

86TH

TEXAS LEGISLATIVE SESSION

SUMMARY

PUBLIC POLICY DIVISION
JUNE 2019



GREATER HOUSTON
PARTNERSHIP

Dear Members,

We are pleased to report the 86th Texas Legislative Session was a success for the Partnership, the Houston business community and the broader Greater Houston region. This session was characterized by strong leadership from Governor Greg Abbott, Lt. Governor Dan Patrick and first-term House Speaker Dennis Bonnen. Their leadership focused the Legislature on addressing the most pressing needs facing Texas, which closely aligned with the Partnership's priorities.

Through the efforts of the Partnership's Board of Directors and our Public Policy Advisory Committees, we identified our top executive priorities based on the issues' importance to Houston and the Partnership's ability to make meaningful impact. The Partnership focused on two initiatives critical to the advancement of the region's economic competitiveness: improving the state's flood resilience and supporting comprehensive public school finance reform.


Thanks to consistent engagement from the Partnership, strong leadership from our statewide leaders and commitment from our regional delegation, we are proud to report success in each of our top priority areas.

The passage of flood resilience legislation was a major accomplishment. The Partnership built a data-driven case for the state to fund Hurricane Harvey recovery and establish a role in future flood mitigation resulting in \$2 billion in funding for both of these areas. Importantly, this legislation marks the first time the state will have a significant role in funding flood mitigation infrastructure.


On education, the Legislature passed the most consequential public school finance reform since 1993. House Bill 3 significantly increases the state's investment in public education and directs some of that funding toward transformational initiatives. Texas will benefit from funding allocated to proven programs directed at the highest-need student populations. By any measure, House Bill 3 is historic legislation that has the potential to dramatically improve public education in Texas.

The Partnership also engaged in workforce development policy at the state legislature for the first time, and this work will continue into the interim. Other issues important to the Houston business community – the preservation of state economic development programs, enhancement of higher education and creation of new mental health programs – were also approved with leadership from Houston-area legislators.

This was a tremendous session, and we thank the Board of Directors, Public Policy Advisory Committees, members, staff and stakeholders for your engagement prior-to and during session. We are pleased to offer this report highlighting the results across our top priorities.



Scott McClelland
2019 Chair, Greater Houston Partnership



Bob Harvey
President and CEO

Partnership Executive Leadership

Scott McClelland | Chair

Bobby Tudor | Vice Chair

Bob Harvey | President and CEO

Partnership Public Policy 2019 Advisory Committee Chairs

Earl Hesterberg | President and CEO, Group 1 Automotive | Business Issues

Scott Nyquist | Senior Partner, McKinsey & Company | Energy

Troy Villarreal | President, HCA Gulf Coast Division | Health Care

Thad Hill | President and CEO, Calpine Corporation | Higher Education

Steve Clarke | Division Vice President, Jacobs | Infrastructure and Resiliency

Andy Waite | Co-President, SCF Partners | Public Education

David Miree | Lead Region President, Texas, Wells Fargo | Public Education (vice chair)

Ric Campo | CEO, Camden Living | Quality of Place

Amy Chronis | Managing Partner, Deloitte | Sustainability

Mark Cover | Senior Managing Director, CEO, Southwest Region, Hines | Transportation

Walt Mischer, Jr. | Partner, Mischer Investments | Transportation (vice chair)



FLOOD RESILIENCE

A Statewide Investment in Flood Resilience

Texans need adequate relief from flooding and protection from future severe weather events. Significant funding is required to improve the state's flood resilience following Hurricane Harvey and other flood events in recent years. Following and related to Hurricane Harvey, there were three disaster supplemental appropriations passed by Congress. As of early 2019, approximately \$31.5 billion from those appropriations will come to, or has come to Texas through various agencies and programs. While the federal government has historically played an important role in helping local communities recover after a natural disaster and local governments have paid a local cost-share with many federal projects, this legislative session marked the first time for the state to take on a responsibility in funding and improving Texas' flood recovery and resilience. Below is an overview of major appropriations made by the federal, state and local governments following Hurricane Harvey.

