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## MAJOR ISSUES

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The Texas legislature adjourned Sine Die around noon today, and almost all of the session's important issues were addressed. Here is a run-down of the major issues taken up by the 84th Legislature:

**Budget** – HB 1, the general appropriations bill, passed and has been sent to the comptroller for certification; HB 2, the supplemental appropriations bill, passed and has been sent to the comptroller for certification; HB 7, the fiscal matters bill that reduces reliance on dedicated funds to certify the budget, passed both the House and Senate and is heading for the governor's desk.

**Border Security** – HB 11, increasing resources to protect border security, has been sent to the governor.

**Economic Development** – HB 26, the omnibus economic development incentive reform bill, passed the House and Senate and is headed to the governor's desk.

**Energy** – HB 40, state preemption on regulation of oil and gas operations, was signed by to the governor on May 18, 2015 and took immediate effect.

**Environment** – SB 709, contested case hearing reform, was signed by the governor on May 23, 2015 and will take effect on September 1, 2015; SB 523, requiring sunset review of river authorities, passed the Senate and House and is heading to the governor's desk.

**Handguns** – HB 910, allowing concealed handgun license holders to openly carry a holstered handgun, has passed the House and Senate and is headed to the governor's desk; SB 11, allowing concealed handgun license holders to carry a concealed handgun on approved areas of college and university campuses, has passed the Senate and House and is heading to the governor.

**Health** – HB 2813, requiring insurance coverage for ovarian cancer screening, was signed by the governor on May 28, 2015 and takes effect on September 1, 2015; HB 21, the "Andrea Sloan Right to Try Act giving access to drugs in clinical trials for terminally ill patients, has been sent to the governor; SB 97, regulating the sale, use and advertising of vapor products, was signed by the governor on May 28, 2015 and takes effect on October 1, 2015; SB 339, allowing the medical use of low-THC cannabis to treat patients with intractable epilepsy, has been sent to the governor.

**Higher Education** – HB 100, providing tuition revenue bonds for construction projects at universities, has been sent to the governor; SB 1191, the Constitutional appropriation for non-PUF universities, has passed the Senate and House and is heading to the governor. The Governor's University Research Fund proposal passed in three bills – SB 632, HB 26, and HB 7.

**Public Education** – SB 149, requiring individual graduation committees for students that fail end-of-course assessments, was signed by the governor on May 11, 2015 and took immediate effect. HB 2804, redesigning the accountability system for evaluating school districts and campuses (including A-F campus ratings), and establishing the Texas Commission on Next Generation Assessments and Accountability to develop a new system of student assessment, passed the House and Senate and will be sent to the governor. Governor's Early Childhood Education Package: HB 4, high quality Pre-Kindergarten, was signed by the governor on May 28, 2015 and took immediate effect; SB 925, literacy achievement academies, was signed by the governor on May 21, 2015 and took immediate effect; SB 934, math achievement academies, was signed by the governor on May 28, 2015 and took immediate effect; SB 935, reading

excellence teams, was signed by the governor on May 28, 2015 and took immediate effect; and SB 972, Reading-to-Learn academies, was signed by the governor on May 28, 2015 and took immediate effect.

**Tax Relief** – SB 1/SJR 1, increasing the homestead exemption on school property taxes to \$25,000, passed the Senate and House – SB 1 has been sent to the governor and SJR 1 has been sent to the Secretary of State for ballot certification; and HB 32, decreasing the franchise tax rate across-the-board by 25 percent, has passed the House and Senate and is heading to the governor.

**Transportation** – SJR 5, dedicating a portion of sales tax revenue and the motor vehicle sales tax to the State Highway Fund, passed the Senate and House and will be sent to the Secretary of State for ballot certification.

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## **SUNSET LEGISLATION**

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Another set of bills are considered to be must-pass legislation - the “Sunset bills” which renew agencies that have been reviewed by the Sunset Advisory Commission during the interim. The agencies must be renewed by the legislature or they are discontinued:

**State Office of Administrative Hearings** – HB 2154 was signed by the governor on May 29, 2015 and takes effect on September 1, 2015.

