

# INVESTING IN THE FUTURE OF TEXAS







“

*This year's legislative session is a testament to the fact that, while we may not agree on every issue, our shared vision for Texas' prosperity can shine through.*

”

**Margaret Spellings**

*President and CEO, Texas 2036*







# Letter from the CEO and Chair

Dear Friend,

We are proud to report that during the 88th Texas Legislative Session, state lawmakers made important advances in critical policy areas that will improve the lives and livelihoods of Texans for generations to come. And Texas 2036 played a key role in this success by serving as a credible, trusted source of nonpartisan data and analysis.

This was the second legislative session in which we took an active role in advancing policy solutions, building on the strong foundation our team established in the 87th Legislative Session.

During this year's legislative session, our team of data scientists, policy experts and communication professionals proved a valuable resource to lawmakers and their staffs as they tackled big challenges facing the future of Texas – all under the guidance of our fantastic board of directors, especially Legislative Committee Chair Elaine Mendoza and the rest of the legislative committee.

Of course, the work accomplished during this session would not have been possible without the support of our many generous donors and volunteer advisory participants. Investments in Texas 2036 have yielded generationally-impactful dividends for the people of Texas, and we look forward to future success with your continued support.

This report details legislative successes in education and workforce, health care, infrastructure, justice and safety, and government performance. These legislative successes lay the foundation for a much brighter future and give us confidence in the strength of our data-based, consensus-driven approach.

## By the numbers, our team:

- Tracked well over **1,000 bills**
- Engaged on **250+ bills**
- Provided written or oral testimony during the interim in preparation for the 88th Legislative Session on budget and interim charge-related issues **68 times**
- Provided written or oral testimony during Legislative Session **123 times**
- Registered in support of legislation an additional **170 times**

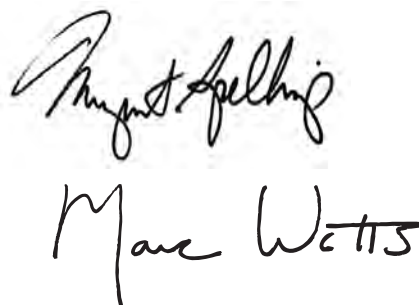
As a result, **73 bills** and **33 budget items** supported by Texas 2036 that advance and strengthen Texas' future became law. In addition, Texans will have the opportunity to support ballot propositions for **four constitutional amendments** during this November's election.

We are especially proud of another data point: the legislative acts we supported received overwhelming bipartisan backing, with an average House vote of 134-9 (94%) and an average Senate vote of 30-1 (96%). This high level of support is not an indication that the success was "easy;" rather, it demonstrates that when stakeholders and policymakers focus on big issues, important to the lives of all 30 million Texans, consensus can be forged to move our state forward.

We are excited to see major investments in the state budget, a focus on the future, and several important constitutional amendments heading to your ballot this November. Together, this year's legislative and budget reforms advance the goals defined in our Strategic Framework for the State of Texas. The legislators of the 88th Session showed strong leadership and commitment to investing in the future of Texas.

Texas 2036 is proud to build on its early record of policy impact, and we look forward to continuing to engage with you during this interim and beyond. In the meantime, we'll be continuing to pursue our data-driven, nonpartisan efforts to solidify Texas as the best place to live and work in the nation.

Thank you,



August Spelling  
Marc Wetts







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# Investing in Texas

**At the start of the 88th Regular Legislative session, Texas lawmakers had a budget surplus larger than the entire budget of 24 other states, providing lawmakers with a historic opportunity to make targeted investments that will cultivate economic growth and improve the quality of life in Texas for generations.**

As we did in the 87th Legislative session, Texas 2036 brought our trusted brand of research, data and expert analysis to equip state leaders with the tools and information required to develop long-term, data-driven strategies to secure Texas' continued prosperity for years to come.

Our work toward this session began two years ago with the *Playbook for the Future of Texas*, which identified opportunities for state lawmakers to leverage available federal stimulus funds to maximize the impact of long-term solutions in a fiscally-sustainable way. Over the course of the following 18 months, our team of experts continued to produce data tools, policy reports, blog posts and media interviews that informed lawmakers, the press and the public about these and additional recommendations for capitalizing on the state's historic budget surplus in an impactful, fiscally sound way.

This report lays out progress made in both policy and the state budget that will have long-term impacts on five issue areas key to the future of Texas: education and workforce, health, infrastructure, justice and safety, and government performance. It will also recap future-forward policy initiatives that will impact the lives of Texans, as well as constitutional amendments headed to the voters this November. As with our work in the previous legislative session, these successes represent not an end, but the latest stage of our growing efforts to enable Texans to make policy decisions through accessible data, long-term planning and statewide engagement.



# Highlights of the 88th Regular Legislative Session

## Community College Finance

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A \$691 million investment in overhauling community college finance to better align with workforce demand places Texas at the forefront of national higher education reform.

*Learn more on page 32-33*

## Water Infrastructure

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A \$1 billion investment in repairing aging, deteriorating water systems, and creating new water supplies funds a down payment for clean, reliable water for generations.

*Learn more on page 75*

## Health Care Affordability

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New legislation restores competition to health care markets and provides Texans with information that empowers them to make smart, informed health care consumers.

*Learn more on page 52-61*

## Policing Reforms

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New legislation will strengthen public confidence in law enforcement with a fundamental reshaping of the agency responsible for licensing and regulating peace officers and law enforcement agencies.

*Learn more on page 100-103*

## High-Quality Curriculum

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A \$500 million investment in providing high-quality instructional materials to schools and teachers empowers more rigorous instruction in our classrooms.

*Learn more on page 19-20, 24*

## Education Accountability

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Assessment and accountability remain primary tools for ensuring that students of all races, incomes and ZIP codes have equitable access to high-quality education.

*Learn more on page 25*

## Safety Net Improvements

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By extending Medicaid eligibility for new mothers and taking the first step toward modernizing the state's child welfare IT system, the state is supporting future generations of Texans.

*Learn more on page 62-66, 109*

## Broadband Funding

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An investment of \$1.5 billion will support the expansion of broadband to under- and unserved areas of the state through a dedicated fund.

*Learn more on page 82*

## State Parks

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An investment of \$1.1 billion will safeguard, improve and create new state parks, satisfying growing demand and expanding these local economic engines.

*Learn more on page 83-84*

## Hydrogen Regulation

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New legislation establishes a critical framework for the growth and development of this promising energy sector.

*Learn more on page 80*

## Fiscal Sustainability

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Buying down unfunded pension liabilities, saving the state billions in future interest payments, allows a temporary surplus to finance long-term fiscal health.

*Learn more on page 116-117*

## Space Commission

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The creation of the Texas Space Commission and the accompanying \$350 million investment from the state will best position Texas to attract and maintain the talent and industry necessary to take advantage of a growing commercial space sector.

*Learn more on page 129*



## The Texas 2036 Difference

**Texas 2036 is more than a think tank – we are a catalyst for change. We engage Texans and their leaders in honest conversations about our future, focusing on the core issues that affect all Texans across the state. Our proactive, systemic approach is grounded in actionable and transparent data and driven by the need for sustainability and resiliency, stewarding our resources wisely and well. Instead of reacting to challenges as they emerge, we work tirelessly to anticipate and address them before they take root.**

Under the leadership of President and CEO Margaret Spellings and Executive Vice President A.J. Rodriguez, our policy team, led by Senior Vice President John Hryhorchuk, spends countless hours thinking through challenging policy issues in hundreds of meetings with partners, stakeholders and lawmakers' offices. Our data team, led by Vice President Dr. Holly Heard, conducts in-depth examinations of hundreds of data sets, ensuring that we – and the Legislature – have the best, more reliable data available to guide policy solutions. And our communications team, led by Vice President Merrill Davis, translates complex issues into readily accessible pieces that engage Texans and their leaders in honest conversations about our future, focusing on the biggest challenges facing our state. All this is carried out with the guidance of our board of directors led by Chair Marc Watts, and the legislative committee led by Chair Elaine Mendoza.

We closely track measurable progress toward long-term goals, and the outcomes of our work are the product of years of research paired with widespread engagement with stakeholders, state leaders and the public. What we

accomplished during this year's Texas legislative session stands as a testament to the efficacy of this approach.

Our work during this year's legislative session actually began years ago. As an increasing amount of education and workforce data revealed inefficiencies and misalignments that increasingly jeopardized the competitiveness of Texas' future workforce, we set out to develop long-term, data-driven strategies that would secure Texas' continued prosperity for years to come.

In 2020, we co-founded Aim Hire Texas, a statewide consortium of advocates, employers, nonprofit organizations, and education and training providers. This collaboration led to our development of a regional workforce data dashboard that offers an unprecedented look at the state's education-to-workforce pipeline. Our efforts helped inform legislation to provide transparency and accountability over the state's \$110 billion annual expenditure on its education-to-workforce pipeline, and state agencies now share common goals and strategies to better prepare students to thrive in the economy of tomorrow.

*Left to right:*

Carsen Daniel, Luis Soberon, Emily Brizzolara-Dove, Dr. Anjali Gupta, Jessi Acuña, Mitrah Avini, Wynn Baker, Merrill Davis, Renzo Soto, Gabe Grantham, Kenton Neel, A.J. Rodriguez, Lauren Leining, John Hryhorchuk, Margaret Spellings, Meagan Falcon, Mary Lynn Pruneda, Hope Osborn, Dr. Holly Heard, Rahul Sreenivasan, John Reynolds, Justin Coppedge, Charles Miller, Jeremy Mazur, Carlos Ignacio Navarro

And in 2021, our data and policy team began building an online community college finance simulator to inform the Texas Commission on Community College Finance and state legislators about the bottom-line fiscal impacts of policy changes to the state's financing system.

In the spring of 2022, we embarked on another pivotal project, this time with a focus on law enforcement oversight. Following a rigorous examination of Texas' law enforcement oversight mechanisms compared with those of other states, we published a comprehensive 200-page report that proved invaluable in the Sunset Commission process and informed legislation that strengthens law enforcement oversight in Texas.

And our extensive examination of health care data has informed significant efforts to address issues of coverage and affordability, assisting Texas lawmakers as they restore competition to health care markets.

These are just a few examples of how we pursue systemic transformation through strategic resource allocation, tackling root causes of our state's challenges

while embracing incremental change when needed and building broad civic demand for nonpartisan ideas and modern solutions that are grounded in research and data. In doing so, we ensure the prosperity of Texas for generations to come.

The results of our unique approach to public policy, described in detail in this report, speak for themselves.

By engaging today with an eye to the future and infusing our diverse expertise with actionable and transparent data, we are able to bring Texans together to support critical decisions and actions for our future.

**That's the Texas 2036 difference.**







# EDUCATION AND WORKFORCE



**\$691M****Community  
College  
Finance  
Reform****\$500M****High-Quality  
Curriculum****\$3B****New Higher  
Education  
Endowment**  
*(The Texas  
University Fund)*

## Reforming Community College Finance



This \$691 million investment places Texas at the forefront of national higher education reform by prioritizing proven value in the workforce for community college credential offerings. Combined with significant incentives for such offerings, more Texans will earn the credentials needed for good-paying, in-demand jobs.

## Expanding High-Quality Curriculum



High-quality instructional materials have a high return-on-investment in improving student outcomes, even more so than lowering class size. A \$500 million investment offers these materials to schools and teachers, assisting new teachers with lesson planning while ensuring more rigorous, grade-level instruction in our classrooms.

## Defending Accountability and Assessments



Assessment and accountability remain primary tools for ensuring that students of all races, incomes and zip codes have equitable access to a high-quality education. Families, school leaders and policymakers deserve strong assessment and accountability systems that prioritize student outcomes, readiness and transparency.

# Goals and Priorities

Our education and workforce policy platform encompasses six goals from the Texas 2036 Strategic Framework:

- **Early Literacy:** Texas children get a strong early start to succeed in school and life.
- **STEM:** Texans are prepared for careers in STEM fields.
- **K-12:** Texas students graduate high school prepared to enter college and career.
- **Postsecondary:** Texas students earn a postsecondary credential to access the jobs of today and tomorrow.
- **Jobs:** Texans are accessing careers that enable economic security through education and training.
- **Workforce Needs:** Texas meets the state's current and future workforce needs.

Our policy priorities were guided by the following principles:

## K-12

- Assessment and accountability ensure a focus on equity and outcomes
- Data-informed practices benefit students
- Students should graduate high school ready for the workforce or postsecondary attainment without the need for remediation
- Education funding should be stable, prioritized, and targeted toward high-impact strategies
- Parents should have access to timely data on their student's performance

## WORKFORCE

- State career education and training programs should lead to self-sufficient and family-sustaining wages
- State systems should be aligned with actual workforce needs
- The employer voice matters
- Coherent continuum of education and training opportunities should be accessible to every Texan
- Efforts to meet state workforce and education goals must be persistent

From pioneering reforms in community college finance to the strategic expansion of apprenticeship programs and the further alignment of education-to-workforce outcomes, the 88th Legislature made a tangible commitment to the future of Texas.

Texas 2036 has been an instrumental partner in this endeavor, leveraging data-driven, evidence-based policies to support equitable and transparent education and workforce systems. These efforts, combined with the billions of dollars in generational investments in Texas' talent pipeline, have culminated in a dozen landmark achievements this session. Each one serves as a stepping stone in Texas' journey toward every Texan having the opportunity to earn a family-sustaining wage.

Texas is booming thanks to economic opportunities and diverse communities that attract hundreds of thousands of people to move here from out of state. But underneath this influx of talent lies a concerning trend – out-of-state migrants have nearly two times more bachelor's degrees than our native Texas students.

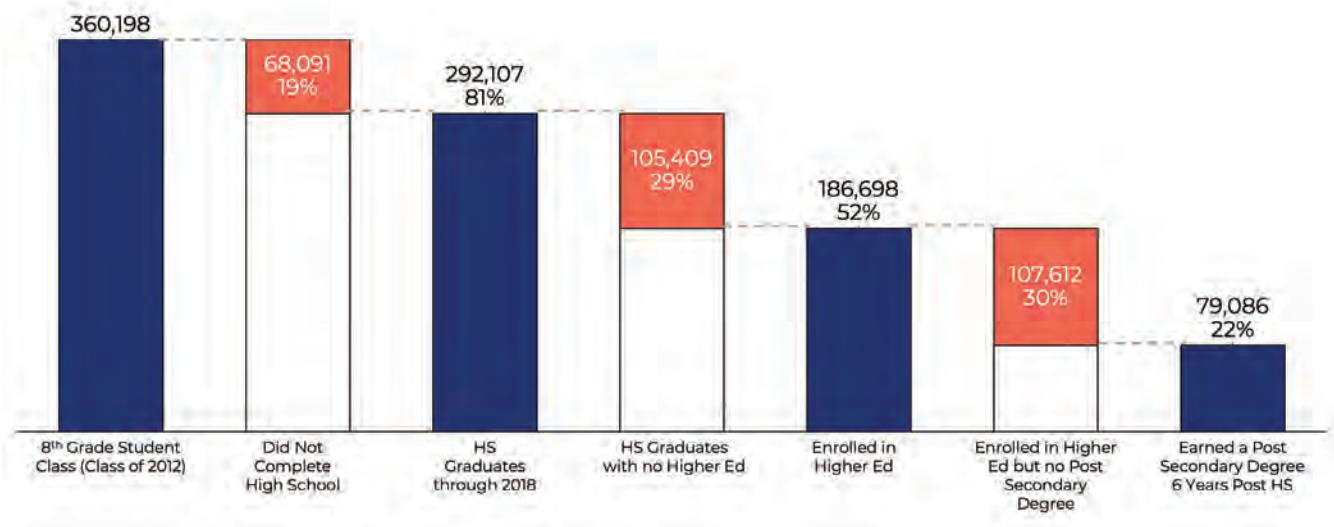
Only 22% of Texas students earn a postsecondary degree or credential within six years of high school. This means that many of these students are likely not equipped with the knowledge and skills they need to earn a family-sustaining wage. If Texas continues to import its emerging workforce talent while our Texas-born students lag behind in degrees and credentials, our state risks relegating our own students to economic second-class citizenship in the coming decades.

## What is a 'family-sustaining wage'?

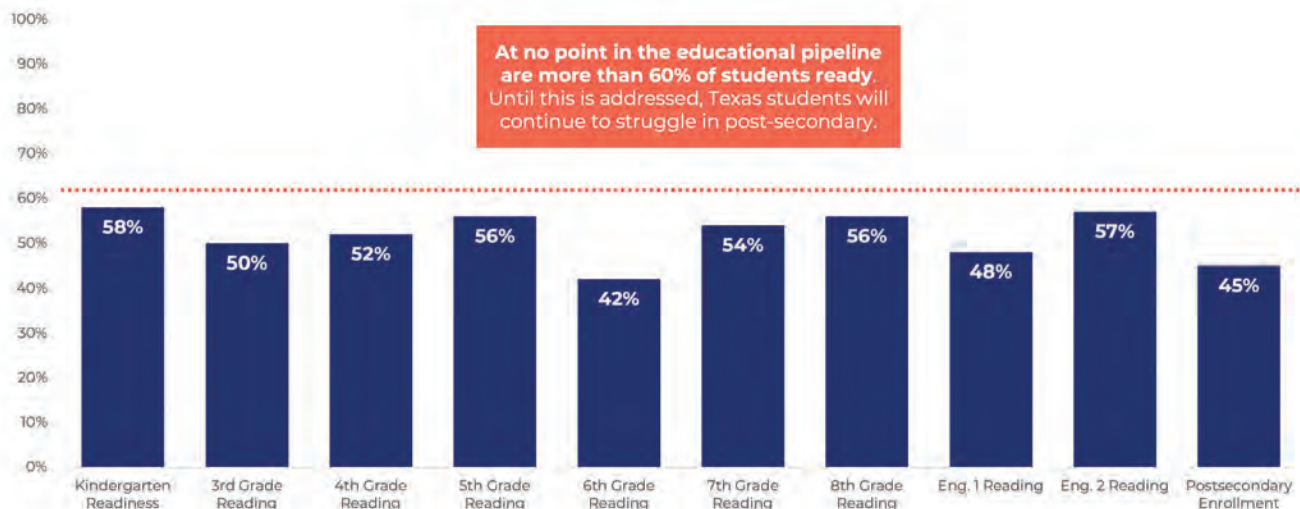
A family-sustaining wage is defined in statute as a wage that provides enough money to "meet a family's basic needs while also maintaining self-sufficiency" – in other words, ensuring they are free from needing government assistance to afford necessities such as food.

Texas 2036 supported legislation in 2021 that defined this term and oriented the state's three education and workforce agencies toward collectively ensuring that taxpayer-funded education and job training programs help students achieve family-sustaining wages upon completion.



**THECB 8th Grade Cohort Pipeline to a Degree or Certificate, 2012 8th Graders through 2022**

**What do these numbers mean?** 48% of Texas 8th graders never enroll in college. Another 30% of 8th graders never graduate from college. That means 78% of Texas 8th graders do not earn a postsecondary degree or credential within 6 years of high school graduation. The problems in postsecondary attainment start early. The chart above shows the number of Texas 8th graders who do not graduate from high school (19%) and the number who graduate from high school but do not enroll in college (29%). The challenges with student readiness in Texas start long before 8th grade, however.

**Texas Readiness Levels never improve from Kindergarten Readiness Rates**

The chart above describes the readiness rates of students across multiple grades. **At no point in the educational pipeline are more than 60% of students ready for the next grade, with the highest rate of readiness occurring in kindergarten at 58%.**

Texas spends over \$110 billion per year on its education and workforce systems – a monumental investment in the future of our state. Our education and workforce systems are also very complex, with almost seven million pre-kindergarten through college students, 1,200 school districts, and 148 colleges and universities. Managing these systems to ensure that they work for all of Texas requires a heavy investment in data, a deep commitment to equity, and a relentless focus on improving student outcomes. Our education and workforce efforts are focused on improving readiness rates across every stage of the educational pipeline and our work is grounded in a deep commitment to high-quality data that informs student-first policy.

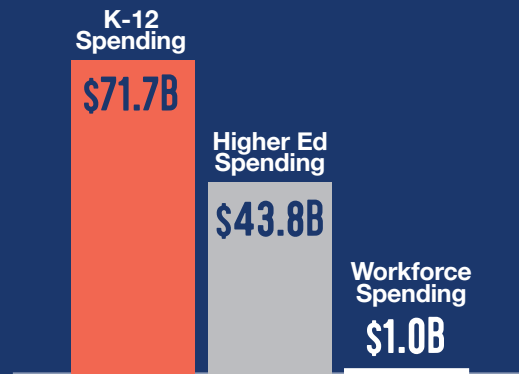
## By the Numbers

*Texas' Education and Workforce System<sup>1</sup>*

Texas spends over

**\$110B**

per year on  
Education and  
Workforce



**5.4M**

K-12 Students

**1.5M**

Higher Education  
Students

**1,207**

School Districts

**148**

Colleges and  
Universities

<sup>1</sup> By the Numbers: TEA Pocket Edition 2021-2022; THECB Sources and Uses 2021; FY 2020-2021 General Appropriations Act; THECB Higher Ed Enrollments Preliminary Fall 2022; THECB List of Higher Education Institutions.

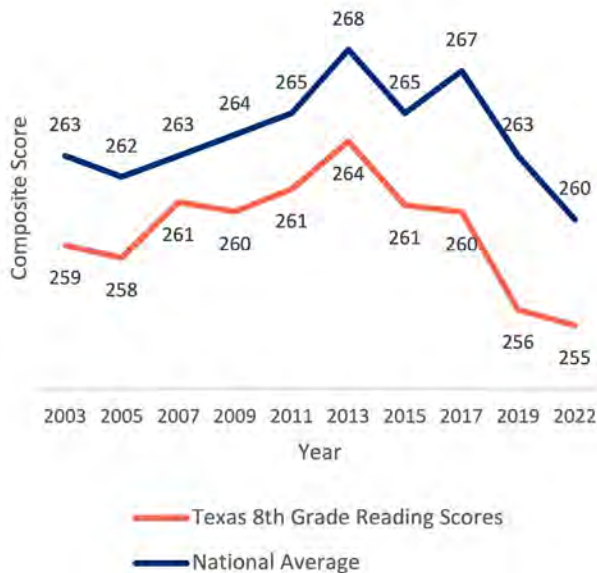


## K-12 Policy Successes

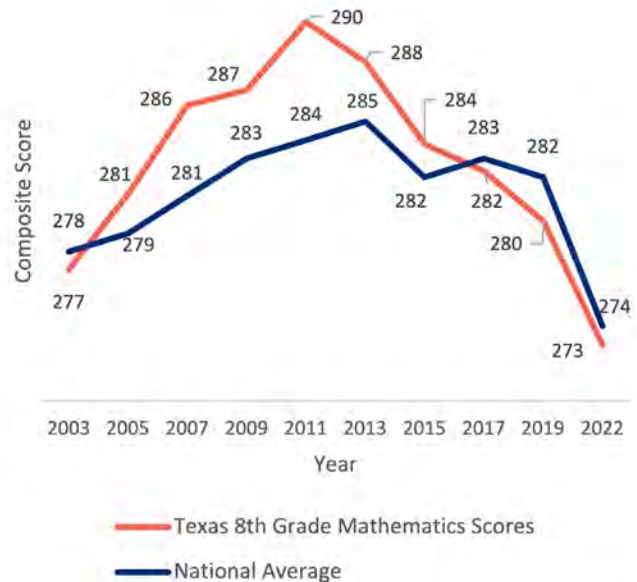
This session, our K-12 policy team focused on efforts to improve student readiness in our state. To accomplish this, we focused on three primary levers: 1) improving reading and math outcomes in the early grades, 2) improving high school STEM access and career outcomes, and 3) supporting high-quality charter school expansion.

In recent years, Texas has struggled on the National Assessment of Educational Progress (NAEP) – also known as the Nation's Report Card. Despite improvements in the early 2000s, Texas scores have been headed downhill since around 2011, with 8th-grade performance on the reading and math NAEP below 2003 levels. There are several theories as to what caused this decline, with one of the most plausible being that in the early 2010s, Texas deregulated its approach to curriculum. This arguably led to lower-quality instructional materials that focused less on meeting rigorous grade-level standards and caused this decline in scores. A decade after deregulation, TEA conducted a survey which found that less than 20% of elementary reading lessons taught in Texas classrooms were actually on grade level.

**Texas vs. National 8th Grade Reading NAEP Scores**



**Texas vs. National 8th Grade Mathematics NAEP Scores**



In many ways, the educational opportunities of Texas students have been limited by the zip code that they live in. This past year, Texas 2036 sought to identify where the gaps in access to advanced courses for middle and high school students exist across the state.

Taking advanced courses, like Advanced Placement (AP) and International Baccalaureate (IB), in high school offers students the opportunity to engage with rigorous content and demonstrate competencies that will benefit them in postsecondary education. Research shows that the best high school predictor of bachelor's degree attainment is the rigor and quality of courses such as AP that students completed in high school.

Our research revealed that there is disproportionately less access to middle school advanced math and high school AP/IB courses for rural students compared to their more urban and suburban peers. 41% of school districts do not offer any AP or IB courses. This number jumps up to almost two-thirds of districts when considering districts that offer four or fewer AP or IB courses, affecting roughly 10% of 11th and 12th graders – roughly 80,000 students across the state.

Rural students are disproportionately affected by this lack of access. 41% of rural students attend a district or charter that offers four or fewer AP/IB courses, compared to less than 3% of urban students and 8% of suburban students. Access to Algebra 1

in the 7th or 8th grade follows a similar pattern, with 36% of districts not offering Algebra 1 to 7th and 8th graders, affecting 6% of 7th and 8th graders across the state, roughly 52,000 students.

Schools in rural Texas struggle to offer these courses due to issues associated with funding, hiring and scalability of courses. Simply put, it is harder for rural schools to hire someone to teach AP Chemistry or Calculus to only a handful of students.

From improving the quality of curriculum to ensuring rural students have access to advanced math courses, our team focused on improving our state's college, career and military readiness rates and protecting the data and measurements we use to monitor our progress in this area.

As a part of this work, Texas 2036 invested heavily in ensuring the state can continue to measure the college, career and military readiness of our students. We supported an innovative study at the Texas Education Agency to link what pathways, courses, college entrance exams, etc. a student takes in Texas with their postsecondary outcomes and wages. This information will allow Texas to better inform its high school offerings and tailor its approaches to what is actually working for students.

We also remained committed to ensuring our state's accountability and assessment system maintains its fairness and transparency for Texas parents and students. We worked hard to make sure the existing accountability system was not watered down, and we supported efforts to improve the assessment system to make the results more useful for parents and teachers.

