ADVANCING SOLUTIONS IN SPECIAL SESSIONS.

TEXAS 20 36

Margaret Spellings
President and Chief Executive Officer

Tom Luce
Founder and Chairman of the Board

During the 2021 regular session, Texas 2036 worked to cut through the political rancor to provide data and policy expertise, ensuring that issues critical to the state's future were thoroughly researched and ready for legislative action. On issues like education, health, workforce, broadband, and government finance, Texas 2036 established itself as a go-to resource for the "meat and potatoes" of governance – issues that don't necessarily draw headlines, but are essential to maintaining Texas' quality of life and economic growth.

As a result, 42 bills that our team supported became law, most of which received strong bipartisan backing (on average, 92% of legislators voted in favor of this legislation). Of the bills our team worked against, none passed.

Our regular session efforts were quickly followed by three consecutive special sessions, spanning from July to October 2021. It is not lost on us that many Texans feel disappointed by the outcomes of these three special sessions – some feel the Legislature went too far, others that it didn't go far enough. But the partisan tensions prominent during these three special sessions helped drive home the importance of data-driven policies to improve the lives of all Texans, regardless of their political ideologies.

Across the three special sessions, Texas 2036 focused our efforts on issues involving state finances, ongoing recovery from the pandemic, and setting the state up for long-term economic growth.

Toward these ends, we took a leading role in advocating for prudent utilization of federal stimulus funds, worked to ensure students had access to remote and in-person learning this fall, opposed efforts to reduce rigor in addressing COVID learning loss, advocated for increased funding for legislative staff, and opposed vaccine-related legislation that would have created an untenable position for Texas employers.

The top-line results are straightforward: the three bills we actively supported passed the legislature, and the three bills we opposed did not pass. But underneath those numbers is a bipartisan success story:

- In the House, bills we supported received an average final vote of 130-2, with 100% of House Republicans supporting and 95% of House Democrats.

- In the Senate, bills we supported received an average final vote of 30-1, with 96% of Senate Republicans supporting and 100% of Senate Democrats.

For our team, no bill was more important than the appropriation of $13 billion in federal COVID relief funds in Senate Bill 8 (87-3). Texas 2036 has worked for more than a year to develop unparalleled expertise on federal funding issues, working to help guide state and local lawmakers to maximize the benefits of these one-time funds. This once-in-a-generation windfall of federal funding provided the Legislature with a unique opportunity to address major systemic issues in our state, but it also required vigilance to avoid the creation of a fiscal cliff.

The Legislature responded to this opportunity by fully resolving the deficit faced by the state's unemployment trust fund, as well as making many significant down payments toward other relevant priorities. We are encouraged that the Legislature responded in a strong, bipartisan fashion during the federal funding debate, and hope to build on these wins to guide future improvements on the work that's left to be done.

3

2021 SPECIAL SESSION OVERVIEW

As the 87th Regular Session came to a close, it was widely understood that the Legislature would return for at least one special session to appropriate billions in federal funding disbursed to Texas under the America Rescue Plan Act (ARPA) and to undergo the decennial redistricting process. However, in the last hours of the Regular Session, two of the Governor's designated emergency items – an omnibus elections bill and bail reform legislation – failed to pass due to a lack of a quorum.

In response, the Governor vetoed funding in the state budget for the Legislature itself to incentivize the Texas Legislature to come back in a special session to consider and pass these priorities. The Legislature's portion of the state budget ("Article X") represented multiple legislative agencies and thousands of employees whose pay and benefits would cease with the end of the fiscal year on August 31 unless the legislature took action. The division and controversy that defined the 87th Regular Session, unfortunately, continued into three back-to-back special sessions. However, amidst the rancor, the Texas Legislature also found opportunities to solve real problems and address concrete issues – in many cases with bipartisan support.

First Special Session *(July 8 - August 6)*

The proclamation calling the First Special Session covered a wide range of subjects. At the top of the agenda were the two emergency items that failed to pass during the regular session - elections and bail reform. Some items on the Governor's agenda called for legislation on highly-partisan issues, while others seemed to represent a "carrot-and-stick" approach to ensure a quorum, such as providing supplemental payment (or a "thirteenth check") for retired teachers and restoring funding for legislative agencies and staff with Article X.

Nonetheless, the Legislature functionally stopped working only four days after the special session began when the quorum was broken on July 12. Therefore, once the 30-day deadline was reached, the First Special Session ended with no bills passed, and the Governor immediately called the Legislature back for the Second.

During the First Special Session, much of Texas 2036's direct legislative engagement involved Article X, where we provided an analysis of legislative and agency staff salaries. One of our important findings showed that Texas legislative staff salaries had not kept up with the cost of living increases in the Austin area, leaving many legislative staffers eligible for public benefits like subsidized housing.

Second Special Session *(August 7 - September 2)*

Every item on the First Special Session agenda was included in the Second with a few notable additions. The Governor added to the call legislation relating to education quality and progress, as well as topics related to COVID-19 vaccines and masking in public schools. In response to a sharp increase in COVID-19 hospitalizations, the proclamation also called for appropriations of federal funds specifically to address health care needs like staffing, supplies, and equipment.

While the Senate maintained a quorum and passed legislation responding to most of the items in the Governor's proclamation, the House was not able to attain a quorum until August 23. With only 10 days remaining in the special session, the Legislature addressed multiple items on the call.

During the Second Special Session, Texas 2036 primarily worked in support of two bills that became law: Legislation on virtual learning programs in schools and the supplemental appropriations bill that included restoring Article X funding for the Legislature. In addition to the virtual learning legislation, other education bills were filed in response to the Governor's call for bills related to education quality and progress. Texas 2036 successfully opposed legislation filed in response to this item on the call that would have reduced the rigor of recently-passed efforts to help address COVID-19 learning loss in Texas schools.

Third Special Session *(September 20 - October 18)*

With the Third Special Session, the Governor's agenda included the long-anticipated items of redistricting and appropriation of ARPA funds. Over the course of the session, the Governor added five more subjects to the call for the Legislature to consider, including more elections and higher education issues. In addition, a call was made for legislation prohibiting any entity in Texas from compelling receipt of a COVID-19 vaccine by employees or consumers.

For most of the Third Special Session, Texas 2036 focused its efforts to ensure that the $16 billion the state received in ARPA funding was used to address long-term problems in a fiscally sustainable way. As discussed in depth below, Texas 2036 provided strategic advice on how to maximize the benefits of these funds toward impactful and necessary areas of investment. After vaccine issues were added to the call late in the Third Special Session, Texas 2036 joined a chorus of business associations in successful opposition to vaccine-related legislation.
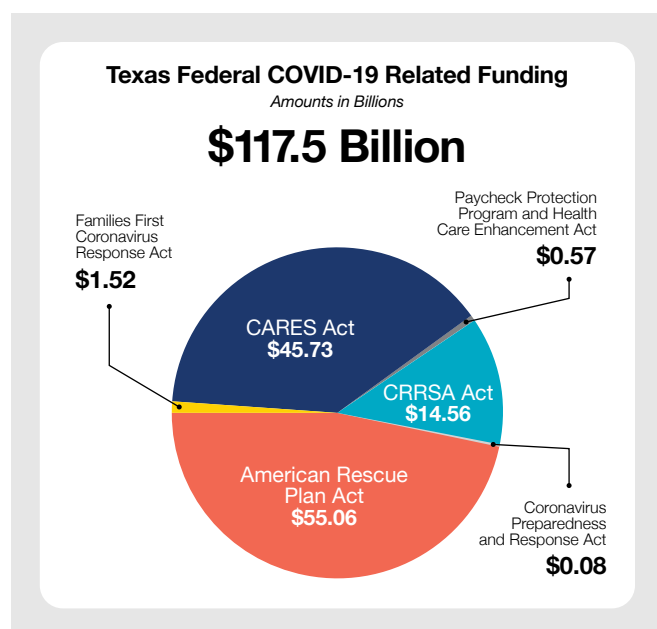
FEDERAL FUNDING

Texas 2036 has established itself as a leader on the allowable uses of COVID-19 federal funding since the early days of the pandemic (see, e.g., Spotlight: 2020 Federal Stimulus Bills). This is because the large infusion of funds in Texas – $117.5 billion across state and local governments to date – had the opportunity to impact nearly every aspect of the Strategic Framework. Our engagement focused primarily on the following goals from the Texas 2036 Strategic Framework:

- **Goal 11: Public Health –** Texans and their communities are empowered to adopt healthy lifestyles.

- **Goal 16: Digital Connectivity –** Texans can digitally participate in economic opportunities and essential services.

- **Goal 18: Crisis Readiness –** Texas is ready to address the human, economic, and environmental consequences of natural disasters and hazards.

- **Goal 32: Wisely Managed State Spending –** Texas strategically manages state expenditures to deliver the best value to taxpayers.

- **Goal 34: Proven Modern Methods –** Texas government uses data-driven and proven modern methods to drive toward shared goals.

