



Lt. Gov. Patrick Opens Texas Senate with a Firm, Calculated Hand

Looking at the first three weeks of the 40-week 84th session Speaker Straus easily defeated his Tea Party opponent in a showdown vote of 127 to 19, the first such vote in 39 years. The speaker now has a precise picture of his supporters and detractors and, the big political plus: all of our local representatives voted for Speaker Straus.

In the Senate, Dan Patrick has performed more responsibly than his pre-election rhetoric might have suggested. On one political blog an over-wrought comic quipped that Patrick has become “a centrist in wolf’s clothing?” However, Lt. Governor and presiding officer of the Senate Dan Patrick appears to be crafting a leadership style harking back to the 1990s. That was an era when most political observers assumed that the Governor Lite was a more powerful mover and shaker than the Governor. Lt. Gov. Patrick on his first day as presiding officer encouraged all loyal Senators to vote for a new way to allow debate on bills. The traditional way was called the 2/3s rule; the new way: the 3/5s rule. Currently there are only 10 Democrats in the 31-member Senate so with a 60% rule, “voila,” now it requires no Democrats to bring up a bill desired by Lt. Gov. Patrick.

So what would happen to a veteran Republican Chairman like Sen. Craig Estes [Wichita Falls] who did not vote for the 3/5s rule change endorsed by presiding officer Patrick? When committee chairs were announced three days later, newly-elected Sen. Charles Perry, R-Lubbock, got a coveted chairmanship but there was none for longer-serving Estes. In fairness, I should add that the number of committees was also reduced from 18 in the last session down to 14 this time. This action also got rid of four Democrats as chairs as well. Also, dropping to 14 committees will likely force more bills onto “the

cutting room floor” as Texas Monthly editor Erica Grieder has pointed out. [burkablog.com, 1-22-15] Out of the 14 positions only two Democrats were rewarded with chairmanships: Sen. John Whitmire of Houston (the longest-serving senator) will head the Criminal Justice Committee and Eddie Lucio Jr. of Brownsville became chair of the Intergovernmental Relations Committee as well as vice-chair of the Senate Education Committee. Both senators have close political ties to Patrick.

Larry Taylor, R-Friendswood, is now the chairman of the highly important Senate Education Committee, second in size to the budget-writing Finance Committee.

Chronicle reporter Mick Ward observed other changes in the 2015 Senate political playbook:

Other Republicans named as chairs include Joan Huffman of Houston, who will head the State Affairs Committee; Jane Nelson of Flower Mound, Finance; Charles Schwertner of Georgetown, Health and Human Services; Kel Seliger of Amarillo, Higher Education; Kevin Eltife of Tyler, Business and Commerce; Troy Fraser of Horseshoe Bend, Natural Resources and Economic Development; Brian Bird-well of Granbury, Nominations; Kelly Hancock of North Richland Hills, Administration; and Donna Campbell of New Braunfels, Veterans Affairs and Military Installations. . . .

Senate chairmanships are plum appointments because they allow senators to have a committee budget and staff, more than they get to run their offices, plus significant say over which bills are sent to be voted upon by the full Senate....

[Mike Ward, *Houston Chronicle*, 1-24-15]

The choice of vice chairs is still another way the Lieutenant Governor can enhance his power. Six freshman stalwart conservative Republicans were named vice chairs, not an unexpected move by the very conservative Patrick. Of the Democrats who became vice chairs the most interesting appointment was Judith Zaffirini [D-Laredo], second highest-ranking senator and the highest-ranking woman and Hispanic senator. She was chair of the powerful Finance Committee in the last session but now will serve on the Agriculture, Water and Rural Affairs Committee. **A decisively significant Democratic choice as vice chair was Rodney Ellis**

of Houston who will be on the State Affairs Committee with Joan Huffman as Chair. The State Affairs Committee will likely make critical decisions dealing with the welfare of retired educators. Other Democrats chosen as vice chairs will be Carlos Uresti of San Antonio, Juan “Chuy” Hinojosa of McAllen and Royce West of Dallas.

What’s most important in this political mélange?

Sen. Larry Taylor will be Chair of the Education Committee and even more important he is a member of crucial budget-writing Finance Committee, the very group that will have to deal with how to find the funds to bolster the TRS-Care fund. Sen. Taylor is on two other committees: Business & Commerce, and Intergovernmental relations.

With Joan Huffman as Chair of State Affairs and Rodney Ellis as vice chair we will have two local Houston Senators at the top of the very committee likely to hold hearings on teacher retirement issues. Senator Huffman spoke at last October’s TRTA District IV Convention and received enthusiastic applause. For the last few years she has been supportive of retired teacher issues and, on top of that, her staff includes a pensions specialist and a former staffer of the highly respected Senator Robert Duncan, recently retired.