Overall, our team supported seven bills and one budget rider passed by the Legislature. Combined, these data-driven measures account for a \$751 million increased investment in public education for the biennium.



Senior Policy Advisor Mary Lynn Pruneda talks about the importance of high-quality instructional materials at the Texas Business Leadership Summit in March 2023. Mary Lynn spoke on the panel with House Public Education Committee Chairman Brad Buckley and Temple ISD Superintendent Bobby Ott.

## Improving Reading and Math Outcomes in the Early Grades

### HB 1605 (Buckley/Creighton)

House Bill 1605 improves the quality of instruction in our state by making available high-quality instructional materials to districts and providing over \$500 million toward this end. Texas 2036 began working on this issue during the interim, meeting with members and providing testimony during interim charge hearings on the importance of rigorous, grade-level instructional materials. Texas 2036 Senior Policy Advisor Mary Lynn Pruneda testified in front of the House Public Education Committee and the Senate Education Committee in support of this legislation and provided members of the Legislature with data showing that implementing higher quality curriculum has a significant ROI on student achievement. As a leading voice on the matter, Texas 2036 was one of the founding members of the Coalition for Educational Excellence, a group of business and other advocacy organizations focused on passing legislation to improve the quality of instructional materials in our state.

HB 1605 is one of the most promising reforms of the past decade, offering the state the chance to more quickly recover from COVID-related learning losses and undo the past decade of declining scores on the NAEP. As schools work to remediate students who experienced significant COVID learning loss, research shows that exposure to grade-level work is key to academic recovery and success. The reality,



“House Bill 1605’s investment in high-quality instructional materials is one of the most significant public education bills of the past decade. It has the potential to radically and rapidly improve student outcomes.”

**Mary Lynn Pruneda**  
Senior Policy Advisor  
Public Education



however, is that only 17% of student assignments nationally are on grade level. In Texas elementary classrooms, only 19% of reading curriculum is at or above grade level. This is further reflected in the data mentioned above on NAEP score declines. The deregulation of curriculum in Texas is arguably one of the leading causes of the score collapse of the past decade.

House Bill 1605 is a transformative curriculum investment that passed thanks, in part, to Texas 2036's work on this issue since the last interim. HB 1605 allows the Texas Education Agency to create or purchase rights to open education resources and provide those resources free to districts. It also provides incentive funding to purchase high-quality and state-vetted curriculum and increases parent involvement in their child's education by allowing parents to view their child's curriculum online.

***Texas 2036 played a significant role in driving the conversation around improving curriculum as a high-value strategy to improve student outcomes, including testimony both during the interim and in support of this legislation during the session.***



<https://texas2036.org/posts/curriculum-has-a-high-roi-in-improving-student-outcomes/>  
<https://www.dallasnews.com/opinion/editorials/2023/06/08/texas-schools-could-get-standard-learning-materials-under-smart-bill/>  
<https://texas2036.org/posts/document/curriculum-reform-in-texas-a-call-to-action/>

## HB 1416 (K. Bell/Paxton)

This bill continues Texas' support for high-quality tutoring and facilitates our state's continued recovery from the pandemic's impact on student outcomes. One of the key pieces in an effective tutoring program is maintaining low student-teacher ratios. This bill ensures that parents and guardians are notified about whether or not their student is on grade level and maintains effective and research-backed student-to-teacher ratios for high-impact tutoring. **Texas 2036 worked closely with legislators and coalition partners to ensure tutoring ratios remained within the limits supported by data, signed on to written testimony with coalition partners and provided oral testimony in front of the education committees in both chambers.**

## HB 3803 (Cunningham/Paxton)

Texas 2036 supported this effort to make it easier to hold a student who is not on grade level back a grade. Current data shows that only 3.1% of students are retained a grade level, but only 40% of students are on grade level in math. This means that hundreds of thousands of Texas students are advanced to the next grade level every school year even though they are not on grade level. HB 3803 will allow a parent or guardian who does not believe their student is ready for the next grade to more readily hold their student back a grade or ask that they repeat a course. **Texas 2036 supported this legislation.**



**Texas kids on grade level: Texas 2036 testifies on need for parent notice**  
<https://texas2036.org/posts/texas-kids-on-grade-level-texas-2036-testifies-on-need-for-parent-notice/>



### **DID YOU KNOW?**

**Only 4% of students who are academically behind historically catch up within two years.** Texas' education system requires commitment to research-backed strategies, like HB 1416's high-quality tutoring, to accelerate student instruction.



*Congrats to Rep. Keith Bell & @AngelaPaxtonTX on the passage of #HB1416, which aims to help districts meet requirements on accelerated instruction and better serve struggling students by expanding access to more effective tutoring and focusing on reading and math. #txlege #txed*

@Texas2036

## Improving High School STEM Access and Career Outcomes

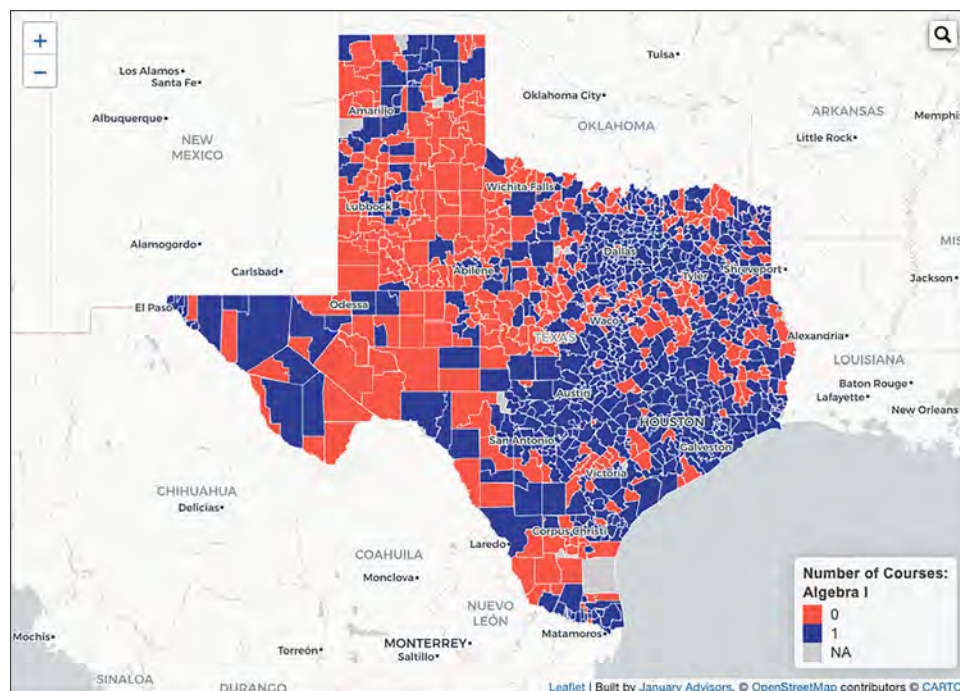
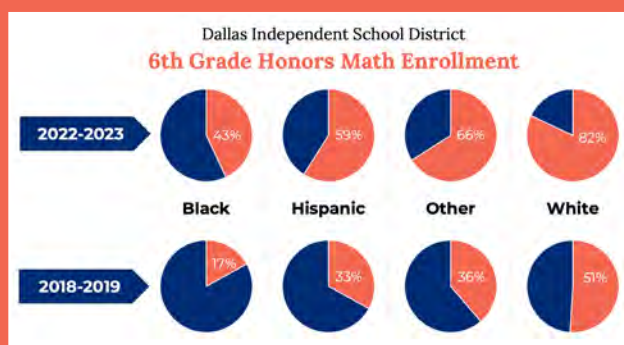
### SB 2124 (Creighton/Howard)

SB 2124 increases enrollment in high-level math courses by requiring districts to offer advanced math classes for high-achieving middle school students, regardless of their background or geographic location. Access to Algebra I in 8th grade is a key driver in postsecondary success for students. Data from our Advanced Coursetaking Dashboard reveal that 36% of districts across the state currently do not offer Algebra 1 to their middle school students, disproportionately affecting rural students. By requiring all districts to develop advanced math pathways for middle school students and creating a statewide opt-out enrollment policy for students showing high achievement in math, this legislation ensures that all Texas students have access to the rigorous curriculum necessary to prepare them to succeed in STEM fields. **Texas 2036 testified in support of this legislation and supported coalition efforts to advance this bill.**



#### What does the data say on SB 2124?

*Data from Dallas ISD shows that putting in place an advanced math policy, like the one required in SB 2124, increased the number of high-achieving, minority students in advanced math courses.*



#### Districts offering Algebra I in middle school

Students enrolled in advanced math pathways in middle school are more likely to take higher level math like Calculus and other college aligned courses in high school. Unfortunately 36% of school districts currently do not even offer Algebra 1 in middle school.



## HB 2209 (Lozano/Hinojosa)

This bill expands high-quality high school options in rural Texas, based on the recent success of a similar model in the Premont area. HB 2209 creates the Rural Pathway Excellence Partnership which will create incentives and support for multi-district partnerships, like the Rural School Innovation Zone, that expand opportunities for students in rural Texas to access high-quality, robust college and career pathways that lead to success in school and earning a family-sustaining wage. **Texas 2036 assisted coalition partners in support of this legislation.**



### Combined Academies Bring Success to Three Rural Districts

<https://www.tasb.org/members/expand-knowledge/rural-innovation/>

## Supporting High-Quality Charter School Expansion

Charter schools are an important aspect of the public school landscape in our state. A study by Stanford's Center for Research on Education Outcomes (CREDO) found that charter school students in Texas had higher reading results than students in traditional schools, equivalent to around 24 more days of reading instruction per year.<sup>1</sup>

## HB 2102 (Goldman/Paxton)

This legislation allows charter schools to submit expansion requests and notifications up to 36 months before opening a new campus, instead of the current 18 months. This extension provides more notice for local school districts and community organizations that a charter school is looking to expand in a particular area and provides charter schools with a greater window of time to plan and execute their expansions. **Texas 2036 supported this legislation.**

## HB 1707 (Klick/Hughes)

This bill provides greater zoning equity for charter schools, which are a critical driver of innovation in our state's educational system. Their continued expansion supports improving outcomes for all Texas students. However, charter schools have repeatedly faced backlash and opposition from local governments when they try to expand. HB 1707 addresses this issue by requiring municipalities to have the same rules for zoning, permitting and fees for all public schools (ISD and charter). By aligning the standards and removing discriminatory zoning language, charters can better expand to meet the needs of the communities. **Texas 2036 supported this legislation.**

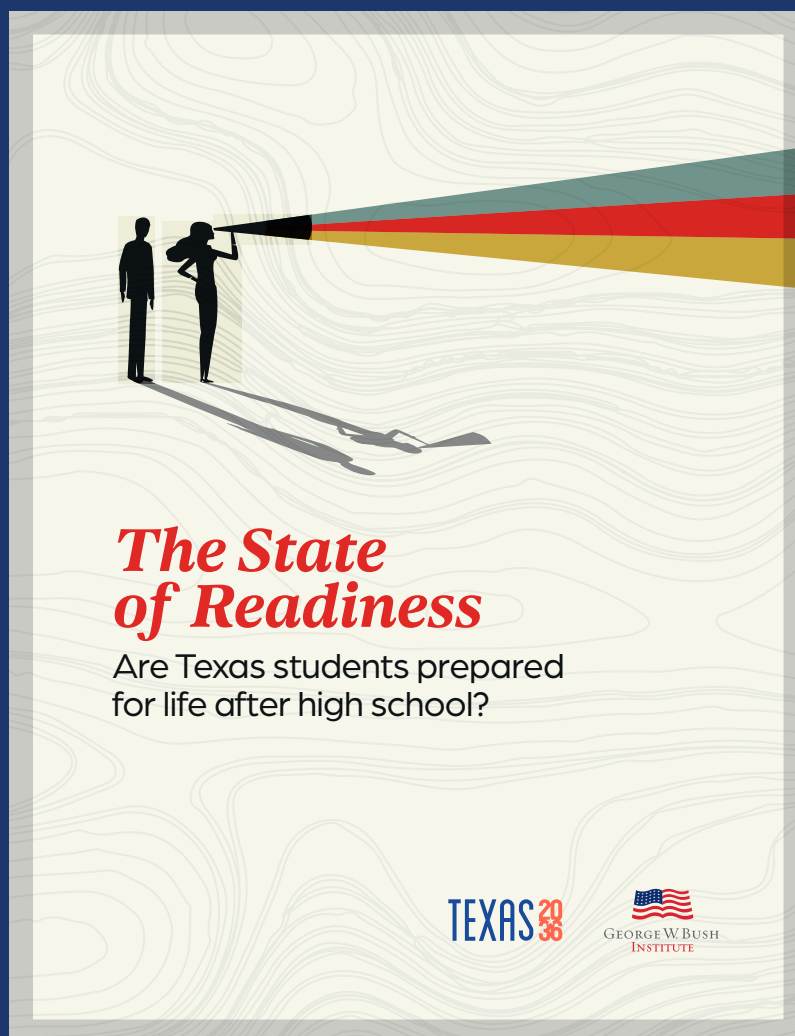


"If you support giving our high school students the skills they need to enter a career, to not enter into a debtors' prison with a college degree that they cannot find a job with, then I ask you to please support this bill."

**Rep. Lozano**  
on the House Floor  
on April 27, 2023

<sup>1</sup> <https://ncss3.stanford.edu/student-results/multi-state-results/>

## State of Readiness: Are Texas students prepared for life after high school?



In March 2023, Texas 2036 partnered with The George W. Bush Institute to write a report on the postsecondary outcomes of Texas students. In “State of Readiness: Are Texas Students prepared for life after high school?” we explore what the data says on student preparedness.

Too many Texas students do not have the knowledge and skills to succeed in their next grade, much less in the workforce. This lack of readiness begins in the early grades, and students rarely catch up.

Eighth-grade Texans are likely to lose out on \$104 billion in future earnings — with low-income students bearing the bulk of that loss — due to their lack of readiness for the future.

93% of students who are not on grade level in third grade are still not on grade level by fifth grade. During the 2021-2022 school year, no grade level was more than 60% ready for the next grade.

Texas cannot continue on a path of prosperity if its young people are relegated to second-class status, unable to compete in their own state and capitalize on the opportunities of tomorrow.

These findings help focus attention on persistent education and workforce challenges that warrant attention, investment, and solutions.



## In the Budget: Public Education

When discussing how a strong revenue cycle can be best utilized by legislators, investments in education and workforce are the kind that will continue to provide returns to Texas and Texans for generations to come. Texas 2036 supported efforts to help secure hundreds of millions of dollars for high-quality curricula. Texas 2036 also engaged on the issue of college, career and military readiness indicators and their efficacy in producing good outcomes.

**High-Quality Curriculum:** Texas 2036 engaged in efforts to secure funding to implement the provisions of House Bill 1605 which improves the quality of instruction in our state by making available high-quality instructional materials to districts. Budget writers responded by including \$500 million in HB 1 for high-quality curriculum. In addition to testifying in support of this legislation, Texas 2036 provided legislators with data showing that implementing higher-quality curricula provides a significant return on investment in student achievement.

**Improving College, Career and Military Readiness Indicators:** Texas 2036 was proud to lead a successful effort where legislators in HB 1 directed the Texas Education Agency to study which college, career and military readiness indicators most closely correlate to successful

achievement of desired college, career and military readiness goals. This budget rider provides \$250,000 to TEA to conduct a study on the correlations between College, Career, and Military Readiness indicators and a student's outcomes after high school, with the data disaggregated between different student subpopulations and geographic regions of the state. When completed, this study will empower the Legislature with quality data to improve future postsecondary readiness initiatives and help the state reach its Tri-Agency and Building a Talent Strong Texas goals.

### Items Left on the Table for Special Sessions:

At the end of the regular session, the Texas Legislature increased funding for public education, through a variety of different sources, by \$6.3 billion. However, there was still a significant amount of education funding left on the table in several pieces of legislation that did not pass, including increased funding for teachers, improvements in virtual education, and further investment in data-driven strategies to improve student outcomes. The Legislature will likely consider related funding proposals during a fall special session.

## Assessment and Accountability

Texas 2036 worked to ensure Texas' assessment and accountability systems continue to maintain a relentless focus on improving student outcomes. Maintaining a strong assessment and accountability system is crucial to ensuring our public education system works for all students – regardless of zip code, skin color, or special education status. Without data on how students are doing, parents are unable to make informed academic decisions for their child, and policymakers are unable to target investments and interventions. Texas accountability and assessment systems must be built on valid, reliable, and comparable instruments in order for the decisions parents and policymakers do make to be truly informed.

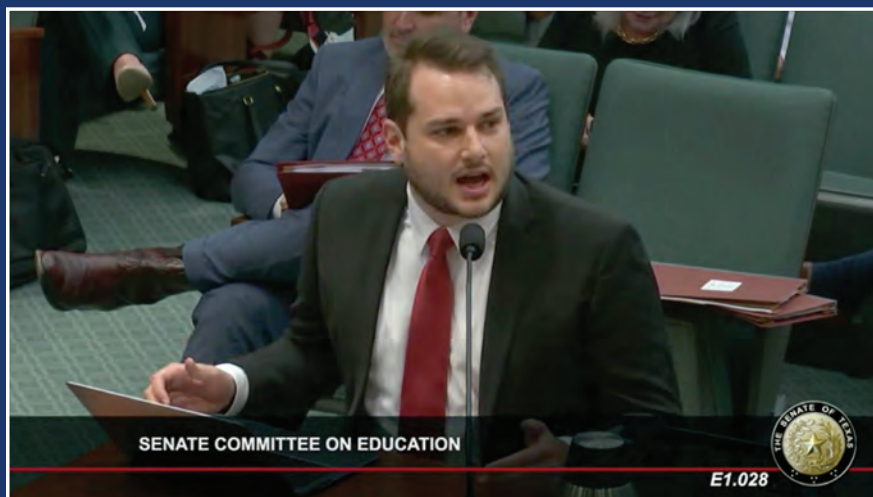
**Assessment.** In 2019, the Texas Legislature passed House Bill 3906. This legislation fundamentally transformed the state's assessment system – leading to a brand new statewide test that more closely mirrors the classroom experience. The bill also created an innovative, adaptive assessment pilot that would be administered three times a year. These changes hold great promise to improve the STAAR test and make the results more usable for parents. During this legislative session, Texas 2036 supported efforts to make the pilot program permanent and continued to share the benefits of the ongoing assessment redesign with legislators and staff as we await the eventual replacement of the STAAR with a more adaptive alternative.

**Accountability.** This legislative session, Texas 2036 focused on ensuring that any changes to the accountability system (known commonly as the A through F system) would lead to improved student readiness rates. This included defending against efforts to water down the system by including non-academic indicators. While multiple bills were filed that would have undermined our accountability system – all of which Texas 2036 opposed – no bills passed. Texas 2036 plans to continue to engage on these issues during any special sessions and has provided public comment to the Texas Education Agency on forthcoming regulatory changes to the accountability system.



*Texas 2036 bases our work on assessment and accountability on these five pillars:*

- **VALIDITY**
- **RELIABILITY**
- **COMPARABILITY**
- **TRANSPARENCY**
- **FAIRNESS**



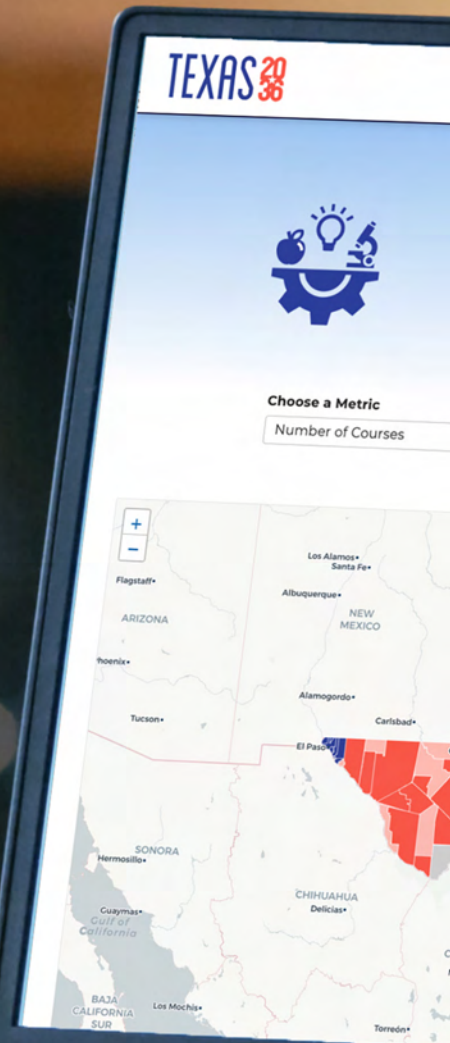
Texas 2036 policy analyst Gabe Grantham testifies in support of increasing access to advanced math pathways (SB 2124). Key findings from our Advanced Coursetaking Dashboard show that 36% of school districts did not offer Algebra 1 to middle school students.

# Advanced Coursetaking Dashboard

In January 2023, Texas 2036 launched the Texas Advanced Coursetaking Dashboard. The dashboard allows users to see where the gaps exist in student access to the rigorous courses data show are linked to better postsecondary outcomes.

The dashboard allows users to see which districts offer Algebra I to their 7th and 8th graders and AP/IB courses, by subject, to their high schoolers. It provides both statewide data, as well as a breakdown by State House and Senate districts and Education Service Center region.

Data from this dashboard helped inform the work of the Texas Commission on Virtual Education, and reforms passed in SB 2124 will help close the Algebra I gaps identified in this data analysis.



Learn more: <https://texas2036.org/advanced-coursetaking/>  
Explore the data: <https://texas2036.shinyapps.io/advanced-coursetaking-dashboard/#home>



[HOME](#) [PROFILE](#) [BACKGROUND](#) [METHODOLOGY](#)

## TEXAS ADVANCED COURSETAKING DASHBOARD

Thousands of Texas students have little or no access to advanced courses in middle school and high school, especially in rural districts.

This dashboard uses data from the Texas Education Agency to show disparities in advanced course offerings - AP/IB for 11th and 12th graders, and Algebra I for 7th and 8th graders - across Texas school districts.

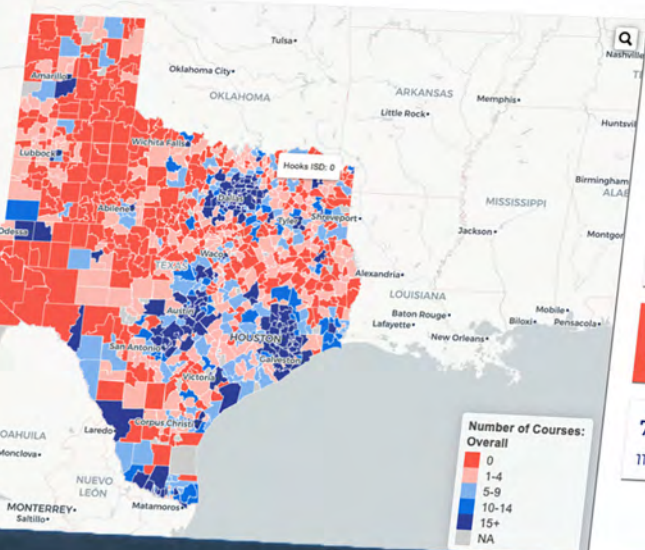
On this page, you can explore statewide trends by course type to see how many school districts offer no or low access to advanced courses. Use the **Add boundaries** selector to see differences by region. To view more detail for a given area, go to the [PROFILE](#) page.

Choose a Subject Area

Overall AP/IB

Add boundaries

School district only



Texas - All districts

\*All statistics include charter school districts, which are not pictured on the map.

449 (41.27%)

School districts do not offer any AP/IB advanced courses.

709 (65.17%)

School districts offer 0-4 AP/IB advanced courses.

39,748 (5.28%)

11th and 12th graders attend districts that do not offer any advanced courses.

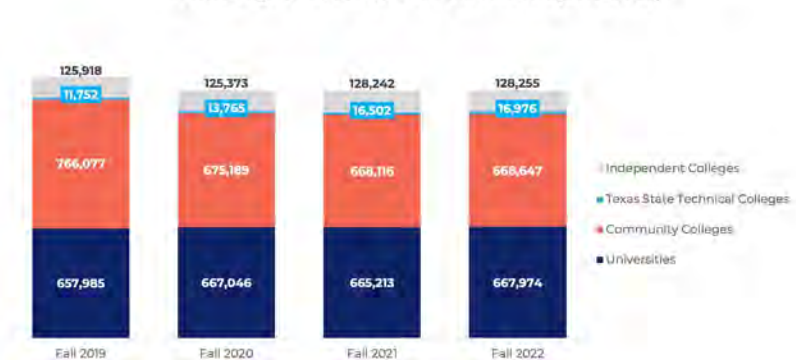
79,988 (10.62%)

11th and 12th graders attend districts that offer 0-4 AP/IB advanced courses.

# Higher Education Policy Successes

Our higher education efforts centered around the ever-increasing need for some type of education past high school to get a job that provides a family-sustaining wage and allows Texans to accumulate wealth. Over 70% of jobs in Texas will require a postsecondary credential by 2036. At the same time, more Texans are questioning the value of higher education – only 24% think students get their money's worth. Skepticism driven in part by public discussions about student debt and a lack of reliable data about the return on investment of a postsecondary credential was amplified by the uncertainties wrought by the pandemic.

**Texas Higher Education Fall Enrollment (2019-2022)**



In response, Texas 2036 conveyed the importance of clearly aligning and communicating the employment prospects and wage premiums that become available to students through higher education. We placed a key emphasis in transformative community college finance reform that orients the state's finance system primarily around students' successful attainment of a credential with workforce value proven through data. Included in this work are financial contributions to build higher education institutions' capacity to offer programs that are aligned with regional and statewide workforce needs.