MAJOR HURRICANE HARVEY RECOVERY AND FLOOD RESILIENCE FUNDING

FEDERAL FUNDING FOR TEXAS

HURRICANE HARVEY RECOVERY FUNDING

- \$6.33 billion
Funds Community Development Block Grants - Disaster Recovery
- \$4.57 billion
Funds FEMA Public Assistance

HURRICANE HARVEY MITIGATION FUNDING

- \$4.07 billion
Funds HUD Community Development Block Grants - Disaster Recovery
- \$820.6 million
Funds FEMA Hazard Mitigation Grant Program
- \$4.90 billion
Funds U.S. Army Corps of Engineers Studies and Projects

STATE OF TEXAS FUNDING

RECOVERY AND RESILIENCE FUNDING

\$2 billion from the state, which draws down approximately \$5 billion in federal funding

REGIONAL FUNDING

MITIGATION FUNDING

\$2.5 billion - Harris County Flood Control District Bond, which provides funding for about \$5 billion in projects

City of Houston Dedicated Street and Drainage Renewal Fund (Build Houston Forward)

Legislative Action: Senate Bill 7 and Senate Bill 500

Securing significant funding for Hurricane Harvey recovery and future flood mitigation was one of the Partnership's top executive priorities this session. Immediately following Hurricane Harvey, the Partnership established the Infrastructure and Resiliency Task Force, which estimated the Houston region would require more than \$54 billion in flood mitigation infrastructure investment to improve the region's future resilience. The 55 counties impacted by Hurricane Harvey also needed funding to help cover the unanticipated local matching requirements to draw down more than \$5 billion in federal recovery and resilience dollars. The Partnership approached the 86th Texas Legislative Session with the goal of creating a first-of-its-kind mechanism through which the state could play a significant role in disaster recovery and future flood resilience. Through work with Governor Abbott, Lt. Governor Patrick, House Speaker Bonnen and state legislators, the Legislature passed the following comprehensive flood planning, recovery and resilience package.

TEXAS' FIRST FLOOD PLANNING, RECOVERY AND RESILIENCE PACKAGE

SENATE BILL 7 - SIGNED BY GOVERNOR ABBOTT

Senate Author: Senator Brandon Creighton (R-Conroe)
House Sponsor: Representative Dade Phelan (R-Beaumont)

Senate Bill 7 is the Legislature's landmark flood resilience legislation designed to invest in future flood mitigation infrastructure to reduce the impact of severe weather events. The Partnership played a leading role by building a data-driven case for the state to cover communities' unanticipated local match needs throughout the 55 counties recovering from Hurricane Harvey. Importantly, the Partnership advanced the need for funding future statewide flood resilience.

SENATE BILL 500 - SIGNED BY GOVERNOR ABBOTT

Senate Author: Senator Jane Nelson (R-Flower Mound)
House Sponsor: Representative John Zerwas (R-Richmond)

In total, the Legislature appropriated \$2 billion towards Hurricane Harvey recovery and future flood mitigation through the supplemental appropriations bill, Senate Bill 500. This commitment of significant state funding will help local communities and make Texas more resilient.

SENATE BILL 6 - SIGNED BY GOVERNOR ABBOTT

Senate Author: Senator Lois Kolkhorst (R-Brenham)
House Sponsor: Representative Geanie Morrison (R-Victoria)

Senate Bill 6 addresses disaster recovery by local governments. The bill creates a new statewide disaster recovery loan program to help local governments cover recovery costs. The law also helps establish best practices for disaster response plans, training and debris removal.

