

What will be the Political Dynamics in the 84th Session?

Mike Ward and David Saleh Rauf
Houston Chronicle, 11-9-14

Best case Possibility: Judicious Gov. Greg Abbott, pragmatic House Speaker Joe Straus and firebrand Lt. Gov. Dan Patrick, Republicans all, learn to get along come January, compromise on their considerable ideological differences and... govern.

[But it] ...could degenerate and quickly become a food fight if an incoming class of tea party Republicans in the Senate band together with Patrick and try to force an ultraconservative agenda on the decidedly more moderate Straus in the House. Abbott, who falls somewhat more closely to Patrick on matters of ideology, could be cast in the role of peacemaker, should this worst-case scenario come to pass.

“There’s a lot of unpredictability here, but it’s in no one’s interest for it to be a disaster,” said GOP strategist Matt Mackowiak. Abbott won’t want his first legislative session to be combative, and Patrick will want to quiet critics “who think he’s not going to be effective.” Abbott and Straus have similar personalities and management styles that appear outwardly calm and measured, political insiders said, while Patrick has proven himself more prone to emotion and occasional political grandstanding, when he wants to make a point. On policy, however, Patrick and Abbott may be closer to alike. “That could mean that Greg Abbott will serve as a bridge between Patrick and Straus on issues they don’t agree on, which has been his style,” said Mark Jones, a Rice University political scientist who has been watching Texas’ top leaders for years....

In some general respects, several lawmakers and lobbyists said, Texas’ new leadership team could take on the dynamics that existed when principled consensus-builder George W. Bush was governor,

strong-willed Bob Bullock was lieutenant governor and pragmatic veteran insider Pete Laney was House speaker during the 1990s....

[Overall] ...Look for tightening the state budget and cutting taxes to be the top issues, most lawmakers and political observers said, and for the Senate to lead the charge for tighter fiscal policies....

[Watch over the coming weeks. One early indicator of prospective conciliation can be seen in the partisan mix of Senate Chairs.]

If Patrick chooses Democrats as committee chairs, as he has hinted he might do, after backing away from comments during the GOP primary, he might name only Republicans. [However] most senators expect the candidate list to include [Brownsville Senator Eddie] Lucio, state Sen. Juan Hinojosa, a McAllen Democrat who already chairs the Senate Intergovernmental Relations Committee, and Sen. John Whitmire, a Houston Democrat who is the chamber’s longest-serving member and who helped Patrick establish the state’s first seminary in a state prison....

As Abbott, Patrick and Straus in recent days have pledged to work together on passing legislation that will move Texas forward, so have conservative and tea party groups pledged to remain actively involved to make sure the people they helped elect do what they want them to do.

Another View: a Dose of Moderation

Ross Ramsey, *Texas Tribune*, 11-21-14

....The typically staid Senate looks like the home of firebrands, an energetic hive of freshman and sophomore conservatives led by Lt. Gov.-elect Dan Patrick. **[But]Straus, for instance — has said that, despite Patrick’s facility with the kind of rhetoric that makes for a successful radio talk show host, he has learned quickly as a legislator and can be a skilled negotiator. It is all a matter of which Dan Patrick shows up.**

At some point between January and June, Gov.-elect Greg Abbott will be thrown into this, refereeing some inevitable difference between the House and the Senate, probably with a deadline looming, and

possibly on a question that pits one wing of the Republican Party against another.

He is in a position to put his thumb on the scale, to signal the two legislative leaders which way he might go on an issue, or to talk them around bringing fights to his desk.

TRS Fund Healthy, Actuarially Sound

Tim Lee, *Inside Line*, 11-21-14

There is a lot of good news about the TRS pension fund to share with our members. **TRS in November reported the pension fund is at a healthy \$130 billion. The rate of return on investments for the year was 16.8%, net of expenses.** The return was large enough to eliminate deferred losses and is now in a position of deferred investment gains.

These developments are a direct result of so many people dedicated to making TRS Texas the best public pension plan in the nation. This includes the TRS administrative and investment teams, as well as the legislators who have supported the TRTA legislative agenda to protect the TRS defined benefit plan.

Above all, improving actuarial condition of our pension fund is thanks to the tremendous effort you, your fellow retirees and our friends in the active educator community made during the 83rd Legislative Session in 2013. As a result of our determination and cooperation, Senate Bill 1458 has had a huge impact on the health of TRS.