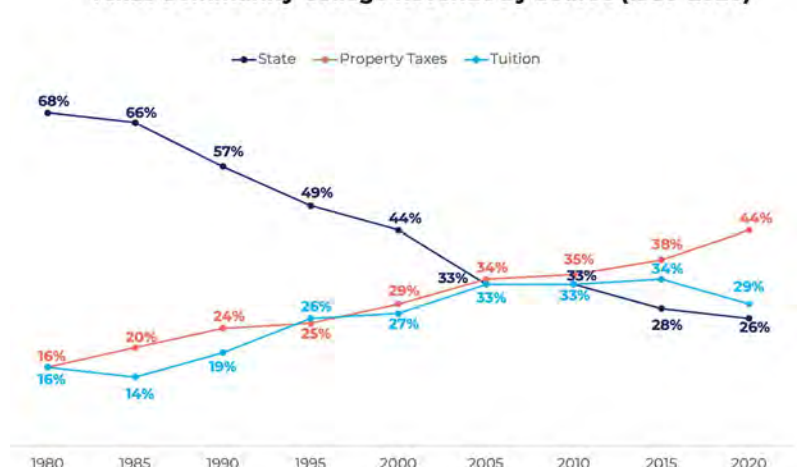
We also focused on securing meaningful support for Texans of all ages and backgrounds to pursue higher education, from comprehensive transparency efforts to show the value of higher education, to innovative and targeted models of learning and aid programs for various disadvantaged student populations, and significant investments in data infrastructures as well as the state's ability to attract and develop the world's best and brightest academics.

Our team supported 10 legislative items and \$3.75 billion that passed this session, placing Texas at the forefront of national higher education conversations.

## HB 8 (VanDeaver/Creighton)

HB 8 transforms the state's financing system for public community colleges away from student semester credit hour loads and toward rewarding progress in achieving measurable outcomes of students in credential attainment, successful transfer to a university, and completion of coherent sequences of dual credit courses. The reform also delivers significant improvements addressing students' ability to afford a community college education via state financial aid programs as well as individual colleges' capacity to offer courses responsive to regional and statewide workforce needs. As a result, community college operations will fundamentally shift toward ensuring the students they are serving are ultimately earning a credential that is valued by Texas employers – helping enhance the competitiveness of the state's short- and long-term workforce.

**Texas Community College Revenue by Source (1980-2020)**





### Also in House Bill 8

In addition to the community college finance overhaul, multiple other legislative initiatives were amended onto HB 8 before its final passage. These items helped make an already strong, bipartisan effort even more impactful. Bills that were initially filed separately but eventually passed as a component of the HB 8 omnibus include:

- **HB 4454 (Howard)/SB 2029 (Creighton)** - Transitions the administrative management of the Texas Innovative Adult Career Education program, an outcomes-based workforce development grant program, to the THECB.
- **HB 4437 (Kuempel)/SB 2422 (Creighton)** - Protects students' higher education data held by the THECB.
- **HB 4722 (Howard)/SB 2363 (Creighton)** - Allows community colleges to use federal Pell grants to make up the difference between students' remaining tuition and fees not covered by the college's allocation of Texas Educational Opportunity Grants, the state's need-based financial aid program for community college students.
- **HB 4434 (Kuempel)/ SB 2294 (Creighton)** - Expands the Texas First program, an early high school graduation opportunity, to require all public school districts and open-enrollment charter schools to allow early graduation through the program and to align early graduation assessments with those used by all higher education institutions.



“[The Commission on Community College Finance’s] work is the most comprehensive that any state has undertaken on this issue.”

**Harrison Keller**  
Commissioner of  
Higher Education  
in the House  
Higher Education  
Committee on  
Mar. 20, 2023

## Texas 2036 Engagement on HB 8

HB 8 formalizes the recommendations of the Texas Commission on Community College Finance (TxCCCCF), which were issued in November 2022. Texas 2036 policy advisor Renzo Soto and Senior Vice President John Hryhorchuk worked with the TxCCCCF throughout its year-long deliberations, providing expert testimony and data-informed policy guidance. Texas 2036 cultivated civic demand through the Aim Hire Texas coalition, co-led by the Commit Partnership, which grew to include more than 70 business and educational entities. Soto also engaged in support of HB 8 during the legislative session by providing testimony for legislative committee hearings, meeting with legislators, state leadership and their staff, and amplifying and coordinating stakeholder support through the Aim Hire Texas Policy Coalition.

For additional information about Aim Hire Texas, please visit [www.aimhiretexas.org](http://www.aimhiretexas.org).

For additional information about Texas 2036's engagement with the TxCCCCF, see the discussion below regarding the Community College Finance Simulator.



*Renzo Soto speaks on a Texas Business Leadership Council panel about HB 8, moderated by Katharine McAden of Google, to discuss community college finance reform and workforce development with Sen. Larry Taylor, chairman of the Texas Commission on Community College Finance Woody Hunt, and Texas Association of Community Colleges CEO Ray Martinez III.*

## HB 2920 (Paul/Bettencourt)

HB 2920 requires that high school students and other prospective higher education students have access to electronic tools or platforms that contain information allowing them to assess the value of higher education. This information includes tuition, fees, and room and board costs; typical student debt and wage premiums associated with a credential; and student outcomes data such as graduation and transfer rates and job placement in the state's top five industries. Through HB 2920, students and parents will be better able to identify the higher education pathway that best meets the student's desired career goals while being affordable, accessible and delivering a good return on investment. Texas 2036 offered feedback to ensure alignment with the Tri-Agency Workforce Initiative's work to develop the state credential library and public data dashboards that track the state's progress in providing education and workforce value to Texans. **Texas 2036 supported this bill.**



Texas Voters Support Postsecondary Information  
**91% of Texas voters agree** that Texas students and colleges need access to the most up-to-date information on jobs and wages so students can make informed choices and colleges can help students get good jobs.

## SB 2139 (Parker/Longoria)

SB 2139 establishes the Opportunity High School Diploma Program, which allows adult students without a high school diploma and enrolled in a workforce education program at a community college to concurrently enroll in a competency-based high school diploma program. About 10% of Texas high school students do not finish high school and earn their diplomas. This hampers their ability to pursue the full range of higher education options available in Texas and, subsequently, their potential to get a good, high-paying job that requires a postsecondary credential. SB 2139 allows these students to earn a high school diploma and a workforce-aligned postsecondary credential at the same time, increasing their chances to succeed both in their education and in the workforce. Texas 2036 met with state agency staff to discuss the alignment of the success of these students with the broader community college finance reform incentives passed in HB 8. **Texas 2036 supported this legislation.**



*Congrats to @DennisPaul129 & @TeamBettencourt on the passage of #HB2920, which aims to empower students to make better decisions on postsecondary education by making data available to compare schools on cost of tuition, median student loan debt & graduation rates. #txlege #txed*

@Texas2036

## Texas Needs an All-of-the-Above Approach to Improve Postsecondary Outcomes

Texas is second-to-last among peer states in the percentage of working-age citizens who hold some kind of postsecondary credential. Our students' current longitudinal outcomes are not currently sufficient to improve that standing, with deep disparities for our minority and disadvantaged students. This underscores the importance of legislation like SB 2139 to create flexible and efficient options for a postsecondary credential of value that serves the unique needs of different student populations who may require additional assistance to succeed.

### Texas Credential Attainment by Demographic

Source: Texas 8<sup>th</sup> Grade Cohorts, 2012 Cohort



White Students



Black Students



Hispanic Students



Non-Economically Disadvantaged Students



Economically Disadvantaged Students



## SB 1887 (West/Turner)

This bill improves the process of transferring postsecondary credits earned between different institutions of higher education. The current process is onerous for students, largely requiring that they navigate each step themselves, including disputing when an institution refuses to recognize certain credits. Through SB 1887, institutions will have to handle the transfer of credits between themselves and a new resolution process is created where students are assured that any challenges they bring forward in regards to denied credits will receive a resolution by the Texas Higher Education Coordinating Board. **Texas 2036 supported this legislation.**

## HB 584 (Capriglione/Zaffirini)

This bill took an innovative approach to simultaneously filling understaffed state information technology (IT) jobs while providing Texans with an efficient path to a valuable postsecondary credential. HB 584 creates a state IT credential in partnership with community colleges that teaches knowledge and skills needed for entry-level state IT jobs, and the credential program must include a relevant one-year apprenticeship with a state agency or other related employer. **Texas 2036 supported this legislation.**

## HB 1595 (Bonnen/Huffman)

HB 1595 establishes the Texas University Fund, a new higher education permanent research endowment. If HJR 3, the accompanying constitutional amendment, is passed by voters this November, \$3 billion will be appropriated to this fund. The Texas University Fund serves emerging research universities to assist them with funding to reach national research prominence and develop more research doctorate Texas graduates across demographics. Higher education research produces innovations that generate good workforce opportunities and also fosters strong public-private partnerships in emerging Texas industries. **Texas 2036 supported this legislation.**

## SB 25 (Kolkhorst/Klick)

SB 25 invests \$25 million into the nursing workforce by enhancing existing grant and loan programs and establishing new financial aid programs. This represents a complete package of state support that will benefit nursing students, faculty, and education programs alike while also helping build partnerships between higher education and the health care industry to ensure nursing students receive strong clinical training so that they are ready to provide high-quality care to patients upon graduation. **Texas 2036 supported this legislation.**

## HB 4005 (Raney/Parker)

HB 4005 creates a financial aid program and provides higher education formula funding for competency-based education programs leading to a bachelor's degree. Over 2.5 million Texans have some college education but did not ultimately earn a postsecondary credential. Competency-based models of learning help provide college credit to individuals based on measurements of their existing knowledge and skills. **Texas 2036 supported this legislation.**



*SB 1887 by @SenRoyceWest & Rep. @ChrisGTurner received final passage yesterday! SB 1887 provides #txhighered students with a transfer process that's much easier to navigate and helps ensure their credits are accepted. The bill heads to the Governor soon. Congratulations! #txlege*

@Texas2036



*Congratulations to Caucus Chair @VoteGiovanni on HB 584 being signed into law!*

*HB 584 will provide apprenticeship programs for community college graduates and allow them to fill much-needed IT positions in state agencies. #txlege*

@Texas2036



Did you know? Texas is estimated to have more than 24,000 different credentials, ranging from degrees, workforce-aligned certifications, licenses, digital badges, apprenticeships, and more.

Efforts to link credentials to work opportunities, like HB 584, helps ensure that credential programs deliver workforce value to students.



Making a Bet on Higher Ed, Emerging Technologies  
<https://texas2036.org/posts/making-a-bet-on-higher-ed-emerging-technologies/>

## In the Budget: Higher Education

In addition to supporting the investment of hundreds of millions of dollars to transform community college finance, Texas 2036 also supported significant investment initiatives including permanent research endowments for emerging research universities, innovative approaches to improving student success in higher education and updating and strengthening the state's education and workforce data infrastructure.

**Community College Finance Revamp:** Texas 2036 engaged heavily in the transformation of the state's community college financing system to one with a focus on workforce returns for students and employers, culminating in the passage of House Bill 8. HB 1 appropriates \$691 million in new funding for the implementation of these HB 8 reforms, which includes:

- \$428 million in new formula funding for community colleges,
- \$139 million in additional funding for need-based financial aid for both community and technical colleges,
- \$78.6 million in dual credit scholarships for low-income high school students, and
- \$33 million in innovation and collaboration grants designed to help meet statewide and regional workforce needs.

**Creation of the Texas University Fund:** SB 30 and HB 1 include provisions to allocate \$3 billion to the proposed redesignated Texas University Fund, contingent on the enactment of HB 1595

and voter approval of HJR 3. This new fund would serve as a permanent endowment for education, research base funding, and research performance funding for select non-Permanent University Fund research institutions.

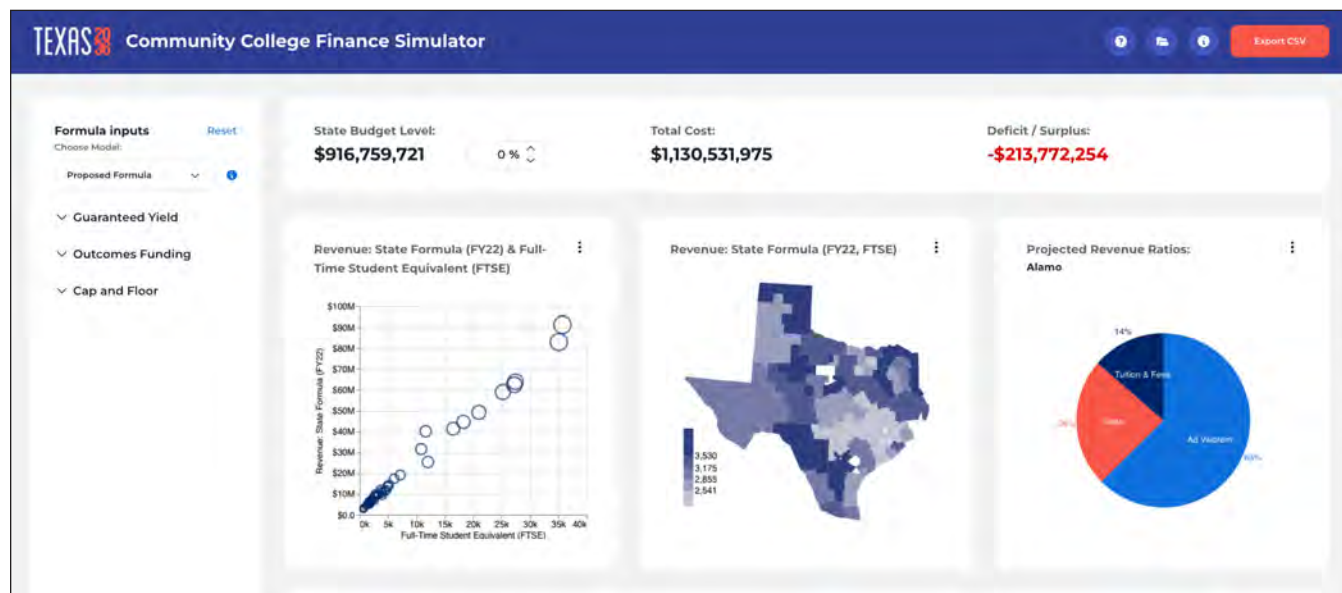
**Using Innovation & Collaboration to Improve Access to Courses and Credentials:** The Texas Higher Education Coordinating Board received \$20 million to support the agency's efforts to increase student access to courses and credentials by increasing the availability of open education resources, reducing student textbook costs, and institutional course sharing. These initiatives support programs using evidence-based models to increase student success, integrate innovative approaches to work-based education, and strengthen the pipeline of underrepresented students into research doctoral programs.

**Modernizing Education and Workforce Data Infrastructure:** The Texas Higher Education Coordinating Board received an appropriation of \$15 million to make continued investments in upgrading the state's education and workforce data infrastructure to allow the agency to deepen efforts to provide granular, relevant data and analysis for students, employers, institutions, and policymakers to assist in effective decision making. The funding also ensures that this data is stored and administered with the highest standards of security and confidentiality.



## Community College Finance Simulator

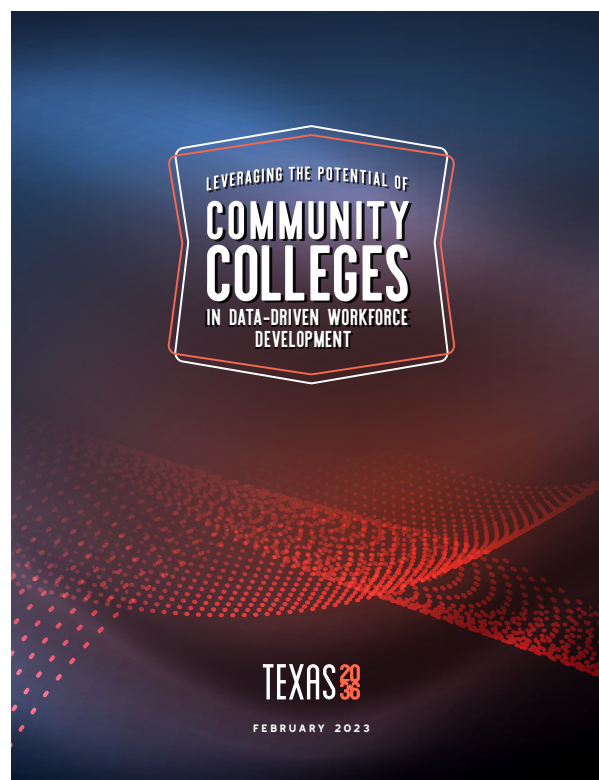
Texas 2036 created an online Community College Finance Simulator (CCFS) to inform the TxCCCCF and state legislators about the bottom-line fiscal impacts of policy changes to the state's financing system. Through the CCFS, commission members and legislators could test several different policy simulations and receive a cost estimate for each one instantaneously, allowing them to fine-tune policy changes into a comprehensive and cohesive proposal.



## Leveraging the Potential of Community Colleges in Data-Driven Workforce Development

Together with the launch of the Community College Finance Simulator, Texas 2036 released a report on community college finance. In "Leveraging the Potential of Community Colleges in Data-Driven Workforce Development", we explored how the potential of community colleges to develop the state's workforce could be unlocked through comprehensive community college finance reform.

Texas 2036 staff used this report to introduce and explore the complexities of community college finance with legislative staffers and outside stakeholders. By using data to identify key structural issues within the state's finance system, we identified opportunities to focus comprehensive community college finance reform on improving students' workforce outcomes.



## Privately-Issued Credentials Initiative

A still-evolving landscape of credentials is available to Texans including digital badges, apprenticeships and higher education degrees and certificates. This wide range of credential offerings increases the need for the state to provide Texans with information adequate to assess the value of each credential.

Unfortunately, Texas is missing large swaths of data on privately-issued credentials such as those available through employers and online providers. Texas 2036 worked with employers and other private providers to collect and report data on these credentials, indicating that the private sector is a willing partner in increasing Texans' access to credential information.

The screenshot displays the Texas 2036 Credentials Initiative website. At the top, there is a search bar with the text "Search for" and a dropdown menu set to "Credentials". Below the search bar, there are filters for "In" (set to "All Locations") and a "Search" button. The results section shows "119 results" with a "Filter" button. Below the results, there are tabs for "Show All", "Sort by Relevance", "List", and "Map". A list of providers is shown: Amazon Web Services, CertNexus, CompTIA, Dell Technologies, Google, Microsoft, and Salesforce. The first result is a "Digital Badge" titled "Advanced Apex Specialist Superbadge" by Salesforce, last updated Oct 17, 2019 7:52 AM. It includes a description of the badge and a "Compare" button. The second result is a "Micro-Credential" titled "AIBIZ: Artificial Intelligence for Business Professional (Exam AIZ-110)" by CertNexus, last updated Jul 26, 2023 10:41 AM. It includes a description of the credential and a "Compare" button. The third result is a "Digital Badge" titled "Apex Specialist Superbadge" by Salesforce, last updated Oct 17, 2019 7:51 AM. It includes a description of the badge and a "Compare" button. The fourth result is a "Digital Badge" titled "App Customization Specialist Superbadge" by Salesforce, last updated Oct 17, 2019 7:51 AM. It includes a description of the badge and a "Compare" button.

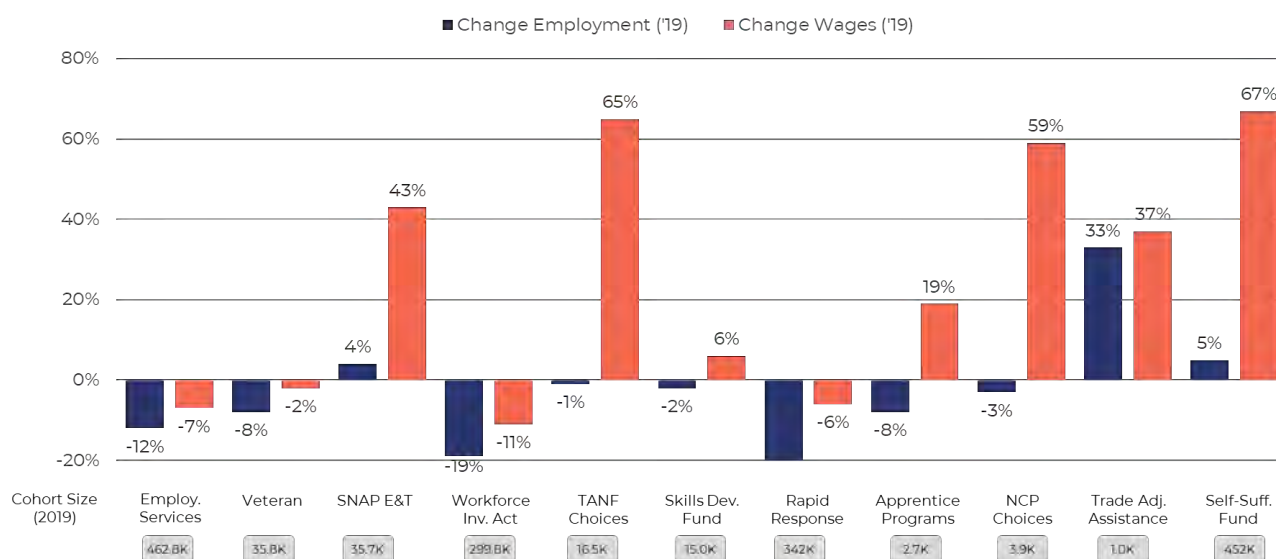


Learn more: [www.texas2036.org/credentials](http://www.texas2036.org/credentials)

# Workforce Development Policy Successes

While the state's workforce development system is smaller and more narrow in scope than its education systems, state-supported workforce programs still served an annual average of 1.2 million Texans over the past several years. Despite this, too many Texans still faced difficulties finding jobs with good wages. Unlike its K-12 and higher education counterparts, however, workforce programs have lacked comprehensive and modern data infrastructures to address systemic deficiencies. Far too many Texans participate in a taxpayer-funded workforce development program and come out either unemployed or employed in jobs with worse wages.

**Workforce Development Program Employment & Wage Outcomes, 2019**



Throughout the interim leading to the legislative session, Texas 2036 focused on aligning the education-to-workforce continuum with the demands for skilled, good-paying jobs. In 2022, the Texas Tri-Agency Workforce Initiative, which connects the Texas Education Agency, Texas Higher Education Coordinating Board, and Texas Workforce Commission, unified around shared statewide workforce development goals and strategies linked by the need to ensure that education and workforce programs lead Texans to a job that pays a family-sustaining wage.

The statewide workforce development goals adopted by the Tri-Agency in 2022 provide a framework for optimizing the state's workforce system. To help achieve this, Texas 2036 developed policy recommendations to organize state workforce programs around outcomes aligned with state goals and build the data and interagency infrastructure needed to hold the state accountable for progress.

Our team engaged on five bills that passed this session that will secure long-term benefits, ensuring that Texans can pursue in-demand skills throughout their lives and allowing them to build a prosperous future for themselves and their family.

## Pathway to Aligned Workforce Reforms in 2023





## HB 1703 (Ordaz/Blanco)

This bill updates the state's database tracking the employment and wage outcomes of Texans who participate in state career education and training programs. Over the past several years, state data has consistently reported poor workforce outcomes for Texans who exit certain state workforce development programs, such as veterans programs. HB 1703 will provide the state with more actionable data to provide targeted improvements to workforce programs, including more comprehensive data on the outcomes of different services offered by each program and analyses on whether Texans go on to earn a family-sustaining wage. The bill also authorizes the Borderplex local workforce board to conduct a pilot program to produce the same type of data for other types of career education and training programs such as high school and college career technical education courses. Texas 2036 raised awareness regarding the data challenges addressed by this legislation and worked with state agency staff to ensure the data updates are in line with the Tri-Agency Workforce Initiative's efforts to calculate wage levels that achieve self-sufficiency. **Texas 2036 testified in support of this bill.**



**Texas Acts to Boost Veterans' Careers After Attending Workforce Programs**  
<https://texas2036.org/posts/texas-acts-to-boost-veterans-careers-after-attending-workforce-programs/>

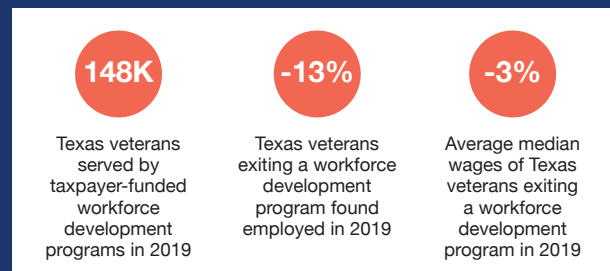


*Congrats to @ClaudiaOrdazTX & @CesarJBlanco on the passage of #HB1703, which aims to improve workforce development programs and create opportunities for Texans, including veterans, to secure meaningful, well-paying careers. #txlege #txworkforce*

@Texas2036

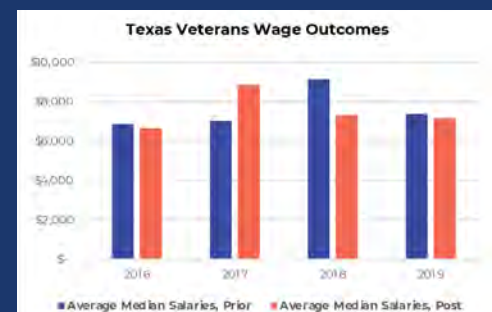
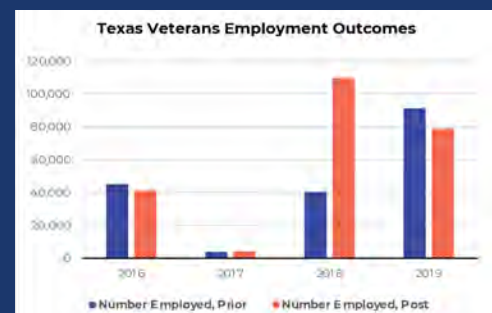
## Spotlight: Veterans

Data on workforce outcomes of Texas veterans served by state workforce programs showed that, within their first year of leaving the program, many veterans found themselves either unemployed or employed with worse wages compared to jobs they held prior to program participation.



These negative outcomes are persistent. Even in years like 2018, when more veterans gained employment following completing a program, they ended up in jobs with lower wages than before. And in 2017, the most recent year that employment and wage outcomes were both positive, workforce programs only served 6,705 veterans that year – a minuscule fraction of the over 100,000 veterans typically served.

By identifying those programs that are working – and also identifying those that are not – HB 1703 will help populations like veterans that receive workforce services by focusing investments in scaling strategies that are shown to be effective.



## HB 1755 (Button/Alvarado)

HB 1755 (Button/Alvarado) establishes the Lone Star Workforce of the Future Fund to help Texans gain the skills required by “middle-skills jobs” – those that need a credential higher than a high school diploma but less than bachelor’s degree. With an initial investment of \$5 million, this fund will provide education and workforce training entities with the capital needed to serve unemployed and underemployed Texans, collaborate with regional employers and other education institutions, and successfully place participants in jobs that allow for self-sufficiency – all of which are requirements providers must meet to be eligible for the fund.