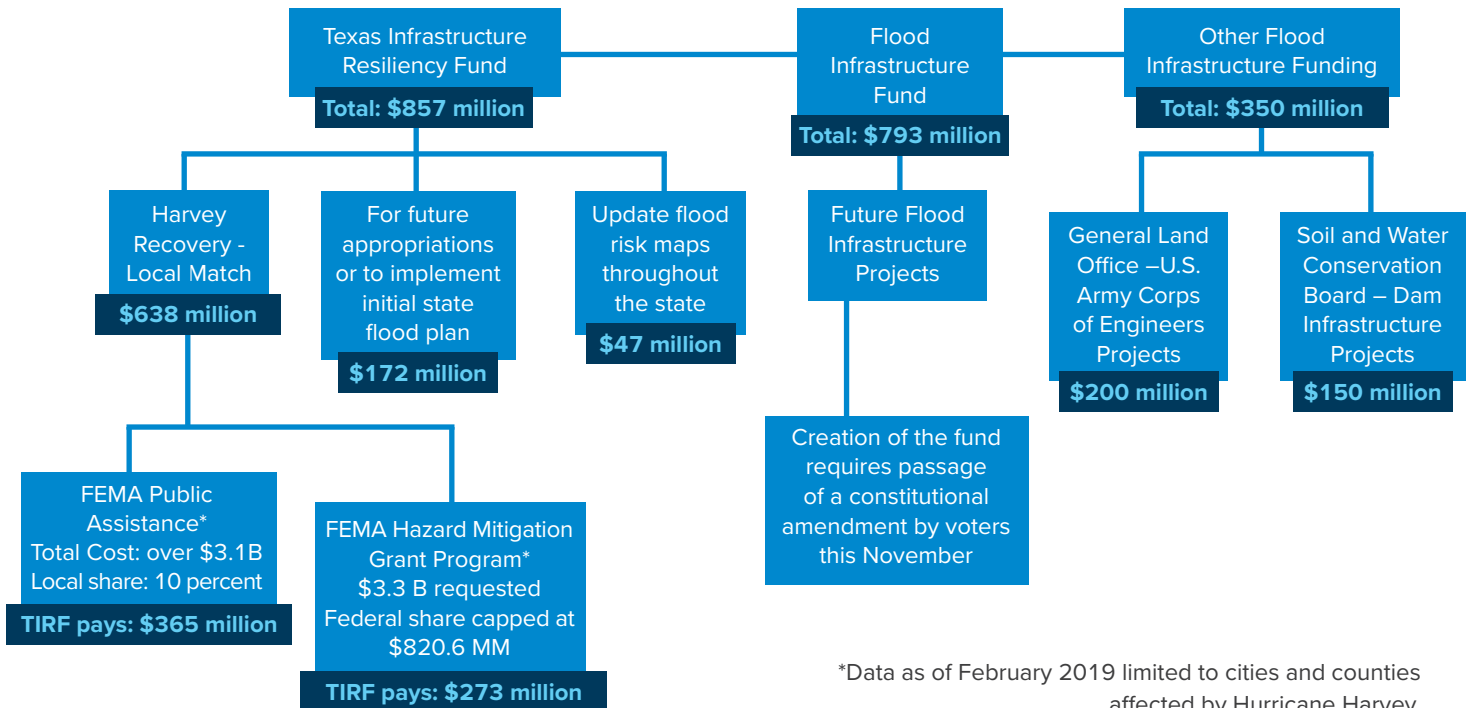
SENATE BILL 8 - SIGNED BY GOVERNOR ABBOTT

Senate Author: Senator Charles Perry (R-Lubbock)
House Sponsor: Representative Lyle Larson (R-San Antonio)

Senate Bill 8 requires new regional and statewide flood plans. Utilizing lessons from the water development plan, the Texas Water Development Board will coordinate flood planning between regions and watersheds, create updated flood maps, and recommend flood mitigation projects.

Flood Resilience: Senate Bill 7 Funding Accounts

Senate Bill 7 is the conduit for \$2 billion in flood recovery and resilience funding appropriated by the supplemental appropriations bill, Senate Bill 500. SB 7 creates two funds – the Texas Infrastructure Resiliency Fund (TIRF) and the Flood Infrastructure Fund (FIF) – administered by the Texas Water Development Board, to address both immediate recovery needs and future flood mitigation.



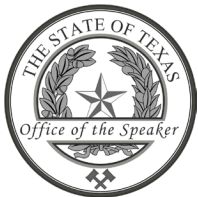
*Data as of February 2019 limited to cities and counties affected by Hurricane Harvey.