**Department of Aging and Disability Services** – SB 204 did not pass, however, SB 200 contains language that consolidates the Department of Aging and Disability Services into the Health and Human Services Commission.

**Department of Assistive and Rehabilitative Services** – HB 2463 has been sent to the governor.

**Texas Council for Developmental Disabilities** – HB 1679 was signed by the governor on May 23, 2015 and took immediate effect.

**Texas Education Agency** – SB 214 died in the Senate Education Committee; and HB 1763 died in the House Public Education Committee. HB 3123 sets the sunset review date for Texas Education Agency for 2025.

**Department of Family and Protective Services** – SB 206 has been sent to the governor.

**Health and Human Services Commission** – SB 200 has been sent to the governor.

**Texas Health Services Authority** – SB 203 was signed by the governor and takes effect on September 1, 2015.

**Texas Department of State Health Services** – SB 202 has passed the Senate and House and been sent to the governor.

**Governor’s Committee on People with Disabilities** – HB 1678 was signed by the governor and takes effect on September 1, 2015.

**Texas Council on Purchasing from People with Disabilities** – SB 212 has been sent to the governor.

**Texas Workforce Commission** – SB 208 has been sent to the governor.

**Texas Workforce Investment Council** – HB1606 was signed by the governor on May 23, 2015 and takes effect on September 1, 2015.

**Sunset Schedule (Safety Net)** – HB 3123 has been sent to the governor. It sets the sunset date for Texas Education Agency at 2025.

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## GOVERNOR:

**Early Education Initiative** – On May 28, 2015 Governor Greg Abbott signed four bills implementing his emergency early education initiative. The Governor hosted an event at Anita Uphaus Early Childhood Center in Austin, where he ceremonially signed HB 4 by Dan Huberty (R-Kingwood) and Donna Campbell (R-New Braunfels), which will implement high-quality education standards for Texas Pre-K students. Governor Abbott was joined by students, teachers and several members of the Legislature, including the bills' authors and sponsors. In addition to signing HB 4, Governor Abbott signed SB 934 by Lois Kolkhorst (R-Brenham) and Marsha Farney (R-Georgetown) providing training academies for public school teachers who provide mathematics instruction to students in kindergarten through grade three; SB 935 by Lois Kolkhorst (R-Brenham) and Joe Deshotel (D-Beaumont) establishing a reading excellence team pilot program; and SB 972 by Lois Kolkhorst (R-Brenham) and Joe Deshotel (D-Beaumont) establishing training academies for public school teachers who provide reading comprehension instruction for students in grades four and five. The Governor previously signed SB 925 by Lois Kolkhorst (R-Brenham) and Jimmie Don Aycock (R-Killeen) establishing literacy achievement academies to provide high-quality, face-to-face professional development to public school teachers who instruct students in kindergarten through third grade. Governor Abbott said, "The time has come for the State of Texas to become number one in the nation for education. By signing these bills, we are providing our education system with the tools and resources necessary to build the strongest possible foundation for our early education programs and subsequently, Texas' future."

**Governor's Research University** – On May 31, 2015, Governor Greg Abbott praised the legislature's passage of SB 632 by Troy Fraser (R-Horseshoe Bay) and HB 26 by Angie Chen Button (R-Richardson), which together implement his higher education research emergency item by eliminating the Emerging Technology Fund (ETF) and creating the Governor's University Research Initiative. Governor Abbott said, "At the outset of this session, I proposed creating the Governor's University Research Initiative to harness our resources to empower Texas' higher education institutions as integral participants in our economic advancement. I commend the Texas Legislature for passing legislation that will allow us to make great strides toward my goal of elevating our higher education system, and ultimately creating better jobs and more opportunity for all Texans." The Governor's University Research Initiative, proposed by Governor Abbott in January, will utilize a portion of the ETF's unexpended balance to provide matching funds to help public institutions of higher education recruit prestigious, nationally-recognized researchers to their faculty. \$40 million of the ETF's unexpended balance was allocated for the initiative in HB 1.

