

# 2015 TEXAS LEGISLATURE

## What May Occur?

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# News

- New Governor and Lt. Governor
- Joe Strauss was re-elected to his fourth term as Speaker of the House.
- Senate reduced its committees from 14 to 11, and only 2 are headed by Democrats.
- The number of votes required in the Senate to bring a bill to the floor was lowered from 2/3 to 3/5.

# Will a Bill Be Passed?

- Number of Bills filed as of January 27, 2015:
  - 1210 HB
  - 414 SB
- In the 2013 Legislative Session:
  - 5868 bills were filed in the House and Senate
  - 1437 bills were passed.
  - Perry vetoed 26 bills.
  - 1411 or 24% of the bills filed became law.
- In 2015, fewer bills are expected to be passed.

# Revenue

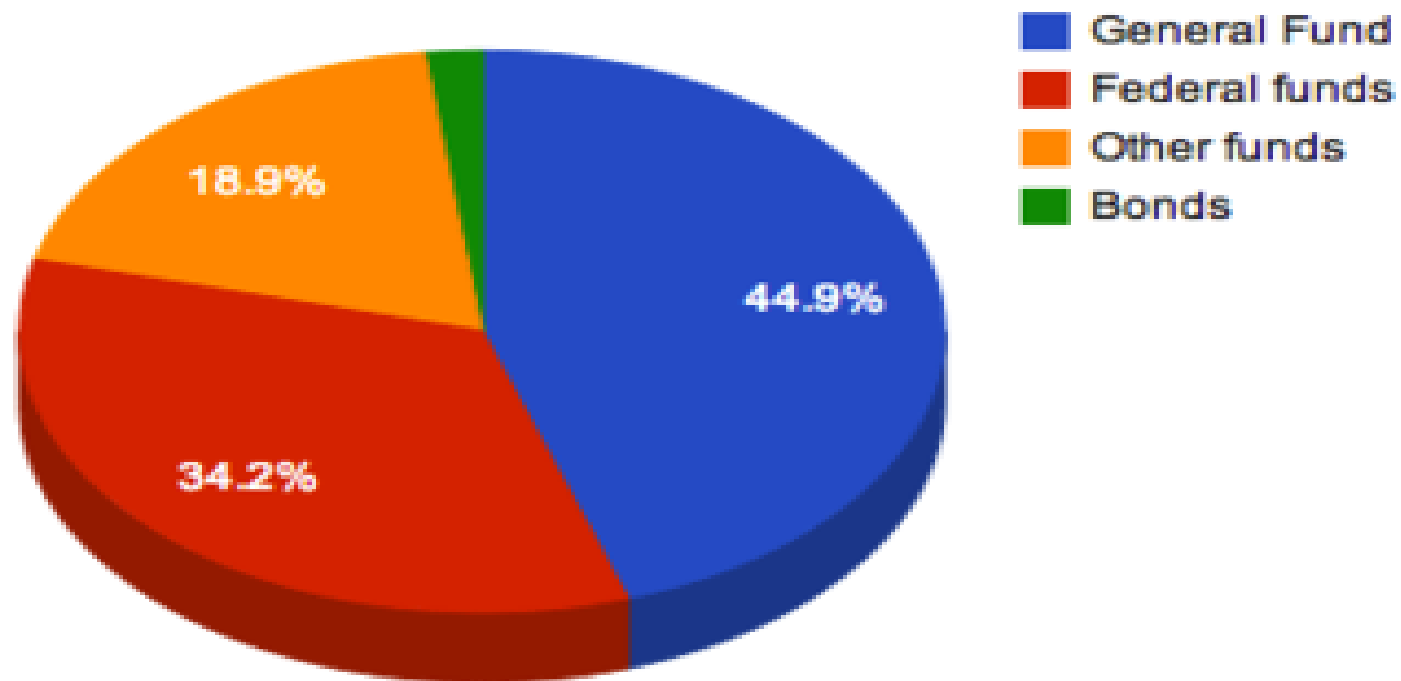
- Projected to have \$113 billion for general purpose spending.
- Expected to collect \$72.9 billion in federal receipts and other revenues
  - Dedicated for specific purposes and not available for general-purpose spending.
- Total: \$220.9 billion
- Outstanding State Debt (at the end of 2014): \$44 billion

# Sources of Revenue: Tax Categories

- Sales and Use: 55.5%
- Motor Vehicle Sales and Rental: 9.1%
- Oil Production and Regulation: 5.2%
- Franchise: 5.1%
- Natural Gas Production: 2.9%
- Motor Fuel: 1.7%
- All Other State Taxes, Fees, Investments and Other Non-Tax Revenue: 11.5%