**Texas 2036 supported this legislation and worked with stakeholders to incorporate clarifying language to ensure this initiative would complement other state efforts.**

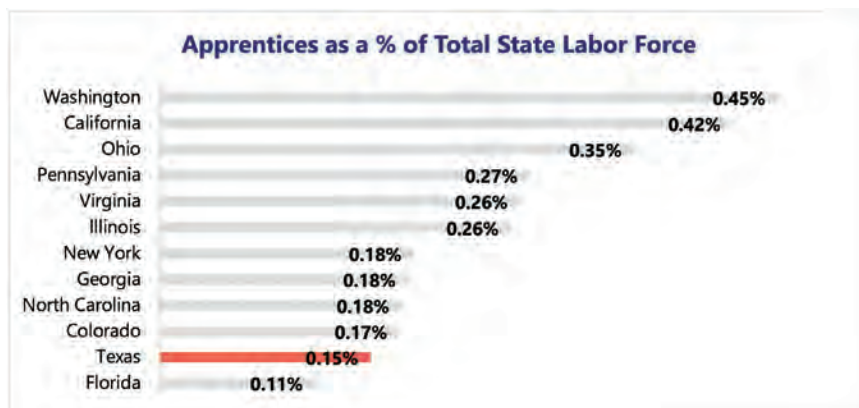


*Congratulations to our Caucus Secretary @AngieChenButton and @CarolforTexas on HB 1755 being signed into law! HB 1755 will expand opportunities in the innovation economy to more Texans by providing training for middle-skilled jobs in high-demand industries. #txlege*

@ITCaucus

## HB 4451 (Bhojani/Flores)

HB 4451 creates an annual report between the Texas Workforce Commission and the state’s 28 local workforce development boards measuring the demand for apprenticeships in emerging and high-demand Texas industries like technology, health care and education. Texas is second-to-last among peer states in the percentage of active apprenticeships relative to the state’s total workforce. HB 4451 will analyze labor market data across different regions and industries so that the state can invest its resources and establish apprenticeships where there is outstanding demand from employers. Texas 2036 research raised awareness regarding the mismatch between existing apprenticeship programs and growing occupational demand from emerging and high-demand industries. **Texas 2036 testified in support of this legislation.**



Texas 2036 Senior Vice President of Policy and Advocacy John Hryhorchuk (right) discusses opportunities to improve the state’s workforce with Texas Workforce Commissioner Aaron Demerson at the Texas Economic Development Council’s Legislative Conference.

(Photo credit: Matthew Powell, via LinkedIn)

### Apprenticeship Diversity

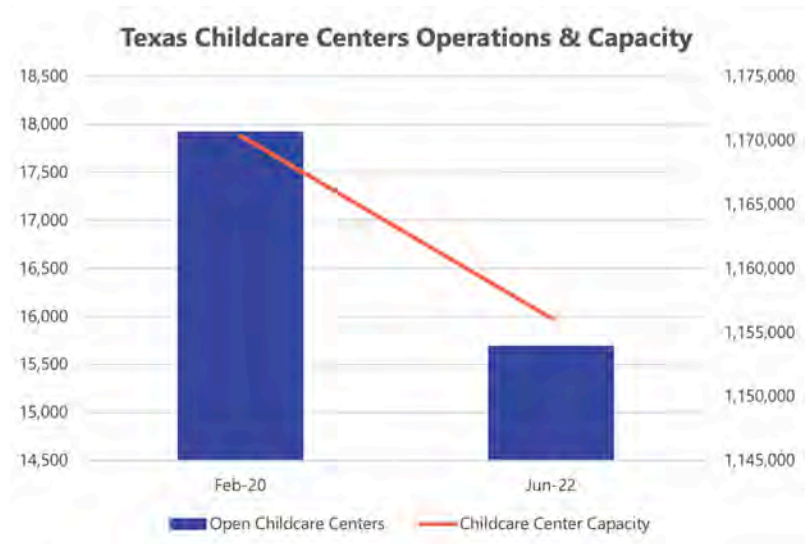
Out of the 22,404 active Texas apprentices in the first half of 2022, 80.9% were concentrated in construction and extraction or installation, maintenance, and repair occupations. Industries such as health care, education, finance and insurance, transportation and warehousing, and oil and gas are significant in Texas and stand to benefit from apprenticeships as well.

## Spotlight: Child Care

Child care availability is an important workforce issue for parents and employers. Texas 2036 lent its support to partner organizations on child care and early childhood education legislation intended to address this issue.

HB 1615 (Button/Birdwell) creates a program through the Texas Workforce Commission that assists eligible child care providers in setting up partnerships with school districts and open-enrollment charter schools to establish pre-kindergarten classes. These partnerships will help child care providers serve more young Texas children in getting a high-quality early education while providing parents the opportunity to join the workforce. Additionally, HB 1615 establishes a child care professional development scholarship program to expand the state's child care and early childhood education workforce.

SB 2315 (Hughes/Clardy) organizes a task force to consider the consolidation of state workforce development programs and social services programs overseen by the Texas Workforce Commission and the Health and Human Services Commission. Texas 2036 provided testimony on the opportunity available to include child care programs to the task force's review given that both state agencies oversee components of child care regulatory duties. SB 2315 directs the task force to look into developing the infrastructure necessary to provide the state with data measuring child care supply and demand across all Texas families, including those who do not qualify for federal child care subsidies.





# In the Budget: Workforce

HB 1 funded a number of new workforce development programs at the Texas Workforce Commission that were supported by Texas 2036. Many of these programs are responsive to recommendations and comments by members of the Aim Hire Texas coalition asking that the Tri-Agency Workforce Initiative actively expand the availability of apprenticeships and work-based learning opportunities as part of the state's workforce development goals and strategies.

**Pre-apprenticeship Career Pathways Pilot:** The Legislature provided \$5.6 million in HB 1 to pilot a pre-apprenticeship career pathways program with authority for an additional full-time employee each fiscal year to develop preparatory instruction for high school students and adults. This funding will accommodate the rising demand and develop the pipeline for apprenticeship training across Texas industries.

**Texas Industry-Recognized Apprenticeship Programs (IRAP) Grant Program:** TWC was also allocated \$20 million for the Texas Industry-Recognized Apprenticeship Programs (IRAP) grant program, established by House Bill 2784 (86-R). Designed to meet workforce needs in areas impacted by hurricanes and other natural disasters and overall workforce shortages, the IRAP program has not been fully implemented by the Texas Workforce Commission (TWC) since its 2019 inception due to a lack of funding for the IRAP program. This item will provide funding and additional staff to implement the grant program to establish and expand apprenticeship programs aligned with industry needs.

**Lone Star Workforce of the Future Fund:** Budget writers allocated \$5 million to TWC for the newly created Lone Star Workforce of the Future Fund, created this session by HB 1755 by Rep. Angie Chen Button and Sen. Carol Alvarado. This new fund will meet the demand for middle-skills jobs by training unemployed and underemployed Texans and requiring that workforce development programs successfully place participants in a job that pays a self-sufficient wage to receive funding, thereby simultaneously advancing the goals of the Tri-Agency Workforce Initiative.

**Streamlining Apprenticeship and Work-Based Learning Funding:** With all the varieties of state and federal funding streams available to education and workforce training providers, Texas 2036 led an effort to include a budget rider intended to minimize administrative barriers that may disincentivize participation in these programs, maximizing their ability to provide work-based learning slots. The rider requires the Tri-Agency to identify, report on and implement ways to better coordinate and streamline work-based learning funding opportunities and reduce administrative barriers for providers.

**Enhanced UI Data Collection:** The Texas Workforce Commission was directed by the Legislature to produce a report on the costs of necessary upgrades to the state unemployment insurance data system and associated information technology and staffing to allow for enhanced reporting of employment and earnings data as part of routine wage filings required by HB 3767 (87-R).





# Regional Workforce Data Dashboard

Through the Aim Hire Texas coalition, Texas 2036 led on developing a dashboard that offers an unprecedented look at the state's education-to-workforce pipeline, assembling several state and federal data sets and analyses. The tool provides various insights:

- Students and workers can learn about high-quality and high-demand jobs as well as what earnings may be available for various jobs requiring different credentials;
- Education and training providers can see the demand for future occupations according to state projections; and
- Local leaders and policymakers can learn about living wage attainment, what living wage jobs look like in their region, and the outlook for in-demand jobs.



Learn more: <https://texas2036.shinyapps.io/aim-hire-texas/>



# A Look Ahead: Future Education and Workforce Policy Priorities

While lawmakers made huge advances in education and workforce policy this session, there are still areas in need of attention. Here are a few that Texas 2036 will continue to engage on in the interim and beyond:

**Focusing on High School:** The majority of Texas voters believe that students should graduate high school ready for both college and a career. New incentives for community colleges to have students earn dual credit and complete a postsecondary credential of value provide additional support for high school students to earn both a high school diploma and a postsecondary credential upon graduation. Texas 2036 will work over the interim to coordinate the various state funding streams available to colleges and school districts so that this outcome is realized efficiently and effectively.

**Improving STEM Pathways:** With only 22% of Texas students getting some kind of postsecondary credential within six years of high school, including just 10% of African American males and 13% Hispanic males, it is clear that something needs to change to ensure more Texas students succeed. Texas 2036 will spend the interim investigating high-quality STEM and technical pathways that could be expanded in Texas public high schools, with a particular focus on what pathways are working best for young men.

**Workforce of the Future:** Texas is continuing to work hard to improve its education and workforce pipeline. However, the changes the Legislature makes to the system often lag behind workforce data and the lived-experience of everyday Texans. Texas 2036 will seek to utilize existing education and workforce data to project what the emerging workforce and education needs will be by the state's bicentennial. This data can then be used to inform policymakers and better align systems with the workforce needs of the future.



# Texas Voters Speak

In a series of statewide polls, Texas 2036 asked Texas voters what they thought about education and workforce issues. These polls of registered Texas voters found...

**Texas voters are united in their desire to invest in education.** In February 2023, 89% of Texas voters wanted the Legislature to invest a portion of the almost \$33 billion budget surplus into education.

- **Legislative Success:** The Legislature increased its support for public education by \$6.3 billion, with promises to invest even more during future special sessions. These investments included \$500 for high-quality curriculum, one of our highest priorities for this session.

**Texas voters expect quality in schools.** In February 2023, 73% of Texas voters favor schools being required to use instructional materials that have been reviewed by the state and shown to be higher quality. And in September 2022, 82% of Texas voters supported increasing access to high-quality tutoring in reading and math for Texas public school students. Just 6% of voters oppose.

- **Legislative Success:** HB 1605, which increases access to high-quality curriculum, became law.
- **Legislative Success:** HB 1416, which improves tutoring programs, became law.

**Texas voters support educational assessment.** In September 2022, 87% of Texas voters agreed that “taxpayers have the right to know how the schools in their community are performing relative to others in the state using ‘apples-to-apples comparisons’ on an annual test in reading and math.” Only 7% disagreed.

- **Legislative Success:** No bills undermining our educational assessment system passed.

**Texas voters understand that workforce development starts in high school.** In September 2022, 90% of Texas voters said it is important “for the state to focus on increasing the number of credentials earned while students are still in high school.”

- **Legislative Success:** HB 8, coupled with previous public school finance reforms, will help increase credential attainment in high school.
- **Legislative Success:** HB 1 will fund a study on college and career readiness that can drive further improvements.

**Texas voters overwhelmingly supported investment in community college.** In February 2023, 79% of Texas voters favored using \$650 million of the state’s budget surplus to invest in community college students’ outcomes linked to good jobs.

- **Legislative Success:** HB 8 devotes \$691 million to overhauling community college funding, including more direct formula linkages to credentials with career value.

**Texas voters support a diversity of career pathways.** In September 2022, 81% of Texas voters said they favor “increasing better consumer information and access to paid apprenticeship opportunities aligned with opportunities for high-wage, high-demand occupations.”

- **Legislative Success:** HB 4451, establishing data to expand apprenticeships in emerging and high-demand industries, became law.
- **Legislative Success:** HB 1703, measuring the employment and wage outcomes of workforce programs like apprenticeships, became law.
- **Legislative Success:** HB 1 directs a study for state agencies to better coordinate funding for apprenticeships to expand access and availability.



# In the News

## Austin American Statesman

### “Administrators hope redesigned, online STAAR test yields better student data”

“The redesigned STAAR test should give educators better data about student progress, said Mary Lynn Pruneda, senior policy advisor for Texas 2036, a nonprofit think tank focused on how to respond to the state’s growth.

“The STAAR is a good exam,” Pruneda said. “The more that we can make the STAAR relate to the instructional experience of the classroom, the better it will be. The STAAR redesign is a step in the right direction toward making the assessment reflect more closely the experience in Texas classrooms.”

– Mary Lynn Pruneda

<https://www.statesman.com/story/news/education/2022/11/23/new-questions-online-format-for-staar-test-among-changes-this-spring/69661913007/>

## Dallas Morning News

### “Are Texas Students Prepared for Life After High School?”

“All young Texans deserve to be ready for the many opportunities that the Lone Star State offers its citizens. Parents need transparency about their children’s progress. And Texas needs the ingenuity, ideas and leadership of its young people. A clear-eyed look at readiness will help make that vision of Texas real.”

– Mary Lynn Pruneda

<https://www.dallasnews.com/opinion/commentary/2023/04/08/are-texas-students-prepared-for-life-after-high-school/>

## KXAN

### “We do recommend that the Legislature continue to put more money into public education, like increasing the basic allotment,” she said.

“It did get tangled up and some other matters, but we’re hopeful that they will come back and continue to explore just continuing to increase the investment in our public schools, particularly in paying our teachers more.”

– Mary Lynn Pruneda

<https://www.kxan.com/news/education/some-texas-public-schools-facing-budget-concerns-without-legislative-funding-increases/>

Texas 2036 Senior Vice President of Policy and Advocacy John Hryhorchuk discusses college and career readiness and its role in our state’s economic future at the Round Rock Chamber of Commerce’s legislative preview lunch, joined by the Texas Association of Business’ Megan Mauro and the Texas Economic Development Council’s Carlton Schwab.





## Inside Higher Ed

**“It’s probably one of the biggest pieces of education reform... passed in Texas that had near unanimous consent among all the stakeholders,” he said.**

“When we’re talking about credentials and students graduating, it’s not just your traditional associate degrees, a handful of bachelor’s degrees and a certain type of certificate,” Soto said. “We’re talking about all kinds of credentials of value... That includes things like workforce credentials, like licenses, courses that lead to licenses. Things like plumbing licenses or electricians’ licenses, those will be incentivized as well.”

**– Renzo Soto**

<https://www.insidehighered.com/news/institutions/community-colleges/2023/06/02/texas-expected-adopt-new-community-college-funding>

## TEXAS TRIBUNE

**“The new finance system will fundamentally shift how community colleges support their students, ultimately providing them with more valuable options as workforce programs receive as much of an emphasis as academic programs,” said Renzo Soto, a policy adviser for Texas 2036, a nonprofit focused on improving Texas’ future through public policy.**

“This all culminates into a greater focus on ensuring community colleges are delivering workforce returns for students, employers and the state through state funding tied to the student outcomes that matter most — earning a credential of value that prepares them for the workforce.”

**– Renzo Soto**

<https://www.texastribune.org/2023/05/19/texas-community-college-finance-senate/>



Mary Lynn Pruneda talks about assessment with Capital Tonight’s Karina Kling  
<https://www.youtube.com/watch?v=rW8RJNaUhAE>





# HEALTH AND HEALTH CARE



## Revitalizing Healthy Markets



To restore competition to health care markets, this bill prohibits contracts that restrict choice or prevent price transparency. This bill demonstrates overwhelming bipartisan support for market competition and consumer rights.

## Empowering Smart Shoppers



To empower Texans who haven't yet hit their deductible, this bill addresses out-of-pocket expenses by helping patients to become savvy health care consumers, regardless of network restrictions.

## Improving Billing Transparency



Patients deserve a detailed understanding of the charges they incur. This new billing transparency legislation requires providers to issue itemized, plain language bills.

## Optimizing Health Data



Unlocking the potential of the all payer claims database will grant researchers access to a wealth of anonymized health care claims data for important research and insights.

## Extending Postpartum Medicaid



By extending Medicaid eligibility for pregnant women to 12 months postpartum, Texas moms will be better able to care for their babies and themselves.

## Ensuring Affordable Prescription Drugs



To address the skyrocketing cost of medications, Texas will have a new path to import lower cost prescription drugs from Canada.

# Goals and Priorities

Our health policy platform encompasses five goals from the Texas 2036 Strategic Framework:

- **Availability of Care:** Patients throughout the state have access to a variety of quality care options.
- **Patient Affordability:** Price is not a barrier to needed care for Texans.
- **System Affordability:** Health care system expenditures are sustainable and represent good value.
- **Health Outcomes:** Texans live long, healthy, and productive lives.
- **Health Care Quality:** Health care services produce positive, measurable outcomes for patients.

Our policy priorities were guided by the following principles:

- All options to increase and improve health insurance coverage should be on the table.
- Government-funded insurance can be part of a solution for increasing coverage but isn't the whole solution.
- Being insured alone does not ensure access to health care. Access requires care to be available and affordable.
- Consumers and purchasers of health care should be empowered to make educated choices.
- Healthy markets for health care services must be competitive, informed, and engaged.

**The 88th Legislature confronted head-on the escalating challenges of health care affordability and access across the state, initiating ambitious reforms to revive and recalibrate our health care markets while improving the efficiency and functioning of safety nets.**

Texas 2036 focused on addressing the root causes of affordability issues and the gaps in access to health care services during this legislative session. Armed with data-driven policies, we supported strategies to build on prior work around price transparency to enhance market competition, curb excessive pricing and mitigate unsustainable expenditures.

Further, the legislation supported by Texas 2036 will extend Medicaid coverage for new mothers. The result is more than a dozen bills that will help reshape health care markets and fill crucial gaps in coverage, ensuring a brighter, healthier future for Texans.

## 2021 Legislative Accomplishments Making Immediate Impacts: Focused Rate Review

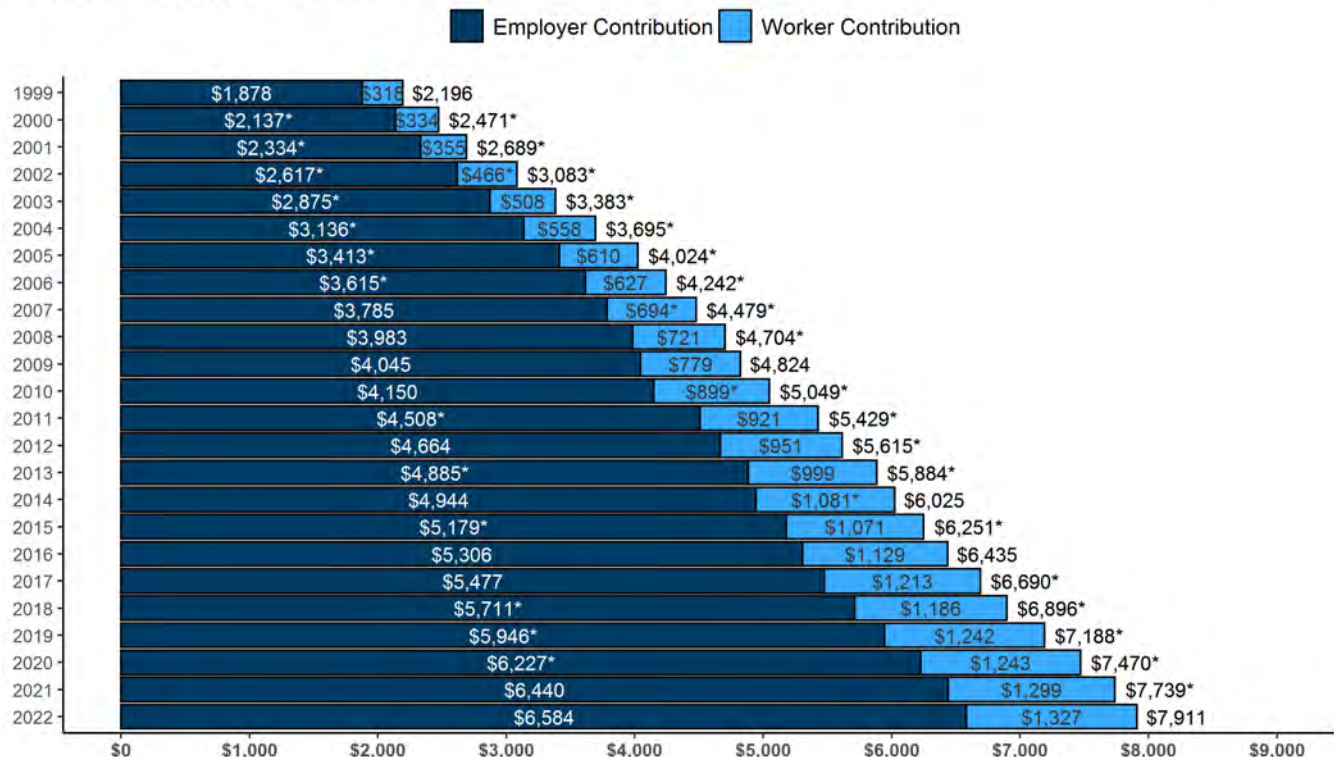
Last session, aided by our Health Coverage Policy Explorer, we supported an innovative and complex policy known as “focused rate review” that allowed Texas to take back the Affordable Care Act’s insurance premium rate review process from the federal government to optimize health insurance rates for our individual marketplace. The bipartisan SB 1296 by Sen. Nathan Johnson (D-Dallas) and Rep. Tom Oliverson (R-Cypress) passed unanimously in 2021 and began impacting the Texas insurance market in 2023.

Early results from the most recent open enrollment period suggest that these efforts contributed to an increase in enrollment of at least 350,000 Texans, perhaps the most substantial increase in coverage from a state-level policy of the last decade.

For five million Texans, the most significant barrier to accessing care when they need it at a price they can afford is a lack of health insurance, and our approach explores all viable options to reduce that number, including a highly successful under-the-radar effort last session known as Focused Rate Review. But even for those who have insurance – the vast majority of Texans – the financial support provided by their plans is not enough to guarantee that they can access care at a price they can afford.

Over half of insured Texas families are skipping care due to price. And with the average annual premium for an employer-sponsored family insurance plan already exceeding \$22,000 (nearly one-third of the median Texas household income), simply demanding that insurers and employers pay more isn't a long-term solution and ultimately risks harming Texans by reducing their take-home pay and job security.

### Average Annual Worker and Employer Contributions to Premiums and Total Premiums for Single Coverage, 1999-2022



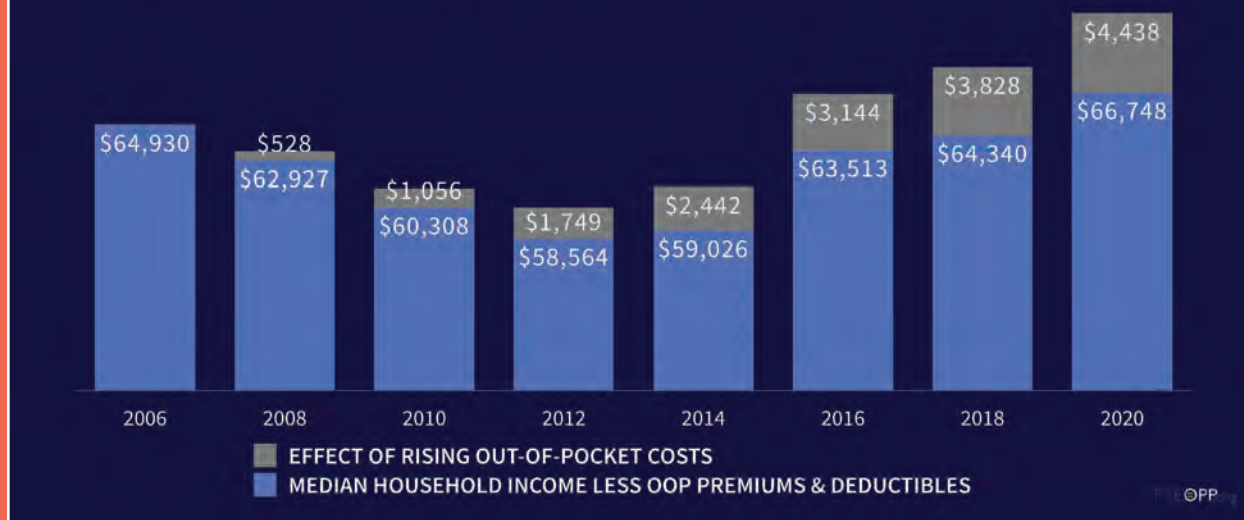
### The total premium for family insurance has risen dramatically and has impacted both employers and employees.

In order to ensure that Texans are able to afford the care we need, Texas 2036 has focused on addressing the root cause of these dual affordability issues: high service prices. Our efforts to address health care prices have centered around improving health care markets to ensure that they are informed, competitive, and engaged. Building on last session's major wins around transparency, our efforts this session centered on ensuring that purchasers of health care were able to use this newfound information effectively to make health care more affordable for both employers and employees.



## HEALTH CARE IS ERODING U.S. LIVING STANDARDS

U.S. median household income, 2006–2020 (2021 dollars)



Research by Avik Roy of the Foundation for Research on Equal Opportunity shows that the increased burden of out-of-pocket health care expenses is eroding household income gains. The gray parts of the bar represent patient out-of-pocket premium and deductible expenses, subtracting from household income. The blue parts of the bar represent median household income after adjusting downward for the rising out-of-pocket health care costs. Health expenses have historically grown faster than income gains, such that household income after accounting for these out-of-pocket costs actually decreased between 2008 and 2018.

In the 2021 session, Texas took major steps that improved transparency, passing a pair of bills that required hospitals and payers (insurers and employers) to reveal their real, negotiated prices, and that required insurers to submit health claim forms to a statewide database for researchers to study. But transparency alone is not enough to address high prices. As one senior legislator has become fond of saying, “If all you have is transparency, you just know how badly you’re getting hosed.” The question has become, now that transparency has arrived, how can we use it as a tool to increase access to health care at an affordable price? In order for employers and patients to take advantage of transparency, they need to have choices (a competitive market) as well as the pragmatic ability to benefit when making informed decisions (an engaged market).



# HEALTHY MARKETS FOR HEALTHY TEXANS

# TX 2036



## INFORMED

Markets require **transparency**.

Increase access to data on price and quality for health care



## COMPETITIVE

Markets require **options**.

Options for coverage and care that all compete **on a level playing field** to meet Texans' health care needs.



## ENGAGED

Markets require **aligned incentives**.

Reward those who choose high-quality, low-cost options.

In the 2023 session, we focused on ensuring that employers and patients were empowered to take advantage of the transparency revolution to create a healthier market for health care that aligns incentives and benefits patients, payers, and providers.

