



2011  
LEGISLATIVE  
AGENDA

**GHP**

GREATER HOUSTON PARTNERSHIP  
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## LETTER FROM THE PRESIDENT

Thank you for your willingness to serve our state as a member of the Texas Legislature.

As the premiere business organization for our region, the Greater Houston Partnership (GHP) is committed to fighting for economic development and public policy.

**GHP, through our more than 2,100 members, represents the 10-county Houston region's business interests to promote the growth of high-paying jobs, international trade and capital investment.** Our members represent small and mid-sized businesses and *Fortune 500* companies – employing one-fifth of Houston Metropolitan Statistical Area (MSA) jobs.

GHP's Board of Directors oversees corporations that directly account for one in every ten of the Houston metropolitan area's more than 2.6 million jobs. These corporations also represent annual sales and receipts that, when combined, exceed \$1.9 trillion.

We are committed to aggressively advocating our 2011 Legislative Agenda and key priorities. GHP has adopted policy resolutions in the areas of business issues, education and work force, energy and environment, health care, immigration, quality of life and transportation and infrastructure.

While these policy areas contain some areas that remain in flux, our resolve to working on them is not. We are committed to being a part of the ongoing policy discussions.

We are pleased to share our 2011 Legislative Agenda with you and ask for your support.

Onward,

A handwritten signature in black ink that reads "Jeff Moseley". The signature is written in a cursive style with a large, looping "J" and "M".

Jeff Moseley  
President and CEO, Greater Houston Partnership

P. S. GHP has retained Locke Lord Bissell & Liddell to advocate on our behalf during the 82<sup>nd</sup> Texas Legislature. Bruce LaBoon and Jerry Valdez are our primary liaisons and Emily Kao Kopfensteiner is GHP's government relations representative. Their contact information is located in the back of this publication. You can also follow me on Twitter at @GHPJeff for updates on our legislative agenda.

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**GREATER HOUSTON PARTNERSHIP  
2011 LEGISLATIVE AGENDA**

***Protect critical funding levels for Pre-K and K-12, with a focus on keeping Pre-K funded at current levels, to ensure all eligible children have access to quality education.***

GHP urges the Texas Legislature to protect the current investment in funding for Pre-K programs and K-12 public education, well-educated and trained teachers, low teacher-student ratios and age appropriate curricula based on research.

***Preserve, protect and promote the life-saving medical research and care that are provided in the Texas Medical Center.***

GHP urges the Texas Legislature to fully fund Medicaid and the Children's Health Insurance Program as well as maintain the Upper Payment Limit program and optimize federal matches. GHP also supports the limitations of any funding restrictions within formula funding in HB 1 and SB 1 that have adverse effects to institutions of higher education, including instruction and operations, infrastructure, research and Graduate Medical Education.

***Continue to support the designation of the University of Houston as a Tier-One University in Texas.***

GHP urges the Texas Legislature to continue targeted research funds for the Tier One designation of the University of Houston to ensure that Texas increases the number of Tier One universities as quickly as possible. GHP supports the immediate and full distribution of National Research University Funds to qualifying universities following the same formula that is applied in the distribution of similar funds. The money is needed by such qualifying universities today to accelerate their advancement to Tier One status.

***Preserve and protect economic development resources such as the Texas Enterprise Fund, the largest "deal-closing" fund in the United States.***

GHP urges the Texas Legislature to preserve the current fund balance of the Texas Enterprise Fund at \$144.9 million; support funding of the Texas Emerging Technology Fund at \$203 million; and protect other key state economic development resources.



## PUBLIC EDUCATION

**CALL TO ACTION:** GHP urges the Texas Legislature to protect the current investment in funding for Pre-K programs and K-12 public education, well-educated and trained teachers, low teacher-student ratios and age appropriate curricula based on research.