**Access to CBD Oil to Treat Intractable Epilepsy** – On June 1, 2015, Governor Greg Abbott signed SB 339 by Kevin Eltife (R-Tyler) and Stephanie Klick (R-Fort Worth), which will allow individuals with intractable epilepsy (IE) to access cannabidiol (CBD oil) to reduce seizures. Governor Abbott said, "There is currently no cure for intractable epilepsy and many patients have had little to no success with currently approved drugs. However, we have seen promising results from CBD oil testing and with the passage of this legislation, there is now hope for thousands of families who deal with the effects of intractable epilepsy every day." SB 339 authorizes the use of CBD oil only for patients with intractable epilepsy (IE), requires two certified specialists to approve the drug for a patient and requires DPS to regulate entities who meet the strict qualifications for manufacturing and dispensing CBD oil. IE afflicts an estimated 149,000 individuals in Texas, typically children, and patients with IE can suffer hundreds of seizures per week.

**SENATE** – On the 140th day of the Session, the Senators elected Senator Kevin Eltife (R-Tyler) as President Pro Tempore of the Texas Senate. He will serve as Governor of Texas at times when both the Governor and Lt. Governor are out of the state. Lt. Governor Dan Patrick congratulated Senators on a successful session saying, "This may have been the Senate's finest hour. I think we had one of the most successful, if not the most successful, Senate session in modern history. We passed a budget, legislation doubling funding to border security, early education, and tax cuts over the past 140 days." The Senate adjourned Sine Die at 12:20 p.m.

**HOUSE** – The House adjourned Sine Die at 12:40 p.m. On Sunday, Representative Sylvester Turner (D-Houston) said farewell to his colleagues in the House. He is leaving to run for Mayor of Houston. On Monday, three other Representatives announced their retirement from the House – Representatives Jimmie Don Aycock (R-Killeen), Joe Farias (D-San Antonio), and Allen Fletcher (R-Cypress).

As the House adjourned Sine Die, Speaker Joe Straus gave high marks to the legislature for a successful session. He praised his colleagues for working in a respectful and collaborative way saying, “The House was a place where we vetted ideas carefully, treated each other with respect and worked to find common ground. Members have had the chance to address the issues that are most important to them and their constituents, and I think they can return home proud of what they have achieved. From education to job creation to transparency and accountability in government, the Texas House successfully addressed a number of key priorities in the legislative session. I’m proud of the way we addressed core issues. We improved education and addressed transportation. We cut taxes. And we made our budget more transparent and our government more accountable.” Specific accomplishments noted by the Speaker include:

**Budget** – “The Legislature approved a balanced two-year state budget that grows less than 2 percent per year and allows for almost \$4 billion in tax relief. The budget puts additional resources into public education and higher education.”

**Public Education** – “Several important education reforms are also headed to Governor Greg Abbott for approval. For example, the House broadened the accountability system used to evaluate public schools, diminishing the role of standardized testing and taking other academic factors into account. The Legislature also approved a plan to more quickly and effectively reform schools that repeatedly fail to meet academic standards.”

**Higher Education** – “For the first time since 2006, legislators voted to fund new facilities at university campuses across the state. In addition, the Legislature created the Governor’s University Research Initiative, which will help public institutions of higher education recruit nationally recognized scholars.”

**Economic Development** – “Creation of the Governor’s University Research Initiative was part of the Legislature’s larger effort to reform the economic development funds administered by the Governor’s office. Legislators eliminated the beleaguered Emerging Technology Fund and approved new oversight of other economic development funds in order to protect against abuse of taxpayer dollars.”

**Procurement** – “Oversight of taxpayer dollars was a major theme throughout the session. As the session began, details emerged about problems with contracts issued by the state’s Health and Human Services Commission. The House provided significant new oversight of how agencies award and administer private-sector contracts.”

**Transparency** – “Finally, the House achieved a number of victories in its efforts to make the budget more transparent. For decades, the state has collected fees for a stated purpose, but withheld the money from that purpose so that it could be counted to certify the rest of the budget. The House reduced that practice in 2013 and further reduced it this session. As a result, hundreds of millions of dollars in fees were reduced, while additional resources flowed to transportation, hospital trauma care and state parks.”

