



— 2017 UT SYSTEM — LEGAL CONFERENCE

presented by the Office of General Counsel

THE UNIVERSITY of TEXAS SYSTEM | FOURTEEN INSTITUTIONS, UNLIMITED POSSIBILITIES.

Session 12

The 85th Legislature: Eternal Sunshine of the Spotless Mind

Presented by:

Steve Collins

Of Counsel

Andrews Kurth Kenyon, LLP

September 29, 2017 | 2:00-3:00 pm

Recap of the 85th Texas Legislature (so far!)

Steve Collins

*Former Assoc. Vice Chancellor and
Special Counsel
The University of Texas System*



THE UNIVERSITY of TEXAS SYSTEM
Nine Universities. Six Health Institutions. Unlimited Possibilities.

WWW.UTSYSTEM.EDU

What Did the Legislature Face?

- Factors that Influenced the State Budget Process
 - Less Available Revenue for General Purpose Spending
 - Prop 7 – Highway Funding
 - Diverts up to \$5 billion in sales taxes in FY18-19
 - Slower Growth in Sales Tax Revenue
 - Oil & Gas Price Uncertainty
- New Leadership
 - New Chairs of House Appropriations and Higher Education Committees
- House and Senate – Different Composition and Approaches
- Legislative Caucuses



What Did the Legislature Fund?

- \$216.75 billion for FY 2018-19 biennium in all funds, up \$352 million (0.16%) increase over FY 2016-17 biennium
- Method of Finance
 - Delays \$1.8 billion of the Prop 7 transportation transfer
 - Appropriates \$990 million from the Rainy Day Fund for one-time expenses
 - \$830 million in Medicaid cost containment measures
 - Includes \$46 million from tax amnesty program, \$500 million from accelerating sale of unclaimed securities, and \$34 million in savings in state contracting



What Did the Legislature Fund?

- Rainy Day Fund
 - Estimated \$10.9 billion balance by end of FY19
 - Growth comes from higher oil and gas production and prices
- Bottom Line
 - The next legislature will start with a deficit of approximately \$3 billion
 - This amount can and will go up or down depending on the economy and state tax collections



What Did the Legislature Fund?

- Higher Education Funding
 - \$20.5 billion in all funds, a \$235 million increase over FY 2016-17 biennium
 - Primarily due to increases to pay for two years of:
 - TRB debt service
 - Higher Education Assistance Fund (HEAF)
 - No changes to higher education budget structure
 - Special items renamed "non-formula support funding"
 - Special items received significant reductions
 - Hold harmless provided to some institutions
 - Joint interim legislative study on special items and formula funding



What Did the Legislature Fund?

- Higher Education Funding
 - Increase of \$71.6 million to TEXAS Grants to fund 92% of all eligible students
 - Increase of \$44 million for Graduate Medical Education Expansion Program, a funding level that will maintain existing commitment
 - \$300 million for new state mental health hospitals
 - Texas Research Incentive Program (TRIP) funded at \$35 million, a decrease of \$103.1 million from FY 2016-17 biennium
 - \$15.6 million for Governor's University Research Initiative
 - \$80 million in Supplemental Funding for Correctional Health Care
 - ERS Cost Containment Rider



How Did U.T. System Institutions Fare?

- General Academic Institutions
 - \$1.5 billion total appropriation, a \$47.1 million (-3.03%) decrease over FY 2016-17 biennium
- Health-related Institutions
 - \$1.8 billion total appropriation, a \$6.7 million (-0.38%) decrease over FY 2016-17 biennium
 - HRI formula funding was provided for the new medical schools at UT Austin and UTRGV
- Does not include TRB Debt Service or Appropriations for Higher Education Group Insurance



How Did U.T. System Institutions Fare?

General Academic Institutions

The University of Texas System
 2018-19 General Revenue Appropriations (Excluding Tuition Revenue Bond GR)
 Conference Committee for Senate Bill 1
 (Does Not Include Higher Education Group Insurance Contributions)