However, for the most vulnerable parts of our population, even highly efficient, well-functioning markets aren't going to deliver care at a price affordable to them. This is why ensuring that our safety net programs are well-run and available to those who need them most.

This session, we worked with a large coalition to extend coverage for new mothers, reduce bureaucratic barriers to continued enrollment, and coordinate with non-clinical service providers that impact health.

As we learn more about the remaining barriers to coverage for uninsured Texans, we'll work to advance policies to help remove these obstacles as well. We also strive to ensure that these programs function smoothly and efficiently for those currently enrolled in them and for the taxpayers that fund them.

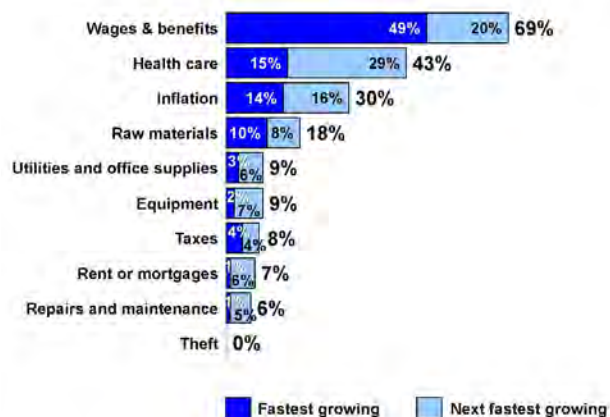
# Healthy Markets Policy Successes

## REVITALIZING HEALTHY MARKETS

Having health insurance doesn't always mean you can get the care you need. Price increases have often made care unaffordable, even for the insured: Over half of Texas families with health insurance report skipping care due to price. Meanwhile, health care is a major driver of expenses for Texas employers. The average total premium of employer-sponsored insurance for a family is over \$22,000 – more than 1/3 the median household income. In a recent survey of Texas businesses conducted by the Texas Association of Business, almost half of employers reported health care expenses as one of their two fastest growing costs – more than inflation and taxes. The root cause of the high price of insurance? High prices for the underlying medical services.

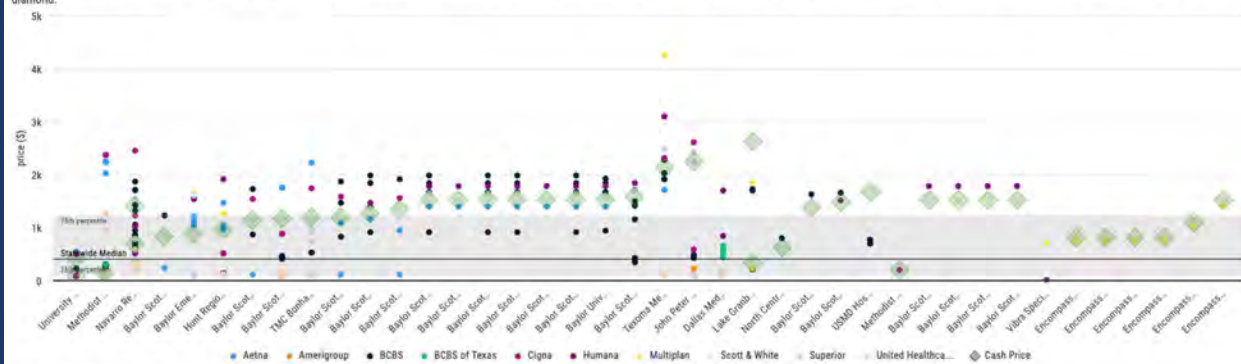
As prices have become more transparent due in part to last session's legislative successes in this space, some employers have begun noticing the wide extent of price variation that exists across medical providers for similar services and explored how they might take advantage of this variation by encouraging their employees to seek care at lower-priced, high-quality providers.

Which of the following is the fastest growing cost in your business?



### Variation in price across hospitals and payers

In this chart, each point represents an insurer-negotiated price at a specific hospital. This shows the variation across hospitals (differences in points left to right) and insurers (the spread of points vertically). Cash prices\* are indicated by a green diamond.



\*Some hospitals have multiple cash prices for the same procedure because they bill multiple slightly different procedures under the same CPT code.

The Texas 2036 Price Transparency Dashboard visualizes the extent to which prices vary for the same service in the same region. In this case, payer-specific prices are shown for a heart ultrasound in the Central Texas region. The gray box represents the middle 50% average of prices statewide, and the green diamond represents cash prices. In Central Texas, prices for the same service range from \$133 to \$3605. To learn more, please visit <https://texas2036.org/health-price-transparency/>



However, they have faced struggles in doing so due to the growing consolidation of providers, which reduces the available options, and also from anti-competitive contractual prohibitions from consolidated health systems with a dominant market position.

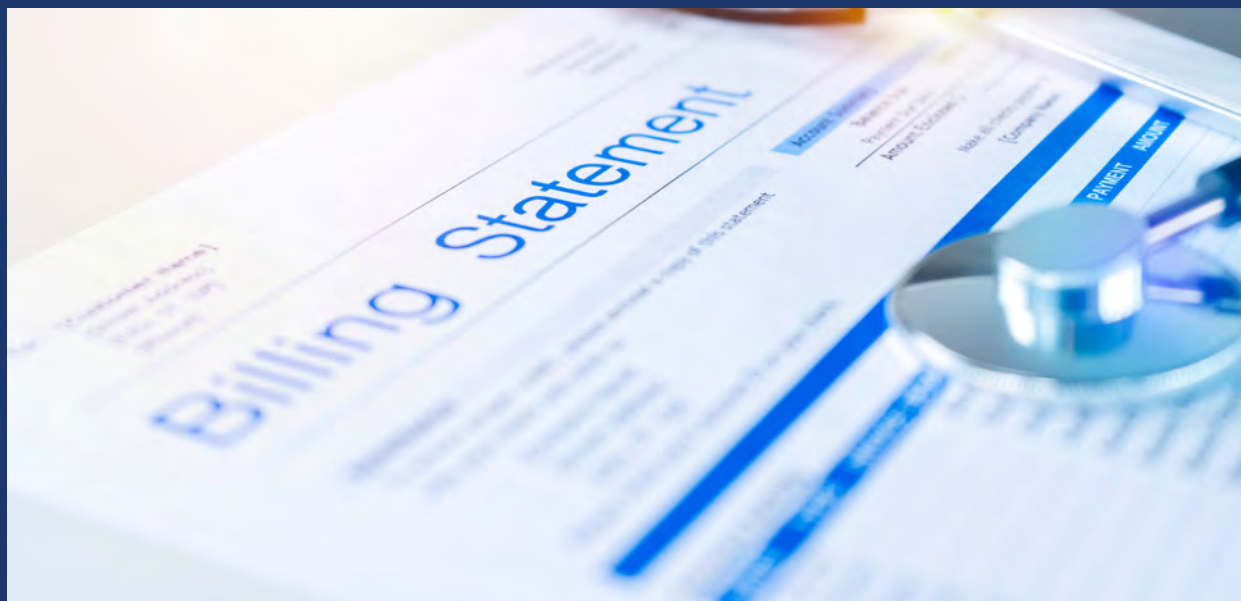
In many markets, an employer is faced with what are known as “must-have” providers. These providers may be the only option for a particular line of service, or they may have such a dominant market position that in order to provide an adequate network, the employer is forced to contract with this provider.



Making a bad problem worse, some of these market-dominant providers would prohibit employers from offering their employees incentives to seek care at lower-priced providers. These “anti-steering” and “anti-tiering” prohibitions can prevent employers from taking advantage of the transparency revolution and offering their employees the highest-value benefit plans. Insurers with a dominant market position could also abuse their market power to implement “most-favored nation” clauses.

These clauses would prohibit local health care providers from offering anyone other than the dominant insurer a lower price, preventing competitive new insurer entrants and prohibiting medical providers from offering discounts to employers with direct contracts. These anti-competitive practices have led, in part, to commercial health care prices frequently being 250-300% higher than Medicare prices.

These high prices are also contributing to a growing phenomenon of medical debt. Nearly 40% of Texas adults are burdened with medical debt, and nearly 20% of Texans have medical debts in collections. Texas consistently ranks among the states with the highest percentage of adults with medical debt, and one recent evaluation showed Texas topping the nation in the amount of medical debt at \$14.6 billion, almost twice as high as the next highest, Florida, with \$8.2 billion. And fear of high prices and medical debt is causing even more people to skip care, even among the insured population. Over half of insured Texans have avoided seeking care due to the price.



### **Share of Texans with a Credit Bureau Record Who Have Medical Debt in Collections (2022)**

While we can address medical debt through efforts to reduce prices, we can also help address the issue directly by improving the quality of medical billing. Medical billing errors are common. One study even estimated that 80% of medical bills include errors. In the past, Texas patients have faced difficulties even understanding what services they're being billed for, hindering their ability to ensure that those bills – and the debt they represent – are valid.

Texas 2036 provided integral support for a slate of bills that will revitalize our health care markets. Designed to create markets that are informed, engaged, and competitive, these bills take advantage of the recent revolution in price transparency, harnessing the power of market competition to make health care both more affordable and more effective by driving decreases in prices and increases in quality.

This effort improves health care markets by empowering employers to utilize newly transparent pricing data to design benefit packages that encourage their employees to utilize high-value health care, and eliminating anti-competitive practices that stymie this innovation. As nearly half of all Texans get their coverage through their employer, this may be the single most important market-based reform in health care in several decades.

Additionally, these bills expand competition in prescription drugs, improve engagement by rewarding health care consumers who shop around for lower prices, empower patients to ensure their bills – and the debt they represent – are accurate, and authorize new research from a statewide claims database that can help employers and the state make better decisions and provide better incentives to encourage high-value care.

## HB 711 (Frank/Kolkhorst)

HB 711 is the most important step taken by the Legislature in recent years to empower employers to provide more affordable health care for their employees. The bill will limit the harmful effects of consolidated health care markets by prohibiting anti-tiering, anti-steering, gag, and most-favored-nation clauses in contracts between medical providers and employers or insurers. The bill prohibits contracts in health care that restrict choice or prevent price transparency.

### HB 711 restores competition to Texas' health care markets by prohibiting contracts that include:

- Anti-steering clauses that restrict employers and health plans from encouraging enrollees to obtain services at a competitor or from offering incentives to use specific providers
- Anti-tiering clauses that require employers and health plans to place all physicians, hospitals, and other facilities associated with a hospital system in the most favorable tier of providers
- Gag clauses that prohibit any party from disclosing relevant price or quality information to the government, enrollees, treating providers, plan sponsors, and potential enrollees and plan sponsors
- Most favored nation clauses that prevent providers from offering prices below those contracted with a particular carrier

HB 711 also imposes a fiduciary duty on health benefit plans: If they encourage enrollees to obtain a service from a particular provider, including offering incentives to encourage specific providers, introducing or modifying a tiered network plan, or assigning providers into tiers, they must do it for the primary benefit of the enrollees, not themselves.

The bill helps employers take advantage of recent advances in price transparency to drive their employees to high-value care and represents a significant milestone toward revitalizing health care markets and protecting consumer rights in health care. Over time, we believe reforms like those in House Bill 711 will lower health care expenditures, leading to more families being able to access higher-quality health care more often. **Texas 2036 led a coalition of business and policy organizations in support of this legislation, testifying in support and drawing attention to the long-term benefits.**



**A solution to make TX's health care markets healthy**

<https://texas2036.org/posts/a-solution-to-make-txs-health-care-markets-healthy/>



“HB 711’s prohibition of anti-competitive practices in the health care industry is the single most important thing the state can do to address unsustainably high health care prices.”

**Charles Miller**  
Texas 2036 Senior  
Policy Advisor

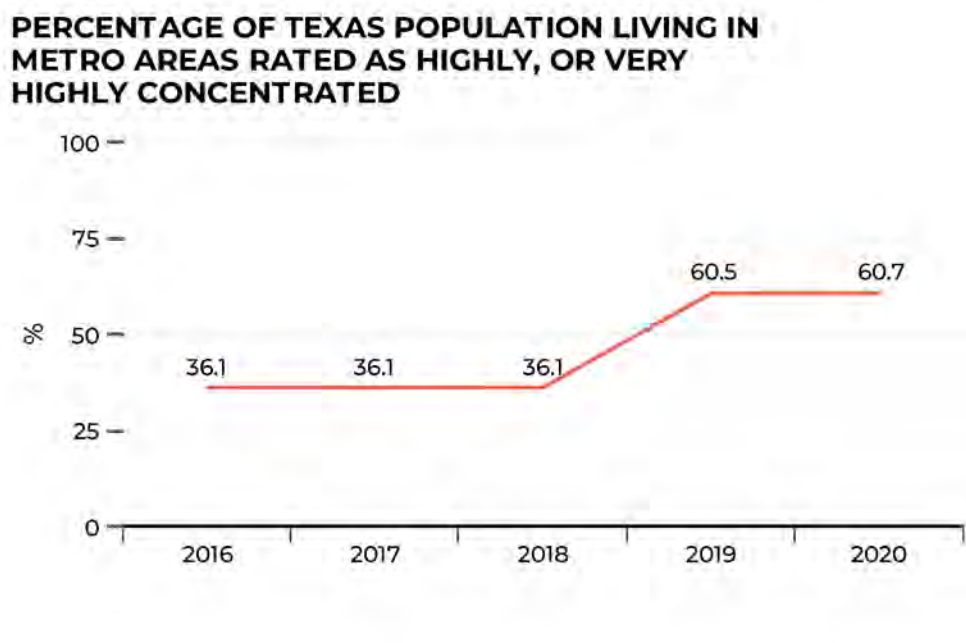


*Congrats to @RepJamesFrank and @loiskolkhorst, and thanks to @GovAbbott on #HB711 becoming law! It will help make the state's health care markets healthy through a more informed, competitive and engaging system. #txlege #healthymarkets*

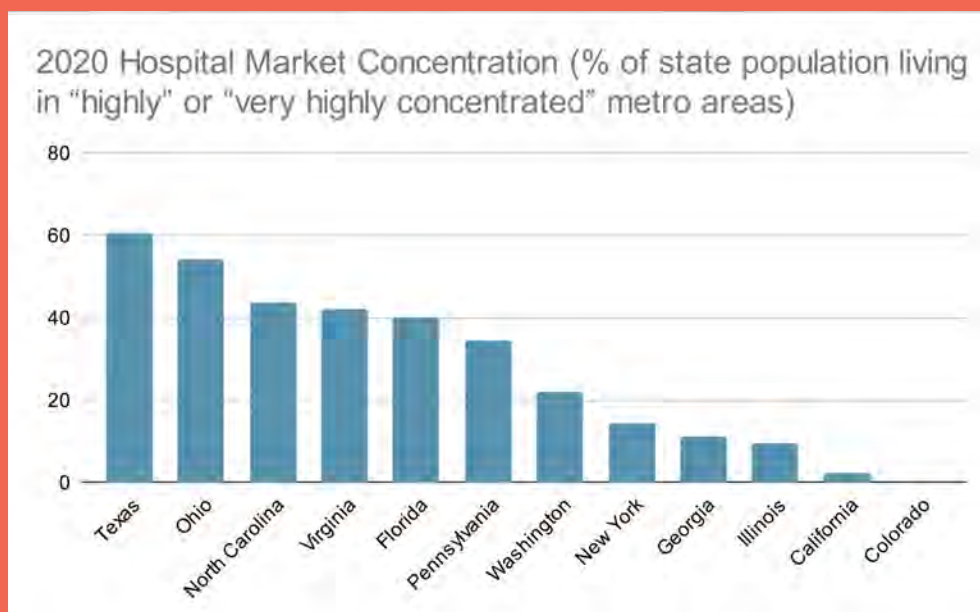
@Texas2036



## Health Care Market Concentration Data



Texas 2036's attention on the growing issue of consolidation in the health care industry, and its negative impact on increasing prices was helpful for legislators in their efforts to contain prices and improve the health of Texas health care markets. A Texas 2036 article, cited by Rep. James Frank, author of HB 711, showed that over 60% of Texans now live in hospital markets that are highly, or very highly consolidated.

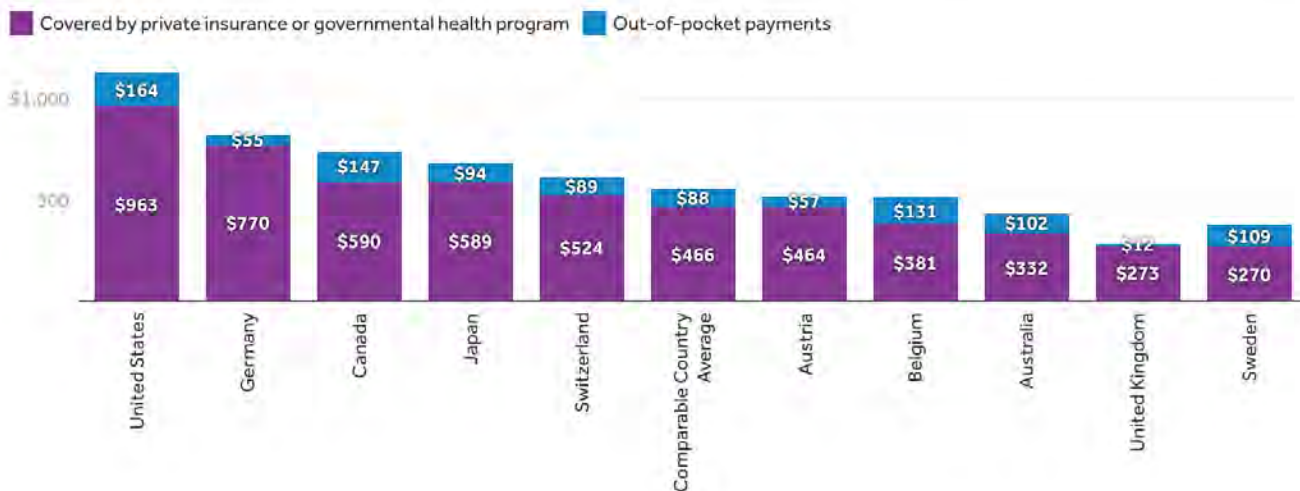


"In recent years, the number of Texans living in highly or very highly concentrated markets has increased significantly - rising from 36.1% in 2018 to 60.7% in 2020. With this recent increase, Texas now has the highest rate of residents living in highly concentrated health care markets among our peer states."

## HB 25 (Talarico/Kolkhorst)

72% of Americans find prescription drug expenses unreasonable. Drug expenses in the United States are nearly 2.5x that of prescription drugs in other high-income countries, and the U.S. spent \$421 billion on retail drugs in 2021. AARP reports that 42% of Texans have skipped doses or stopped taking medication due to expense. To combat this component of health care unaffordability, the Legislature passed HB 25, which created a pathway for the state to import prescription drugs from Canada at a significant price savings to Texans. **Texas 2036 testified in support of this legislation.**

Per capita spending on prescribed medicines in dollars, by financing scheme, 2019 or latest year



## SB 1003 (Johnson/Smithee)

Provider directories allow many health care consumers to “shop smart” by providing a searchable database of certain physicians who are in their health insurance network. Frequently, in-network providers offer patients the best value. SB 1003 builds upon this framework by expanding the type of providers included in these directories so consumers will be able to search for physical and occupational therapists, midwives, nurse anesthetists, speech-language pathologists, surgical and anesthesiologist assistants, and streamlining the process for health insurers to comply with requirements. **Texas 2036 testified in support of this legislation.**

## HB 2002 (Oliverson/Hancock)

While SB 1003 helps patients to more easily find in-network providers, recent advances in price transparency have revealed that, in some cases, a patient may be able to get a better deal than is available through their insurance network by paying cash or utilizing an out-of-network provider. Under previous law, many patients faced a difficult choice if they wanted to take advantage of those good deals: if they chose the lower-priced out-of-network service, they wouldn't get credit toward their deductible and out-of-pocket maximums. HB 2002 allows certain cash payments for health care services and supplies to count toward an insured person's deductible and maximum yearly out-of-pocket spend and ensures that patients who shop smartly are protected when they find good deals, regardless of whether in or out of network. Last session, Texas 2036 supported legislators in the filing of a similar bill, but it never received a hearing. **This session, Texas 2036 testified in support of this legislation.**



**New ways to address health care affordability crisis**

<https://texas2036.org/posts/new-ways-to-address-health-care-affordability-crisis/>

## HB 4500 (Caroline Harris/Hughes)

HB 4500 improves patient decision-making by ensuring that their health care providers have accurate, real-time information regarding the patient's health benefits, including cost-sharing. The bill requires insurers to develop an electronic portal for medical providers to be able to check at any time to see if a patient is covered by the plan, and if so, what deductible, copay and coinsurance they might owe. This allows health care providers to give patients more accurate estimates of their out-of-pocket expense for various treatment options. **Texas 2036 supported this legislation.**

## SB 490 (Hughes/Caroline Harris)

SB 490 helps patients ensure their medical bills are correct before paying them or incurring medical debt. In our complex and onerous health care system, vague bills are another hurdle that Texans are forced to navigate. Texas 2036 worked closely with Senate and House staff, provided data and crafted a one-pager for legislative use. SB 490 requires health care facilities to provide patients with plain language and itemized bills and will ensure that patients are able to verify the accuracy of their medical bills, helping patients to identify billing errors and reduce medical debt. Last session, Texas 2036 worked closely with Sen. Hughes and Rep. Caroline Harris (who was a staffer for Sen. Hughes at the time) to support the filing of legislation on this topic. This session, **Texas 2036 again worked with both authors to develop and refine this legislation and testified in support.**



**Unmasking medical bills: A step toward helping to alleviate medical debt**

<https://texas2036.org/posts/unmasking-medical-bills-a-step-toward-helping-to-alleviate-medical-debt/>



Senior Policy Advisor Charles Miller and Senior Vice President of Policy and Advocacy John Hryhorchuk join Governor Greg Abbott, Sen. Brian Hughes, Rep. Caroline Harris, and coalition partners at the signing ceremony for SB 490.

## HB 3414 (Oliverson/Hancock)

The Texas All Payer Claims Database (APCD), created by the 87th Legislature with support from Texas 2036, requires payers of health care claims (mostly insurers) to submit de-identified claims information to a central database administered by the Center for Health Care Data at The University of Texas Health Science Center at Houston. But collecting this data is only the first step in an ongoing effort to identify trends in health and health care, improve the quality of care, and lower its prices. HB 3414 will improve the utility of the APCD by allowing researchers to access and meaningfully report on its data while maintaining security and privacy guardrails. These newly granted access and reporting abilities could lead to valuable insights into patient outcomes, quality of care and health benefit plan design. Most importantly, it could inform future legislative efforts to address the price and quality of care. This legislation also ensures that when researchers produce reports using the APCD, that those reports are made available to the public at no cost. **Texas 2036 staff worked closely with stakeholders and legislators to negotiate and refine the bill's language and provided testimony in support of the bill.**



## Spotlight: Hospital Price Transparency Tool

In April 2022, Texas 2036 launched a hospital price transparency tool to provide the public with accessible data regarding health care prices and compliance with transparency laws.

Our investigation into hospital price transparency data began in 2021 as an effort to evaluate how hospital prices varied – both across the state, among metro areas, and even within the same hospital. However, our initial efforts to understand price variation were thwarted by what we found to be widespread non-compliance with price disclosure laws, including those that Texas 2036 supported during the 2021 regular legislative session.

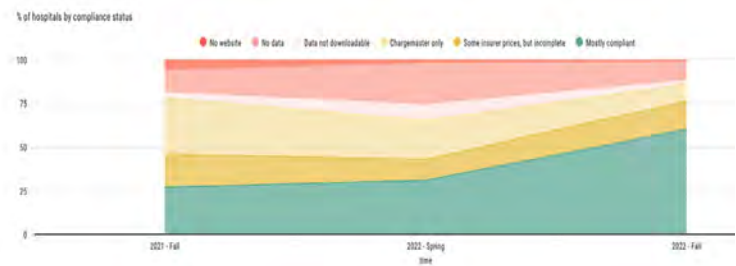
In response, we expanded our original focus to collect and analyze data about compliance with price transparency laws. Our compliance dashboard attracted attention from both hospitals and legislators and helped provide legislators with data to direct HHSC to adopt clear rules and strict penalties for non-compliance. Additionally, Texas 2036 served as the primary liaison for legislative authors to ensure HHSC adopted formal rules with toughest-in-the-nation penalties for non-compliance. As a result of these reforms, compliance rates had nearly doubled by the fall of 2022. Highlighting the extent of price variation was helpful in showing legislators the need for bills like HB 711 and HB 2002, which allow health care shoppers to leverage transparency to reduce their costs.

As of October 2022, most hospitals in Texas were in compliance with price transparency laws. Of note:

- Texas 2036 was able to access data for 86% of hospitals (out of 648 statewide).
- 60% of hospitals were “mostly compliant” with federal and state requirements, which is our evaluation’s highest rating. This is nearly double the rate from our Spring 2022 evaluation when one-third of Texas hospitals were found to be “mostly compliant.”
- Some Texas hospitals posted files that missed key pieces of data, such as insurer-specific rates.
- The availability and formatting of hospital codes and insurer-specific information make data harmonization and comparisons between hospitals difficult and, in many cases, impossible.

As compliance with the law increases, our ability to evaluate the extent of price variation does as well. As this project continues to develop, we will continue highlighting where prices for hospital services vary dramatically, and provide this data to employers and the state so they can develop health benefit plans that steer patients to more lower-priced and better-quality care.

However, even with the data currently available, we can see that prices vary widely even for the same service in the same region. The chart below is an example of price variations among common insurers for a head/brain CT Scan in the broader region around the DFW Metroplex (Public Health Region 3). Published prices vary from a low of \$102 to a high of \$4,260. The green diamonds represent cash prices, which in many cases are lower than insurance negotiated rates.



\*Some hospitals have multiple cash prices for the same procedure because they bill multiple slightly different procedures under the same CPT code.

## Spotlight: Texas Employers for Affordable Health Care Coalition

A crucial part of Texas 2036's Healthy Markets initiative was bringing the voice of Texas employers to a conversation that has long been dominated by large insurers and hospital systems. Employer-sponsored insurance is the most common form of health insurance for Texans, and the cost of these plans is unsustainably high and growing. The average cost to insure a family for a year under an employer plan is over \$22,000 – roughly one-third of the median household income in Texas.

