

# **Update from the Texas Lobby Group, L.L.P**

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## **Update - 81st Session of the Texas Legislature**

### **February 20, 2009**

Today, February 20<sup>th</sup>, leaves officially 101 days left in the 81<sup>st</sup> Texas Legislature. Committees are all appointed and the budget hearings on both sides of the rotunda have been running all day every day, even during the President's Day Holiday.

Bill filings have also increased. At our press time 2551 bills had been filed in the House and Senate. 550 Senate bills out of almost 1,000 bills filed have been referred to Senate committees. 800 House bills have now been referred to House committees out of more than 1,500 filed.

Things are certainly picking up....

### **Rearranging the Caucus Chairs**

On Wednesday, the **House Republican Caucus** unanimously elected **Representative Larry Taylor (R-Friendswood)** as Chairman of the caucus. Taylor said, **"I am honored to have been selected by my peers to work with Speaker Straus and the Republican majority to lead our party into the future. My goal for our caucus is to work smarter, faster, and be more effective in communicating our Party's values."** Other officers elected include: **Representatives Geanie Morrison (R-Victoria as Vice Chair; Linda Harper-Brown (R-Irving) as Treasurer; and Tan Parker (R-Flower Mound) as Secretary.**

On Thursday, **Representative Jessica Farrar (D-Houston)** was elected chair of the **House Democratic Caucus**. **"First on my agenda as Chair is to immediately ask all Democratic Caucus members to participate in developing an agenda for the 81<sup>st</sup> Legislative Session that addresses the state's most pressing needs"** said Farrar. The Democratic Caucus also elected **Representative Jim Dunnam (D-Waco) as House Democratic Leader; Representative Marc Veasey (D-Fort Worth) as Caucus Chair Pro Tempore; and Representative Terri Hodge (D-Dallas) as Treasurer.**

### **Follow the Money**

This week, the newly reappointed **House Appropriations Committee Chair Jim Pitts (R-Waxahachie)** appointed subcommittees, and they started their hearings on their budget items immediately.

Subcommittees include:

**General Government** – John Otto (R-Dayton) Chair; Abel Herrero (D-Robstown) Vice Chair; Betty Brown (R-Athens); Brandon Creighton (R-Conroe); and Kino Flores (D-Mission).

**Health & Human Services** – John Zerwas (R-Fulshear) Chair; Dawnna Dukes (D-Austin) Vice Chair; Ellen Cohen (D-Houston); Craig Eiland (D-Texas City); and Carl Isett (R-Lubbock).

**Education** – Scott Hochberg (D-Houston) Chair; Geanie Morrison (R-Victoria) Vice Chair; Jimmie Don Aycok (R-Killeen); Susan King (R-Abilene); and Mike Villarreal (D-San Antonio).

**Criminal Justice** – Debbie Riddle (R-Houston) Chair; Ruth Jones McClendon (D-San Antonio) Vice Chair; Myra Crownover (R-Denton); Joe Driver (R-Garland); and Al Edwards (D-Houston).

**Business & Economic Development** – Helen Giddings (D-Dallas) Chair; Drew Darby (R-San Angelo) Vice Chair; Angie Chen Button (R-Richardson); Norma Chavez (D-El Paso); and Doug Miller (R-New Braunfels).

**Hurricane** – Craig Eiland (D-Texas City) Chair; Ellen Cohen (D-Houston); Kino Flores (D-Mission); John Otto (R-Dayton); and Debbie Riddle (R-Houston).

**Stimulus** – Myra Crownover (R-Denton) Chair; Brandon Creighton (R-Conroe); Drew Darby (R-San Angelo); Dawnna Dukes (D-Austin); and Craig Eiland (D-Texas City).

These subcommittees will make most of the early, substantial decisions regarding what gets funded and what doesn't. From here, those items will go to the full committee for consideration and revisions.

### **Business Tax Reform**

On Tuesday, **Governor Rick Perry** addressed the **National Federation of Independent Business (NFIB)** Small Business Day luncheon. He expressed his support of small business in Texas, including the idea of raising the business margins tax exemption to \$1 million. **“I think we can do more to make Texas the best option for companies that employ Texans, which should include taking a close look at the reformed business tax we implemented a few years ago. I support raising the small business exemption to \$1 million but also look forward to hearing what our legislators have to say. We need to do everything we can to reduce the weight of government so that**

**employers can have the breathing room they need to make it through these uncertain economic times.”** A dozen bills have been filed in the legislature thus far to address this issue.

### **Economic Outlook**

Though Texas has been able to dodge the national recession (for the most part) in 2008, **Waco Economist Ray Perryman** says the first half of 2009 looks dismal for the state. **“We expect only modest job growth for Texas this year, and most of it will come in the second half of the year”**. Compared to the rest of the country, however, Texas has managed to hold its own. For instance, over 50% of the jobs created in the United States last year were created in Texas.

However, **Texas Comptroller Susan Combs’** most recent assessment is there is hope that within the year, the state will start seeing an economic recovery. The state’s unemployment rate is currently at 6% and Combs warned it may rise to 6.6% before a recovery kicks in. That would equate to a loss of about 111,000 jobs in the first two quarters. That being said, Texas is certainly faring far better than the rest of the country.

### **Federal Stimulus Package**

As we’ve reported, the Texas budget is in relatively good shape compared to other states. In fact, Texas is one of fewer than 10 states that have surpluses. However, the surplus quickly dwindles due to several factors, including growing caseloads in Medicaid and public school classrooms, as well as the fact that incoming revenue is expected to be flat. So it’s a technically debatable premise as to whether or not we have a surplus with the ongoing demands. These demands are supposed to be worse in 2012 and that has the attention of the leadership and budget writers. The point being, that while Texas’ budget is in good shape currently, the estimated demands make that outlook not quite so rosy.

Meanwhile, the Conservatives and those concerned about 2012 have expressed concern over the **Obama** stimulus package as has **Governor Perry**. However, now that the **Economic Stimulus Package** has passed, Governor **Rick Perry** sent a letter to President Obama in response.

In his letter the Governor expressed his concerns about using these funds to expand existing government programs and burdening the state with ongoing expenditures long after the funding has dried up. However, he says, **“Throughout the years, Texas taxpayers have sent substantially more**

**dollars to Washington than we receive on issues ranging from transportation to border security and hurricane relief. As I have said during the debate on HR 1, should Congress pass stimulus legislation using Texas tax dollars, I would work to ensure that our citizens receive their fair share.”**

With the stimulus package money now on the way, the Executive Branch and the Legislature will be left to argue over what will or won't be spent, and how. And you can expect that will be one of the top issues – if not the top issue - that is debated (along with the budget) over the next one hundred days of the 81<sup>st</sup> Legislative Session.

**Next Week:**

The **Senate Finance Committee** will meet every day next week starting at 8:30a.m. The **House Appropriations Subcommittees** will continue to meet next week.

The Senate adjourned until 1:30p.m. Monday. The House adjourned until 2:00p.m. Monday.