Conference Committee SB 1 - 05/25/17

Institution	2016-17 Biennium			2018-19 Biennium			Biennial Change	
	GR Appropriations (All Bills)	TRB Debt Service	GR Appropriations (less TRB)	GR Appropriations	TRB Debt Service	GR Appropriations (less TRB)	\$ Increase (Decrease)	% Increase (Decrease)
The University of Texas at Arlington	215,885,289	(20,248,475)	195,636,814	213,964,068	(25,656,574)	188,307,494	(7,329,320)	-3.75%
The University of Texas at Austin	588,695,287	(33,553,067)	555,142,220	596,621,557	(39,357,170)	557,264,387	2,122,167	0.38%
The University of Texas at Dallas	177,694,540	(12,095,237)	165,599,303	178,405,548	(17,514,124)	160,891,424	(4,707,879)	-2.84%
The University of Texas at El Paso	166,681,226	(20,002,599)	146,678,627	166,015,551	(25,415,698)	140,599,853	(6,078,774)	-4.14%
The University of Texas Rio Grande Valley	257,391,915	(30,858,213)	226,533,702	238,037,122	(36,041,300)	201,995,822	(24,537,880)	-10.83%
The University of Texas of the Permian Basin	63,781,827	(20,662,257)	43,119,570	63,117,648	(24,372,714)	38,744,934	(4,374,636)	-10.15%
The University of Texas at San Antonio	194,338,112	(27,864,712)	166,473,400	200,210,617	(33,282,348)	166,928,269	454,869	0.27%
The University of Texas at Tyler	69,330,444	(15,099,993)	54,230,451	71,333,911	(19,739,910)	51,594,001	(2,636,450)	-4.86%
Total Academic	1,733,798,640	(180,384,553)	1,553,414,087	1,727,706,022	(221,379,838)	1,506,326,184	(47,087,903)	-3.03%



THE UNIVERSITY OF TEXAS SYSTEM
 Nine Universities. Six Health Institutions. Unlimited Possibilities.

WWW.UTSYSTEM.EDU

How Did U.T. System Institutions Fare?

Health-Related Institutions

The University of Texas System
 2018-19 General Revenue Appropriations (Excluding Tuition Revenue Bond GR)
 Conference Committee for Senate Bill 1
 (Does Not Include Higher Education Group Insurance Contributions)

Conference Committee SB 1 - 05/25/17

Institution	2016-17 Biennium			2018-19 Biennium			Biennial Change	
	GR Appropriations (All Bills)	TRB Debt Service	GR Appropriations (less TRB)	GR Appropriations	TRB Debt Service	GR Appropriations (less TRB)	\$ Increase (Decrease)	% Increase (Decrease)
UT Southwestern Medical Center	312,412,061	(30,853,694)	281,558,367	318,598,633	(37,040,262)	281,558,371	4	0.00%
UT Medical Branch at Galveston	530,386,694	(39,610,620)	490,776,074	525,799,220	(44,856,884)	480,942,336	(9,833,738)	-2.00%
UT Health Science Center at Houston	339,793,209	(31,307,229)	308,485,980	348,607,147	(37,499,622)	311,107,525	2,621,545	0.85%
UT Health Science Center at San Antonio	269,119,967	(25,600,696)	243,519,271	271,530,638	(31,793,152)	239,737,486	(3,781,785)	-1.55%
UT M.D. Anderson Cancer Center	375,738,804	(17,237,949)	358,500,855	385,785,977	(22,655,898)	363,130,079	4,629,224	1.29%
UT Health Science Center at Tyler	85,327,596	(6,302,566)	79,025,030	86,183,300	(7,443,532)	78,739,768	(285,262)	-0.36%
Total Health	1,912,778,331	(150,912,754)	1,761,865,577	1,936,504,915	(181,289,350)	1,755,215,565	(6,650,012)	-0.38%



What Did the Legislature Accomplish?

For State and Higher Ed Employees:

- Reduced the effective state contribution for UT Group Insurance from 87% to 76% of the ERS rate
- HB 4035 - Ch. 1601, Insurance Code
 - Compliance with state and federal law/consistency for eligibility
 - Bounce back provision
 - Deductions from annuity for insurance premiums
 - Optional graduate student plan
 - Payment of back-owed premiums before reinstatement



What Did the Legislature Accomplish?

Benefits & Human Resources (cont'd)

- SB 1954 - ORP
 - Clarifies the process if an employee in TRS previously selected ORP
 - Tightens ORP enrollment deadlines
- SB 73 - Use of Emergency Leave restricted
- SB 1663 - Omnibus TRS Legislation
 - Interest and late fees assessed against employers for TRS contributions not made by the TRS deadline
- SB 1664 - Omnibus TRS Legislation
 - Time limit on purchase of TRS service credit
- HB 490 - Requires Health benefit plan coverage for hearing aids and cochlear implants for children
- HB 1296 – Health benefit coverage for prescription drug synchronization for chronic disease management



What Did the Legislature Accomplish?

Higher Education Issues

- Campus Sexual Misconduct
- Community Colleges May Grant Baccalaureate Degrees
- Greater Information on Open Source Textbooks
- Transparency on Student Loan Debt
- Extension of Sunset Date for CPRIT
- Expansion of Telemedicine and Telehealth
- State Contracting
- Information Technology Security



What Else Did the Legislature Accomplish?

