



Texas BOMA Legislative Update
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In Texas, September means people talk about three things: the weather being hot; how their preferred football team looks; and what is going on with the candidates running for office. This year looks to be par for the course.

Elections

Historically, Labor Day marks the unofficial start to the general election season. While it may seem like the elections have lasted all year, the truth is they are just starting to come alive. Over the next several weeks, you are likely to receive phone calls, emails, and mail pieces supporting or opposing candidates, and will likely be inundated with television, radio, and Internet advertisements dispersing the same message.

As is usually the case in presidential years, the Presidential election is driving the conversation. This year, the election cycle is interesting, to say the least. According to polling, Republican nominee Donald Trump trails Democratic nominee Hillary Clinton by several points nationwide. Even more interesting, however, is that in many strong Republican states, Mr. Trump has a narrow lead, is tied, or is behind former Secretary of State Clinton.

The impact of the Presidential contest on Texas elections cannot be understated. A recently released poll showed Mr. Trump trailing Secretary Clinton in the state. While the state Senate's partisan makeup appears relatively assured, the state House is a different story. Currently, Republicans occupy 99 seats in the House to the Democrats 51. At this time, we anticipate the Democrats will pick up a handful of seats, perhaps as many as 9 or 10, because of the drag from the top of the ticket. Regardless, even with that type of swing, the House will remain solidly Republican in 2017, and we fully expect Speaker Joe Straus (R) to be re-elected to his fifth session as Speaker.

State Fiscal Outlook

As previously reported, the state's revenue numbers have underperformed expectations established in January 2015. The legislature, which is required by law to pass a balanced budget, may appropriate funding over the two year biennium up to the amount the Comptroller certifies as budgeted revenue over the same time period. In 2015, the legislature chose to spend approximately \$5 billion less than the Comptroller estimated the state would bring in.

Recently, the Comptroller's office released data showing the state continues to underperform, primarily due to a prolonged drop in oil & gas revenues. How long those prices stay depressed is a subject of debate by experts and non-experts alike. Regardless, the impact on Texas will likely be felt when the legislature reconvenes in January 2017. While we do not anticipate any serious effort to raise taxes will gain traction, it is possible the legislature will have to reduce spending. The Governor, Lieutenant Governor, and Speaker recently released a joint letter asking most agencies to cut their spending by 4% to help manage the fiscal situation.

We will continue to monitor these issues and keep you updated.