“I commend the House and Senate, which have both proposed using Rainy Day Funds to help rebuild Texas stronger and more resilient than before disaster struck.”
- **Governor Greg Abbott**



“I really do believe this is one of the most important bills this body has ever passed for the entire state of Texas and our future.” - **Lieutenant Governor Dan Patrick**



“We have a large package of legislation that I am very proud of, because it absolutely addresses a future Hurricane Harvey. What it really does well is it addresses future disasters that could hit any part of our state.” - **House Speaker Dennis Bonnen**

Next Steps for Flood Resilience

FLOOD INFRASTRUCTURE FUND

**APPROVE
CONSTITUTIONAL
AMENDMENT IN
NOVEMBER**

Authorizes the State to create the Flood Infrastructure Fund for future mitigation projects

Without this fund, the state will not have the protected account needed to build a more resilient Texas

TEXAS INFRASTRUCTURE RESILIENCY FUND

**IMPLEMENT
PROJECTS**

Communities throughout the 55 counties recovering from Hurricane Harvey will draw down local matching funds from the TIRF account

By using TIRF, local communities will be able to leverage federal dollars and implement flood recovery and mitigation projects.

**DEVELOP A
STATE FLOOD
PLAN**

Pursuant to Senate Bill 8 by Senator Charles Perry (R-Lubbock), the Texas Water Development Board will develop a state flood plan by September 1, 2024

The state flood plan will guide state and local flood control policy and direct remaining funds in the TIRF and FIF accounts

BUILDING A MORE RESILIENT TEXAS



PUBLIC SCHOOL FINANCE REFORM

Improving Outcomes for All Students

Texas children, who are the foundation of our future workforce, need a quality education. Improving student achievement starts with how our state finances public education. Before the 86th Legislative Session convened, Texas had not updated its school finance formula since 1993. The outdated formula funding system did not account for the diversity of Texas' student population or the transformation in viable industry jobs and career pathways for students. After studying the school finance system, the Partnership and Houston business community established comprehensive school finance reform as one of the Partnership's top executive priorities this session.

Principles for School Finance Reform

Before the 86th Texas Legislative Session convened, the Partnership's Public Education Advisory Committee, chaired by Andy Waite, Co-President of SCF Partners, evaluated the state school finance formula funding system, and published a white paper. The white paper analyzed the structure of the formula funding system, current education outcomes, Texas' growth, and how the formula system failed to meet the needs of Texas students. The committee was instrumental in developing the Partnership's principles for school finance reform, which were reflected in the actions of the 86th Texas Legislature.

The Partnership's principles for school finance reform:

1. Prioritizing formula funding weights for economically-disadvantaged and English Language Learner students.
2. Funding early education with an emphasis on programs that increase the reading proficiency of students by third grade.
3. Increasing pay for the best teachers and incentivizing the best teachers to teach in the lowest performing schools.
4. Equitably reducing the burden of recapture.
5. Increasing the state's share of education funding.

Legislative Action: House Bill 3 - SIGNED BY GOVERNOR ABBOTT

House Author: Representative Dan Huberty (R-Kingwood)
Senate Sponsor: Senator Larry Taylor (R-Friendswood)

At the beginning of session, state leadership set school finance reform as a top priority. Governor Abbott declared school finance reform as his top emergency item of session, and House Speaker Bonnen staked his speakership on passing meaningful legislation. Lt. Governor Patrick was also a key leader, championing elements related to teacher compensation. Two members of the greater Houston delegation, House Public Education Committee Chairman Dan Huberty (R-Kingwood) and Senate Education Committee Chairman Larry Taylor (R-Friendswood), were critical to these efforts resulting in final passage of comprehensive school finance reform with House Bill 3.

House Bill 3, authored by Chairman Huberty and sponsored in the Senate by Chairman Taylor, allocates a total of \$6.5 billion in new state funding to the public education formula funding system. Total state foundation school program funding increased from \$42.9 billion in the 2018 to 2019 biennial budget to \$50.3 billion in the 2020 to 2021 biennial budget. The state's share of funding public education will increase from 38 percent to 45 percent, and base education funding per student will rise by 19.8 percent from \$5,140 to \$6,160 per student.

Under House Bill 3, all Houston-area school districts will receive a significant net increase in funding. The Legislature not only increased overall funding but also appropriated funds for key provisions in House Bill 3:

Key School Finance Reform Provisions

Reading Proficiency

- Third grade reading is a critical point in a child's development.
- HB 3 provides \$750 million for full-day pre-k aimed at improving literacy by third grade.
- Last session, only half-day pre-k for eligible 4-year-old students was funded.

