR-R balance of \$32.7 billion. Of the total, \$10.2 billion must be reserved from 2024-25 oil and natural gas tax collections for transfers to the Economic Stabilization Fund (ESF), also known as the state’s Rainy Day Fund, and the State Highway Fund (SHF). These reserves would be \$4.5 billion higher but for the constitutional limit on the ESF balance, which will be met beginning in 2025. Another \$155 million must be set aside to cover a shortfall in the Texas Guaranteed Tuition Plan, also known as the Texas Tomorrow Fund. Additionally, the projected ending balance reflects \$3.8 billion in savings to General Revenue (GR) carried forward from 2021 due to the use of pandemic-related federal funds

and \$4.3 billion in reduced costs to GR for the Foundation School Program due to higher-than-expected growth in local school property tax revenues. The projected ending balance does not anticipate any GR-R spending as may be authorized by a supplemental appropriations bill, which would reduce the ending balance and the associated \$5.7 billion unencumbered GR balance (revenue not reserved for any specific purpose) transfer to the ESF in fiscal 2024. The final ending balance for this biennium, and thus the beginning balance for the next, will be determined by actions taken by the 88<sup>th</sup> Legislature and by actual revenue collections during the remainder of this fiscal year. Sales tax collections make up the state's largest source (53 percent) of GR-R revenues in 2024-25. The BRE projects sales tax revenues will increase by 9.1 percent from the 2022-23 biennium, reaching \$87.9 billion for the 2024-25 biennium. Other significant sources of GR-R revenues in 2024-25 include:

- oil production tax collections, which are projected to generate \$13.3 billion, up 11.9 percent from 2022-23;
- motor vehicle-related taxes, including sales, rental and manufactured housing taxes, which are expected to reach \$12.7 billion, up 4.6 percent from 2022-23;
- franchise tax collections, which are projected to generate \$8.8 billion, up 6.7 percent from 2022-23; for all funds, franchise tax revenue is estimated to generate \$12.6 billion, up 6.7 percent from 2022-23; and
- natural gas tax collections, which are expected to raise \$8.6 billion, down 4.3 percent from 2022-23.

Absent any legislative appropriations, the balance of the ESF is expected to total a record \$27.1 billion at the end of 2024-25 biennium. State revenue from all sources and for all purposes is expected to reach \$342.3 billion for the 2024-25 biennium, including about \$108.4 billion in federal receipts, along with \$68 billion in other income and revenues dedicated for specific purposes and therefore unavailable for general-purpose spending. Hegar said the state must be careful in its spending so any expenditures can be supported when this surplus is a memory. He said, "Thoughtful options might include investment in our electrical grid; broadband connectivity; port and water infrastructure; salary adjustments for state employees, our teachers and nurses; and development of our skilled trade workforce. Lawmakers also should consider meaningful tax reduction to ease the burden of Texans who are grappling with inflation, economic uncertainty and rising housing costs. Well-thought-out spending proposals can have positive results without creating demands on general revenue that might be difficult to meet in years to come. In the event of significant changes in economic conditions or other relevant factors, this estimate will be updated to ensure that lawmakers' deliberations are based on the most accurate and timely information available."

**Lt. Governor Dan Patrick** said, "Since I've become Lt. Governor, we've taken the utmost care to manage our budget wisely and conservatively. The Texas economy is red-hot. We are leading the United States forward in the global marketplace and it is clear for all to see. Comptroller Hegar's Biennial Revenue Estimate is further proof of the true might of our economy. Our conservative policies, including no income tax and minimal regulation, attract businesses and

grow jobs. Our commitment to keeping our state open during the COVID-19 pandemic is another key reason why our state enters the upcoming 2024-2025 biennium in a position of strength. Every member of the Texas Senate will have ideas on how to use this unprecedented revenue. We will introduce our budget in the coming days. As I stated previously in my November press conference, Texas taxpayers must first receive tax relief before we commit to any new spending. Additionally, we must not spend all the money. We must keep a responsible reserve in case Joe Biden's inflationary policies and out-of-control spending causes a national recession in 2023 and 2024. There are a range of challenges facing our state – first and foremost, reinforcing our grid with dispatchable power – but I am confident that we can continue to strengthen Texas so it remains the best place to live, work, raise a family and start a business.”

