



Texas BOMA Legislative Update
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Last month, we reported on the end of campaign season and the results of the election. We have now switched our focus to the start of the legislative season.

The 2013 Legislative Session

The Texas Legislature meets for 140 days every other year. The Legislature will convene in Austin for the 83rd Texas Legislative Session on January 8, 2013. The legislative session will run until May 27, 2013, with the Governor's veto period expiring June 16th.

Speaker of the House

When the Legislature convenes, both the House of Representatives and the State Senate organize their respective chambers. While the Texas Constitution establishes the Lieutenant Governor, a statewide elected position, as the leader of the Senate, the House of Representatives must choose a Speaker from among themselves. Speaker Joe Straus (R-San Antonio) has held this post since 2009. At this time, Representative Brian Hughes (R-Mineola) is the only announced challenger to Speaker Straus, although Representative David Simpson (R-Longview) is contemplating a run as well. At this time, we believe Speaker Straus will be re-elected Speaker.

Fiscal Matters

The 2011 legislative session was difficult for everyone, and the budget was a big reason for it. In 2011, the Texas Legislature came into session facing a budget shortfall in excess of \$25 billion. In response, the Legislature balanced the budget by cutting spending across various state agencies and programs, using a billion dollars from the Rainy Day Fund, and using accounting "tricks" such as deferring by a few days a roughly \$2 billion payment to public schools and underfunding Medicaid by about \$4.8 billion.

The 2013 Legislature will come to Austin with a better fiscal outlook. It is anticipated the state will have over \$5 billion in the bank at the end of the current biennium, and the Rainy Day Fund, funded primarily with oil & gas severance taxes, will have over \$7 billion in it. The Legislature will need to appropriate the additional funds for Medicaid costs, as Medicaid funding

will be exhausted by the middle of the session if the legislature fails to act, but is not required to reverse the other accounting tricks used in 2011 to balance the budget.

Complicating the fiscal outlook is a lawsuit currently working its way through the legal system. Several school districts and other interested parties have sued the state, claiming the state's system of funding and operating public schools is unconstitutional. The case is currently at trial, and will be appealed to the Texas Supreme Court. Most observers expect the state to lose its case. If the state does in fact lose the lawsuit, the Legislature will need to act to cure the problem, which will almost certainly mean additional funding for public schools. While a legislative fix will be necessary, the final court ruling is unlikely to come out in time for the Legislature to remedy the problem during the 2013 regular session.

The end result is that the Legislature is in a better situation now than it was two years ago. However, while the picture is better, issues remain for the state. Because of the uncertainty of the school finance lawsuits, we expect the Legislature to look at revenue enhancers during the regular session—such as tax increases or additional fees—but not take final action on such enhancements during the regular session. After the school finance decision comes out, assuming the state loses, we expect a special legislative session to address any problems and raise revenues as needed.

Bill Filings

The pre-filing of legislature for the 2013 session began the week after the November 6 elections. At this time, there are about 300 bills currently filed. We anticipate over 6,000 bills will be filed this session, with the bulk of those being filed after the legislature convenes. We are reviewing bills filed each day for any that will impact you.

We will continue to monitor the situation and keep you informed.