Economically-Disadvantaged Students

- About six in ten students in Texas are considered economically disadvantaged.
- HB 3 creates two new formula funding weights to support schools with economically-disadvantaged students.
- This will direct more funds to schools with higher concentrations of under-served students like those in Houston.

English Language Learners

- About one in five Texas students are English Language Learners.
- HB 3 increases the dual language formula weight.
- This will increase funding to school districts with high populations of English Language Learner students like those in Houston.

College and Career Readiness

- While 73 percent of Texas' 2010 high school graduating class enrolled in a post-secondary institution, only 28 percent achieved a post-secondary credential within six years of graduation.
- HB 3 creates a \$2,000 to \$5,000 bonus for each student who graduates college or career ready.
- This new bonus structure rewards districts that prepare their students for college and careers.

Effective Teacher Pay

- HB 3 provides \$2 billion for teachers', librarians', counselors' and nurses' compensation programs.
- The legislation includes merit and incentive pay for high-performing teachers to teach in the schools that need them most.

Reducing the Local Burden of Recapture

House Bill 3 dramatically reduces statewide recapture payments over the next biennium due to the increase in the state's share of funding public education, changes to the formula system, and a significant increase to base education funding per student. Statewide recapture is reduced by \$3.6 billion, a 47 percent reduction. Two school districts in our region, Houston ISD and Spring Branch ISD pay recapture. HB 3 is projected to reduce Spring Branch ISD's recapture payment in 2020 from \$96.9 million to \$26.9 million. Houston ISD's recapture payment in 2020 is projected to be reduced from \$308.6 million to \$0. In addition to the immediate reduction of recapture payments, the future growth of recapture is significantly reduced over time.

School District Property Tax Reform

It is important to note that school district property tax reform is directly connected to the school finance reform efforts in House Bill 3. Key property tax provisions include:

- Compression of local school district property taxes by an average of 7 cents in 2020 and 13 cents in 2021.
- Establishment of a school district property tax cap of 2.5 percent. Any value growth beyond 2.5 percent will be used to further compress local school district maintenance and operations property tax rates.
- Setting a statewide maintenance and operations tax rate cap of \$1.10.



"There has never been a more critical time to prioritize the needs of our students, and this bill shows that as leaders of this state, we follow through on our commitment to Texas' children by proving greater opportunity for all."

- **Governor Greg Abbott**

"We took 100 years of policy and reformed it in a transformational way in less than 140 days."

- **Lieutenant Governor Dan Patrick**



"Our students will be prioritized in a way they never have been prioritized before."

- **House Speaker Dennis Bonnen**

KEY POLICY AREAS



WORKFORCE DEVELOPMENT

HOUSE BILL 3511 - VETOED BY GOVERNOR ABBOTT

House Author: Representative Gary VanDeaver (R-New Boston)

Senate Sponsor: Senator Carol Alvarado (D-Houston)

The Partnership has been deeply involved in workforce development for nearly five years through its UpSkill Houston initiative, but this session marked the first time the Partnership engaged in workforce development policy. As passed during the legislative session, House Bill 3511 brought industry leaders to the workforce development policy discussion. HB 3511 was a next step to the work of the Texas Tri-Agency Workforce Initiative, which Governor Abbott launched in 2016 to evaluate the strengths and challenges of the state's talent pipeline. This legislation established an interim commission to study Texas' workforce, address a lack of cohesion among the various state agencies charged with coordinating workforce development, account for the absence of input from private industry in their recommendations, and add much-needed urgency to this important issue. While disappointed that HB 3511 was vetoed, the Partnership will work within the reinvigorated Tri-Agency Workforce Initiative to ensure our state maintains its long-term global and economic competitiveness by aligning education, workforce development and economic development systems to produce the qualified and skilled workforce needed to meet the current and future needs of the businesses and employers in Texas.



DISASTER RECOVERY

SENATE BILL 799 - SIGNED BY GOVERNOR ABBOTT

Senate Author: Senator Carol Alvarado (D-Houston)

House Sponsor: Representative Jim Murphy (R-Houston)

Hurricane Harvey exposed gaps in how the state recovers from major disasters and the need for coordinating the efforts of state and local disaster response departments with communities, businesses and stakeholders. SB 799 establishes a statewide business advisory council through which the business community can provide advice on disaster response with respect to the impact on the economy and make policy recommendations to the Governor and the Legislature. In addition, the bill establishes a work group to study debris removal and a separate task force to work with individuals and communities on post-disaster financial reimbursement and recovery.