**Texas Taxpayers and Research Association President Dale Craymer** said, “A historic surplus calls for historic tax cuts. The numbers suggest Texas could have nearly \$50 billion more than lawmakers are allowed to spend under the state’s spending limits. Consequently, lawmakers should make tax relief their top priority – taxpayers should not be asked to pay money to the state that it cannot use.”

#### **HIGHER EDUCATION:**

**Texas State Technical College** – On January 9<sup>th</sup>, Governor Greg Abbott appointed Robb J. Misso to the Texas State Technical College (TSTC) System Board of Regents for a term set to expire on August 31, 2023.

**Robb J. Misso** of Cedar Park is vice president of Global Operations for CeLLink Corporation. Previously, he served as the global vice president of Ultra Clean Technology, CEO of Dynamic Manufacturing Solutions, LLC for 10 years, and prior to that he served as the director of business development for UCT. He is a contributing writer and member of the Forbes Business Development Council and member of Entrepreneurs’ Organization and the Maxwell Leadership Team. He is a member of the TSTC East Williamson County Higher Education Center Council of Advocates and a board member and former chairman of the Austin Regional Manufacturers Association. Additionally, he is a former member of the P-TECH Leadership Team and the American Heart Association Executive Leadership Team and former vice president of the Austin Community College: Welding Technology Advisory Board. Misso attended Radford University and the University of Colorado.

**Letter to Legislative Leaders From Chancellors** - The chancellors of the six major higher education systems – James B. Milliken, University of Texas System; John Sharp, Texas A&M University System; Renu Khator, University of Houston System; Michael R. Williams, University of North Texas System; Tedd Mitchell, Texas Tech University System; and Brian McCall, Texas State University System - sent a letter to Lt. Governor Dan Patrick, Speaker Dade Phelan, Senate Finance Committee Chair Joan Huffman and House Appropriations Committee Chair Greg Bonnen asking for additional funding for

higher education. The letter said, “The cost of providing education across institutions continues to increase. Our education mission is funded almost entirely by two sources of funding: state support and student tuition and fees. Without increased state support, Texas institutions must look to additional efficiencies and then tuition and fees to be able to continue to maintain high quality education. In order to hold tuition flat for our students and their families, Texas universities seek increased state investment. Higher education requires more personal, hands-on student support and technology services to meet the needs of today’s students. At every step in the process, from admission to retention and graduation, students require more advising, tutoring and supplemental instruction, mental health services, and financial planning in addition to high quality teaching in order to succeed and overcome challenges in the journey to academic success. These critical services require ongoing, additional resources to provide students with this needed support. Like all other entities, institutions of higher education are facing steep cost increases as a result of inflation, supply-chain delays, and skilled labor shortages. Other unique cost drivers, such as the Hazlewood Legacy program, mean that even when formulas are funded at prior biennial levels, institutions start off each biennium with a funding deficit. In order to ensure affordability for our students, we propose the following compact between the state and higher education institutions.

