



Texas BOMA Legislative Update
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We are less than 4 weeks from the November general election. While many candidates are hitting the campaign trail hard, legislative interim committees have been holding hearings over the past month on a wide range of issues, chief among them being money.

State Finances

As we have reported numerous times, and as you have no doubt witnessed yourself, the state of Texas is in an economic boom. This is due, in part, to the massive increase in oil & gas activities in the state, namely in the Eagle Ford Shale and in the Permian Basin. Other areas of the economy are performing well, too. The result of this activity is increased tax revenues for the state.

At this time, the state has outperformed the revenue estimate for every month of the biennium. Experts are predicting the state will go into the 2015 legislative session with several billion dollars in unspent funds in the bank, plus significant balances in the Rainy Day Fund.

This fall, voters will decide on Proposition 1. This proposition would take one half of the oil & gas severance taxes currently dedicated to the Rainy Day Fund and direct them to road funding. Even if Proposition 1 passes, the Rainy Day Fund is expected to have in excess of \$8 billion in it—a massive amount by almost any standards.

While the Legislature will be flush with cash, there is one big unknown on the horizon: school finance. As we reported last month, Judge Dietz, sitting by assignment, ruled the Texas school finance system was unconstitutional and needed to be reworked. The Attorney General recently appealed this ruling to the Texas Supreme Court, who will hear the case and ultimately let the Legislature know just how much more money is needed to make the school finance system constitutional. Until that time, however, all legislators know is more money is required. A final decision from the Supreme Court is expected at some point next spring or summer.

This unknown liability—which could be several billion dollars a year—will likely cause legislators to hold off on any significant increase in spending or creation of new programs during the 2015 session. Most observers anticipate special sessions this summer to deal with the school finance issue.

The Elections

We have reported at length on the elections in the state. At this time, most of the legislative races are generally decided, based on past election returns for the two parties in the district. There are a handful of competitive seats, including the race to replace Sen. Wendy Davis (D-Fort Worth), the race to replace Rep. Linda Harper-Brown (R-Irving), and the re-election campaigns for Representatives Kenneth Sheets (R-Dallas), Cindy Burkett (R-Mesquite), and J.M. Lozano (R-Kingsville). There may be a surprise in a few other legislative districts, but these are the races on the watch screen for most observers.

In addition to the legislative races, most of the statewide offices are on the ballot. To succeed Governor Rick Perry (R), Attorney General Greg Abbott (R) currently has a 9-14 point lead in the polls over his opponent, Sen. Wendy Davis; we expect General Abbott to prevail in this race. To succeed Lt. Governor Dewhurst, Sen. Dan Patrick (R-Houston) currently has a 15+ point lead in the polls over his opponent, Sen. Leticia Van de Putte (D-San Antonio); we expect Senator Patrick to win this race. We also expect Senator Glenn Hegar (R-Katy) to be the next Comptroller (succeeding Susan Combs) and Senator Ken Paxton (R-McKinney) to be the next Attorney General (succeeding Greg Abbott).

The election will be held November 4.

We will continue to monitor these issues as they develop, and we will keep you informed.