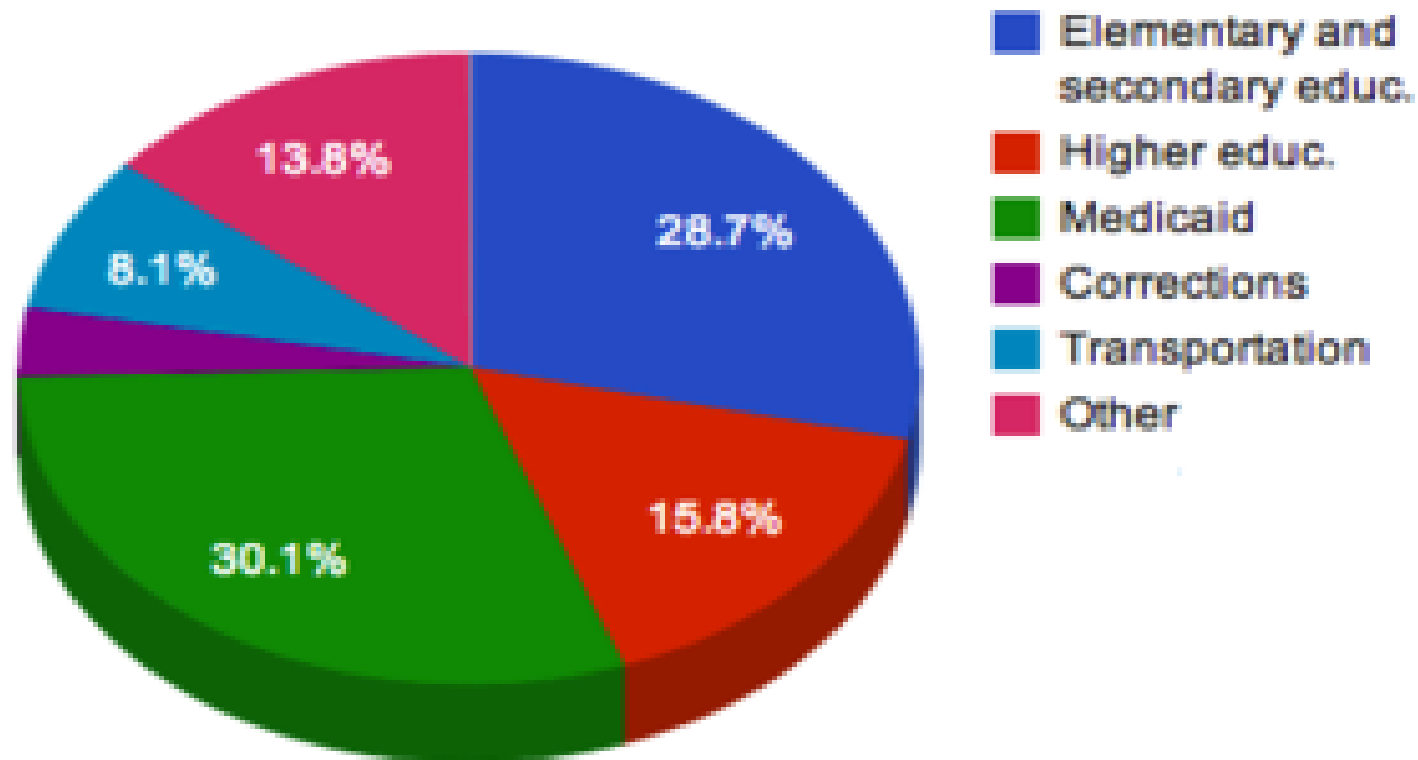
# 2013 Expenditures

**Texas: Total state expenditures (FY 2013)**



# 2012 Expenditures By Function

**Texas: Expenditures by type (FY 2012)**



# HEADLINES AND HOT TOPICS



# Rainy Day Fund

- How is it funded:
  - $\frac{1}{2}$  of 75% of oil and natural gas tax revenues
  - $\frac{1}{2}$  of any general revenue surplus at the end of each biennium
  - All of the interest earned on the fund's balance
  - Direct appropriations made by the Legislature.
- If the comptroller says revenue will decrease between legislative sessions or a budget deficit develops, a  $\frac{3}{5}$  vote is required to transfer money from the fund.