- **Goal 36: Aligned Accountability –** Texas officials at all levels collaborate well.
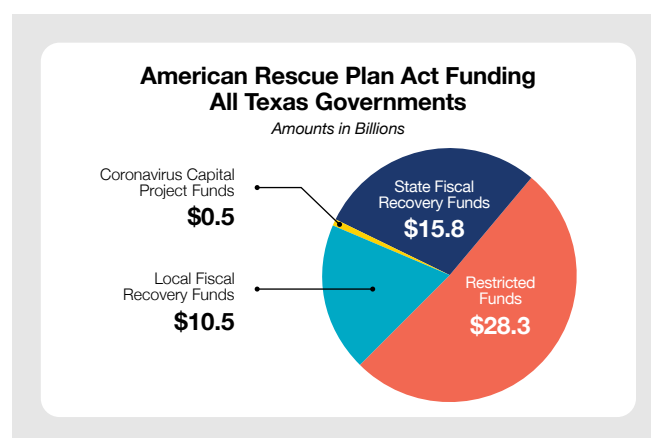
Federal Funding Overview

Through six Congressional Acts, Texas has been allocated a total of $117.5 billion to state and local governments and education institutions. Leading up to the 2021 regular and special sessions, Texas 2036 worked to inform state policymakers of the opportunities, rules, and risks associated with this federal stimulus legislation.

Texas Federal COVID-19 Related Funding
Amounts in Billions

$117.5 Billion

Families First Coronavirus Response Act **$1.52**

Paycheck Protection Program and Health Care Enhancement Act **$0.57**

CARES Act **$45.73**

CRRSA Act **$14.56**

American Rescue Plan Act **$55.06**

Coronavirus Preparedness and Response Act **$0.08**

During the Regular Session, the Legislature addressed the expenditure of Coronavirus Aid, Relief, and Economic Security Act (CARES) and Coronavirus Response and Relief

Supplemental Appropriations Act (CRRSAA) funds but opted to leave portions of ARPA funds to address in a subsequent special session. ARPA allocated $55.1 billion to state and local governments and education institutions in Texas. $26.3 billion went to Texas state and local governments from the State and Local Fiscal Recovery Fund, which came with few strings, providing state and local governments with great flexibility to address the pandemic's effects. Additionally, the APRA provided the state $500.5 million from the Coronavirus Capital Projects Fund to address broadband infrastructure.

**American Rescue Plan Act Funding
All Texas Governments**
Amounts in Billions

Coronavirus Capital Project Funds **$0.5**

Local Fiscal Recovery Funds **$10.5**

State Fiscal Recovery Funds **$15.8**

Restricted Funds **$28.3**

Source: Federal Funds Information for States, COVID State Allocation Spreadsheet, August 2021
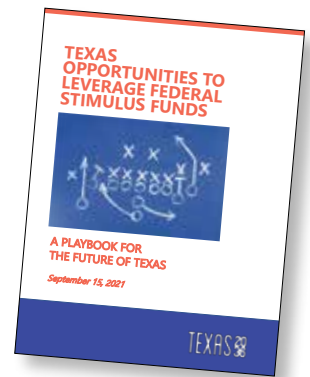
Note: Amounts above only reflect funding received by the state government, local governments, local education agencies, and institutions of higher education.

The $15.8 billion in State Fiscal Recovery Funds (SFR Funds) and the $500.5 million in Coronavirus Capital Projects Funds, represent the $16.3 billion in ARPA funds that the Texas Legislature would focus on during the Third Special Session. This funding provided an opportunity because the state rarely has the resources to, all at once, address major structural problems. A massive investment of ARPA funding after decades of vibrant economic growth provided policymakers the necessary resources not only to work to retain a positive economic trajectory but also prepare for the state's future in a way that benefits the next generation of Texans.

In September 2021, Texas 2036 released its Texas Voter Poll and found that voters were increasingly concerned about the state's future and they overwhelmingly wanted leaders to take advantage of the billions of federal stimulus dollars. Voters ranked critical infrastructure projects as their top area for appropriations, followed by cybersecurity and technology services.

Energy Infrastructure
83% of Texans support using federal funding to make upgrades to the state's electrical grid and generation, including weatherizaton, new energy technologies improvements

Modernize State It
80% of Texans support using federal funding to improve the state's cybersecurity and technology to improve customer service and protect date

Water Infrastructure
89% of Texans support using federal funds for state water projects that improve the cleanliness of drinking water during the drought conditions

Flood Infrastructure
79% of Texans, including 88% of Houstonians support using federal funding to improve flood prevention capabilities

Broadband and Energy Communications
81% of Texans support using federal funding to improve the state's broadband and emergency communications infrastructure, increased access to the internet in rural and underserved areas, and enhancing disaster response

Unemployment Insurance
58% of Texans support using federal funding to replenish the state's unemployment trust fund

In an effort to amplify and add more details to the Texas Voter Poll findings, Texas 2036 released the Federal Funds Playbook, which laid out opportunities to leverage the federal stimulus funds to make generational investments. In the Playbook, Texas 2036 encouraged the Legislature to consider the following principles in deciding how to deploy the $16.3 billion federal funds, which included:

- **Target Long-Term Solutions:** Pursue prudent, data-driven investments that will positively impact our state for decades to come and reduce future costs.

- **Seek Financial Sustainability:** This money represents a temporary cash infusion, so the primary focus should be on one-time costs or expenses, including investments that will either generate future revenues or offset future costs.

TEXAS OPPORTUNITIES TO LEVERAGE FEDERAL STIMULUS FUNDS

A PLAYBOOK FOR THE FUTURE OF TEXAS
September 15, 2021

TEXAS

- **Coordinate Efforts to Maximize Impact:** Governments, agencies and private sector organizations can make the biggest difference by working together.

Specifically, the Federal Funds Playbook provided options to the Legislature for addressing many of the state's most pressing challenges:

- **Strengthen Our Energy Infrastructure and Energy Future:** To bridge the gap while reforms passed in response to Winter Storm Uri during the regular legislative session are implemented, we suggested using federal funds to increase the resilience and reliability of the electricity grid, which 83% of Texas voters supported.

- **Invest in the State's Information Technology:** 80% of Texas voters supported improving the state's cybersecurity and technology systems, to improve customer service and protect data. To build off of work done during the regular session, we suggested the Legislature dedicate federal funds to the newly created Technology Improvement and Modernization Fund (TIMF) established by House Bill 4018 to begin transforming the state's IT systems for the future.

- **Fund State Water and Flood Projects:** We suggested ARPA funds be used to protect communities from flood risks; deliver safe, clean water to Texas families; and curb pollution of the state's water supplies. 89% of Texas voters supported using $3 billion of federal funds to improve our water supply. 79% of Texas voters, including 88% of Houstonians, supported using federal funds to improve flood prevention capabilities.

- **Improve Broadband and Communications Infrastructure:** More than one million Texans and many businesses lack access to broadband because they do not have the necessary infrastructure to support the high-speed service. To close this digital divide, 81%

of Texas voters supported using $2 billion in federal funding to improve the state's broadband and emergency communications infrastructure, increase access to the internet in rural and underserved areas, and enhance disaster response.

- **Address State Facility Needs and State Hospital Infrastructure:** With $590 million in unmet deferred maintenance at facilities within the State's portfolio, we encouraged lawmakers to use ARPA funds to address these needs. If left unfunded, this amount would continue to increase and addressing these needs now would free up future General Revenue in upcoming budget cycles.

- **Expand State Park Lands and Address TPWD Deferred Maintenance:** The pandemic has increased the use of state parks, highlighting the already growing strain that population growth has placed on our limited capacity. Investments in state parks — especially one-time expansion and development costs — can produce century-long benefits. Much of our current park infrastructure dates to the 1930s - Civilian Conservation

Corps. 68% of Texas voters support using $1 billion in federal funding to build new state parks and improve existing parks.

- **Replenish the State's Unemployment Trust Fund:** The state's Unemployment Insurance Trust Fund was hit hard by job losses in 2020, creating a more-than $7 billion gap that would need to be repaid either through increased taxes on employers or by the state. 58% of Texas voters supported using ARPA funds to replenish this fund and avoid increasing business taxes.

This once-in-a-generation funding opportunity created an all-hands-on-deck engagement operation for Texas 2036. Prior to the Third Special Session, the Texas 2036 policy team met with Legislative leadership offices and all Senate Finance and House Appropriations committee members' offices to outline our principles, polling results and Federal Funds Playbook. The resulting legislation addressed many of the items supported by our efforts, making a strong down payment toward the state's future.