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## **BUDGET HIGHLIGHTS:**

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CSHB 1 by John Otto (R-Dayton) and Jane Nelson is the general appropriations bill for the 2016-2017 biennium. It appropriates \$106.6 billion in general revenue funds; \$7.48 billion in general revenue dedicated funds; \$68.002 billion in federal funds; \$27.345 in other funds; for an all funds total of \$209.432 billion (compared to \$196.9 billion in the 2014-2015 biennium). It is a 3.6 percent increase over the current biennium (3 percent if tax relief is excluded).

**Foundation School Program** – It provides \$35.5 billion in general revenue funds and \$42.3 billion in all funds for state aid to school districts and charter schools through the Foundation School Program (an increase of \$3.8 billion – 12.3 percent - over the 2014-15 biennium. It funds a projected enrollment growth of 83,000 – 85,000 students (1.7 percent). The funding reflects an increase of \$2.6 billion to replace lower Property Tax Relief Fund revenue due to franchise tax relief, \$1.2 billion in property tax relief, and \$1.5 billion in additional funding for schools. It also includes \$1.2 billion related to an increase in the basic allotment; \$200 million contingent on legislation that equalizes within the school finance formulas the treatment of similar tax effort across school districts; \$55.5 million for the Instructional Facilities Allotment to provide tax relief for property-poor districts issuing bonds for local facility needs; and \$47.5 million for the New Instructional Facilities Allotment to provide startup funds for new district and charter school campuses.

**Tax Relief** – It appropriates \$1.2 billion (to offset school funding lost) contingent on the passage of SB 1/SJR 1 increasing the mandatory homestead exemption for school districts from \$15,000 to \$25,000. \$2.6 billion is appropriated (to offset school funding lost) contingent on the passage of HB 32 reducing the franchise tax rates by 25 percent.

**Medicaid** – It appropriates \$61.2 billion for the Texas Medicaid program, an increase of \$2.1 billion that includes projected caseload growth, including transition of children from CHIP to Medicaid, maintaining fiscal year 2015 average costs for most programs, including fiscal year 2015 rate increases. It includes \$587.7 million in all funds (\$241.7 million in general revenue) to reimburse Medical managed care organizations for the cost of the Affordable Care Act Health Insurance Providers Fee. It includes \$712.6 million (an increase of \$573.3 million) for increases to hospital payments, including those to rural, trauma-designated, and safety-net hospitals. It funds an additional 5,601 long-term-care waiver clients at the Department of Aging and Disability Services. Funding levels also reflect a reduction of \$869.6 million for cost-containment initiatives. It does not include potential cost increases due to medical inflation, higher utilization, and increased acuity.

**Transportation** – It appropriates \$23.1 billion in all funds to Texas Department of Transportation. \$19.6 billion is provided for transportation planning and design, right-of-way acquisition, construction, and maintenance and preservation including \$8.8 billion for maintenance and preservation of the existing transportation system; \$5.8 billion for construction and highway improvements; \$2.4 billion for constructing, maintaining, and acquiring rights-of-way for non-tolled public roadways; \$1.8 billion for transportation system planning, design, and management; and \$0.9 billion for right-of-way acquisition. And, it provides \$2.2 billion for debt service payments and other financing costs.

**Mental Health** – It provides \$3.6 billion in all funds for behavioral health and substance abuse services, an increase of \$150.7 million (not including Medicaid mental health services). It includes in-patient funding for new contracted community hospital beds, state hospital information technology improvements, and building repairs and inflation-related cost increases. Increased funding for out-patient services includes funding for adult mental health waitlist, federal Preadmission Screening and Resident Review services, substance abuse prevention and treatment, neonatal abstinence syndrome prevention services, transition support for patients moving from hospitals to the community, expansion of recovery-focused clubhouses, crisis and suicide prevention services, and residential treatment slots.