- Protect the current level of average funding per student for Pre-K and K-12 public education;
- Protect funds dedicated to our high return, early childhood education investments, especially those that include federal matching;
- Preserve full funding for Pre-K for eligible children (four-year-old children who were homeless, eligible for free or reduced price lunch, in military families, or unable to speak and understand the English language);
- Fund performance incentive pay for teachers; and
- Promote higher quality teacher instruction for Pre-K educators outside of the independent school district programs.

### **Public Education**

GHP strongly supports long-term, sustained investment in public education by the State of Texas to underpin economic health and competitiveness. It is critical that we have a well-educated work force, and that our investments in Pre-K and K-12 support the education of students who are career and higher education ready.

#### Facts:

- Pre-K
  - HB 1, as filed, eliminates total funding for the Pre-Kindergarten Grant Program, for which \$223.3 million was appropriated in the last biennium.
  - A recent study by Texas A&M found that every dollar invested in a full-day, high-quality pre-kindergarten program generates \$3.50 in benefits to the state as a whole.
  - Research has found that Pre-K reduces the need for special education, retention programs and behavioral problems.
  - The Texas Public Pre-School Program serves 210,000 children, primarily four-year-olds with a half-day voluntary program for children at risk.
  - Limiting access to Pre-K programs by cutting funding or lowering quality by increasing student-teacher ratio will widen the education gap between advantaged and disadvantaged students in the pre-school years, increase primary grade failure and high-school drop-out rates, and decrease the quality of the future work force in Texas.



- K-12
  - HB 1, as filed, reduces the foundation school program by \$10 billion below what was requested by the Texas Education Agency.
  - Houston region school districts represent one out of every ten students in the state of Texas.
  - There are an estimated 4,468,698 students in 2010 regular and charter schools in Texas. According to the most recent Census data, Harris County alone has an estimated 1,258,103 children between the ages of 0 and 19, accounting for the largest segment of the population (30.7%).
  - Enrollment in Texas public schools rose by about 20 percent in the last decade. The State Data Center estimates that the public elementary and secondary school population will grow by about 900,000 between 2010 and 2040.
  - Recent Manpower Inc. and Manufacturers Institute studies indicate that significant skills shortages persist in areas as diverse as skilled production workers, scientists, engineers and accounting and finance staff. Industries that are very important economic drivers in the Houston region such as health care, energy and manufacturing are being particularly impacted. Almost one-third of companies report levels of shortages today at all levels and over one-half report shortages for skilled production workers (e.g. machinists, operators, craft workers, distributors and technicians).
  - 14% of U.S. employers are having difficulty filling jobs due to lack of available talent. This challenge will be exacerbated in coming years as skilled professionals in the Baby Boom generation retire.
  - According to Texas Association of School Boards, in 2008 approximately half of the students entering a two-year college require some academic remediation; and over 20% of freshmen at four-year institutions take at least one remedial course.



## TEXAS MEDICAL CENTER

**CALL TO ACTION:** GHP urges the Texas Legislature to support initiatives that preserve, protect and promote the life-saving medical research and care that are provided in the Texas Medical Center.

- Fully fund Medicaid and CHIP programs and optimize federal matches;
- Maintain the Upper Payment Limit (UPL) program and maximize federal matching funds for the State. Texas can achieve more cost effective and better care management through an expansion of Medicaid managed care and preserve the federal UPL funds for hospitals in this manner; and
- Limit any funding restrictions within formula funding in HB 1 and SB 1 that have adverse effects to institutions of higher education, including instruction and operations, infrastructure, research and Graduate Medical Education.

### **Texas Medical Center**

Texas Medical Center is the largest medical complex in the world. With more than 6 million patient visits annually, Texas Medical Center generates \$14 billion in annual economic impact to the Houston region. Texas Medical Center boasts 93,500 direct jobs and 121,500 indirect jobs. Its 49 member institutions include 4,000 physicians; 17,000 scientists, researchers and other advanced degree professionals; and 71,500 students, including more than 5,600 international students. In 2010, Texas Medical Center had more than \$5.7 billion in direct expenditures by its institutions and \$1.8 billion in annual research expenditures.