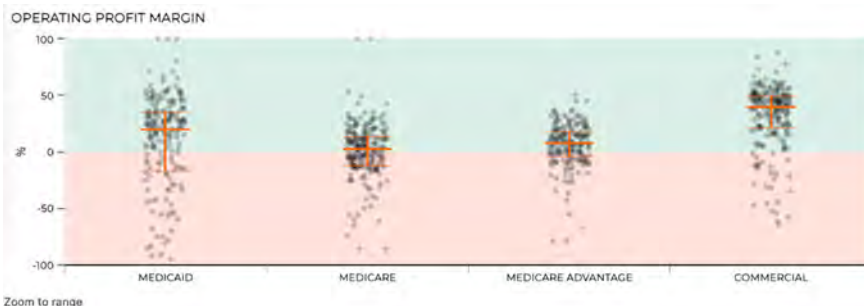
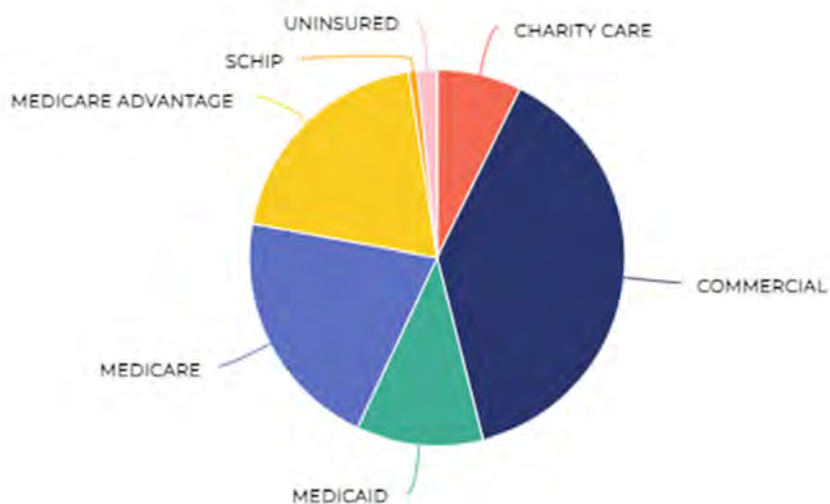
Texas 2036 staff were instrumental in the formation of a statewide employer coalition – Texas Employers for Affordable Health Care – dedicated to addressing the root cause of the high cost of insurance: high health care prices.

One of the key data tools that Texas 2036 helped the coalition develop was a dashboard visualization of hospital profitability data, showing just how high hospital prices were for commercial payers compared to hospitals' underlying cost structure. The tool was helpful in revealing that hospital prices in Texas are high because of market concentration rather than because of things like uncompensated care. The crucial comparison showed – using hospitals' own data reported to the federal government – that the median hospital could break even by charging commercial payers 140% of Medicare prices, but was actually charging commercial payers 315% of Medicare prices.

To learn more about Texas Employers for Affordable Health Care, please visit: <https://txeahc.org/>

To learn more about the data tool, including the ability to search the payer mix, profitability by payer type, and commercial breakeven rates for every hospital in Texas (and the median rates for each legislative district), please visit: <https://txeahc.org/dashboard/>

PAYER MIX  
As a percentage of total charges



COMMERCIAL & BREAKEVEN  
RAND 2018-2020, NASHP 2019



# Effective Safety Net Policy Successes



Senior Policy Advisor Charles Miller and Policy Advisor Emily Dove present initial findings from our “Who Are the Uninsured?” project alongside partners from the Cicero Group to legislative staff in January 2023.

## Making the Safety Net More Effective

Accessing quality health care is a challenge for too many Texans – even those with insurance. But for vulnerable populations – like the over 5 million Texans (nearly 18% of the population), including 930,000 children, that lack health insurance – it can seem impossible.

Last session we supported Rep. Toni Rose’s effort to extend postpartum coverage to 12 months. That effort resulted in a bill that required Texas to seek approval from the federal government to extend coverage to six months. Unfortunately, those negotiations with the federal government were derailed by political issues, preventing the bill from taking effect. This session, the Legislature extended Medicaid eligibility for new moms to 12 months, providing coverage during this crucial time period that can help improve the health of both mother and infant.

Achieving good health outcomes for this group isn’t always just about accessing clinical care like doctors and nurses. In fact, a recent study found that, in fiscal year 2021, high-risk pregnancies resulted in about \$775 million in Texas Medicaid costs, and these high-risk pregnancies were about twice as likely to have identified non-medical health-related needs. In many cases, addressing these non-medical drivers of health can not only improve health outcomes but also save money compared to medical interventions. This session, we helped support an effort to help explore and enable these synergies within the Pregnant Women Medicaid program.

In addition, we focused our efforts on improving the effectiveness of existing programs by modernizing their communications and enabling rural emergency service centers to deliver telehealth services.

At the beginning of the session, we provided legislative staff with a briefing on early results from our “Who are the Uninsured?” project, highlighting the various barriers individuals face to getting covered, with a special focus on non-financial barriers among the eligible but unenrolled populations. By focusing on the needs of the most vulnerable – new moms, rural Texans, and kids – these bills can help deliver substantial improvements in outcomes to those Texans relying on the safety net.



## HB 12 (Rose/Kolkhorst)

HB 12 increases postpartum Medicaid eligibility from two to 12 months postpartum. Data show that women who maintain their coverage for the entirety of the critical first year postpartum seek treatment for mental health and substance use concerns at a rate three times that of women who lose their coverage after two months. They also seek outpatient preventative care over twice as often. Texas 2036 worked within a broad coalition of advocates to coordinate strategy, share information and offer advice on best practices when educating and advocating for the bill.

Texas 2036 proactively met with relevant agency staff to discuss implementation of the bill and will continue to do so as the agency pursues a Medicaid state plan amendment to operationalize 12-month coverage. **Last session, Texas 2036 worked with the coalition and testified in support of the expansion to six months. This session, Texas 2036 again worked with the larger coalition and testified in support of this legislation.**



*A major step forward for Texas women today! Thanks to @RepToniRoseTX and @loiskolkhorst for shepherding this bill to the finish line. And another thank you to the great team at Texans Care for Children and the other advocates who have done tremendous work on this topic.*

Emily Dove @egbd27



**Prioritizing mothers and extending Medicaid for postpartum women in Texas**

<https://texas2036.org/posts/prioritizing-mothers-and-extending-medicaid-for-postpartum-women-in-texas/>

**Statement: Extend mothers' health coverage to a year**

<https://texas2036.org/posts/statement-extend-mothers-health-coverage/>

## Texas Voters Speak

In a series of statewide polls, Texas 2036 asked Texas voters about issues critical to the future of Texas, including health care. These polls of registered voters found...

**Texans – especially mothers – are skipping care due to cost.**

While nearly 1 in 3 Texans statewide have skipped care due to cost, the figure spikes to nearly 2 in 3 in the population of Texas moms. These poll findings, combined with our analysis during focus groups in the Who Are the Uninsured? project, indicate that mothers and caregivers are more likely to sacrifice their own care and well-being.

- **Legislative Success:** HB 12 became law, increasing postpartum Medicaid eligibility from two to 12 months.



## HB 1575 (Hull/Kolkhorst)

In addition to the basics of coverage addressed by HB 12, low-income pregnant and postpartum women often face health challenges that are best handled outside the doctor's office that can negatively impact the health outcomes for both mother and baby. When left unmet, these nonmedical health-related needs, such as food and nutrition, housing, and transportation, can lead to serious issues such as medical complications, low birth weight, mental health issues and even death. HB 1575 seeks to improve case management for pregnant women on Medicaid by assessing their non medical health-related needs. **Texas 2036 supported this legislation.**



*Congrats @LaceyHullTx and @loiskolkhorst on the signing of HB 1575, which provides better case mgmt to pregnant women by identifying their non medical health related needs- an effort that aligns with outcomes from our study of Texas' uninsured pop.*

Emily Dove @egbd27

## SB 26 (Kolkhorst/Jetton)

Mental health access, especially for children and adolescents has been a growing problem in Texas and across the country. To help improve access to these crucial services, SB 26 established a new, innovative grant program to provide support to local and community organizations that established new, evidence-based programs to increase access to mental health services for Texas children. **Texas 2036 supported this bill.**

## HB 617 (Darby/Alvarado)

Rural health providers are an indispensable part of creating a healthy Texas. To help address the unique challenges of delivering health care to rural Texans, this bill restores a pilot program for regional trauma resource centers to provide emergency medical services instruction and pre-hospital care instruction to health care providers via telehealth. **Texas 2036 supported this bill.**

## HB 2802 (Rose/Blanco)

As pandemic era requirements related to Medicaid enrollment come to an end, there has been an increased focus on inefficiencies in the existing system that make it harder for Medicaid enrollees to get useful information about their eligibility and re enrollment. HB 2802 makes it easier for Medicaid managed care organizations (MCOs) to contact their enrollees with useful information about enrollment, reenrollment and upcoming visits by expanding the methods of communication that MCOs may use, like text messages. **Texas 2036 supported this legislation.**

## HB 3323 (Goodwin/West)

In response to shocks to the stability of our food system like COVID supply chain disruptions, the infant formula shortage and a recent dairy farm explosion, HB 3323 requires the Texas Department of Agriculture develop a plan to ensure that the state's food supply is sufficient to ensure public health and safety, further economic development, protect our natural and agricultural resources, and account for natural and man-made disasters. **Texas 2036 supported this legislation.**

## Spotlight: Who Are the Uninsured?

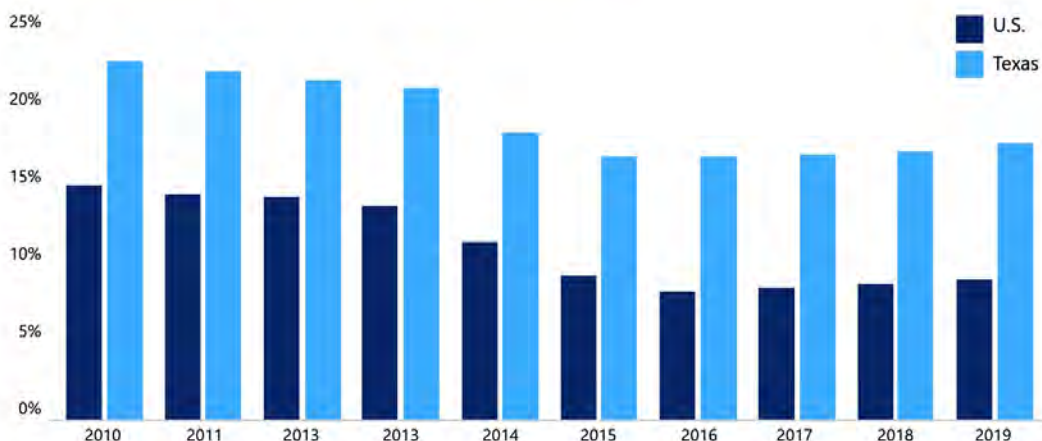
While Texas leads the nation in both total number of uninsured residents and the percentage of uninsured, policy debates have frequently focused exclusively on potential solutions that would impact only a fraction of this population. While our previous Texas 2036 analysis has shown Medicaid expansion to be a fiscally pragmatic choice, it is not currently a politically viable policy solution in Texas. And even if Texas were to expand Medicaid, the size and scope of our uninsured problem is so large that

we would likely still have the nation's highest uninsured rate even if every newly eligible Texan signed up.

To more broadly address the state's uninsured rate, Texas 2036 has embarked on a groundbreaking study to learn more about Texans who lack insurance, especially the more-than-80% that fall outside the “coverage gap” and would not become newly eligible due to Medicaid expansion.

### Uninsured Rate in Texas and the United States

Texas has a higher uninsured rate than the nationwide average



Most of the roughly five million uninsured Texans already qualify for a government health program or for federal subsidies that would help pay for coverage — but they have not signed up. In the summer of 2022, Texas 2036 partnered with the Cicero Group and launched a multi-year study to find out why. Since then, Texas 2036 has surveyed over 2,000 Texans and conducted nearly 70 focus groups to better understand uninsured Texans and the barriers they face in acquiring health insurance and medical care.

The results from phases one and two of the study show high levels of anxiety surrounding the ability to access and pay for needed medical care, a wide range of familiarity with government-sponsored or subsidized insurance, and diverse approaches to obtaining health care without insurance.

We learned that “mothers and caregivers” will forego care to ensure their children receive it, the “scrappy tradeoff makers” seek alternative methods to treat illness and injury, while the “anxious avoiders” tend to avoid care altogether. We found that mental health issues are pervasive and often prevent Texans from seeking care — or even from seeking a job that would allow them to enroll in health insurance in the first place.

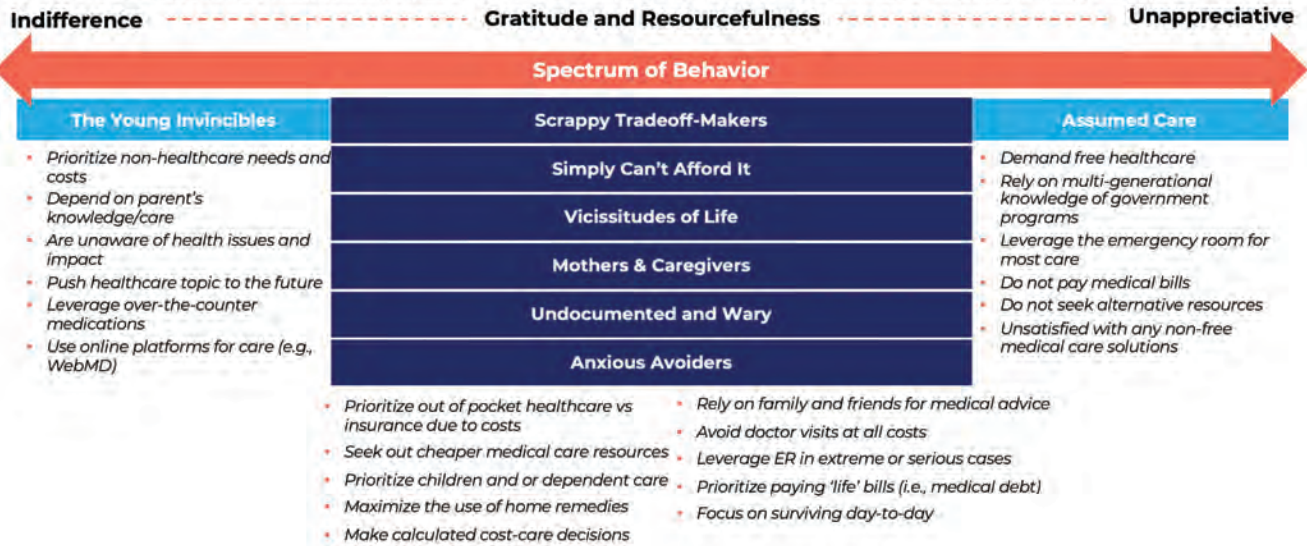
The data we collected about uninsured Texans allowed us to develop eight archetypes that policymakers can use to better target potential legislative solutions.



## UNDERSTANDING THE POPULATION

## Key Behaviors

Texas' uninsured population is made up of many kinds of people with various backgrounds and life situations. However, most of them share a common perspective toward healthcare: gratitude for the care channels they have access to and resourcefulness in filling the gaps.



Early insights from this study were shared with the Legislature both in public hearings and a Capitol briefing attended by more than 50 legislative staff members. These initial findings helped inform public discourse about postpartum Medicaid expansion, and have started discussions at the Capitol that may drive future interim charge hearings and legislative action.

Going forward, Texas 2036 will embark on phase three of this research, ensuring that policymakers can have access to the key data they need to address one of the state's most historically intractable challenges.

To learn more about this study, please visit:  
<https://texas2036.org/uninsured/>



In a January 2023 briefing in the Texas Capitol, Cicero Group founder and senior partner Randy Shumway explains findings from the Texas 2036 "Who Are The Uninsured?" project to legislative staff.

## In the Budget: Health Care

Texas 2036 has worked in recent years to raise awareness about how rising health care costs impact state operations as a large employer and payer of health care services. This session, the Legislature included a budget rider to evaluate high-cost claims paid by the Teacher Retirement System. TRS Rider 20 will require a review of hospital claims that exceeded \$100,000, including analysis or itemized charges and medical records. TRS will report on the findings by Sept. 1, 2024.

In addition, Texas 2036 has highlighted the extent of medical debt around the state. Preliminary analyses suggest that many of those burdened by medical debt may have been eligible for hospital financial assistance policies for which they never received the benefit. Texas 2036 has also elevated conversations about rising health care prices and myths that distract from the root causes, including that the state's high uninsured rate has caused the current state of high prices. This session, the Legislature included a budget rider to review thoroughly the finances, revenue streams, and expenses of nonprofit hospitals, including whether the value of the tax exemptions received is commensurate with the levels of charity care provided. The Health and Human Services Commission will publish its findings by Dec. 1, 2024.

Texas 2036 was proud to support the efforts of the Meadows Mental Health Policy Institute in its data-driven efforts to improve both access to and the quality of mental health services. Mental health budget highlights include:

- An increase of \$1.25 billion (15.3%) in mental health funding, totaling \$9.37 billion for the 2024-2025 budget;
- An additional \$2.1 billion for inpatient facilities and mental health capacity in the supplemental budget to support 17 unique construction projections across the state;
- An additional \$187 million to improve workforce shortages in mental health, including a salary increase for state hospital staff and local mental health authorities and a loan repayment program for mental health professionals;

- An additional \$190 million to support the initiatives of the Texas Child Mental Health Care Consortium, including fully funding TCHAT (Texas Child Health Access Through Telemedicine) and CPAN (Child Psychiatry Access Network) efforts;
- \$30 million to increase the number of Multisystemic Therapy teams across the state to provide evidence based support to at-risk youth; and
- \$14 million to create 10 new Youth Mobile Crisis Teams across the state to provide community and family support for children in crisis.

Finally, budget writers included \$5 million to implement House Bill 1575, by Rep. Lacey Hull and Sen. Lois Kolkhorst, which will improve case management for pregnant women on Medicaid by assessing their nonmedical health-related needs. Texas 2036 supported this legislation.

# A Look Ahead: Future Health Policy Priorities

While lawmakers made significant advances in health policy this session, there are still areas in need of attention. Here are a few that Texas 2036 will continue to engage on in the interim and beyond:

**Health Care Affordability:** The high prices of health care continue to make accessing care unaffordable for too many Texans, even those with insurance. While increasing the number of Texans with insurance protection is a key goal given Texas' nation-high five million uninsured residents, coverage alone will not solve the affordability crisis. One-third of the median Texas household income is spent annually to insure a family on an employer plan – over \$22,000. While some employers shoulder more or less of that share, ultimately, the money spent on these plans is coming out of paychecks, reducing take-home pay for hardworking Texans.

A recurring myth that Texas 2036 will continue working hard to dispel is that these high prices are unavoidable and necessary to help cover the cost of uncompensated care for the uninsured, known as the “cost-shifting” explanation. While this assertion seems intuitive, data conclusively shows that cost-shifting explains, at most, only a small portion of the high prices most Texans pay for care.

Recent and ongoing evaluations of federally mandated reports have evaluated the cost-shifting assertion by examining what price large health systems would need from commercial payers to break even, taking into account all other operating revenue and expenses, and then comparing that to what prices are actually paid. In Texas, the median break-even price, as a percentage of Medicare, is around 140%. The median commercial price actually paid is around 315% – more than double the break-even amount. The cost-shifting explanation for high prices is also not supported by the economic literature, which shows that high service prices are due to market power – that is, the concentration and consolidation of a particular local health care market. Moreover, health care prices have little or no demonstrated link with quality.

Accordingly, Texas 2036 will continue our “Healthy Markets” approach. Where competitive markets exist, we aim to enhance them through increased transparency and engagement, empowering Texans with the information they need on price and quality to make smart decisions, and ensuring that benefit plans are structured in a way that rewards them for doing so, removing perverse incentives.

**Hospital Price Estimates** Price transparency laws have taken effect, but for the most part they are intended to be used by sophisticated parties, like large employers and benefits consultants. The promise of price transparency to inform individual consumers of their out-of-pocket costs has been slower to materialize. One promising effort is to modernize existing requirements around price estimates to ensure that they are provided in a timely fashion (1-2 days, rather than 10 days in existing law), and are meaningful such that the final cost cannot exceed the estimate by more than a previously-determined percentage, absent documented complications.

We also must preserve the competitive markets that do exist. These markets are under threat from increasing vertical consolidation, which can turn a competitive market into an uncompetitive one when large health systems buy up independent practices. This trend threatens the continued viability of independent physicians, the sanctity of the physician-patient relationship, and the healthy competitive forces that lower prices while improving the quality of care.

**Quality Transparency** As prices become more transparent, there is a growing demand for information about provider quality. Existing law makes it incredibly burdensome for health benefit plans to provide indications or rankings of quality for providers alongside real prices. Without information on quality, consumers may end up choosing providers solely on price, reducing incentives for improved quality of care.

In taking on these large challenges in the commercial market, we are cognizant that the state of Texas also plays a role as the largest employer, and can impact these issues by setting a positive example. As legislative interest grows in reining in state health benefit plan expenditures, we hope to direct this interest toward market-leading reform that can serve as an example to other employers for how to lower health care costs for their employees.

**State Health Benefit Plan Costs** As the state continues its success at addressing the unfunded liabilities of its pension obligations, legislative attention has started to focus on uncontrolled costs involving health benefits administered by the Employees Retirement System and Teacher Retirement System. This session, lawmakers showed interest in innovative new proposals, including the creation of a state-run Pharmacy Benefit Manager (PBM), which was passed into law, and the development of a reference-pricing plan, which did not pass. Texas 2036 plans to use our expertise in pricing data to aid appropriators in their efforts to develop sustainable and competitive benefit plans for the future.



## In the News

### Dallas Morning News

**“It helped make net premiums less expensive for many Texans,” said Charles Miller, senior policy adviser at Texas 2036, a nonpartisan think tank studying some of the state’s biggest challenges.**

Miller was among the bill’s strong advocates, and the Senate Research Center cited Texas 2036’s projection that the bill “would cover an additional 216,000 Texans at no net cost to the state budget, and result in an additional \$1 billion federal marketplace subsidies for Texans.”

<https://www.dallasnews.com/business/health-care/2023/02/03/over-24-million-texans-embrace-obamacare-for-23-leading-all-states-in-newly-insured/>

### KXAN

**“We know that in many cases, not all, but in many cases, there are errors in those bills. And the only way that people really have an opportunity to check their bill to make sure that it’s accurate is if they are able to receive an itemized bill,” said Charles Miller, senior policy adviser with the organization.**

“We think it’s a pretty small ask that before you go ahead and collect money from an individual, that you provide them with an itemized list of what it is that they’re being charged for.”

<https://www.kxan.com/news/education/some-texas-public-schools-facing-budget-concerns-without-legislative-funding-increases/>

### Spectrum News

Charles Miller, the senior policy advisor for Texas 2036 and a board member for Texas Employers for Affordable Health Care, testified in favor of the legislation.

**“If people haven’t met their deductible yet, they would have lower out-of-pocket costs,” he said. “But it will also result in lower premiums through their employer plans. And when those plan costs are lower, the employers have more money to reinvest in their business, which includes reinvesting in salaries for the workforce.”**

<https://tinyurl.com/2u65aa3x>

### Cleburne Times-Review

**“We are facing a critical health care staff shortage in Texas, especially in rural areas where patients have to choose between waiting weeks to see a provider or leaving their communities to seek care,” said Emily Dove, Policy Advisor for Texas 2036.**

[https://www.cleburnetimesreview.com/opinion/poll-voters-support-removing-barriers-on-advanced-practice-registered-nurses/article\\_3769da32-c822-11ed-b794-a7803ccc9f0c.html](https://www.cleburnetimesreview.com/opinion/poll-voters-support-removing-barriers-on-advanced-practice-registered-nurses/article_3769da32-c822-11ed-b794-a7803ccc9f0c.html)







# INFRASTRUCTURE



**\$1B****Water  
Infrastructure  
and Supply****\$1.5B****Broadband****\$1.1B****State Parkland  
Acquisition  
and  
Development****\$1.2B****Flood and  
Hurricane  
Resiliency**

### **Preparing for Water Needs**



Aimed toward repairing aging, deteriorating water systems and creating new water supplies, two new dedicated water funds are in the works thanks to a \$1 billion investment.

### **Bridging the Digital Divide**



\$1.5 billion will support expansion of broadband internet service to underserved and unserved areas of the state through a dedicated fund.

### **Creating New State Parks**



To safeguard, improve and create new state parks as the state's population continues to grow, the Centennial Parks Conservation Fund holds the potential to preserve and expand our natural landscapes for future generations.

### **Expanding More Energy Sources**



Given the potential for hydrogen as part of Texas' energy future, new legislation establishes a critical framework for the growth and development of this promising energy sector.

# Goals and Priorities

Our infrastructure policy agenda encompassed eight goals from the Texas 2036 Strategic Framework:

- **Mobility of Goods:**  
Texas enables economic growth by moving goods efficiently.
- **Transportation Safety and Reliability:** Texans can travel to their destinations safely and reliably.
- **Digital Connectivity:**  
Texans can digitally participate in economic opportunities and essential services.
- **Sustainable Water:**  
Texans can rely on a sustainable water supply.
- **Quality of Water:**  
Texans have clean water.
- **Parks and Wildlife:**  
Texas enhances and protects its state parks, public and private open spaces, and wildlife.
- **Energy Production:**  
Texas leads in energy production with responsible natural resource stewardship.
- **Economic Opportunity:**  
Texans have the opportunity to attain a middle-class life.

Our policy priorities were guided by the following principles:

- To sustain its growth, Texas needs to plan for an investment in water infrastructure, resiliency, and supply.
- To remain a national economic engine, Texas should pursue policies that embrace an energy expansion while continuing to responsibly foster existing technologies.
- Broadband is essential to ensuring all Texans can participate in the state's growth. All technologies should be on the table to connect Texans.
- State parks can improve health, the environment, and the economy. Increasing access to meet public demands fosters benefits across multiple policy areas.
- Middle-class home ownership should remain a competitive advantage for Texas both for economic growth and long-term quality of life.
- Texas should look to future-forward transportation policies to keep up with the growing population, evolving technology, and shifting revenue trends.

**With an eye on a resilient future, the 88th Legislature made a profound commitment to building the Texas of tomorrow. From improving water infrastructure and increasing broadband access to enhancing state parks and expanding the state's energy portfolio, this session was about laying the groundwork for enduring prosperity and progress.**

Texas 2036 called upon lawmakers to seize the opportunity to invest in the state's infrastructure with the state's unprecedented budget surplus. These efforts resulted in almost \$5 billion in generational investments and a dozen bills that will generate long-term value, resonating for generations. Each investment signifies a commitment to fostering a robust, thriving Texas that delivers unparalleled opportunities and an enriched quality of life for all Texans.