We have proven that when we work together and stay the course, it works! It is also important to note, however, that we cannot go backwards! TRTA members must remain vigilant in maintaining the provisions passed through SB 1458. These provisions are good for the pension fund and necessary. Any step backwards undermines our hard-earned success!

What Do I Need to Know about the Coming Legislative Session?

Tim Lee, *Inside Line*, 11-21-14

While this news is positive for all 1.3 million participants—retired and active—there were some concerns presented during the meeting as well. **An independent actuary reported that while the system is sound, no room exists for benefit**

increases for the fund's annuitants under the current contribution structure. This means that any benefit increases for annuitants must be funded with additional revenue.

Our TRS-Care retiree health insurance program is facing a huge shortfall that must be addressed in 2015. During the TRS Board of Trustees meetings, the TRS staff and independent actuaries released the final version of its TRS-Care Sustainability Study. Next week, TRTA will release a complete review of the study through the Inside Line. An important part of the TRS report on health care is that the plan is still projecting to be underfunded by nearly \$730 million. Without a fix to this immediate health care crisis in the coming session, our retirees could see their premiums more than double!

Our legislators must know that funding for our health care program and the pension fund are independent issues, and considerable TRTA effort will focus on resolving the TRS-Care shortfall and protecting the insurance plan for the future.

The resolution of the TRS-Care crisis cannot sacrifice the pension fund or the provisions earned through SB 1458! Retirees need a reliable, steady monthly income with the potential for increases but they also need affordable, accessible health care!

TRTA will support equally the increased appropriations needed for TRS-Care and its protection and the preservation of the defined benefit pension plan. We cannot allow the dollars won through SB 1458 to stabilize the pension fund to be shifted to TRS-Care in an attempt to resolve the coming health care crisis. This line of thinking is short-sighted and unreasonable.

TRTA is your advocate and we always will work to protect your retirement AND improve your benefits. TRTA's core value is a sound retirement system, but helping retirees receive benefit increases is also a major part of our long-term legislative agenda.

We successfully worked to improve the condition of the TRS fund and provide a cost-of-living increase to hundreds of thousands of TRS retirees last session, and we are going to work on these goals again in the 84th Legislative Session. **TRTA members know the solvency of TRS-Care is our top priority for**

the 84th Legislative Session beginning in January, but we will also seek ways to provide additional funding to the TRS pension fund so that the possibility of a cost-of-living increase for those who did not receive one in 2013 may be considered. As the health of the fund continues to improve, opportunities may be presented to make this a reality.

Federal Legislation to Repeal Windfall Elimination Provision (WEP) Introduced

based on Tim Lee, *Inside Line*, 11-19-14

In November, two members of Congress, Representative Kevin Brady of Texas and Representative Richard Neal of Massachusetts, introduced **H.R. 5697, the Equal Treatment of Public Servants Act**. The bill, if passed, would repeal the Social Security Windfall Elimination Provision (WEP), and replace it with a more fair formula helping those who have been impacted by the WEP and those who will be in the future.

In a press release, Representative Brady stated, "Our goal for many years has been to end the unfair WEP and provide equal treatment to all workers in Social Security, including our teachers, firefighters, police and other public servants who have contributed into Social Security."

Members of the Texas Retired Teachers Association (TRTA) have advocated for many years that Congress repeal the WEP, and TRTA Executive Director Tim Lee was invited last summer to Washington, D.C. by Congressman Brady to discuss the bill and share his thoughts about how it impacts hundreds of thousands of retired public educators in Texas and throughout the nation.

H.R. 5697, if passed, would:

1. permanently repeal the current Windfall Elimination Provision and replace it with a new and fair formula that treats public servants like the rest of American workers.
1. Guarantee public servants receive the benefits they earned while they paid into Social Security.
2. Reduce the WEP by up to a third for current retirees, and up to half for future retirees – increasing lifetime Social Security benefits by

between \$20,000 and \$32,400 (as estimated by the Social Security actuary).

3. Not impact the Social Security trust fund.

What does this mean for retired educators in Texas? If H.R. 5697 passes, your Social Security amount will no longer be figured by the arbitrary WEP formula established in 1983, but will be based on your real-life Social Security contributions and work history -- just like everyone else.

An estimate provided by the Social Security Actuary's office indicates the average retiree would receive an annual \$1,034 increase in Social Security income, or an additional \$20,000 over the lifetime of an average retiree for those who are retired already or will turn age 62 before December 31, 2016. Retiree's Social Security income would increase by approximately 32 percent.