### Facts:

- Medicaid and Children's Health Insurance Program (CHIP)
  - Currently more than 3 million Texans, including 2.5 million children are served by the State of Texas's Medicaid program, having expanded greatly due primarily to the downturn in the economy and the population growth in Texas. The Texas Medicaid program is currently growing at a 9% annual rate of growth. Medicaid and CHIP provide a significant safety net for Texans who have medical needs with limited resources.
  - The federal share of Medicaid funds Texas receives is between 50% and 60% of the total payments; while for every dollar the state contributes towards CHIP, the federal match is \$2.50.
  - It is estimated that for 2011 payments under Medicaid will only cover on average 60% of hospitals' and other inpatient providers' actual costs and less than 85% of the cost for outpatient services.
  - Additional cuts to the Medicaid and CHIP program would prove catastrophic to Texans and financially devastating to the providers who choose to serve this



underserved population despite the fact that they lose money on each patient that they serve in this program.

- Cuts to providers in the Medicaid program lead to undermining the primary care system, leading Medicaid patients to seek care at the most expensive location – hospital emergency rooms and shifting the cost of care to commercial insurance carriers to cover the shortfall, hurting businesses.
  - Additionally, investments in prevention are critical as 75% of health care expenditures go toward largely preventable chronic diseases, many due to lifestyle choices, *e.g.* the obesity epidemic currently costs Texas \$10 billion annually and is projected to cost \$39 billion annually by 2040.
- Higher Education – Instruction and Operations, Infrastructure, Research and Graduate Medical Education
    - Proposed reductions to formula funding in HB 1 and SB 1 will have a detrimental effect to the institutions of higher learning, including the health-related academic institutions within the Texas Medical Center.
    - These funds are targeted directly to the core mission of educating the next generation of the health care work force. The per-student levels in HB 1 and SB 1 amount on an inflation-adjusted basis to roughly 50 cents on the dollar compared to FY2000 levels.
    - The loss of this funding will have a material negative effect to the Texas Medical Center’s \$14 billion annual economic impact to the Texas Gulf Coast community. For every job that is lost in the Texas Medical Center, an additional 1.3 jobs will be lost in the community.
    - The loss of work force development resources will increasingly strain a medical care delivery system already distressed with critical staff shortages in clinical care, further increasing the cost of care and putting patients increasingly at risk without trained medical personnel.
    - The effect of these proposed reductions will impede the ability to attract and retain the intellectual capital needed to engage in groundbreaking research or the highest quality of patient care services.



## HIGHER EDUCATION – TIER ONE

**CALL TO ACTION: GHP urges the Texas Legislature to continue targeted research funds for the Tier One designation of the University of Houston to ensure that Texas increases the number of Tier One universities as quickly as possible. GHP supports the immediate and full distribution of National Research University Funds to qualifying universities following the same formula that is applied in the distribution of similar funds. The money is needed by such qualifying universities today to accelerate their advancement to Tier One status.**

### **Higher Education – Tier One**

A Tier One ranking confirms a university's excellence and will reap economic and educational benefits for the city, region and state. Texas has lagged behind other states in the number of Tier One universities – California has nine and New York has seven. Increasing the number of Tier One institutions allows Texas to compete more successfully for the best and brightest students and faculty to spur economic growth, sustain an educated work force and attract innovative research. A Tier One university also provides a nationally competitive learning environment for its students and greater opportunities for students to work with world-class faculty in nationally ranked programs and engage in cutting-edge research and learning.