Legislative Engagements

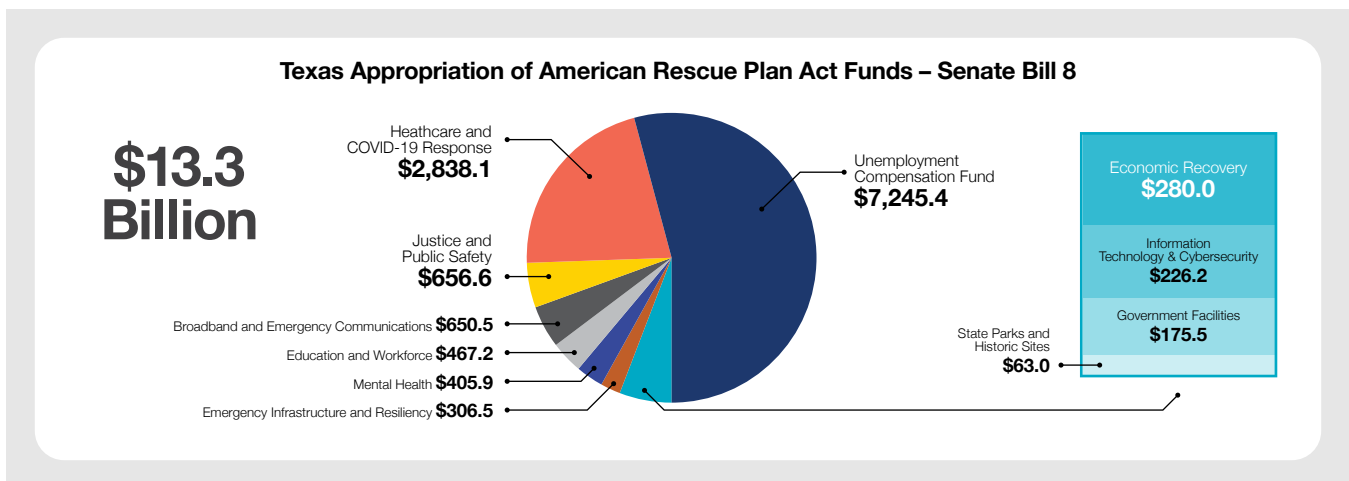## Senate Bill 8 (87-3) by Sen. Jane Nelson and Rep. Greg Bonnen

During the Third Special Session, the Texas Legislature unanimously passed SB 8 (87-3), which appropriates $13.3 billion of the available $16.3 billion in ARPA funding. Future legislatures will have an opportunity to appropriate the $3.0 billion remaining, as the deadline to obligate these funds is December 31, 2024. Texas must expend all funding by December 31, 2026, or it could be subject to rescission.

As shown below, SB 8 makes significant investments in areas that will impact jobs, broadband, IT modernization,

and mental health infrastructure. These investments will address immediate state needs while also setting the state up for improved economic growth and government services.

The bill received unanimous support in both chambers, passing the Senate 31-0 and the House 145-0. Governor Abbott signed SB 8 into law on November 8, 2021, and the law has immediate effect.

The bulk of the funding in SB 8 was appropriated toward addressing the state's unemployment insurance deficit and COVID-related healthcare and response costs, which we highlight below along with other important investments.

Texas Appropriation of American Rescue Plan Act Funds – Senate Bill 8

$13.3 Billion

Category	Amount
Unemployment Compensation Fund	$7,245.4
Heathcare and COVID-19 Response	$2,838.1
Justice and Public Safety	$656.6
Broadband and Emergency Communications	$650.5
Education and Workforce	$467.2
Mental Health	$405.9
Emergency Infrastructure and Resiliency	$306.5
Economic Recovery	$280.0
Information Technology & Cybersecurity	$226.2
Government Facilities	$175.5
State Parks and Historic Sites	$63.0

Unemployment Compensation

$7.2 billion, more than half of the $13.3 billion in ARPA funding, was appropriated to replenish the state's Unemployment Compensation Fund. This appropriation addresses the shortfall in the state's Unemployment Compensation Fund, which was impacted by the significant job loss Texans experienced in 2020 due to the pandemic. By appropriating these funds during the Special session, Texas employers will avoid significant future tax increases to replenish the fund.

In choosing to tackle this Federal Funds Playbook item with a full $7.2 billion, the Legislature fully embraced paying off a one-time cost and permanently solving this COVID-related issue. Texas 2036 supported the Legislature in its efforts to address the needs of the Unemployment Compensation Fund. According to the Texas Voter Poll, this appropriation was supported by 58% of Texas voters.

Healthcare and COVID-19 Response

The $2.8 billion appropriated for healthcare and COVID-19 response addresses issues caused by the pandemic since March 2021. The bulk of these funds ($2.0 billion) was appropriated to the Department of State Health Services for surge staff at state and local healthcare facilities, the purchase of therapeutic drugs, and the operation of regional infusion centers. $378.3 million will go toward one-time grants for critical staffing needs of frontline health care workers affected by COVID-19, including recruitment and retention bonuses. $286.3 million was allocated to the Teachers Retirement System to cover coronavirus-related claims in TRS-Care and TRS-ActiveCare. $75 million will be used for grants to rural hospitals that have been negatively affected by the pandemic.

As noted in the Federal Funds Playbook, Texas 2036 recognized throughout the appropriations process that funding for health care and the state's crisis response was an essential item in any ARPA spending package.

Broadband and Emergency Communications

The $650.5 million appropriated for broadband and emergency communications builds off the work completed during the regular legislative session with the passage of House Bill 5 (87-R) and House Bill 2911 (87-R). $500.5 million in Coronavirus Capital Projects Funds will go to the newly established Broadband Development Office to expand broadband infrastructure across the state. This funding represents a down payment on what is expected to be a multibillion-dollar investment for Texas to narrow the digital divide.

In addition, $150 million was appropriated to the Commission on State Emergency Communications to speed the deployment of Next Generation 9-1-1 infrastructure, which will modernize emergency communications for Texans and first responders.

Texas 2036 actively worked alongside aligned stakeholders in support of dedicating federal funding toward these broadband and emergency communication issues. Appropriating federal funds toward these efforts was supported by 81% of Texas voters.

Learn more:

https://texas2036.org/posts/how-broadband-federal-funds-can-transform-lives/

https://texas2036.org/posts/texas-house-poised-to-fund-emergency-communications-upgrades/

Mental Health

The $405.9 million appropriated for mental health will help expand Texas' physical infrastructure as well as access to services. $237.8 million was appropriated to construct a new state hospital in the Dallas area. In addition, the Legislature allocated $15 million to enhance a mental health facility in Lubbock, as well as $40 million to the Texas Facilities Commission for the construction of a behavioral health facility in the Permian Basin.

$113.1 million was allocated to the Texas Higher Education Coordinating Board and will support the operations and expansion of the Texas Child Mental Health Care Consortium, which leverages the expertise and capacity of health-related institutions of higher education to help improve the mental health care system for children and adolescents.

Texas 2036 testified in support of funding to address mental health infrastructure, with a focus on the Dallas state hospital. Spending federal funds on this item, which was included in the Federal Funds Playbook, will address a critical need and save the state future general revenue.

Information Technology and Cybersecurity

The $226.2 million appropriated for IT and cybersecurity items builds off the legislature's regular legislative session passage of House Bill 4018 (87-R). Texas 2036 worked closely with legislative authors during the development of that legislation, and the allocation of this financial support will help the state implement that legislation.

SB 8 included $200 million for cybersecurity, specifically requiring the joint interim committee created by HB 4018 to guide this expenditure. SB 8 also included $25 million for targeted IT upgrades at the Health and Human Services Commission, with a focus on Medicaid and the Children's Health Insurance Program (CHIP). Finally, SB 8 included $1.2 million to upgrade IT for Child Advocacy Centers.

This allocation of funding will improve our state's ability to deliver services and improve our cybersecurity infrastructure by updating IT resources and preventing future costs. The Texas 2036 Voter Poll showed overwhelming support from Texas voters for modernizing state information technology, with 80% support. Texas 2036 supported the use of federal funds to address IT modernization needs and will work with the interim legislative committee created in HB 4018 to implement IT modernization strategies.

Learn more:

https://texas2036.org/posts/texas-it-systems
-need-an-upgrade/

https://texas2036.org/posts/smart-uses-
of-federal-funds/

Education and Workforce

The Legislature appropriated $467.2 million appropriated for education and workforce related items, with the bulk dedicated toward university facility improvements ($325 million) and institutional enhancements for Texas Tech University and the University of Houston ($100 million).

Of the balance, $15 million was appropriated to workforce training through the Texas Reskilling and Upskilling through Education (TRUE) initiative. These funds will enable the Texas Higher Education Coordinating Board to provide students with financial aid to attend eligible reskilling or upskilling programs offered by Texas community colleges or other eligible workforce training providers.

Texas 2036 supported the passage and implementation of the TRUE initiative (SB 1102, 87-R) and continues to work through Aim Hire Texas to ensure that educational investments lead to high-value workforce outcomes for students, employers and taxpayers.

Learn more:

https://texas2036.org/posts/bigger-economy
-better-jobs/

Aim Hire Texas

State Resiliency

The Legislature appropriated $306.5 million for emergency infrastructure and resiliency efforts, which will bolster our state's ability in responding to extreme weather events. This includes $300 million for a new State Operations Center, which serves as the central hub for coordinating state disaster response. Additional funds went toward beach dune maintenance ($5 million) and resiliency studies ($1.5 million).