The 88th Legislature was primed to take big steps forward with regard to Texas' infrastructure needs. The historic budget surplus presented the Legislature with the once-in-a-generation opportunity to make lasting investments in water, broadband and parks. Beyond these areas for greater capital investment, the Legislature had a renewed interest in the state's growing energy portfolio as well as growing risks to its housing infrastructure. Across all five of these areas – water, energy, broadband, parks, and housing – Texas 2036 served as a vital convenor for stakeholder engagement and data-driven policy, helping the Legislature make key strides during the 2023 regular session.

# Infrastructure Policy Successes

## WATER

Texans are profoundly concerned about their water resources. As drought conditions ravaged the state throughout 2022 and into 2023, 88% of Texas voters expressed concern that their communities could run out of water during the next drought.<sup>1</sup> In the meantime, stories about aging, deteriorating and failing water systems elevated the importance of investment in water in voters' minds. According to Texas 2036 voter poll data, 84% of voters supported increased state spending to address aging water systems.

Texas 2036's main focus for the 88th Regular Session was to address the significant – and escalating – problem of aging, deteriorating water and wastewater systems. Shortly after the 88th Session began, Texas 2036 released a Water Infrastructure Blueprint describing the magnitude of Texas' water infrastructure challenges and providing a policy roadmap aimed at ameliorating these problems.

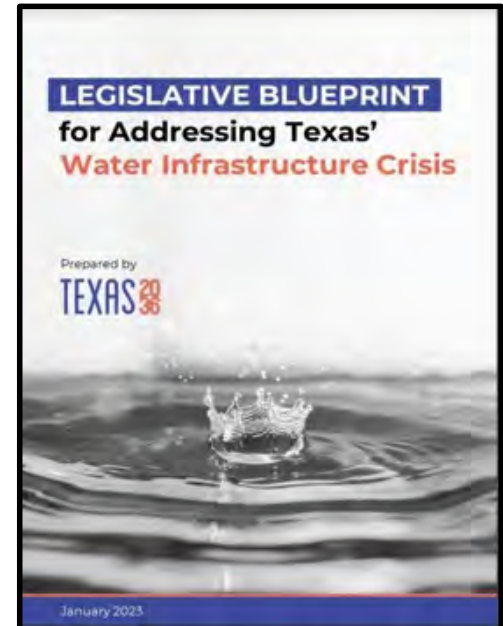
Even though Texas has a state water plan to guide the development of new water supplies in a drought-prone state, the American Society of Civil Engineers graded our drinking water systems with a C-.<sup>2</sup> In the meantime, Texas' wastewater systems rated worse with the near-failing grade of a D. Other data pointed toward substantive inefficiencies in how the state manages limited water resources. According to a report by the Texas Living Waters Project, Texas water systems leak an average of 572,000 acre-feet of water per year.<sup>3</sup> This is enough water to fill a major storage reservoir – such as Lake Buchanan or Possum Kingdom Lake – each year. Meanwhile, regulatory noncompliance issues, including thousands of boil water notices affecting drinking water systems and sanitary sewer overflows for wastewater systems, continue to plague the state.

The good news for Texas is that Congress noticed these, and other problems, too. In late 2021, Congress passed the U.S. Infrastructure Investment and Jobs Act, also known as the IIJA. The IIJA course-corrects decades of declining federal spending on state and local water infrastructure and grants Texas over \$2.5 billion over the next four years to assist dilapidated systems, particularly those serving small, rural and disadvantaged communities. To receive these federal dollars, however, the Legislature was required to appropriate matching funds in the state budget.

While additional federal spending will prove a boon to Texas' infrastructure challenges, it stops significantly short of addressing the totality of the state's long-term needs. According to state and federal data, the state will need to spend over \$150 billion over the next 50 years to develop new water supplies, fix deteriorating systems and implement flood control and mitigation projects.

Not all of Texas' water challenges require direct financial investment, however. Texas lacks a sufficiently qualified water workforce, a shortcoming that endangers state investment in local infrastructure. At the same time, stakeholder conversations hosted by Texas 2036 in the year leading up to the 88th Session revealed that multiple regulatory reforms would be needed in order to improve efficiencies both within the water industry and state agencies. Lastly, water policymakers have a growing need for contemporary and accurate data to guide planning and development.

This robust water agenda supported the passage of 12 bills that will invest in infrastructure needs, streamline regulatory hurdles, address workforce shortages, and enhance data collection.



<sup>1</sup> Texas 2036, Texas Voter Poll, September 2022, [https://texas2036.org/wp-content/uploads/2022/10/TVP\\_Toplines\\_Sept2022.pdf](https://texas2036.org/wp-content/uploads/2022/10/TVP_Toplines_Sept2022.pdf)

<sup>2</sup> American Society of Civil Engineers, "2021 Report Card for America's Infrastructure: Texas 2021 Report," 2021, <https://infrastructurereportcard.org/state-item/texas/>.

<sup>3</sup> Texas Living Waters Project, "Hidden Reservoirs: Addressing Water Loss in Texas," 2022, <https://texaslivingwaters.org/deeper-dive/water-loss/>.



## Water Infrastructure Omnibus Package

### SB 28 (Perry/Tracy King)

Texas 2036 provided significant stakeholder leadership to support legislators in the policy development of and civic demand for Senate Bill 28, the headline water infrastructure bill of the 88th Regular Session. SB 28 creates two new funds to address Texas' water infrastructure challenges: the New Water Supply for Texas Fund and the Texas Water Fund, both to be administered by the Texas Water Development Board. The first fund, the New Water Supply for Texas Fund, shall be used to provide financial assistance to political subdivisions for water supply projects that create new water sources. Eligible projects include seawater and brackish water desalination, produced water recycling, aquifer storage and recovery, and the development of transportation infrastructure to move water from the aforementioned projects to where it is needed. SB 28 tasks TWDB with the goal of developing at least 7 million acre-feet of new water supplies over the next decade through the use of the New Water Supply for Texas Fund.

In addition to the New Water Supply for Texas Fund, SB 28 creates the Texas Water Fund also to be administered by the Texas Water Development Board. This fund shall be used for water infrastructure projects, prioritized according to risk or need, for rural communities as well as small and mid-sized cities. In addition to water infrastructure, the Texas Water Fund may also be used to provide financial assistance for water conservation strategies and water loss mitigation projects, as well as for statewide public awareness programs regarding water.

Beyond expanding the state's financial strategy for addressing long-term water infrastructure challenges, SB 28 broadens outreach to small and rural communities with significant water loss issues. The bill authorizes TWDB to use the Rural Water Assistance Fund for outreach, financial, planning, and technical assistance to assist rural political subdivisions in obtaining and using financing from the different financial assistance programs administered by the agency. Further, SB 28 requires that TWDB establish a program to provide technical assistance to retail public utilities in conducting water loss audits and in applying for financial assistance from TWDB for mitigating water loss. TWDB shall prioritize the provision of technical assistance on the basis of water loss audits, population served by utility, and integrity of utility's system.

Senate Bill 28 was part of a larger water infrastructure package approved by the 88th Legislature that addressed Texas' water infrastructure challenges. Other bills that were part of this package includes SJR 75, which amends the Texas Constitution to create the Texas Water Fund, and SB 30, which appropriates \$1 billion to the Texas Water fund upon voters' approval of the creation of the Texas Water Fund.

**Texas 2036 engaged with key House and Senate offices throughout the legislative process in support of SB 28. In addition to submitting written recommendations for amendments to the bill, Texas 2036 testified in support of SB 28. Further, Texas 2036 spearheaded a coalition of more than 45 organizations, including chambers of commerce, business groups, and water industry representatives, in support of SB 28's passage.**



#### New water legislation aims to fix at-risk water systems

<https://texas2036.org/posts/new-water-legislation-aims-to-fix-at-risk-water-systems/>

#### Water legislation flows from Senate to House

<https://texas2036.org/posts/water-legislation-flows-from-senate-to-house/>

#### Texas Senate passes momentous water legislation

<https://texas2036.org/posts/texas-senate-passes-momentous-water-legislation/>



*Big #txwater day in the House with SB 28 and SJR 75 on the calendar. These bills address the challenges of developing new water supplies, and fixing aging water systems. @Texas2036 supports SB 28 and SJR 75. #txlege*

@jeremybmazur



*45 organizations have joined Texas 2036 in support for long-term funding solutions for our state's water infrastructure challenges. #txlege*

*Learn more on how to support #txwater here <https://bit.ly/42VM8uv>*

@Texas2036

## Texas Water Development Board Sunset

### HB 1565 (Canales/Perry)

HB 1565 was the Sunset bill for the Texas Water Development Board (TWDB). The bill included a key provision recommended by Texas 2036 during TWDB's 2022 Sunset hearing that regional water planning groups be allowed to use drought conditions worse than the Drought of Record as the basis for developing plans for future water supply needs. This recommendation was based on the extreme weather report prepared by Texas 2036 and the Office of the State Climatologist at Texas A&M University that anticipates that future droughts may become more severe. Another recommendation by Texas 2036 was that TWDB consult with the State Climatologist as part of the state's water planning process. This recommendation was adopted as a management action by the Sunset Commission. In addition to our substantive engagement and testimony during TWDB's Sunset review, **Texas 2036 supported the Sunset Commission's review of TWDB and testified in support of the resulting legislation.**



#### Three Big Wins from the Sunset Commission to Strengthen the Texas Water Development Board

<https://texas2036.org/posts/three-big-wins-from-the-sunset-commission-to-strengthen-the-texas-water-development-board/>

#### Texas 2036 Comments on Texas Water Development Board Sunset Report

<https://texas2036.org/posts/texas-2036-comments-on-texas-water-development-board-sunset-report/>



*Outstanding #txwater news y'all! HB 1565, the @twdb Sunset Bill, has passed the Senate and is on the way to the Governor's desk.*

*Snaps, props, and kudos to Rep. @TerryCanales40 and Sen. @electcharles for passing HB 1565.*

*@Texas2036 firmly supported this bill. #txlege*

@jeremybmazur

## Regulatory Reforms

### HB 3232 (Rogers/Perry)

Previously, if a water or wastewater utility other than a city or a county absorbs another system noncompliant with health, safety, or environmental protection requirements, then those regulatory liabilities transfer to the absorbing utility. This serves as a regulatory disincentive for larger or well-run utilities to absorb utilities that have noncompliance challenges. HB 3232 removes this regulatory disincentive by providing "safe harbor" protection to healthy water and wastewater utilities that absorb distressed systems as part of a regional solution. The bill authorizes the Texas Commission on Environmental Quality to enter into a compliance agreement with an absorbing utility where TCEQ will not initiate an enforcement action against that utility for existing or anticipated violations accrued by the utility being absorbed provided that there is a compliance agreement in place to address the problems contributing to noncompliance. The changes made by HB 3232 reform an existing regulatory disincentive for the regionalization of water and wastewater service, and will contribute to the delivery of more efficient water and wastewater service delivery through improved regional solutions. **Texas 2036 recommended this regulatory reform as part of our Water Infrastructure Blueprint for the 88th Regular Session. Texas 2036 testified in support of this legislation.**



#### Texas 2036's Water Infrastructure Blueprint

<https://texas2036.org/posts/texas-2036s-water-infrastructure-blueprint/>



*Great #txwater law news!*

*#Txlege has approved HB 3232 by Rep. @RogersForTexas and Sen. @electcharles, eliminating a regulatory disincentive for regional solutions for water and wastewater utilities.*

*@Texas2036 supported HB 3232.*

*HT @Carlos\_TXH2O*

@jeremybmazur

## SB 893 (Zaffirini/Tracy King)

This regulatory reform bill authorizes the Public Utility Commission's (PUC) executive director to make a correction to a water or wastewater utility's certificate of convenience and necessity (CCN) without going through the formal amendment procedure. SB 893 grants PUC's executive director the latitude to correct a typographical error, change the name of a CCN holder, rectify mapping errors, and resolve other non-substantive errors. These changes streamline the regulatory process for providing water and wastewater service to Texas communities, and save water and wastewater utilities time and money by allowing them to forgo the need for an administrative hearing in order to make these changes to their CCN.

**Texas 2036 supported this legislation.**

## SB 1289 (Perry/Tracy King)

SB 1289 allows developments that have on-site wastewater treatment facilities to treat, recycle, and reuse wastewater for on-site disposal purposes without having to get a separate permit from TCEQ for those disposal purposes. This bill streamlines a regulatory hurdle for water reuse, encouraging both innovative and efficient use of limited water resources. **Texas 2036 supported this legislation.**

## SB 2440 (Perry/Burrows)

SB 2440 requires that a developer submitting a plat for a new subdivision that will be supplied with groundwater include a statement prepared by a professional engineer or geoscientists that certifies that adequate groundwater is available for the subdivision. SB 2440 gives cities and counties the flexibility to waive the requirement for the certification of groundwater availability if they determine on the basis of credible evidence that there is sufficient groundwater available for the subdivision and either the subject tract will be supplied by the Gulf Coast or Carrizo-Wilcox aquifers or the proposed subdivisions divides the tract into no more than 10 parts.

**Texas 2036 supported this legislation.**



*Congrats to @JudithZaffirini & Rep. Tracy King on the passage of #SB893, allowing the PUC to correct technical errors in a water or wastewater utility's certificate of convenience and necessity. The goal? Lift burdensome paperwork and improve customer service. #txlege #txwater*

@Texas2036



*Congrats to @electcharles & Rep. Tracy King on the passage of #SB1289, which would encourage on-site water reuse by allowing developments that have on-site wastewater treatment facilities to treat, recycle and reuse that water for on-site disposal purposes. #txlege #txwater*

@Texas2036



*Congrats to @electcharles & @Burrows4TX on the passage of #SB2440, which would require that the developer of a new subdivision demonstrate that there are enough available groundwater supplies before the subdivision is built. #txlege #txwater*

@Texas2036



## Water Workforce

### HB 1845 (Metcalf/Perry)

Texas' water industry faces the growing challenge of not having enough qualified personnel to operate and maintain the over 10,000 water and wastewater systems in this state. In an effort to address this growing problem, Texas 2036 supported HB 1845 requiring that the Texas Commission on Environmental Quality establish a provisional certification program for individuals without high school diplomas to serve as entry-level water or wastewater system operators. This provisional certification program would establish a pathway for Texans without a high school diploma – or those who are still in high school – to gain entry into the state's water workforce. **Texas 2036 testified in support of this legislation.**



**Water utilities: Addressing the shortage of qualified personnel**  
<https://texas2036.org/posts/water-utilities-addressing-the-shortage-of-qualified-personnel/>



*I testified in support of HB 1845 by Rep. @willmetcalfTX and Sen. @electcharles this morning. Smart bill that creates a work-based learning opportunity for high school students to start working in the water industry.*

@Texas2036 supports HB 1845.  
#txwater #txlege

@jeremybmazur

## Water Data Development

### HB 2460 (Tracy King/Perry)

Requires that the Texas Commission on Environmental Quality develop updated water availability models for the Guadalupe, Lavaca, Nueces, San Antonio, San Jacinto, and Trinity river basins. This new data will provide state and regional water planners with a clearer understanding of the water volumes available in each basin. **Texas 2036 supported this legislation.**



*Congrats to @RepEdThompson & @electcharles on #HB2759 being signed into law by @GregAbbott\_TX! It creates a statewide resource for water and weather-related data to aid in weather forecasting, flood preparedness, drought monitoring and water resource planning! #txlege #txwater*

@Texas2036

### HB 2759 (Ed Thompson/Perry)

HB 2759 creates the TexMesonet Hydrometeorology Network within the Texas Water Development Board as a statewide resource for hydrometeorological data for weather forecasting, flood preparedness, drought monitoring, wildfire management, water resource planning, water conservation, agricultural readiness, industrial readiness and related business readiness and productivity. The bill requires that the network establish a series of stations across Texas to monitor hydrometeorological conditions, serve as a centralized repository for hydrometeorological data, and provide technical assistance relating to the collection of these data. **Texas 2036 supported this legislation.**



*Texas needs better reporting on how many #txwater systems are issuing boil water notices or face water supply outages.*

*Fortunately, #txlege has approved HB 3810 by Rep @BrooksLandgraf and Sen @electcharles standardizing this reporting requirement.*

@Texas2036 supported HB 3810.

@jeremybmazur

### HB 3810 (Landgraf/Perry)

HB 3810 requires that a nonindustrial public water supply system maintain internal procedures to notify the Texas Commission on Environmental Quality of a condition that caused or could cause a public water supply outage or prompt the issuance of a boil water notice, do-not-use advisory, or a do-not-consume advisory. This change standardizes how drinking water utilities report water outages, boil water notices, or other advisories to TCEQ, improving state data quality and enabling state regulators and the public to have a clearer picture of those utilities having problems delivering safe, clean drinking water to the public. **Texas 2036 supported this legislation.**

# Energy

Texas' energy sector plays a critical role in fulfilling domestic and global energy needs. Our state's capacity to serve as the nation's energy leader must be preserved and enhanced in order to maintain this critical component to the state's economy. As part of this effort, Texas' energy portfolio should continue to cultivate its responsible leadership in oil and gas, while expanding to include a broader portfolio of energy resources, including greater integration of geothermal, hydrogen, battery storage, nuclear, renewables, and carbon capture. This energy expansion, also known as the "all-of-the-above" strategy, aims to deliver a greater supply of energy that includes the production of oil and gas while mitigating environmental impacts. Moreover, this energy expansion will play a critical role in Texas' economic growth – particularly in terms of GDP and job growth – in the coming decades.

Texas 2036's goal for the 88th Regular Session was to develop the policy and regulatory frameworks needed for the development of new entrants to Texas' energy portfolio: geothermal and hydrogen energy.

With regard to geothermal energy development, the central policy questions focused on who owns geothermal energy resources, which state agency should regulate geothermal production wells, and whether abandoned oil or gas wells could be repurposed for geothermal energy production. Texas 2036 supported several bills that ultimately passed providing needed direction and clarity in these areas.

Hydrogen is the other major new entrant to Texas' energy portfolio. In the interim leading up to the 88th Regular Session, Texas 2036 engaged in extensive discussions with stakeholders on what role, if any, the state should play in the development of hydrogen. The growing interest in regulatory clarity, combined with the \$8 billion made available for the development of regional clean hydrogen hubs by the federal IIJA galvanized legislative action for hydrogen. During the legislative session, Texas 2036 played an instrumental role in advancing through every stage of the legislative process a critical bill creating the Texas Hydrogen Production Policy Council at the Railroad Commission. This new Council will play an essential role in developing a policy and regulatory framework for hydrogen's future in Texas.

In addition to Texas' energy expansion, Texas 2036 supported measures to reduce or mitigate oil and gas waste streams. Produced water, a byproduct of oil and gas production, received a significant amount of attention during the legislative session. There were two reasons for this. First, produced water is typically disposed of through underground injection. This process can contribute to increased seismic activity in certain areas. Second, although produced water is highly saline, it can be treated and reused as a beneficial water resource. According to data from the Texas Produced Water Consortium at Texas Tech University, produced water recycling in the Permian Basin alone could contribute between 250,000 and 500,000 acre-feet of water to the state's water supply inventory.

During the 88th Regular Session, Texas 2036 supported efforts to establish a demonstration pilot program for produced water recycling. In addition, Texas 2036 supported legislation clarifying the regulatory framework for the beneficial reuse of produced water.



## Hydrogen

### HB 2847 (Darby/Sparks)

While hydrogen is fast becoming a growing contributor to Texas' diversified energy portfolio, the state historically lacked a policy and regulatory framework to ensure the continued development of this promising energy source. Texas 2036 partnered with the Texas Hydrogen Alliance to support legislative action to address this challenge. HB 2847 clarifies the Railroad Commission's jurisdiction over hydrogen pipelines and underground storage. In addition, HB 2847 establishes the Texas Hydrogen Production Policy Council at the Railroad Commission to develop a policy and regulatory framework for hydrogen's growth within the state's energy portfolio. As part of its activities, the Council shall study the development of the hydrogen industry in Texas, monitor regional applications for clean hydrogen hubs authorized under U.S. Infrastructure Investment and Jobs Act (IIJA), coordinate actions with other state agencies in supporting an application for a regional clean hydrogen hub, and develop a state plan for hydrogen production oversight by the Commission. The Council shall also make recommendations to the Legislature relating to legislative changes needed for the oversight and regulation of hydrogen production, conveyance, and storage. **Texas 2036 testified in support of this legislation.**



#### Laying the groundwork for hydrogen as energy source

<https://texas2036.org/posts/laying-the-groundwork-for-hydrogen-as-energy-source/>

#### 'Midland, Not Moscow!' — Texas Offers a Global Antidote to Moscow's Aggression

<https://texas2036.org/posts/midland-not-moscow-texas-offers-a-global-antidote-to-moscows-aggression-2/>

### HB 4885 (Landgraf/Birdwell)

HB 4885 requires that the Texas Commission on Environmental Quality establish and administer the Texas Hydrogen Infrastructure, Vehicle, and Equipment Grant Program to encourage the adoption of hydrogen infrastructure and vehicles. The bill makes the program's projects eligible to receive funding through the Texas Emissions Reduction Program (TERP) administered by TCEQ, and caps the amount of TERP grants for this purpose at \$8 million. **Texas 2036 partnered with the Texas Hydrogen Alliance in support of this legislation.**



#### Hydrogen fuel as a low-carbon, energy expansion tool

<https://texas2036.org/posts/hydrogen-fuel-as-a-low-carbon-energy-expansion-tool/>

#### Texans Support an Energy Expansion that Includes Hydrogen

<https://texas2036.org/posts/texans-support-an-energy-expansion-that-includes-hydrogen/>



*Texas 2036's @jeremybmazur discusses why we support HB 2847 (@DrewDarbyTX / @kevinsparkstx) which would establish the Hydrogen Policy Council. #txenergy #txlege*

@Texas2036



*Great #txenergy news! HB 2847 is heading to @GovAbbott for final approval. This bill clarifies @txrrc jurisdiction over Texas' growing hydrogen energy sector. Learn more #txlege*

@jeremybmazur



*More great news for Texas' hydrogen development!*

*HB 4885 by Rep. @BrooksLandgraf and Sen. @SenatorBirdwell has passed. This bill makes hydrogen-fueled trucks and fueling infrastructure eligible for TERP grants.*

*@Texas2036 supported HB 4885. #txlege*

@jeremybmazur



## Geothermal

### SB 785 (Birdwell/Darby)

Aimed toward providing regulatory clarity for geothermal energy production, SB 785 amends the Texas Geothermal Resources Act of 1975 to provide that landowners own the geothermal energy and associated resources below their land as real property. The bill further specifies that landowners may drill for and produce geothermal energy and associated resources beneath their land. **Texas 2036 supported this legislation.**

### SB 786 (Birdwell/Darby)

SB 786 provides regulatory clarity with regard to geothermal wells, which are used for geothermal power production. The bill amends the Injection Well Act to grant the Railroad Commission jurisdiction over closed-loop geothermal injection wells, including the authority to issue permits for closed-loop geothermal injection wells. In addition, SB 786 requires that a person receive a permit from RRC for drilling a closed-loop geothermal injection well. **Texas 2036 supported this legislation.**

### SB 1210 (Blanco/Guerra)

SB 1210 authorizes a geothermal energy operator to take possession of an abandoned oil or gas well for the purposes of geothermal energy production. This innovative bill expands the potential for geothermal energy development in Texas while addressing the problem of abandoned oil and gas wells. **Texas 2036 partnered with the Texas Geothermal Alliance in support of this legislation.**

## Produced Water

### HB 4856 (Darby/Perry)

HB 4856 grants the Texas Commission on Environmental Quality with exclusive jurisdiction over injection wells for the injection of treated produced water for underground storage. This change would allow for treated water to be used as part of aquifer storage and recovery (ASR) projects that are being looked at as a potential water supply strategy. HB 4856 is a forward-thinking strategy to both reduce oil and gas waste streams while developing new water supplies for beneficial reuse. **Texas 2036 supported this legislation.**

### SB 1047 (Perry/Tepper)

Produced water is a byproduct of the oil and gas extraction process. In 2021, the Texas Legislature established the Texas Produced Water Consortium at Texas Tech University to explore methods for the beneficial recycling and reuse of produced water. Texas 2036 is a member of the Consortium. SB 1047 authorizes the Consortium to select a produced water recycling pilot project for implementation and to submit suggested policy, regulatory, or legislative changes to the Legislature based upon the project's implementation. **Texas 2036 supported this legislation.**



*Congrats to @SenatorBirdwell & @DrewDarbyTX on the passage of #SB785. By clarifying ownership of geothermal energy resources below the surface of the land, this helps establish the framework for further development of geothermal energy. #txlege #txenergy*

@Texas2036



*Congrats to @CesarJBlanco and @RDBobbyGuerra on SB 1210 becoming Texas law! #txlege*

*The new law authorizes a geothermal energy operator to take possession of an abandoned oil or gas well for the purposes of geothermal energy production. #txenergy*

@Texas2036



*Congrats to @DrewDarbyTX & @electcharles on the passage of #HB4856, which would take a step toward establishing a regulatory framework for aquifer storage and recovery (ASR) projects that are being looked at as a potential water supply strategy. #txlege #txwater*

@Texas2036

# BROADBAND

Nearly 3 million Texas households and over 7 million Texans still lack access to reliable, high-speed internet. The lack of adequate access to the internet means many Texans are prevented from participating in online opportunities such as virtual education, remote work opportunities, telehealth and online business opportunities. Those who are most impacted by poor or nonexistent internet access are our state's rural inhabitants as well as underserved, low-income communities.

Texas 2036 worked with the Digital Texas coalition to support legislation that would bring high-speed internet to underserved areas and ensure the state takes every necessary step to help close the digital divide.

We helped lawmakers craft legislation ensuring the state of Texas maximizes its drawdown of federal Broadband Equity, Access, and Deployment (BEAD) dollars available to the state and update legislation from the 87th Legislature to bring state law into alignment with the requirements of the BEAD program, which will contribute an estimated \$3 billion to 4 billion dollars to broadband infrastructure expansion in the state.

As a result of our support for broadband legislation this session, Texas 2036 was invited by the Texas Broadband Development Office (BDO) to participate in a Statewide Working Group convened to help the BDO with the planning and execution of the BEAD and Texas Digital Opportunity programs.