#### Facts:

- Given that the threshold for being ranked as a top-tier research university is at least \$150 million in research expenditures annually, elevating the University of Houston (UH) to top-tier status would create:
  - 5,000+ new jobs
  - \$129 million in wages to the regional economy
  - \$7.5 million in additional state revenue
  - \$202 million in local sales
- In January 2011 the Carnegie Foundation, categorized UH as a Research University with “very high research activity,” the highest classification given to research universities and the equivalent of Tier One status.
- However, UH remains classified as an Emerging Research University and, as such, is still eligible for financial support. UH must still meet benchmarks defined in the legislation, including increasing the number of graduate-level programs; strengthening the admission standards for graduate programs; and the level of institutional support for graduate students.
- Reaching top-tier status will require an estimated annual commitment of \$70 million from the state.



## ECONOMIC DEVELOPMENT

**CALL TO ACTION: GHP urges the Texas Legislature to preserve and protect the current structure and funding of key economic development programs to maintain Houston's competitive position as a top region in the U.S. for business.**

- **Preserve the current fund balance of the Texas Enterprise Fund at \$144.9 million;**
- **Support the funding of the Texas Emerging Technology Fund at \$203 million which was appropriated during the 2010-2011 biennium; and**
- **Protect other key state economic development resources.**

### **Economic Development**

GHP drives regional economic development by partnering with a network of business leaders, public officials and economic development allies to provide an array of services to companies with retention, expansion and relocation projects.

Facts:

- Texas Enterprise Fund (TEF)
  - The TEF is the largest “deal-closing” fund in the United States intended to attract businesses and jobs to Texas.
  - The fund is used for a variety of economic development projects, including infrastructure development, community development, job training programs and business incentives.
  - To date, the TEF has invested more than \$425.68 million and closed the deal on projects generating 56,771 new jobs and more than \$14.76 billion in capital investment in the state.
  - The TEF has granted 11 projects to the Houston region totaling \$1.37 billion in capital investment and resulting in 11,205 new jobs.
  - The current fund balance of the TEF is \$144.9 million.
- Texas Emerging Technology Fund (ETF)
  - The ETF was created to provide Texas with an unparalleled advantage in the research, development and commercialization of emerging technologies.
  - To date, the ETF has allocated more than \$188.5 million in funds to 128 early stage companies, and nearly \$170 million in grant matching and research superiority funds to Texas universities.
  - During the 2010-2011 biennium, \$203 million was appropriated for the ETF. The \$203 million consisted of \$24 million in General Revenue Funds, \$70 million in



Federal Funds and \$109 million in estimated revenue, estimated interest earnings and unspent appropriations carried forward from fiscal year 2009.

- The current fund balance of the ETF is \$45 million but that amount will likely be exhausted by the end of fiscal year 2011.
  
- Texas Economic Development Act: Chapter 313, Texas Tax Code
  - The Texas Economic Development Act enhances the state's economic development efforts by allowing school districts to temporarily lower the ad valorem tax burden on capital intensive projects.
  - This tool allows participating school districts the ability to attract new taxable property to their tax rolls while creating high-paying jobs for their local communities.
  - Through 2010, economic development agreements under Chapter 313 resulted in more than \$47 billion of estimated capital investment.
  - Nine projects are currently active in the Houston region with two additional projects under review by the Comptroller's office or the local school districts.
  - The total capital investment for all 11 qualified projects is estimated at more than \$3.27 billion. The nine active projects have created 476 direct jobs in the region, with a median wage of \$83,110.
  - This program has no specific appropriation amount.
  - Chapter 313 has a sunset date of December 31, 2014.
  
- Texas Enterprise Zone Program
  - The Texas Enterprise Zone Program is an economic development tool for local communities to partner with Texas to promote job creation and capital investment in economic distressed areas.
  - The program offers state sales and use tax refunds on qualified expenditures, based on capital investment and jobs created.
  - The program has awarded 28 projects to the Houston region with a total capital investment of nearly \$4.1 billion which has resulted in the creation of 17,686 jobs.
  
- Skills Development Fund
  - The Skills Development Fund is the primary work force training incentive that assists businesses and trade unions by financing the design and implementation of customized job training projects.
  - It successfully merges business needs and local customized training opportunities into a winning formula to increase the skills level and wages of the Texas work force.



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