Greg Bonnen and Dennis Paul Named on Key House Committees

Last Thursday afternoon Speaker Joe Straus released the names of all Committee members and Chairs of the Texas House of Representatives for the 84th session. Our own Dist. 24 rep, **Dr. Greg Bonnen**, again, is on the crucial **Appropriations Committee** chaired by John Otto of Dayton. **Rep. Dennis Paul**, who has spoken several times at our CCART meetings, will be on the pivotal **Pensions Committee** with Dan Flynn of Van serving as Chair.

Thirteen Democrats and 25 Republicans became Chairs of the 38 House Committees. That reflects the chamber’s makeup of 52 Democrats in the 150-member body. Many noted the less partisan approach taken by Speaker Straus compared to Senate leader Dan Patrick. Straus said that his approach reflects “a collaborative and results-oriented culture that has worked very well in recent years.” [Dallas Morning News, 2-5-15] However, the Tyler Morning Telegraph noted that none of the east Texas representatives who voted against the Speaker on opening day got chairmanships. [Tyler Morning Telegraph, 2-5-15]

The **Appropriations Committee** is responsible for all bills appropriating money and will play a critical role is allocating funding for the long-needed repair of TRS-Care. Chairman Otto, a fiscally conservative Republican, said, “I’m confident that we will be able to pass a bipartisan budget that is both transparent and fiscally responsible.” Otto has served as a member of the Appropriations Committee for the last four sessions and specifically the education sub-committee. [Dayton News, 2-5-15]

The **Pension Committee** has oversight of the Teacher Retirement System. In a radio interview last week Chairman Flynn described “the issue of pensions” as “extremely critical” and added, “I am looking forward to the challenge that awaits me and the other six members of the committee as we work to improve and maintain the soundness of our Pension Systems and the best way to provide for the future of our teachers, state, and municipal employees.” [KMOO News, Mineola, 2-5-15]

Some Movement on WEP

Tim Lee, *Inside Line*, 2-5-15

There is some good news about the federal repeal of the Windfall Elimination Provision (WEP). Near the end of 2014, Congressman Kevin Brady and Representative Richard Neal (D-MA) introduced the Equal Treatment of Public Servants Act. The bill was refiled for the 114th Congress Feb 4, and has a new bill number: 711. HR 711 has now been referred to the House Committee on Ways and Means.

Watch Senate Finance on Feb. 11

Tim Lee, *Inside Line*, 2-5-15

TRTA members should pay especially close attention to the Appropriations and Pensions committees, as those committees will be responsible for determining any changes made to the pension fund or TRS-Care. On February 11, the Senate Finance Committee will meet to discuss issues related to funding for the TRS pension fund and TRS-Care. On a computer you can watch live video coverage of the meeting, Go to trta.org and click on the article titled “Texas House Names Committee Members, Movement on the Equal Treatment of Public Servants Act” and look for the hyperlink to directly access the video of the Finance meeting. The program should begin at approximately 9am Wednesday. TRS will discuss the projected \$750 million shortfall for the retiree health insurance program during the Senate Finance Committee meeting.

LBB recommends shoring up TRS-Care for retired teachers

Kiah Collier, *Austin American-Statesman*, 1-30-15

The Legislative Budget Board has recommended that Texas lawmakers shore up the health insurance plan for retired teachers by increasing state, retiree and school district contributions.

The agency recommended adjusting contributions so that the cost of the insolvency for the 2016-17 biennium is allocated 50 percent to the state and 12.5 percent each to active members and school districts. “Beginning in fiscal year 2012, total expenditures exceeded total revenue for TRS-Care, resulting in a declining fund balance. The fund is projected to be insolvent in fiscal year 2016,” according to the LBB’s Effectiveness and Efficiency Report.

The recommendation is among 106 included in the report that span a variety of topics and issues from Medicaid to border security oversight....

The report also recommends several changes to the law that allows property owners to appeal their appraisals, including amending statute to “establish standards for what defines comparable property, limit comparable properties to those in the same appraisal district, require adjustments to be based on general

appraisal standards, and establish which appraised value is used at each stage of protest and appeal.” It also says the Texas Comptroller should “establish standards for development and calibration of adjustments for industrial, petrochemical refining and processing, utility properties, and other unique properties by rule.”

Several refineries and odd properties have used the current law to their advantage in fighting appraisals, resulting in millions fewer dollars less for school districts and other taxing entities.

Revealing Senate Finance Meeting

Kiah Collier, *Austin American-Statesman*, 2-6-15

Senate budget writers seemed to agree Thursday something should be done to address the state’s chronically underfunded employee pension fund, but they were split in gauging the urgency of a snowballing unfunded liability plaguing the plan, with one lawmaker calling for as much money as possible to shore it up and another downplaying the need given that Texas’ pensions are doing better than those in other states. Others acknowledged that proposed multibillion-dollar tax cuts are a major competitor for funds.