As noted in our work with State Climatologist Dr. Nielsen-Gammon (see Spotlight: Extreme Weather), Texas' future depends on how we prepare for more extreme weather. Appropriations to improve flood prevention capabilities were supported by 79% of Texas voters, including 88% of Houstonians, and were highlighted in our Federal Funds Playbook.

Learn more:

https://texas2036.org/posts/small-victories-among-
big-wins-in-arpa-spending/

State Facilities

$175.5 million was appropriated for maintenance and new construction at state-owned facilities. The Texas 2036 Federal Funds Playbook references state facility upgrades as an opportunity to fund overdue construction using federal funds rather than state general revenue funds, saving Texas taxpayers money over the long term.

Learn More:

https://texas2036.org/posts/leveraging-federal-funds-
to-improve-facilities/

Legislative Testimony:

Spoken Testimony – Senate Finance Committee (October 4, 2021):
https://www.youtube.com/watch?v=Ys1GPhBBd9Q

Spoken Testimony – House Appropriations Committee (October 6, 2021):
https://www.youtube.com/watch?v=76Oy-TgO-ck
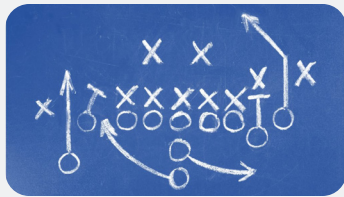
Social Media Highlights:

VP of Policy @JohnHryhorchuk talks with @KarinaKling about the unique opportunity federal funds offer Texas to address our state's immediate and long-term challenges. @TXCapTonight @SpectrumNews1TX #TXlege

In advance of next week's third special legislative session, we reached out to voters across the state of Texas to find out what they're thinking. Here's what we learned. #txlege #TexasVoterPoll https://texas2036.org/poll/

"This poll shows that Texans are still one people — far more binds us than divides us," says Texas 2036 CEO Margaret Spellings. Download the poll report and find out more at https://texas2036.org/poll

Texas has a once-in-a-generation opportunity to solve long-term problems and prepare for the state's future in a way will benefit the next generations of Texans. Get the playbook here: https://texas2036.org/federalfunds/ #txlege

One of the key issues in this special session is how to spend $16 billion in federal stimulus funds. Let's leverage this moment to work together and invest in Texas, in a Texas-size way, writes @AJRodriguez2036. #txlege

During the third special session, #txlege appropriated $16.3 billion in American Rescue Plan Act (ARPA) Funds, making significant investments in areas that will impact jobs, broadband, IT modernization, and mental health infrastructure.

During the special session period TX 2036's tweets had over 246K impressions.

Media Generated Throughout the Special Session:

As of November 15, Texas 2036 has been mentioned more than 1,000 times this year in articles, opinion editorials, and broadcast media that referenced our people, policies, and data-driven research. Of these, almost 450 occurred in July and October, the months in which the three special sessions were being held.

In print, articles, op eds and even editorials mentioned us in publications, such as the Austin-American-Statesman, San Antonio Express-News, The Dallas Morning news, Denton Record Chronicle, Fort Worth Star-Telegram, Odessa American, Laredo Morning Times, D Magazine, the San Antonio Report, The Marshall News Messenger, The Fort Worth Report, The Hays Free Press and a wide variety of local papers across the state. In broadcast media, Texas 2036 appeared on Texas Public Radio, Spectrum Local News, KRLD-AM, KERA (90.1), KHOU, KUT 90.5, and Houston Public Media.

Throughout these months, topics included COVID learning loss, COVID-19 tracking, hospital price transparency, federal funds, workforce preparedness, state parks and facilities, our Texas Voter Poll results, water resources, higher education, broadband, extreme weather, health and comparisons between Texas and California.

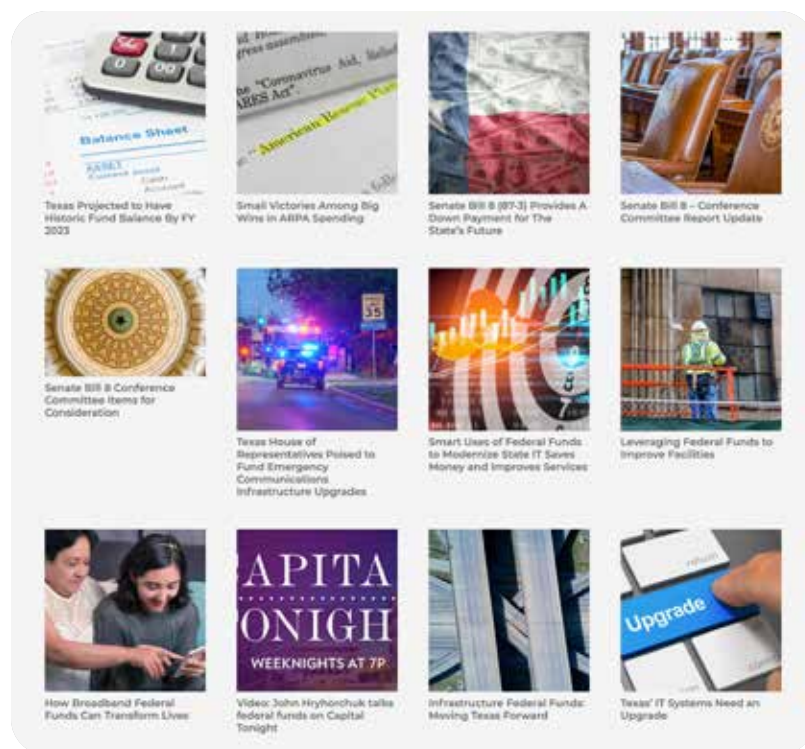*Key highlights include:*

Austin American-Statesman

Opinion: Texans united on using stimulus funds for big-impact projects
– A.J. Rodriguez

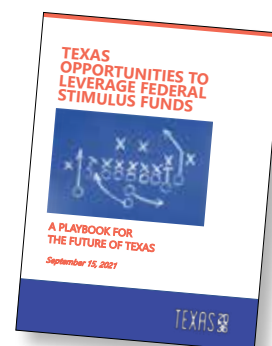**Video: John Hryhorchuk talks federal funds on Capital Tonight**

https://texas2036.org/federalfunds

Federal Funds Playbook

Texas 2036 Voter Poll

Looking Ahead: Future Federal Funding Opportunities

At the conclusion of the third special session, the legislature has appropriated most – but not all – of the federal stimulus funds made available to Texas by Congress. Going forward, the state will need to monitor these appropriations to ensure compliance with applicable federal guidelines, and to ensure that the funding is spent in accordance with the legislative intent of avoiding unsustainable ongoing costs. The state will also potentially receive more federal funding should major legislation on infrastructure and President Biden's Build Back Better agenda become law. Texas 2036 will continue to be actively engaged to analyze and provide options for the state to continue to maximize the benefits of federal funds.

- **Long-Term Investment Opportunities:** Building on the work of the Federal Funds Playbook, Texas 2036 is working to identify and articulate the benefits of major investments in energy, water, information technology, broadband, and parks.

- **Fiscal Transparency and Sustainability:** Texas 2036 supported a rider that the Legislature added to SB 8 (87-3) that will require the Legislative Budget Board to

provide public-facing information on the expenditure of ARPA funds. We will monitor these efforts and maintain a continued focus on fiscal sustainability across all federal funding streams. In addition, we will ask the legislature to provide extensive oversight beyond that required by SB 8 to reduce the likelihood of future fiscal cliffs, especially with regard to education-related spending.

- **Infrastructure and Build Back Better:** At the time of drafting this report, Congress continues to work on two trillion-dollar acts of legislation, both of which could significantly impact Texas public policy and finances. The more immediate $1.2 trillion bipartisan infrastructure act would increase funding to existing state transportation formulas, while also opening up potential grant opportunities for areas like electric grid resiliency and reliability, water systems, and broadband. The Build Back Better agenda items, while still a moving target at the time of drafting, could have similar impacts that Texas 2036 will evaluate and ensure Legislators are positioned to leverage to the benefit of all Texans.

Working with Local Governments to Invest Federal Funds

Texas local governments will receive more than $10 billion in Local Fiscal Recovery (LFR) Funds over the next year and will have until 2024 to obligate this funding. The $10 billion in LFR Funds will be distributed across the state's 254 counties and thousands of municipalities. In addition, Texas school districts and charter networks have received nearly $18 billion in funding from the various Congressional COVID relief acts.

In an effort to coordinate the various pots of funding at the local level, Texas 2036 and the Federal Reserve Bank of Dallas teamed up with county judges in Dallas and Tarrant counties to bring together local government officials, education leaders, and business and nonprofit executives to develop a process for prioritizing the investment of the billions in federal funds to address structural issues impacting their community.

Texas 2036 and the Federal Reserve Bank of Dallas also worked with Harris County leaders to discuss how the area could maximize the use of federal funds to close the digital divide.

This work advanced Texas 2036's Strategic Goal 36: Aligned Accountability – Texas officials at all levels collaborate well – and ensures local governments are prepared to utilize federal funds effectively and efficiently.