- Sanctuary Cities
- Child Welfare Protections
- Mental Health Initiatives
- Continued Funding for Border Security
- More Stringent Abortion Regulations
- Statewide Texting Ban
- Cyberbullying
- Inappropriate Teacher-Student Relationships
- Eliminated Straight Ticket Voting
- Buy American Provisions for State Projects



What Else Did the Legislature Accomplish?

- Another Try at Voter ID
- State Preemption of Ride-Sharing Services
- Convention of States to Rewrite U.S. Constitution
- Municipal Pension Reform for Dallas and Houston
- Prohibition on Contracts with Companies Boycotting Israel
- “Sandra Bland” Act
- Continued A – F Grades for Public Schools
- Alternate Pathways for High School Graduation
- Cheaper Licenses for Concealed Carry
- No “Debtor’s Prison” for Unpaid Traffic Fines
- Limits on Unpaid Tolls and Charges



What Did the Legislature Attempt and Not Do?

Higher Education Issues

- Reform Hazlewood
- Re-regulate Tuition
- Repeal In-state Tuition for Undocumented Students
- Increase Texas Higher Education Coordinating Board Authority
- Eliminate Tuition Set-asides
- Change Campus Carry
- Alter Top 10% Law



What Else Did the Legislature Attempt and Not Do?

- Constitutional Carry
- Medical Marijuana
- Eliminate Vehicle Inspections and Red Light Cameras
- Raise Smoking Age
- Raise Criminal Age from 17 to 18
- Ethics Reform
- Bathroom Bill
- Local Property Tax Reform
- School Choice/Vouchers



What Else Did the ~~Legislature~~ Senate Not Do?

- Continue Texas Medical Board (et al.) under the Texas Sunset Law
- Necessitated First Called Session



Special Session

- 1st Called Session July 18 - August 15
- 20-item agenda beginning with Sunset legislation SB 20
 - Teacher pay increase of \$1,000
 - Administrative flexibility in teacher hiring and retention practices HBs 21, 30
 - School finance reform HB 30
 - School choice for special needs children
 - Property tax reform
 - Caps on state and local spending
 - Preventing cities from regulating what property owners do with trees on private land HB 7
 - Preventing local governments from changing rules midway through construction projects



Special Session (cont'd)

- Speeding up local government permitting process ☒
- Municipal annexation reform☑ SB 6
- Texting while driving preemption ☒
- Restrictions on bathroom use by transgendered students ☒
- Prohibition of taxpayer dollars to collect union dues ☒
- Prohibition of taxpayer funding for abortion providers ☒
- Pro-life insurance reform☑ HB 214
- Strengthening abortion reporting requirements when health complications arise ☑ HBs 13, 215
- Strengthening patient protections relating to do-not-resuscitate orders☑ SB 11
- Mail-in ballot fraud ☑ SB 5
- Extending maternal mortality task force ☑ SB 17



What Can We Expect During The Interim?

- Bill Implementation and Agency Rulemaking
- Non-Formula Support Funding and Formula Funding Study (starts Sept. 2017 and concludes April 2018)
- Interim Charges
 - Continued discussions on Hazlewood and tuition
 - Possible study of public retirement systems
 - Defined benefit
 - Defined contribution
- House issued Harvey-related charges 9/14
- Positioning for 2018 Elections and House Speaker's Race



Constitutional Amendment Propositions for November 2017 Ballot

- SJR 1 – Property tax exemption for first responders
- SJR 6 – Requiring a court to provide notice to the attorney general of a challenge to the constitutionality of a state statute
- HJR 21 – Property tax exemption for partially disabled veteran or surviving spouse if residence was donated
- HJR 31 – Permitting credit unions to award prizes by lot to promote savings
- SJR 34 – Limiting the service of certain gubernatorial appointees after the person's term ends
- SJR 60 – Changes to home equity loans
- HJR 100 – Professional sports team charitable foundations conducting charitable raffles



Key Dates

- New laws generally effective on September 1, 2017
- November 7, 2017: Constitutional amendments and municipal office election
- November 11 – December 11, 2017: Candidate filing for 2018 elections
- March 6, 2018: Primary Election
- May 22, 2018: Runoff Primary Election
- November 6, 2018: General Election
- November 12, 2018: Pre-filing for 86th Legislative Session begins
- January 8, 2019: 86th Legislature convenes
- May 27, 2019: 86th Regular Legislative Session adjourns Sine Die