State **Sen. Kevin Eltife**, a Republican from Tyler who earlier this week questioned the feasibility of big tax cuts given all the state’s pressing needs, said the state should meet its pension obligations before giving tax relief. “These pension funds have to be addressed,” Eltife said at a Senate Finance Committee hearing. State **Sen. Kirk Watson**, D-Austin, another member of the committee, emphasized that the plan has been underfunded 19 of the past 20 years, saying it is “the fault of the Legislature we’re even having this discussion.”

That might be true, said state Sen. Charles Schwertner, R-Georgetown, said, “but my feeling is, in general, Texas is doing much better than in other states.”

Sen. Lois Kolkhorst, R-Brenham, said she didn’t think lawmakers should ask “all the people of Texas” to save the state’s second-largest pension fund, which provides retirement and health benefits to more than half a million state employees, retirees and their families.

Despite changes made to the fund in the past five years aimed at eroding a \$7.5 billion unfunded liability, officials from the Employees Retirement System of Texas are warning lawmakers that that debt is growing by about half a billion dollars a year and will only get worse if nothing is done. On Thursday, Employees Retirement System

Executive Director Ann Bishop reminded committee members that the debt is now on the radar of Moody's Investors Service and that the state's excellent credit rating is at stake.

And "the longer the commitment is not there," she said, the worse it looks to such credit rating agencies. Employees Retirement System officials have requested \$538 million extra over the next two years to shore up the pension fund. The first draft of the Senate's budget proposal covers none of that, although it does boost funding to cover increased health care costs and growth. Many committee members noted a provision in the Texas Constitution that caps the state's contributions to state pension funds — currently at 7.5 percent for the Employee Retirement System — at 10 percent. That percentage would be exceeded if the state picked up the entire tab.

Bishop, however, pointed out during her testimony Thursday that the constitution also requires actuarially sound pension funds — meaning that contributions and investment returns cover expenses and payouts — and that the provision in question says that 10 percent mark may be exceeded in cases of emergency "as determined by the governor."

But she also reminded lawmakers that the retirement system has floated multiple solutions — at their request — that contain various combinations of benefit cuts and increased contributions for the state, as well as employees and agencies.

And Bishop's successor, Porter Wilson, who will take over later this year, told the panel that employees are "willing to do their part" to ensure the fund regains its health — citing an agreement reached last session to increase both state and employee contributions.

"They want this fund sound," he said in response to a question from state Sen. Joan Huffman, R-Houston, about whether retirement system officials think a solution is feasible this session given that last session lawmakers shored up the Teacher Retirement System, the state's largest.

During the hearing, committee Chairwoman Jane Nelson said more than once, "We will do something." "We clearly are going to have a lot of discussion about all the options," the Flower Mound Republican said. "One of the options will not be to do nothing."

Texas Observer offers a more acerbic version of last week's Finance Meeting

John Savage, *Texas Observer*, 2-6-15

....[Sen.] Eltife said state pension funds have been "shortchanged for years," and something needs to be done before lawmakers consider cutting taxes. "We should have made the tough decisions to either raise taxes or cut [benefits]," Eltife said. "The reason we're in this mess is because we haven't made the tough decisions over the last 10 years."

The senator's comments come on the heels of last month's report from Moody's, a bond credit rating business, warning state lawmakers to shore up Texas pension funds. Texas has several state-funded pension funds. The largest, the \$128 billion Teacher Retirement System, has unfunded liabilities of \$28.9 billion. The second largest, the \$25 billion Employee Retirement System (ERS), faces a \$7.2 billion shortfall. It is normal for large pension funds to have unfunded liabilities but if they grow too large, it can be difficult for the pensions to make good on promises to future retirees. A rule of thumb for a fund's health is that the assets-to-benefits ratio not dip below 80 percent. TRS' ratio sits at about 81 percent. **As a result of changes made last session—the Legislature changed benefit plans and chipped in more money—TRS is "actuarially sound," according to the fund's managers in a report to the Legislature. It is "one of the best funded public pensions in the nation," the report states.**

Still, lawmakers are concerned with the long-term performance of the funds, especially ERS, which has a funded ratio of about 77 percent. "Eighteen of the past 20 years the Legislature has underfunded the ERS retirement system," said Sen. Kirk Watson (D-Austin). "It is the fault of the Legislature that we're having this discussion. We're concerned about how big the nut is that we're going to need to crack."

"The reason we're in this mess is because we haven't made the tough decisions over the last 10 years." According to the Moody's report, Texas faces "rising pension costs due to a history of contributions below actuarial requirements." Moody's laid out the options: Increase funding, reduce benefits, or eventually run out of money. Eltife's position got plenty of pushback from other committee members. Sen. Charles Schwertner (R-Georgetown) and Sen. Joan Huffman, (R-Houston) both seemed to reject Eltife's comments about the urgency of pension funding. "Texas is doing much better than other states," Schwertner said....