Broadband Funding

The federal COVID-19 stimulus funding provided opportunities for states to expand broadband infrastructure and provide digital connectivity to those that did not have it. At the onset of the pandemic, Texas 2036 worked with the Governor's Office and Texas Education Agency on the Operation Connectivity Initiative, which secured $200 million and more in funding for broadband connections and devices for Texas K-12 students.

Building on this accomplishment and the passage of House Bill 5 during the regular legislative session, which created the Texas Broadband Development Office and Program, Texas 2036 and more than 70 cross-sector organizations called for the appropriation of ARPA Funding for broadband expansion.

Through the findings of the Texas 2036 Voter Poll, the 70 cross-sector organizations were able to rally around an appropriation of $2.0 billion in ARPA Funding for broadband expansion, because the poll showed that 81% of voters supported this level of appropriation. In addition, Texas 2036 highlighted important elements to consider when deciding how to appropriate these funds, such as the role of a statewide plan, anchor institutions, and better data.

"Through the findings of the Texas 2036 Voter Poll, the 70 cross-sector organizations were able to rally around an appropriation of $2.0 billion in ARPA Funding for broadband expansion, because the poll showed that 81% of voters supported this level of appropriation."

The Legislature recognized the importance of broadband expansion and appropriated a total of $500.5 million in ARPA funding. This appropriation provides a down payment, empowering the Broadband Development Office with resources to carry out their duties of developing a statewide plan, detailed maps, and distributing grants to close the gap in unserved areas across the state. Texas 2036 looks forward to continuing its work with cross-sector organizations and the Broadband Development Office to distribute these funds effectively and begin the preparation for the potential infusion of additional funding from the federal government.

2020 Federal Stimulus Bills

Well before the March 2021 passage of ARPA, Texas 2036 was actively engaged on federal COVID-19 stimulus funding issues, primarily seeking to provide transparency and encourage state leaders to prioritize funds toward long-term, fiscally sustainable strategies. For over a year, Texas 2036 has provided unique and comprehensive insights into federal fund opportunities and uses, working with state offices to maximize the impact of these on-time funds.

This included:

A comprehensive look at the CARES Act, with a specific focus on the $11.2 billion in the Coronavirus Relief Fund, in September 2020: https://texas2036.org/posts/texas-expenditures-of-11-billion-cares-act-funding/

A call for portions of the CARES Act funding to go toward broadband planning, in September 2020: https://texas2036.org/posts/texas-2036-applauds-88-texas-lawmakers-calling-for-a-broadband-plan/

A breakdown of the state's financial position after the passage of the Coronavirus Response and Relief Supplemental Appropriations Act of 2021 (CRRSAA), in January 2021: https://texas2036.org/posts/where-does-texas-stand-financially/

An analysis of how to use federal funding to maintain education investments, in January 2021: https://texas2036.org/posts/state-lawmakers-must-prioritize-funding-for-education/

An explanation for the timing of the distribution of federal education funds, in April 2021: https://texas2036.org/posts/whats-holding-up-18-billion-for-texas-schools/

2021 Regular and Special Sessions By the Numbers

1400+
engagements with legislative offices

914
bills tracked by our policy team

68
times we provided spoken or written testimony

45
bills we engaged in support of that have become law

"When I talk with business leaders across the state and tell them what we've been able to accomplish, they are surprised because the political headlines focus on the more sensational issues. But it not only can be done, we're doing it."
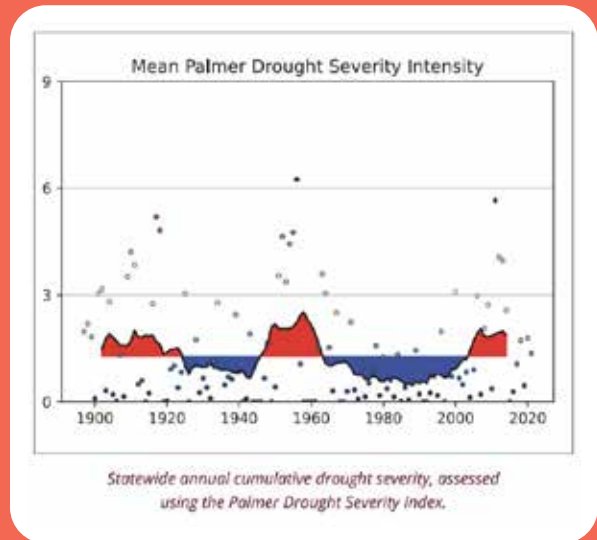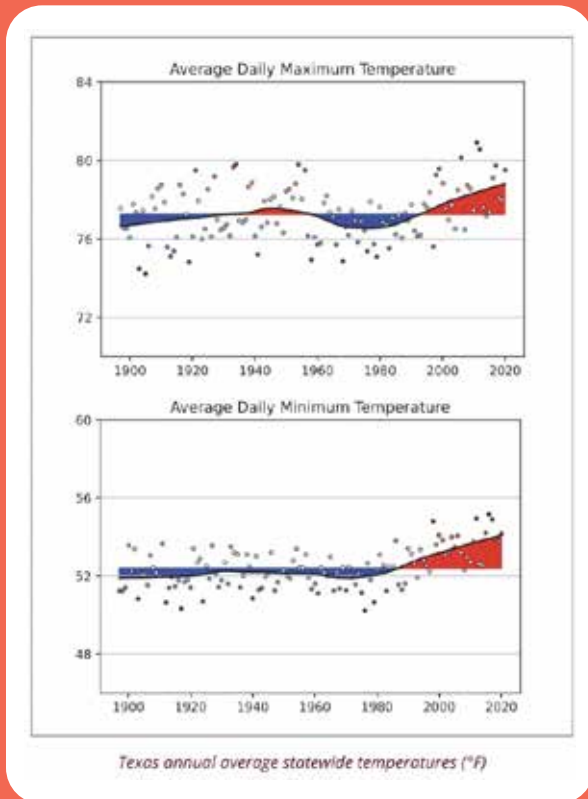
Tom Luce, *Texas 2036 Founder & Chairman*

Extreme Weather Report

In October 2021, Texas 2036 in partnership with the Office of the State Climatologist at Texas A&M University released a report on extreme weather trends and projections for Texas. The report described Texas' historic extreme weather trends and those expected between now and 2036.

According to the report, Texans can expect more extreme weather events in the future. Noteworthy report findings include:

- **Texas will get hotter.** By 2036, the average daily maximum temperature will increase by 3 degrees relative to the last half of the 20th century. The number of 100 degree days – the common barometer for Texas' summer misery index – will double over the next 15 years. At the same time, extreme cold will become less frequent and less severe.

- **Flood risks will increase.** As the average temperature climbs, so, too, will the increase in extreme precipitation amounts. Texans can expect the probability of an extreme rainfall event to increase by 30-50 percent by 2036 compared to the last half of the 20th century. This means that the likelihood for 100-year rainfall events will increase. Consequently, there will be a significant increase in urban flooding – as much as 30-50 percent more than occurred between 1950-1999.

- **Drought will get worse.** Drought will remain in Texas' forecast. Several factors, including higher average temperatures and greater rainfall variability, point to increased drought severity. Furthermore, rainfall deficits comparable to the state's drought of record of the 1950's, or even the historic one-year drought of 2011, would have greater impacts due to higher temperatures. Moreover, warmer temperatures will increase summertime evaporative losses from rivers, lakes, and reservoirs, decreasing the amount of water available for a growing Texas population.

Mean Palmer Drought Severity Intensity

Statewide annual cumulative drought severity, assessed using the Palmer Drought Severity Index.

- **Hurricanes will intensify.** While the frequency of hurricanes is expected to stay the same or even decrease, their intensity is expected to increase. Further, the problems of sea level rise may double the risk of storm surge in places along the Gulf Coast by 2050, relative to the risk at the beginning of the 20th century.

- **Wildfire risks will expand.** Hotter temperatures will lead to increased dryness, extending the wildfire season. The wildfire risk may increase towards the eastern portions of the state due to increasing dryness.

Average Daily Maximum Temperature

Average Daily Minimum Temperature

Texas annual average statewide temperatures (°F)

Texas 2036's Texas Voter Poll released in September 2021 included two questions specific to extreme weather and the state's preparedness for such events. The first question asked voters if they thought the state's climate had changed when compared to ten years ago. Here, 40 percent of respondents said that the climate has changed dramatically, while 35 percent acknowledged that the climate has changed somewhat. In total, 72 percent of voters acknowledged some degree of climate change.

The second question in the Texas Voter Poll asked if the state was prepared for extreme weather events. Only 40 percent said that the state was well prepared for extreme weather events. A majority, however, 59 percent stated that the state was not well prepared for extreme weather events.