ECONOMIC DEVELOPMENT

HOUSE BILL 3143 - PASSED

House Author: Representative Jim Murphy (R-Houston)

Senate Sponsor: Senator Royce West (D-Dallas)

Competitive economic development tools are critical to bringing new businesses to the region and growing our economy. Texas levies among the highest business taxes in the nation, especially for capital-intensive projects. The Chapter 312 program helps cities and counties capture new investment by offering temporary property tax abatements. HB 3143 reauthorizes the Chapter 312 program for 10 years and adds reporting and oversight requirements.

Status of Legislation at time of print.



EMINENT DOMAIN

SENATE BILL 421 - DID NOT PASS

Senate Author: Senator Lois Kolkhorst (R-Brenham)
House Sponsor: Representative Tom Craddick (R-Midland)

Building the infrastructure needed to move energy, freight and people across the state is vital to economic growth. Such growth can only come by striking a balance between infrastructure development and protecting private landowners. After negotiations throughout the session between legislators, landowners and industry, stakeholders did not reach a final agreement on legislation which would have added new requirements and oversight to the established eminent domain process.



ENVIRONMENT

HOUSE BILL 3745 - PASSED

House Author: Representative Cecil Bell (R-Magnolia)
Senate Sponsor: Senator Brian Birdwell (R-Granbury)

Houston businesses have led the way in dramatically improving the region's air quality over the last two decades. To help advance that progress, HB 3745 extends the Texas Emissions Reduction Plan, an incentive-based program to curb vehicle emissions, and allows additional access to program funds to continue addressing air quality.



HEALTH CARE

SENATE BILL 11 - SIGNED BY GOVERNOR ABBOTT

Senate Author: Senator Larry Taylor (R-Friendswood)
House Sponsor: Representative Greg Bonnen (R-Friendswood)

The Partnership supports sustainable policies relating to improving access to research and mental health services. SB 11 establishes the Texas Mental Health Care Consortium and aims to improve the quality and availability of mental health resources for children.

HOUSE BILL 39 - SIGNED BY GOVERNOR ABBOTT

HOUSE JOINT RESOLUTION 12 - PASSED

House Author: Representative John Zerwas (R-Richmond)
Senate Sponsor: Senator Jane Nelson (R-Flower Mound)

The Cancer Prevention and Research Institute of Texas (CPRIT) was originally approved in 2007, and its grants have since helped create thousands of jobs, generated billions of dollars in economic activity, encouraged biotech companies to expand or relocate in Texas and supported world-renowned scholars, including a 2018 Nobel Prize recipient. HB 39 allows for grants to continue to be awarded past the original statutory deadline, and HJR 12 proposes a constitutional amendment allowing for an increase to the maximum bond amount authorized for CPRIT.

Status of Legislation at time of print.



TRANSPORTATION

RIDER 44, ARTICLE VII, HOUSE BILL 1 (SENATE VERSION) - DID NOT PASS

Economic prosperity relies upon the ability to efficiently move goods and people. Private investment is needed to supplement limited government funds. The Partnership opposed a budget rider, which threatened the development of a privately constructed and operated high speed rail network. The Legislature did not include the rider in the final budget. Additionally, the Legislature preserved existing financing options for large-scale transportation projects.



HIGHER EDUCATION

HOUSE BILL 826 - SIGNED BY GOVERNOR ABBOTT

House Author: Representative John Zerwas (R-Richmond)

Senate Sponsor: Senator Joan Huffman (R-Houston)

The Partnership supports policies that will further improve higher education quality and outcomes. HB 826 establishes a new College of Medicine at the University of Houston, which will develop Texas' primary care physician workforce. The Texas Department of State Health Services estimates the Houston region could see a shortage of over 3,300 primary care physicians by 2030. The new College of Medicine is an important asset to address that shortfall.

Status of Legislation at time of print.

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HOUSTON'S 11-COUNTY REGION

AUSTIN

BRAZORIA

CHAMBERS

FORT BEND

GALVESTON

HARRIS

LIBERTY

MONTGOMERY

SAN JACINTO

WALKER

WALLER



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