**State Investment:**

- General Academic Formula Funding (est. \$352 million) – As institutions face record inflation, we need to return to investing in formula funding beyond simply covering enrollment growth. We support a 6.8 percent increase to the general academic Instruction and Operations, Infrastructure, and Research formula rates recommended by the Texas Higher Education Coordinating Board.
- Comprehensive Regional University (CRU) Funding (\$80 million) – Last session, the legislature made a targeted investment in student success at the state’s comprehensive regional universities by providing one year of federal funding. As the state looks to invest in other sectors of higher education, an investment of \$80 million would provide two years of CRU funding to help at-risk students graduate and enter the workforce.
- Hazlewood Legacy Program (est. \$276 million) – We fully support the Hazlewood program and our veterans, but we seek the state’s help with the costs. In FY 2021, higher education institutions waived \$176.4 million for legacy exemptions and received state reimbursement for only 13 percent of this cost, resulting in a shift of the cost of the Legacy Program to tuition-paying students. We propose 100 percent reimbursement for legacy costs to help the state’s institutions remain leaders nationally among veteran-friendly institutions without unduly penalizing tuition-paying students.
- Higher Education Group Insurance (HEGI) Funding (est. \$290 million) – Higher education employee health insurance alone is only partially funded compared to most state government employees – currently below 80 percent of the rate for state employees under ERS. As health care costs

increase, additional funding to raise this rate to 100 percent of the funding rate for state employees will help us keep costs lower and thus help ensure higher education remains more affordable.

**Higher Education's Commitment** - With your full investment in the above basic needs, our general academic institutions will ensure that the total resident undergraduate academic costs, including tuition, mandatory academic fees, all academic-related general fees, and college course fees will remain at currently approved levels for the next two academic years. In extraordinary circumstances, even these increases might leave some institutions below or at 2022-2023 state funding levels. In the spirit of this compact to address affordability, we respectfully request consideration of certain individual institutions if necessary. While this proposal only addresses increases to the formula within the general academic institutions, the systems with health-related institutions also request consideration for similar increases in the health formulas. With this commitment and partnership, together we can ensure higher education remains affordable for our Texas students and their families.”

#### **PUBLIC EDUCATION:**

**Teacher Retirement System of Texas** – On January 9<sup>th</sup>, Governor Greg Abbott appointed Brittny Allred and Elvis Williams and reappointed John Elliott to the Teacher Retirement System of Texas Board of Trustees for terms set to expire on August 31, 2027. The board manages retirement and other benefits for teachers and employees of the state's public schools and institutions of higher education.

**Brittny Allred** of Dallas is a principal of Luther King Capital Management, an investment advisory firm with approximately \$22 billion in assets under management. Previously, she held positions as an equity research associate at Stephens Inc. and investment banking analyst at J.P. Morgan Securities Inc. She is active in the philanthropic community in Dallas. She received the Chartered Financial Analyst (CFA) designation and is a member of the CFA Society of Dallas/Fort Worth, where she previously served on the board. Allred received a Bachelor of Business Administration from Southern Methodist University and Master of Business Administration from The University of Texas at Austin.

**Elvis Williams** of Fair Oaks Ranch is assistant superintendent of operations at Edgewood Independent School District, where he oversees several departments within the school's operations division including transportation, inventory and warehousing, planning and construction, technology, athletics, and child nutrition services. He has previously held administration positions at Dallas ISD, Del Valle ISD, and Huntsville ISD. Williams volunteers with Big Brothers Big Sisters and with various committees of Bethlehem Baptist Church. He received a Bachelor of Science from Mississippi Valley State University, a Master of Education from Dallas Baptist University, and is currently pursuing a Doctor of Education at The University of Texas at Austin.

**John Elliott** of Austin is a Martindale-Hubbell AV-rated attorney specializing in commercial real estate and has practiced in Austin since 1987. Elliott was raised in Sonora, where his mother, Peggy, was a life-long high school and middle

school teacher with the Sonora Independent School District until her retirement. Elliott received a Bachelor of Business Administration in Accounting from The University of Texas in Austin and a Juris Doctor degree from The University of Texas School of Law.

[Here is a link to the map.](#)

**Key Dates – 88<sup>th</sup> Legislative Session:**

88<sup>th</sup> Legislative Session Begins: January 10, 2023

Inauguration of Governor and Lt. Governor – January 17, 2023

Bill Filing Deadline: March 10, 2023

88<sup>th</sup> 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](http://www.senate.state.tx.us)

[www.house.state.tx.us](http://www.house.state.tx.us)

[www.capitol.state.tx.us](http://www.capitol.state.tx.us)