Learn More:

The full report is available for download here:
https://texas2036.org/weather/

https://spectrumlocalnews.com/tx/south-texas-el-paso/news/2021/10/08/climate-change-report-shows-texas-is-vulnerable-to-extreme-weather

https://www.expressnews.com/opinion/commentary/article/Commentary-Extreme-weather-threatens-Texas-16546052.php

https://www.axios.com/local/austin/2021/10/15/texas-hotter-extreme-weather-climate-change

https://www.houstonchronicle.com/news/houston-weather/article/Texas-to-see-nearly-double-the-100-degree-days-by-16520294.php

https://www.dallasnews.com/opinion/commentary/2021/10/09/texas-will-continue-to-get-hotter/

https://www.statesman.com/story/opinion/columns/your-voice/2021/10/09/extreme-weather-trends-should-drive-change-state-thinking/6043686001/

https://www.kut.org/energy-environment/2021-10-07/state-climatologist-says-texans-can-expect-the-average-number-of-triple-digit-days-to-double-by-2036
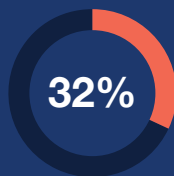
https://www.texastribune.org/2021/10/07/texas-climate-change-heat-water/

Texas voters want action to secure the state against extreme weather events.

In late August, we asked Texas voters about a number of issues, including **climate and extreme weather.**

72% of Texas voters recognize that Texas' climate has changed over the past 10 years.

32% said those changes have been dramatic.

59% said the state is not well-prepared for extreme weather events.
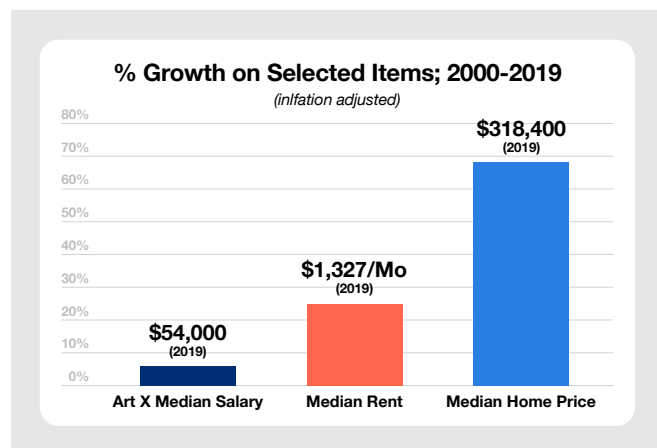
ARTICLE X FUNDING

Article X in the General Appropriations Act funds the legislative branch of the Texas government, which includes eight legislative agencies and over 2,100 employees. Our engagement on Article X budget issues focused primarily on the following goals from the Texas 2036 Strategic Framework:

- **Goal 32: Wisely Managed State Spending –** Texas strategically manages state expenditures to deliver the best value to taxpayers.
- **Goal 33: Talent in Government –** Texas government attracts and retains the needed

talent to deliver excellent service and get results.

- **Goal 36: Aligned Accountability –** Texas officials at all levels collaborate well.

The General Appropriations Act is the only legislation required to be passed by the Legislature each time they meet during the regular legislative session. The Eighty-seventh Texas Legislature passed the 2022-23 General Appropriations Act – totaling $250 billion – to be signed by the Governor. Just before the veto deadline on June 18, 2021, the Governor vetoed all appropriations to the Legislative Branch of the Texas government, meaning that all funding ($315.9 million) for this branch of government would run out on August 31, 2021, if no action was taken.

The Governor placed this item on the first-called special session agenda; however, no action was taken because of the lack of a quorum in the Texas House of Representatives. During this time, Texas 2036 released a blog series highlighting the low pay for legislative staff, particularly when compared to the increasing cost of living in Austin.

Because of Texas 2036's data and policy expertise, Texas 2036 was able to demonstrate that median rent and home prices in the Austin area had significantly outpaced the growth of median legislative staff salaries, using U.S. Census projections from 2000 to 2019.

Texas 2036 also found that the average monthly full-market cost of a two-bedroom apartment in Austin is $1,434, requiring an annual salary of $57,360 to stay below the commonly recommended threshold of spending no more than 30% of income on housing. By this metric, Texas 2036 found that just over half of Article X staff – including nearly 62% of full-time House staff – cannot afford fair market rent on a two-bedroom apartment in Austin.

Texas 2036 analysis also highlighted important data points that resonated with many legislative professionals:

- The current median legislative staffer earns $55,923 annually, which is only $500 more than the income threshold used by the City of Austin to determine eligibility for subsidized housing.
- Austin housing costs have tripled since 2000, but the proposed state spending on the Legislative Branch of government is an inflation-adjusted 3.3% decrease from amounts appropriated two decades ago in 2000.

At the conclusion of Texas 2036's blog series on legislative staff salaries and the rising cost of living in Austin, Texas 2036 calculated the fiscal impact to the state's budget should the legislature decide to increase salaries of legislative staff. Texas 2036 estimated that the Legislature would need to appropriate between $28 million - $51 million in additional appropriations to ensure all staffers can afford to live in the Capitol area based on the metrics outlined above. This additional appropriation would be less than 0.07% of the proposed general revenue balance that the Legislature had available for spending at that time.

This research went viral in capitol circles: For a relatively niche issue, the Texas 2036 tweets on this topic garnered more than 57,000 unique impressions and more than 1,600 engagements (retweets, likes, replies, etc.).

% Growth on Selected Items; 2000-2019
(inlfation adjusted)

Tweet Links:

https://twitter.com/Texas2036/status/1413591642104377353

https://twitter.com/Texas2036/status/1417571547678744585

https://twitter.com/Texas2036/status/1418234388102488067

https://twitter.com/Texas2036/status/1418575605101105153

https://twitter.com/Texas2036/status/1418579880430772225

https://twitter.com/Texas2036/status/1418590397547307008

https://twitter.com/Texas2036/status/1421211114399019020

https://twitter.com/Texas2036/status/1422240435855048707

https://twitter.com/Texas2036/status/1424717573803937796

https://twitter.com/Texas2036/status/1430154890790244357

Learn More:

Legislative Staff Salaries and the Rising Cost of Living in Austin: https://texas2036.org/posts/legislative-staff-salaries-and-the-rising-cost-of-living-in-austin/

Time for bipartisan conversations about legislative staff salaries given Austin's rising cost of living: https://texas2036.org/posts/time-for-bipartisan-conversations-about-legislative-staff-salaries-given-austins-rising-cost-of-living/

Texas Legislature has an unique opportunity to address staff pay: https://texas2036.org/posts/texas-legislature-has-unique-opportunity-to-address-staff-pay/

Written Testimony – House Committee on Appropriations (August 23, 2021): https://texas2036.org/posts/legislative-staff-salaries-are-out-of-sync-with-austins-cost-of-living/

Texas 2036 engaged on Article X funding issues during the first two special sessions. Ultimately, legislative staff salaries were not increased, but the funding cuts created by the veto were restored – first by the Legislative Budget Board, which offered a temporary solution, and then by the full Legislature in the Second Special Session.

Legislative Engagements

HB 5 (87-2) by Rep. Greg Bonnen and Sen. Jane Nelson

During the Second Special Session, the Legislature passed House Bill 5 (87-2), which restored $315.9 million in funding to the Legislative Branch of government.

Texas 2036 staff engaged at multiple points throughout the First and Second Special Sessions to support funding for the Legislative Branch and to encourage the Legislature to increase funding for legislative staff pay. Texas 2036 staff presented data findings and policy recommendations to align legislative staff pay with the rising cost of living in the Capitol Area.

The bill received unanimous support in both chambers, passing the Senate 31-0 and the House 125-0. The Governor signed the bill into law allowing it to go into effect immediately.

Learn more:

Spoken Testimony – Senate Finance Committee (July 9, 2021): https://tlcsenate.granicus.com/MediaPlayer.php?view_id=49&clip_id=16327 (4:05)

Spoken Testimony – House Appropriations Committee (August 23, 2021): https://tlchouse.granicus.com/MediaPlayer.php?view_id=46&clip_id=22318 (3:01)

Written Testimony – House Appropriations Committee (August 23, 2021): https://texas2036.org/posts/legislative-staff-salaries-are-out-of-sync-with-austins-cost-of-living/

Looking Ahead: Legislative Pay and State Employee Issues

- **Legislative Staff Pay:** The issue of whether legislative offices can continue to afford the talent necessary to serve taxpayers, even as costs skyrocket across the Austin metro area, will not be going away. Texas 2036 will continue to build off of the work completed during the first two special sessions, focusing on ensuring the state can hire and retain qualified employees.

- **Future Government Workforce and IT Modernization:** Texas 2036 held a Government Performance Policy Advisory Group to discuss key issues, including a focus on addressing government workforce needs and the role and potential of IT investments and improvements. Texas 2036's future work in this area will focus on staff pay and benefits and improving job skills and job training for the 21st century. Texas 2036 will also review how Texas can improve its state government's customer service, including through improved IT capacity and use.

- **Working Conditions for Correctional Officers:** Texas 2036 held a Justice and Safety Policy Advisory Group to discuss key issues impacting the state's criminal justice system. Stakeholders increasingly focused on prison conditions, with the lens of state correctional officer conditions in areas with poor circulation and no air conditioning. Texas 2036 will continue monitoring this issue for potential future analysis.