**Higher Education Budget** – It appropriates \$7.2 billion in general revenue funds and \$1.3 billion in general revenue-dedicated funds, an increase of \$391.5 million in general revenue and an increase of \$68.2 million in statutory tuition in general revenue-dedicated funds. It funds enrollment growth and increases rates in all of the formulas except the health-related institutions and the success point component of the Public Community and Junior Colleges formula. Formula amounts for the 2016-17 increases from \$54.86 per weighted semester credit hour in 2014-15 to \$55.39 in 2016-17. Formula appropriations for the public community and junior colleges maintain the 2014-15 rates for core operations funding. Formula appropriations decrease the rate for success point funding from \$185.12 to \$172.58, increase the rate for contact hour funding from \$2.65 to \$2.69, and maintains the percentage split for formula funding at 90 percent for contact hour funding and 10 percent for success point funding.

**Adult Criminal Justice** – It provides \$6.7 billion in all funds for the incarceration, probation, and parole of adult offenders, an increase of \$458.4 million including \$188 million for an 8 percent pay increase for correctional and parole officers and a \$139.4 million increase for Correctional Managed Health Care.

**Juvenile Justice** – It provides \$634.9 million in all funds for juvenile justice services including \$9.6 million to implement the new regional diversion alternatives plan and a pay increase for juvenile correctional and parole officers.

**Border Security** – It includes \$800 million for border security initiatives at the Department of Public Safety, Trusteed Programs within the Office of the Governor, the Texas Parks and Wildlife Department, Texas Alcoholic Beverage Commission, Texas Commission on Law Enforcement, and the Department of Criminal Justice. The all funds total for border security is \$839.6 million (an increase of \$266.4 million).

**Teacher Retirement** – It includes \$3.6 billion in all funds for the state contribution to retirement benefits of the Teacher Retirement System. Funding reflects a state contribution rate of 6.8 percent of employee payroll each year.

**State Employee Retirement** – Funding for state contributions for the Employees Retirement System retirement program reflects an increase of \$265.3 million in all funds for state employees’ retirement benefits. Funding provides for a 9.5 percent state contribution rate per year. There is a contingency rider for HB 9, which increases the member contribution to ERS Retirement from 7.2 percent in 2016 and 7.5 percent in 2017 to 9.5 percent in each year of the 2016-17 biennium. It would provide \$333.1 million for an across-the-board pay raise for state employees and provide \$32 million for elimination of the 90-day waiting period for state contributions to ERS Retirement.

**Debt Service** – It provides \$4 billion to fully fund debt service (an increase of \$390.4 million – 10.8 percent) for debt issued by the Texas Public Finance Authority, the Water Development Board, and Texas Department of Transportation. It provides an additional \$240 million contingent on legislation authorizing tuition revenue bonds for capital projects at institutions of higher education.

Lt. Governor Dan Patrick praised the passage of the 2016-17 state budget saying, "I am proud of the Texas Senate for uniting to produce a conservative, responsible, state budget that will sufficiently fund our state’s needs over the next biennium, while providing \$3.8 billion in necessary tax relief to the businesses and property owners of Texas. Under the brilliant leadership of Senate Finance Chair Jane Nelson, the Senate conference committee did unbelievable work in negotiating the final budget with their House counterparts. I began this session with a long list of budget priorities, based in large part on the priorities expressed by the people of Texas. Each one passed as a part of the budget. Texans expected this legislature to address priorities including tax relief, border security, public education, and transportation. I commend the Texas Senate for meeting these expectations while constraining state spending under population growth and inflation."

Speaker Joe Straus also gave high marks to the budget negotiators saying, "The \$209 billion budget represents growth of 3.6 percent in All Funds, or less than 2 percent per year, and it stays beneath the spending limit in the Texas Constitution. While restraining overall growth, it prioritizes education, transportation and border security. It also reflects the House’s considerable efforts to increase transparency and accountability in state spending. This is a responsible plan focused on some very critical priorities. This balanced budget puts more resources in our classrooms, strengthens our transportation infrastructure and makes needed investments in mental health and trauma care. Our commitment to fiscal discipline remains intact. The House is profoundly grateful to Chairman Otto and his team for their outstanding work on this budget."

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)

*Compiled on behalf of the Greater Houston Partnership*

*By Dana Chiodo*