# Rainy Day Fund

- Projected to be \$8.4 billion by the end of 2015.
- \$7 billion minimum balance for the fund.
- The fund is projected to total \$11-\$12+ billion by the end of 2017.

# Education

- Funding Problems
  - 2013: funding increase when the Legislature restored \$3.4 billion of the \$5.4 billion cut in 2011.
  - 2014: *Fort Bend ISD v. Texas Education Agency*: Texas' current system for funding education is unconstitutional.
- Federal and State Standards
- New plan needed? More funding? More reform?

# Water

- State Water Plan
- State investment in meeting water needs
- Funding seawater desalination projects
- Reviewing water use and ways to reduce freshwater use in industry, including oil and gas
- Water rights and transfer of water

# Transportation Funding

- Proposition 1 passed: moves a portion of the severance tax paid by the energy industry to the State Highway Fund from the Rainy Day Fund. Est. \$1.7 billion.
- State Highway Department has a \$5 billion budget shortfall.

# Other Funding Issues or Proposed Legislation

- Budget Cap
  - Cap on the State's budget appropriations that would be proportional to the state's growth in tax revenue, unless the Legislature votes to raise the cap.
- Declining tax revenue from oilfields
- SB 150: fund 64 construction and renovation projects at higher education institutions at a cost of \$2.86 billion.

**Legislative Topics  
Impacting the  
Construction Industry**

# Legislative Topics Impacting the Construction Industry

- Lien Law Revisions
- Lender Notice Default
- Higher Education Funding for Construction
- School Background Checks



# Legislative Topics Impacting the Construction Industry

- Statute of Repose
- Consolidated Insurance Programs (CIPS)
- Retainage Trust Fund

# Classification of Workers

- HB 434
- Texas Workforce Commission.
- Definition of “Construction Employer”
- Construction Employer is responsible for reporting the status of each employee
  - Employer is fined for not properly reporting employees. Fines escalate up to \$1000 per employee.
  - Employee is not fined
- Each employee must be classified as an independent contractor or employee.

# Workers Compensation

- HB 689 and SB 155: Mandatory workers' compensation for each employee of a construction contractor.
- SB 262: An employer who does not obtain workers compensation insurance must obtain life insurance for each employee with a death benefit of a minimum of \$200,000.
  - Not limited to the construction industry

# E-Verification by Contractors

- HB 630
- An employer must e-verify all employees through the federal government's program.
- Applies to any contractor awarded a contract for goods or services with a state agency.
  - Precondition to being awarded a contract.

# Other Legislative Proposals

# Proposed Changes to the Civil Practice & Remedies Code

- HB 956: “health care liability claim” does not include claims arising from an injury or death to a person who is not a patient, including employment and premises liability claims.
- HB 241: substituted service of process through social media
- HB 969: evidence of financial condition or net worth is not relevant for purposes of supporting a claim for or the amount of exemplary damages.

# Texas Insurance Code

- HB 772:

- Statute of limitations of 4 years under Chapter 542

Accrues after the earlier of the date of:

- The rejection of the claim; or
- The act or omission giving rise to the cause of action under this subchapter.

# Creation of a Court of Chancery in Texas?

- Similar to Delaware's Court of Chancery
- Court only has equitable jurisdiction
  - Can issue injunctions and temporary restraining orders
  - Can appoint guardians.
- Limitation on the Chancery Court's jurisdiction: cannot hear any dispute for which an adequate remedy exists at law or which can be heard by another Delaware court.



# Proposed Texas Court of Chancery

- Purpose: to address business disputes.
- How it will be structured:
  - Specialty judges appointed by a committee whose members are appointed by the governor
  - Appellate court would include seven judges appointed by the Governor.
  - Appeals from the appellate court go to the Texas Supreme Court

# State Versus Local Control

- Local ordinances restricting or banning drilling within city boundaries.
- Make it more difficult for cities and counties to regulate fracking.
- Option: give the Railroad Commission clear exclusivity to regulating drilling and fracking.
- HB 539 and HB 540

# Other Issues

- SB 67: mandatory minimum wage of the greater of \$10.10/hour or the federal minimum wage.
- Will Texas continue to support renewable energy?
- Sunset Review
  - Texas Workforce Commission
  - Health and Human Services Commission
  - State Office of Administrative Hearings

# Other Issues

- Will the 140 year ban on openly carrying firearms still stand?
- Will Texas build the Texas Bullion Depository?
- Will the cowboy hat become the official hat of Texas?

# What to Expect on the Federal Level?