K-12 EDUCATION

While the 2021 special sessions featured multiple education-related items – many characterized by heightened partisanship – Texas 2036 focused its efforts on two primary areas: online learning and efforts to remediate COVID-19 learning loss. Our engagement on these education issues was driven by the following goals from the Texas 2036 Strategic Framework:

- **Goal 3: Early learning –** Texas children get a strong early start to succeed in school and life.

- **Goal 4: K-12 –** Texas students graduate high school ready for postsecondary success.

The pandemic disrupted education for millions of children and caused significant learning loss for many students across the state. At the same time, Texas school systems made significant strides in experimenting and adopting new learning models and technologies, including virtual and hybrid learning. Unfortunately, while some of these new means of educating worked, for many students, full-time virtual learning was found to be ineffective with schools seeing higher failure rates for full-time remote students over the last year. Districts with a higher percentage of students learning virtually experienced a greater degree of decline in educational outcomes, while districts with the highest percentage of in-person learners largely avoided any learning declines in core subjects, such as reading.

While many students struggled in a remote setting, some students thrived in full-time virtual and hybrid learning over the last year. These students and their parents have expressed support for a continuation of high-quality online learning. Texas 2036 supported efforts to expand online learning options during the regular session with Senate Bill 27 (87-R), which provided the opportunity to offer greater access to rigorous coursework for all Texas students — especially those in rural and low-income districts. (See: Spotlight on Advanced Courses.) However, SB 27 (87-R) did not pass, and the primary online learning bill to become law created a commission for future study. With no major reforms on this topic passing during the regular session, schools had limited options for offering remote learning for the 2021-2022 school year.

In September 2021, Texas 2036 released the Texas Voter Poll which showed that while Texas voters generally had negative views of online learning during the pandemic, 88 percent supported using online learning to increase access to advanced courses with 67 percent strongly favoring this strategy.

As the disruption to learning pressed on in Fall 2021 with the spread of the Delta variant, it became apparent that the Legislature needed to take additional steps to ensure schools could continue to employ virtual education tools.

While getting students back into the classroom continued to be a priority, there was still a need for flexibility to allow remote learning. As a result, the Governor added the following item to the agenda for the Second Special Session:

Legislation providing strategies for public-school education in prekindergarten through twelfth grade during the COVID-19 pandemic, which ensures:

- students receive a high-quality education and progress in their learning;

- in-person learning is available for any student whose parent wants it.

This item allowed for legislation relating to funding for virtual learning, which resulted in the filing and eventual passage of SB 15 (87-2) by Senator Larry Taylor.

Legislative Engagements

Senate Bill 15 (87-2) by Sen. Larry Taylor and Rep. Keith Bell

SB 15 grants schools the ability to establish or continue full-time virtual learning programs and receive equivalent attendance funding from the state for doing so. Parents are ensured the option for in-school learning if that is what they prefer. Additionally, by allowing students to enroll in virtual courses offered by other districts, SB 15 also presents an opportunity for schools to increase access to rigorous courses that they haven't traditionally been able to offer.

Texas 2036 staff engaged at multiple points throughout the second Special Session to support funding of virtual learning that allowed for students to enroll in courses offered by other districts without creating funding issues for their home district. Our staff met legislative staff and submitted written testimony to the House and Senate Education committees. In this testimony, we stressed the need for equitable access to advanced coursework, such as Algebra I in 8th grade and AP courses, and how online

learning could help fill the opportunity gaps experienced by rural and low-income students.

The bill received overwhelming support in both chambers, passing the Senate 27-2 and the House 119-7. The Governor signed the bill into law allowing it to go into effect immediately.

Links:

https://texas2036.org/posts/texas-should-support-online-learning-options/

https://twitter.com/Texas2036/status/1425135922086092806

https://twitter.com/Texas2036/status/1430228689426452489

https://twitter.com/Texas2036/status/1432835542664744961

House Bill 233 (87-2) by Rep. Dan Huberty

During the 87th Regular Session, the Legislature passed several measures to address COVID-19 learning loss. House Bill 4545 (87-R) created accelerated learning committees to incorporate student exposure to grade-appropriate work rather than delay it through remediation. For any student who does not pass the STAAR test in grade 3, 5, or 8, an accelerated learning committee is established to develop an individual educational plan for the student and monitor progress. The committee is made up of the school principal or the principal's designee, the student's parent or guardian, and the teacher of the subject in which the student failed to perform satisfactorily. For the applicable subject area, the student must either be assigned a classroom teacher who is certified as a master, exemplary, or recognized teacher for the subsequent school year or receive at least 30 total hours of high-quality tutoring during the subsequent summer or school year, with a low student-to-tutor ratio.

HB 233 (87-2) would have partially improved on the work of HB 4545 by expanding the accelerated learning requirements to include students in all grades 3-8 who fail to perform satisfactorily on reading or math assessments. However, the bill also would have lowered the rigor of accelerated learning by allowing school districts to opt out if they progress 60 percent of their students in accelerated learning. Additionally, the bill also lessened the impact of evidence-based practices by allowing high student-to-tutor ratios in accelerated learning environments. Texas 2036 submitted written testimony in opposition to this bill, which did not become law.

Learn more:

Written testimony to the Texas House Public Education Committee (August 30, 2021): https://texas2036.org/posts/well-intentioned-but-flawed/

Looking Ahead

Texas Commission on Virtual Education

HB 3643 passed in the 87th Regular Session creating the Texas Commission on Virtual Education to develop and make recommendations regarding the delivery and funding of virtual education.

The commission is anticipated to begin work in early 2022 and will host public meetings which Texas 2036 intends to engage in to promote expanded access to advanced coursework through online learning. The commission's work will culminate in a report to the governor and the Legislature that contains commission recommendations for legislative action in 2023 to improve the implementation of virtual education.

Texas Commission on Community College Finance

SB 1230 from the 87th Regular Session established the Texas Commission on Community College Finance. The commission is directed to provide the legislature with state funding recommendations to sustain Texas community colleges and improve student outcomes in alignment with state postsecondary goals. The commission is expected to engage in policy discussions starting in early 2022. It is anticipated that, alongside funding recommendations, there will be thorough considerations on related policies that improve student outcomes efficiently, such as dual credit programs, as authorized by SB 1230. The commission must produce its final report, complete with recommendations, by November 1, 2022.

Texas 2036 will mobilize its data resources to aid the commission as it develops recommendations for a finance system that more effectively provides equitable opportunities for all Texas postsecondary students. Specifically, Texas 2036 is developing an online, publicly available tool that gives users the ability to model desired changes to the state's community college funding distribution system. This will be informative not only in calculating the projected financial impacts to the state and community colleges in real time, but also in allowing for comprehensive policy discussion in which both policy and fiscal implications can be considered.

Advanced Courses

For middle and high school students throughout the country, participation in rigorous courses such as advanced math, AP, and dual credit is critical in preparing for the academic rigor of postsecondary courses. As more jobs across the country require postsecondary degrees and credentials, these types of courses will play an ever more important role as bridges to college and—ultimately—good jobs and economic opportunity.

Yet in Texas, access to rigorous courses is too often limited by the course offerings of a student's zoned school. To meet our state's future workforce needs and ensure that every student has the opportunity to succeed, we must work to expand access to rigorous coursework in middle and high school for all students, regardless of where they live.

Algebra I in 8th Grade

Students who take Algebra I in 8th grade have been shown to complete more advanced math classes than their peers in high school and to major in STEM subjects at higher rates. Algebra I is in many ways the gateway to advanced math— the sooner students master Algebra concepts, the sooner and more likely they will successfully move on to college-level math. But in Texas, only one in every four 8th graders enrolls in Algebra I. Further, wide disparities exist in Algebra I participation by student demographic, including:

> **Only 19 percent of low-income 8th graders take Algebra I,** compared to 41 percent of non-low income students.

> **Only 15 percent of 8th graders in rural districts take Algebra I,** compared to 32 percent of 8th graders in major suburban districts and 27 percent of 8th graders in major urban districts.

Middle schools are not required to offer Algebra I in 8th grade, even if their students are ready academically. Thoughtful statewide action can prompt more schools and districts to offer Algebra I in 8th grade, shed light on the inequities in accessing Algebra I across schools and districts, and empower students and families to make more informed decisions about their academic pathways.

> *"Texas 2036 will mobilize its data resources to aid the commission as it develops recommendations for a finance system that more effectively provides equitable opportunities for all Texas postsecondary students."*

Advanced Course Participation in High School

Advanced course participation has expanded quickly in Texas since the 1990s, with roughly 380,000 high school students enrolling annually in AP or IB and 150,000 students enrolling in dual credit. But despite this rapid growth, access to advanced coursework is inequitably distributed across student populations. In 2020, only 15% of low-income 11th and 12th graders took an AP or IB exam, compared to 29% of non-low income students. And while 68% of non-low income testers earned a passing score, only 44% of low-income testers did.

Students in rural districts also frequently lack access to AP, IB, and dual credit programs. Given that small rural districts often do not have enough prepared and interested students to fill out a classroom, it sometimes makes little financial sense for these districts to offer advanced courses. High-quality online programs can help solve this problem and expand access for rural students around the state by removing many of the cost barriers. Further, more robust data reporting on advanced course participation and success rates can shine a light on the inequitable student access to these critical courses as well as highlight the best practices employed by districts around the state.