Persons who turn age 62 after January 1, 2017, would be subject to the new Public Servant Fairness Formula. On average, retirees would receive \$1,620 in additional Social Security benefits per year, about \$32,400 over the average lifetime of retirement.

What Happens Now?

The bill has been referred to the House Committee on Ways and Means, a committee on which Representative Brady serves. After review by the Committee, the bill would need to be brought to the House of Representatives for a vote, then if passed, would need to be presented to the Senate for a vote as well. If the bill passed both Houses of Congress, it would then be sent to the President to be signed and become law.

We are still in the very early stages of the bill's progress. There is much work to be done to get H.R. 5697 passed! TRTA will launch an email advocacy campaign with our Texas Congressional Delegation in the weeks to come.

For now, TRTA members can spread the word to their fellow retirees and their friends in the active school community that we have not given up on the idea of fairness for our members and their Social Security earnings. We are gearing up to pass a bill that puts more money back into your pockets!

Sen. Kirk Watson says raise

Homestead Exemptions

Kirk Watson, *Houston Chronicle*, 11-13-14

...Those in control of the Capitol make a lot of noise about rising property taxes. But while they rail against those taxes, they ...deflect the blame for higher taxes onto cities and counties. They righteously call for tax reform, offering holier-than-thou proposals that seek to tie the hands of locally elected officials by limiting their ability to raise tax rates each year.... We, as state lawmakers, should stop pointing fingers... and then do something...

There's a relatively easy way the state can reduce the property tax bill for every homeowner: Raise the mandatory homestead exemption for school property taxes. Today's \$15,000 school homestead exemption was enacted almost two decades ago, in 1997, when the average appraised value of a home in Texas was about \$66,000. Since then, as the statewide average home value has more than doubled, the exemption has lost much of its purchasing power. Bumping that exemption to \$25,000 would lower the tax bill for a homeowner in the Austin school district by \$120, which would have cut in half this year's increase on an average-value home. By linking the exemption to inflation, we can ensure that it keeps its value.

It would - and should - be the state's responsibility to make up the lost revenue for school districts. The cost would be an estimated \$1.3 billion for the two-year budget. That's real money, but not as much as the \$2 billion or more from increased local property taxes that our state budget-writers are already counting on in order to make the 2016-17 state budget work.

The Texas Constitution places the responsibility for a system of free public schools on the Legislature. The Legislature meets its obligation, in large part, on the backs of local property taxpayers. It's time to give taxpayers an honest accounting and a real tax break.

Watson, a former mayor of Austin, represents the capital city in the Texas Senate

TRTA Reviews Final TRS-Care

Sustainability Study

based on Tim Lee, *Inside Line*, 12-1-14

The TRS finalized its sustainability study of TRS-Care health insurance in late November. Earlier this year, TRTA reviewed the possible options and received feedback from thousands of our members. It now appears that the TRS-Care funding shortfall will be \$750 million, not the one million as predicted last summer.

YOUR PREMIUMS COULD STILL DOUBLE if the Legislature does nothing on this shortfall in 2015. TRS ably reduced the shortfall by introducing the Medicare Advantage program nearly two years ago. That program currently has a 70% participation rate, resulting in a savings of about \$300 million by August 31, 2015. Medicare Part D which is at 80% participation, will save TRS-Care \$162 million by that same date. TRS has exhausted its options for extending the life of TRS-Care, and awaits Legislative action in the 84th Session.

TRTA believes the Legislature effectively managed their role in pension fund decisions last session, but has woefully underfunded the TRS-Care program for more than a decade.

TRTA will not support any legislation that puts the burden of the financial shortfall solely on the backs of retirees!

The TRS study presents **seven options** that may be considered by the Legislature in 2015. Some of those options work as stand-alone solutions, others would be combined to achieve program savings and indeed, some will cost retirees more than others. **For an explanation of the seven options go to trta.org and click on Tim Lee's *Inside Line* for Dec. 1.**

While these options are all on the table and are likely the basis for developing short and long-term solutions for TRS-Care, no one can say that any of these proposals will represent the final word on legislative action for the program.

We **MUST** stay vigilant and active in the coming session. TRTA's success will be based largely on our growing membership's involvement. Please know that we need your help, active involvement, and membership to resolve this issue....