Legislation was filed to address the opportunities for more rigorous coursework during the 87th Regular Session, including SB 2061 (by Sen. José Menéndez), but such legislation has not yet passed. Texas 2036 will be further analyzing data on advanced course offerings and participation to better understand where exactly the gaps are and why students are not able to access advanced courses. From there, a deeper look into the long-term impact of advanced courses on a student's educational and career outcomes will support policy recommendations for the 88th Legislature in 2023.

VACCINES

Late in the third special session, the issue of employer vaccine mandates was added to the call. Texas 2036 engaged in opposition to introduced legislation, with our engagement driven by the following Strategic Framework goals:

- **Goal 1: Economic Growth –-** Texas spurs economic growth through an innovative and business-friendly climate.

- **Goal 11: Public Health –** Texans and their communities are empowered to adopt healthy lifestyles.

- **Goal 28: Justice System –** Texans are served effectively, efficiently, and impartially by the Justice System.

Governor Abbott issued an executive order to limit the ability of employers to impose comprehensive vaccine mandates and placed the matter on the special session call with just a week remaining in the third special session. Two bills, HB 155 (by Rep. Tom Oliverson) and SB 51 (by Sen. Bryan Hughes) were also placed on the fast track to address this issue legislatively.

As of October 24, 2021, DSHS reports that 80% of our 65+ population was "fully" vaccinated, though only 63.7% of our total age-eligible (12+) population had been fully vaccinated. When considering the 12+ population that has received one dose, the figure rises to 73.3%. Children under the age of 12 currently remain ineligible for vaccination, though Pfizer has officially asked the FDA for emergency use authorization for ages 5-12, and the agency is expected to rule as early as the end of October.

At Texas 2036, we have not only been monitoring the changing statistics and facts on the ground about COVID-19 for policy purposes, but we have also developed, changed, and responded to the ever-evolving data with our own internal policies. During the course of the pandemic, as evidence has grown and best practices have evolved, we have implemented policies and reacted and modified them as appropriate over time to best meet the needs of our workforce in both their health and ability to perform their jobs.

We believe that employers, like ourselves, were and are in the best position to evaluate the specific needs of their workforces and workplaces, tailored to local conditions and the most up-to-date evidence. The flexibility to develop and modify our policies has enabled our organization to maintain uninterrupted operations during the pandemic across one regular and three special sessions. As filed, these bills could have opened Texas 2036 -- and other businesses around the state -- up to lawsuits that could have impaired our business and financial operations while also limiting our freedom to implement the best policies in response to rapidly changing information.

"A core function of public health is to minimize the transmission of infectious diseases."

– Texas 2036 Strategic Framework Goal 11: Public Health

Legislative Engagements

Texas 2036 joined a chorus of business and judicial advocacy groups in opposition to legislation introduced that would have created an untenable legal situation for many employers. With the federal government announcement that it would be imposing vaccine mandates on many employers in the near future, the introduced legislation could have created civil causes of actions in state court against employers who complied with federal mandates. In essence, if the bill had passed, Texas employers could have faced significant repercussions for following federal law and significant repercussions for failing to follow state law, losing the flexibility to determine their own best policies.

Texas 2036 registered in opposition to HB 155 (Rep. Tom Oliverson) and SB 51 (Sen. Bryan Hughes), neither of which passed their respective chambers.

Looking Ahead: Continued Focus on Legal Clarity

Texas 2036 has joined other business groups in calling for the state to avoid creating legal uncertainties that could slow economic recovery. These efforts will remain ongoing as political pressure mounts for additional special sessions to further debate this issue.

THE ROAD AHEAD

Interim Committee Charges

During the interim, the Speaker of the House and Lieutenant Governor will assign a list of committee research tasks called "interim charges" for each of their chambers. They will instruct committees to examine these charges, which focus legislative attention and committee hearings on emerging issues that require research and stakeholder feedback. Their findings are issued in "Interim Reports" and become publicly available before the next regular session. These reports often contain suggestions for legislation based on their research and meetings.

In order to keep attention on or direct attention to issues Texas 2036 believes are crucial going into the 2023 regular session, Texas 2036 has been meeting with legislative offices to suggest interim charges. As of October 25, Texas 2036 has provided 48 interim charge proposals to various legislative offices, the Speaker, Lieutenant Governor, and 24 committees. Interim charges will likely be announced by the end of 2021, and Texas 2036 will be prepared to engage during the interim to help committees prepare for the 2023 regular session.

Sunset Commission

Each biennium, designated agencies receive a thorough review by the Texas Sunset Commission to determine whether the agency should continue to exist and, if so, how its operations can be modernized to better serve the people of Texas. Multiple agencies will go through sunset review this interim, including the Public Utility Commission of Texas, Electric Reliability Council of Texas, the Texas Water Development Board, the Texas Commission on Environmental Quality, and the Texas Commission on Law Enforcement. Texas 2036 will monitor this process, engaging where appropriate to guide 2023 legislative recommendations.

Strategic Framework Updates

Texas 2036 is collecting new data and updating the performance indicators associated with our Strategic Framework. As part of this process, we will be evaluating progress toward existing goals and ways to address additional areas of concern identified since the initial release.

Policy Advisory Groups

To inform our approach to data, policies and our strategic framework for Texas, Texas 2036 has been convening subject matter experts from across the state for a series of Policy Advisory Group discussions. These efforts – already underway – will play a role in the development of our 2023 legislative agenda.

Texas 2036 Roadshow

Texas 2036 is scheduled to visit 10 regions throughout Texas, with a focus on visiting key cities within each area. Each Road Show stop includes engagement with Texas 2036 board members, city and state officials, donors, local experts, media, supporters and other stakeholders to discuss state and local issues, share our pillars and goals, and strengthen relationships throughout the state. Visits to San Antonio, Houston, and the Rio Grande Valley have been completed as of the drafting of this report.

Regional Workforce Data Profiles

Texas 2036 will be launching regional data profiles for education and workforce data allowing researchers, advocates, and policymakers to see more information about the education-to-workforce pipeline in their regions.

Community College Funding Simulator

Texas 2036 is developing an online community college finance simulator that will allow Texas to identify how funding to two-year community colleges is allocated and what the impacts of potential changes to current policies might be. This tool is intended to be a resource to the state's Commission on Community College Finance when it convenes later this fall.

Aim Hire Texas

Texas 2036 will continue working with our partners in Aim Hire Texas and engaging with our state's education and workforce agencies to increase the number of Texans earning a living wage and ensure the Texas workforce is a strategic advantage for our state into the future.

"As of October 25, Texas 2036 has provided 48 interim charge proposals to various legislative offices, the Speaker, Lieutenant Governor, and 24 committees."

State Workforce Goals Implementation

In implementing HB 3767, state agencies will use early 2022 to develop state workforce goals and inter-agency strategies to achieve those goals. In addition, Texas 2036 will work to ensure that the unified goals are aligned with workforce needs.

Who Are the Uninsured?

Texas 2036 is exploring ways to better understand Texas' uninsured population – why individuals and families remain without insurance when some likely qualify, and the barriers that exist to expanding the number of people covered. By better understanding this group, their needs, and their perceptions, we hope to craft more tailored and effective legislative and administrative strategies to meet their needs.

Price Transparency Data Project

Texas 2036 is also working to collect, understand, and analyze price data that hospitals and insurers will be required to disclose. Our project will work to identify flaws in the way existing data is reported that can be improved by administrative rule, and by better legislation, as well as to utilize the data to better understand where Texans can obtain the best value in their health care.

All Payor Claims Database Improvement

This past session, the legislature established an all-payor claims database. While the data that is being collected is valuable, the type of data that can be disclosed – even to researchers – has serious limitations. Texas 2036 will work with stakeholder groups to produce recommendations for how disclosure of this data can be improved so that researchers, policymakers, and Texans can make more informed decisions about the health care being provided in this state.

Digital Texas

Through Digital Texas, Texas 2036 will continue to implement and pursue policies to expand broadband access, improve digital literacy, and close the digital divide in Texas.

Future of Energy

Texas 2036 is launching a major research initiative surrounding the future of energy in Texas, to understand potential scenarios for ensuring affordable, resilient, sustainable energy extraction, generation, distribution, and consumption; the implications of carbon policy options in Texas; and corresponding implications on the state's economy, workforce, revenue, water, and air quality.

TEXAS 2036

"Without good data, you're just another person with an opinion."

Tom Luce
Founder and Chairman
Texas 2036

Texas 2036 is a non-profit organization building long-term, data-driven strategies to secure Texas' continued prosperity for years to come. We engage Texans and their leaders in an honest conversation about our future, focusing on the big challenges. We offer non-partisan ideas and modern solutions that are grounded in research and data to break through the gridlock on issues that matter most to all Texans. Smart strategies and systematic changes are critical to prepare Texas for the future.

texas2036.org