## HB 9 (Ashby/Huffman)

Texas 2036 supported this effort by Rep. Ashby and Sen. Nichols to create the Broadband Infrastructure Fund. An accompanying constitutional amendment authorizing the fund (HJR 125) goes before the voters this November. Should those pieces of legislation receive the necessary approval, \$1.5 billion will be appropriated in fiscal year 2024 to the Comptroller for implementation of the legislation. The Broadband Infrastructure Fund will help close the digital divide in the state by providing matching funds to draw down federal BEAD dollars. The fund will also be used to administer grants through the Broadband Development Office, fund Next Generation 9-1-1 services and support the Texas Broadband Pole Replacement Program. **Texas 2036 testified in support of this legislation.**



### Getting to know the Broadband Infrastructure Fund

<https://texas2036.org/posts/getting-to-know-the-broadband-infrastructure-fund/>



*The session's most important legislation addressing broadband internet expansion to underserved areas of the state has passed the Legislature and is awaiting the governor's signature. Here's what you need to know. #txlege #txbroadband*

@Texas2036

## SB 1238 (Nichols/Ashby)

Texas 2036 supported this effort by Sen. Nichols and Rep. Ashby to clean up and build on HB 5 (87-R), last session's broadband expansion legislation. SB 1238 clarifies broadband speed standards, updates mapping requirements and language, and authorizes the Broadband Development Office to award grants, loans and other incentives for broadband expansion projects in the state. **Texas 2036 testified in support of this legislation.**



### Lawmakers wrap work on broadband cleanup bill

<https://texas2036.org/posts/lawmakers-wrap-work-on-broadband-cleanup-bill/>

# PARKS

Data from Texas and other states indicate that every \$1 in public money spent on parks can generate between \$4 and \$12 in economic return.<sup>1</sup> Parks are particularly impactful economic development engines for rural communities. Texas rural counties with state parks have higher GDP growth, higher population growth, and higher employment growth compared to rural counties without state parks.

Maintaining and improving existing park facilities and expanding the number of state parks available to meet Texans' growing demand for outdoor recreation will generate meaningful and measurable economic benefits for the state as a whole, and especially for local and rural economies. But securing these economic benefits requires action by the state.

In 2018, the Texas Parks and Wildlife Department (TPWD) estimated state parks faced \$781 million in deferred maintenance and would need \$50 million–\$80 million in repairs every two years. In their most recent strategic plan, the agency highlighted the need to allocate approximately \$100 million for parks to recover from natural disasters such as droughts, fires, floods, hurricanes, and hail storms.

In addition to maintaining existing facilities, new state parks would unleash pent-up demand. Despite a new reservation system launched by TPWD in 2019 to make it easier for visitors to purchase day-use permits in advance, reservations are still recommended months ahead of time, suggesting that additional parks are needed to meet growing demand.

While Texas voters already approved a dedicated revenue stream for parkland development in 2019, a historic budget surplus provided the 88th Legislature with a once-in-a-generation opportunity to allocate additional funds for state parks – an investment backed by Texas voters. According to Texas 2036 poll data, 73% of voters supported the investment of \$1 billion for the development of new parks and improvements to existing parks. Throughout the 88th Regular Session, Texas 2036 supported several measures that contributed to the expansion of the state's park inventory.



<sup>1</sup> Center for Public Finance, Baker Institute for Public Policy, Rice University, "State Parks and Rural Economic Development," 2022, <https://texas2036.org/investing-in-texas/>



## SB 1648 (Parker/Walle)

Creates a new Centennial Parks Conservation Fund to be administered by Texas Parks and Wildlife, providing a dedicated funding source for the acquisition, development, and maintenance of state parks in Texas. The fund would be an essential tool in ensuring Texans have access to public parklands for generations to come. If SJR 74, the accompanying constitutional amendment, is passed by voters this November, \$1 billion will be appropriated to the fund.

**In 2021, Texas 2036 identified \$1 billion for state parks as a productive use of federal American Rescue Plan Act stimulus funding. Subsequently, Texas 2036 issued a report in 2022 in partnership with the Rice University Baker Institute of Public Policy that found Texas state parks had a positive economic return on investments, especially for rural counties. Texas 2036 testified in support of this bill and worked alongside coalition partners.**



*“[SB 1648] would be an essential tool in ensuring Texans have access to public parklands for generations to come. This effort is a transformational effort — a Teddy Roosevelt-kind of initiative. It’s a legacy investment that would allow many Texans, 30 million Texans that live in Texas, access to state parks.”*

**Rep Armando Walle**  
on the House Floor on  
May 5, 2023

## HB 4018 (Ashby/Kolkhorst)

This innovative bill authorizes the Texas Parks and Wildlife Department to enter into agreements with public or private entities for nature-based carbon sequestration or similar ecosystem services projects on TPWD land. The revenues generated through these agreements may be used by TPWD for state park and wildlife area management. **Texas 2036 supported this legislation and worked alongside coalition partners.**



*Congrats to @TrentAshbyTX & @loiskolkhorst on the passage of #HB4018, which enables Texas to enter into public or private partnerships to allow for the development of nature-based carbon sequestration projects on state park land. #txlege*

**@Texas2036**

# HOUSING

In 2019, over 500,000 people moved to the state of Texas, the seventh year in a row that in-migration surpassed the half million mark. By 2036, we anticipate that millions more people will call Texas home. The Texas Comptroller refers to this pattern as the state’s “heritage of fast growth,” a heritage which has played a major part in sustaining the Texas Miracle. Unfortunately, housing inventory has not kept pace with population growth, causing housing prices to skyrocket. This explosion in housing costs, exacerbated by the pandemic but present over the last decade, puts Texas at risk of losing one of its most attractive assets – affordable housing.

Homeownership is the single best way for most Texans to accrue wealth and achieve a middle-class lifestyle. That’s why rising housing costs present a serious threat to the economic stability and prosperity of working and middle-class Texans. Long a leader in housing affordability, Texas no longer has the most affordable home prices of its 11 peer states. Texas currently lacks over 300,000 housing units to meet market demand. Moreover, in 2018, the median home price in Texas surpassed three times the state’s median income, bringing us precipitously close to the edge of unaffordability.

To avert this crisis, Texas 2036 supported policy proposals in the 88th legislative session designed to create new opportunities for homeownership by middle-class Texans. Along with a strong coalition of pro-housing advocates, we informed lawmakers about ways to lower regulatory and administrative barriers to infusing Texas cities with more housing.

## HB 14 (Harris/Bettencourt)

HB 14 will allow qualified engineers and building inspectors to review permitting and planning documents and conduct inspections for new housing developments when municipalities are unable to do so within statutorily mandated timelines. By reducing administrative barriers to new housing, Texas can begin to address its estimated 300,000 housing unit shortfall and remain a nationwide leader in housing affordability. **Texas 2036 supported this legislation and worked alongside coalition partners.**



**Easing pathways to housing for middle-class Texans**

<https://texas2036.org/posts/easing-pathways-to-housing-for-middle-class-texans/>



*Congrats @CodyforTexas and @TeamBettencourt on the final passage of HB 14. Texas is already under built by 300k housing units, and permitting delays add a substantial chunk to final price. The most significant legislation aimed at addressing housing affordability this session.*

**Emily Dove @egbd27**

# TRANSPORTATION

Texas' transportation infrastructure must be able to keep up with growing population, evolving technology, and shifting revenue trends. This session, Texas 2036 engaged on key legislation that addresses the issue of declining motor vehicle fuel tax payments by requiring electric vehicles to pay a registration fee to help the state continue to fund highway development and maintenance, as well as legislation that will continue the state's work in facilitating the development and utilization of flying vehicles in Texas.

## SB 505 (Nichols/Canales)

SB 505 addresses projected revenue challenges for the state highway fund as electric vehicles, which do not pay motor fuels taxes, increase their share of the consumer market. This bill requires a \$400 registration fee for a new electric vehicle, and an additional \$200 fee for the registration or renewal of an electric vehicle over two years old. The fees collected will be credited to the state highway fund to help offset declines in motor fuels taxes and stabilize highway funding for future state budgets. **Texas 2036 supported this bill in committee.**



*Congratulations to @SenRobertNichols and @TerryCanales40 for passing SB505. #txlege*

*This forward thinking bill ensures that our state's highway fund maintains financial capacity to address the growing number of electric vehicles entering Texas' roadways.*

**@Texas2036**

## SB 2144 (Parker/Cook)

SB 2144 establishes an Advanced Air Mobility advisory committee to assess current state law and any potential changes that are needed to facilitate the development of advanced air mobility operations and infrastructure in Texas. This bill, continuing the work of the original Urban Air Mobility Advisory Committee established by SB 763 (87-R), will ensure Texas coordinates the safe introduction of flying vehicle technology in the state. This includes comprehensive assessments of regulatory impacts and challenges, opportunities for high-density Urban Air Mobility, interoperability, cybersecurity, industry-regional government partnership, and workforce development issues. **Texas 2036 testified in support of this legislation.**



**Texas takes giant leap forward on flying vehicles**

<https://www.gilmermirror.com/2023/05/17/texas-takes-giant-leap-forward-on-flying-vehicles/>



*Congrats to @TanParkerTX & @DavidCookTexas on #SB2144 being signed into law by @GregAbbott\_TX! This law aims to write the next chapter in the deployment of flying vehicle technology in Texas. The future will be here sooner than you think! #txlege*

**@Texas2036**

# In the Budget: Infrastructure

Texas 2036 has consistently recommended using the projected record fund balance for generational one-time investments, especially those around infrastructure. Legislators made many of these generational infrastructure investments in connection with signature bills and connected constitutional amendments on water infrastructure, broadband, and state park development.

These constitutional amendments were not the only notable investments in infrastructure this session. Texas 2036 supported a number of additional infrastructure investments in water, weather resiliency, energy, and state parks.

## Constitutional Amendments for Infrastructure Funds

**Texas Water Fund:** Lawmakers include a planned \$1 billion appropriation, pursuant to SB 28 and pending voter approval of SJR 75, for the newly created Texas Water Fund to develop new water supplies, fixing aging water systems, and improving water conservation in Texas.

**Texas Broadband Infrastructure Fund:** HB 1 includes \$1.5 billion as well for the newly created Texas Broadband Infrastructure Fund, pursuant to HB 9 and pending voter approval of HJR 125. These dollars will be critical as part of the provider match drawdown for broadband dollars through a federal broadband expansion program established by the Infrastructure Investment and Jobs Act of 2021.

**Centennial Parks Conservation Fund:** HB 1 additionally allocates \$1 billion, pursuant to SB 1648 and pending voter approval of SJR 74, to seed the newly created Centennial Parks Conservation Fund. The money in the fund would be used for parkland acquisition and development, strengthening our state park infrastructure and benefiting Texans statewide.

## Additional Investment for Water and Weather Resilience Infrastructure

Texas 2036 also supported a number of massive investments included in HB 1 and SB 30 for a variety of water and weather resiliency infrastructure programs.

**Replenishing the Flood Infrastructure Fund:** Budget writers added \$625 million to the Flood Infrastructure Fund for the fund's statutory purposes of financing drainage, flood mitigation, or flood control projects.

**Matching Funds to Draw Down Clean Water and Drinking Water Funds:** SB 30 provides for \$125 million to meet the 10% match for the first two fiscal years required by the

Federal IIJA – it will be a 20% match for the last three fiscal years – to provide Texas with over \$2 billion over the next five years for our clean water and drinking water revolving funds. Both the state's matching dollars and federal IIJA funds are needed for addressing the larger issue of aging, deteriorating water and wastewater infrastructure, particularly within small, rural, and underserved communities.

**Building out the “Ike Dike”:** The General Land Office is allocated \$550 million by a rider providing for the continued funding of coastal storm surge protection projects and for providing matching funds for securing federal funding for this \$34 billion project. The project seeks to build a system of sea gates, levees and dunes in the Galveston Bay area to protect the Houston Ship Channel. This new funding is a critical part of investing in Texas' disaster resilience to protect against much greater costs to millions of residents, businesses, and critical ports and refineries along the Gulf Coast from catastrophic storm damage.

**Increasing Capacity to offer Technical and Financial Assistance for Rural Water:** TWDB requested and received \$5.5 million in funding for additional staff, technical assistance, and \$600,000 in Agricultural Water Conservation Fund (AWCF) conservation grants to rural communities and agricultural water users that may not be able to participate in other state financial assistance programs. In tandem with the programming and funding for SB 28 and SJR 75, these additional resources will be critical to better addressing water supply and drinking water infrastructure issues in rural areas.

**Produced Water Demonstration:** The Legislature allocated \$5 million, pursuant to SB 1047 (88-R), for funding and implementing a pilot project for recycling of produced water, which is a byproduct of the oil and gas extraction process. This demonstration project is needed to establish standards and lessons learned for moving produced water recycling forward.



## Investments in Energy

The Railroad Commission of Texas (RRC) is Texas' leading energy industry regulator. With the rapid nature of change within the energy industry, consistent with Texas' on-going energy expansion, Texas 2036 supported necessary appropriations to RRC to ensure effective regulatory oversight. These appropriations are critical for the Commission's oversight of carbon capture and underground storage and fluid waste recycling efforts. Further, continued legislative support is essential to the success of RRC's mainframe transition project.

**Railroad Commission Mainframe Transition:** RRC's mainframe transition project is the largest IT modernization project in the agency's history. HB 1 appropriated \$21.5 million for phase 3 of this multi-phase project that began in 2018. The project will migrate the agency's programs and data off of an antiquated mainframe toward modern, cloud-based frameworks. RRC requested this exceptional item because the existing legacy system increasingly hampers the agency's ability to keep up with the evolution of RRC's regulated industries, demands for wider access to Commission data, and legislative requirements.

**Carbon Capture and Underground Storage:** HB 1 appropriates \$705,000 over the biennium from the Anthropogenic Carbon Dioxide Storage Trust Fund to fund the Carbon Capture and Underground Storage (CCUS) permitting program. This rider and funding are necessary to implement the CCUS permitting program if the EPA approves the Commission's application for CCUS jurisdictional primacy under the U.S. Safe Drinking Water Act.

**Fluid Waste Recycling Permitting:** As produced water recycling grows in popularity and operators look for beneficial ways to reuse their wastewater as an alternative to underground injection, HB 1 provides for \$876,000 and additional employees to process commercial fluid waste recycling permits and post-permitting activities. The funding will allow the RRC to keep track with the anticipated uptick in operator interest in produced water recycling and process permit applications timely.

## Additional Investment for State Park Infrastructure

In addition to the proposed Centennial Parks Conservation Fund, Texas 2036 supported a variety of budget items to strengthen our state park infrastructure.

**Additional Parkland Acquisition:** In addition to the potential Centennial Parks Conservation Fund, SB 30 allocates the Texas Parks and Wildlife Department an additional \$125 million for the purposes of parkland acquisition.

**Expansion of Wildlife Management Areas:** TPWD asked for and received \$10 million for funding the acquisition of approximately 3,000 acres of priority migratory game bird habitat. These lands have the added benefits of wetland and riparian habitat preservation essential for protection of water quality and are often part of nature-based solutions for flood control and mitigation. In addition to species-specific and ecological benefits, these investments have a positive impact on outdoor recreational opportunities and local economies.

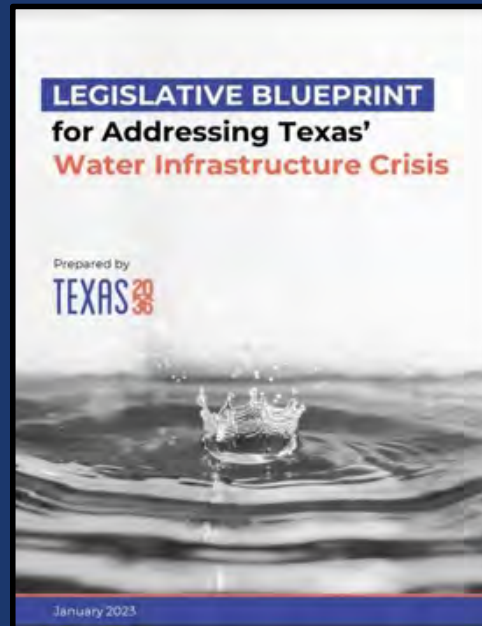
**Capital Construction & Repair Backlog:** TPWD received \$16.7 million to address their capital construction and maintenance backlog, mostly for needed restoration and improvements to existing TPWD facilities.

## Spotlight: Water Infrastructure Blueprint

In 2022, Texas 2036 collaborated with the Water Finance Exchange and the Texas Water Foundation to host a series of stakeholder meetings to discuss the challenges facing Texas' water and wastewater infrastructure and the opportunities presented by the U.S. Infrastructure Investment and Jobs Act. Over 40 different organizations, including state agencies, water industry groups, nonprofits, and local water utilities participated in these discussions.

The key issues highlighted throughout these discussions included the need for greater technical assistance capacity for facilitating small, rural, and disadvantaged communities' participation in state financial assistance programs, the importance of regional solutions for achieving better economies of scale within the water sector, and the importance of a state financial strategy for both leveraging IIJA dollars and addressing the growing problem of aging, deteriorating water and wastewater infrastructure.

These stakeholder discussions informed Texas 2036's development of the Water Infrastructure Blueprint for the 88th Legislature. Released in January 2023, the Blueprint included five key findings. First, and based upon available data, the state needs to address the problem of aging, deteriorating water infrastructure. Second, the Legislature needed to maximize the state's leverage of IIJA dollars in order to better address the water infrastructure problems endured by small, rural, and disadvantaged communities. Third, Texas needs to expand its technical assistance provider capacity in order to better deliver financial assistance to small, rural, and disadvantaged communities. Fourth, state policy needs to encourage regional solutions in order to achieve better economies of scale with regard to water, rate base, and workforce utilization. And lastly, Texas' water industry faces a shortage of qualified workers.



In light of these key findings, the Blueprint offered a series of recommendations developed by Texas 2036 of what the Legislature could do to address Texas' growing water infrastructure crisis. One of the Blueprint's salient recommendations was for the creation of a new, constitutionally-dedicated fund oriented toward assisting water and wastewater utilities that are either failing, or at risk of failing.

In addition to the creation of a new water fund. The Blueprint recommended that the Legislature appropriate the matching dollars necessary for maximizing the state's use of federal IIJA funds. Other recommendations centered on legislative actions to improve regional solutions among water utilities, expanding the state's technical assistance capacity, and addressing the state's water workforce shortage. These recommendations guided Texas 2036's support for several bills during the 88th Regular Session, including SB 28, SJR 75, HB 3232, and HB 1845.

## Spotlight: Digital Texas

In the fall of 2020, Texas 2036, along with Texas Rural Funders and the Greater Houston Partnership, founded the Digital Texas Coalition, a state coalition of advocates, employers, and nonprofit organizations working to improve digital connectivity for all Texans. Leading up to the 2023 legislative session, Digital Texas added a fourth partner, the United Ways of Texas, to its leadership. Digital Texas is committed to:

- Ensuring access to reliable connectivity and devices, as well as digital literacy training, so all students, teachers, and administrators work together to modernize the public education system.
- Addressing the changing technological demands of employers, and equipping workers with the digital tools and skills to compete for middle- and high-skill jobs.
- Ensuring access to the necessary technology, infrastructure and support to maintain reliable telemedicine and telehealth services.
- Fostering partnerships across sectors and communities to address connectivity needs.



Since the formal launch of Digital Texas on Dec. 17, 2020, the Digital Texas coalition has grown from eight to more than 40 cross-sector organizations. To advance the coalition's principles, the Digital Texas coalition informs members about the data and about opportunities to engage to drive policy. After coalition members achieved success in 2021, supporting key legislation to improve the state's broadband planning process, the focus for 2023 centered on ensuring the state made the necessary financial investment to implement its plan. Digital Texas member organizations testified in support of the most important broadband legislation in committee hearings and drafted written support for generationally-impactful broadband legislation. Information about the following bills, supported by many members of Digital Texas, can be found above or in other sections of this document:

- HB 9 (Ashby/Huffman) - creating the Broadband Infrastructure Fund
- HJR 125 (Ashby/Huffman) - constitutionally dedicating \$1.5 billion to broadband
- SB 1238 (Nichols/Ashby) - cleaning up signature legislation from 2021 (HB 5)

Digital Texas also played a role in advocating for generous funding in the state's biennial budget for broadband expansion, which received a record \$1.5 billion from the state, pending voter approval in the 2023 constitutional election. Coalition members successfully advocated for enough funding to meet the federal match requirement that would allow Texas to maximize its drawdown of federal dollars through the Broadband Equity, Access, and Deployment Program. On June 26, 2023, Texas was awarded \$3.3 billion in federal funding through this program, more than any other state in the nation.

Because of the sustained and successful efforts of Digital Texas — and Texas 2036 — the organizations are recognized as leaders on broadband and digital connectivity issues across the state. However, the work of Digital Texas is not yet finished. The coalition will be crucial in raising awareness about the upcoming constitutional election, which includes a ballot measure to create the broadband infrastructure fund (HJR 125). The appropriation of \$1.5 billion for broadband infrastructure projects is dependent on voter approval. Digital Texas will be working diligently to raise awareness about this ballot measure in the upcoming November election.

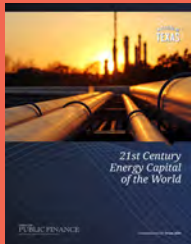


Learn more at: <https://www.digitaltexas.org/>



# Spotlight: Baker Paper Series

In 2022, Texas 2036 and the Center for Public Finance at Rice University's Baker Institute of Public Policy released five reports that explore opportunities for the state of Texas to invest in our future through energy, broadband, water, parks, and information technology/cybersecurity.



## Energy Expansion

Texas is well-positioned to sustain and solidify its role as the energy capital of the world, thanks to abundant natural resources, existing infrastructure, a highly skilled energy workforce and leading research institutions.

Using carbon capture, geothermal energy and hydrogen as examples, the report shows how Texas can continue its energy leadership in the 21st century, as growing demand for clean, zero-carbon energy fuels a worldwide energy expansion.



## Economic Impacts of Drought

This report calculates the price Texas might soon pay for worsening droughts. The report reveals Texas' potential negative economic impacts based on the State Water Plan's projection of failing to develop additional water supplies as demands will increase by 9% and available supplies will diminish by 18% over the next 50 years.



## Broadband

Roughly 2.5 million Texans still do not have access to the internet in their homes, particularly in deep-rural areas and low-income households. Add in those lacking broadband, or high-speed internet, this number grows to nearly 7.4 million.

This report by the Center for Public Finance at Rice University's Baker Institute of Public Policy for Texas 2036's sponsored series Investing in Texas examines the benefits – and challenges – that come with expanding broadband to connect the millions of Texans currently unable to access this critical resource.



## State Parks

Data from Texas and other states indicate that every \$1 in public money spent on parks can generate between \$4 and \$12 in economic return. Investing in state parks through maintaining and improving existing facilities and expanding the number of state parks available to meet Texans' growing demand for outdoor recreation will generate meaningful and measurable economic benefits for the state as a whole, but especially for local and rural economies.



## Cybersecurity & IT Modernization

With sizable state and federal appropriations for technology upgrades in consideration, the Center for Public Finance at Rice University's Baker Institute for Public Policy, supported by Texas 2036, examined the challenges and opportunities for Texas state government officials, including optimal cybersecurity financing, identifying unique risks, allocating limited resources among competing priorities, and coordinating efforts with internal and external stakeholders.

# A Look Ahead: Future Infrastructure Policy Priorities

While lawmakers made huge advances in infrastructure policy this session, there are still areas in need of attention. Here are a few that Texas 2036 will continue to engage on in the interim and beyond:

**Broadband Infrastructure Fund:** Although HB 9 was signed into law by Governor Abbott and legislators are set to appropriate 1.5 billion for broadband infrastructure expansion, both HB 9 and broadband funding are contingent upon voter approval of a constitutional amendment creating the Broadband Infrastructure Fund (BIF). The BIF will go to voters this November. Texas 2036 and the Digital Texas Coalition will be working to raise awareness about this important constitutional amendment preceding the election.

**Water Infrastructure Funding:** Texas needs a long-term financial strategy for grappling with the significant, and escalating, issue of funding water infrastructure needs, including the development of new water supplies and fixing aging, deteriorating systems. While the bills approved by the 88th Legislature provide an excellent foundation and one-time \$1 billion down payment, Texas 2036 will continue its work for a dedicated revenue stream for water infrastructure.

**Water Markets:** Data from two Texas-based case studies reveals that water markets contribute to more efficient and effective water use. Given the potential for water scarcity in our drought-prone state, Texas needs to explore how water markets may be developed as a local or regional water management strategy that both assigns a needed value to water while enabling voluntary transfers to other users. In 2023, Texas 2036 will release a report on water markets in Texas and how they can be utilized to encourage better utilization of our limited water resources.

**Energy Expansion:** Drawing on over a century of leadership in oil and gas production, Texas is well-positioned to serve as the nation's leader in energy expansion. This expansion includes continued reliance on our oil and gas sector while broadening our energy portfolio to include more renewables, hydrogen energy, and even carbon capture and underground storage. Over the past year, Texas 2036 has partnered with consulting firm FTI to map how the state's evolving energy portfolio will contribute to economic growth and the state's fiscal health.

**Texas Water Fund:** Texas voters will need to approve an amendment to the Texas Constitution creating the Texas Water Fund in order for the major water infrastructure reforms approved by the 88th Legislature to take effect. Texas 2036 will engage in a strategic messaging campaign in preparation for November's election describing the need for the Texas Water Fund and the \$1 billion down payment for water infrastructure the Legislature has appropriated for the Fund. Should voters approve the Fund's creation, Texas 2036 will work with allied stakeholders on TWDB rule changes needed for the Fund's effective operation.

**Parks:** Texas 2036 will engage strategically to serve as a resource for the voter approval of SJR 74, the proposed constitutional amendment creating the Centennial Parks Conservation Fund and capitalizing the fund with \$1 billion.

# Texas Voters Speak

In a series of statewide polls, Texas 2036 asked Texas voters about issues critical to the future of Texas, including infrastructure. These polls of registered Texas voters found...

## Texas voters want to take advantage of available federal funds for broadband.

In February 2023, 88% of Texas voters said that it was important for the Legislature to maximize its drawdown of federal broadband funds. 64% described this as “extremely” or “very” important.

- **Legislative Success:** Legislators appropriated \$1.5 billion for the newly created Texas Broadband Infrastructure Fund, pending voter approval of HJR 125. These dollars will maximize the state’s drawdown of federal broadband expansion program funds established under the Infrastructure Investment and Jobs Act of 2021.

## Texas voters want sound, functioning water infrastructure.

In September 2022, 84% of Texas voters supported the creation of a new fund to address aging, deteriorating water infrastructure, and 82% supported increased state investments to expand our water supplies. And in February 2023, 89% of voters supported using \$5 billion from surplus state revenues to help Texas communities fix aging water infrastructure that is leading to broken pipes, significant losses of water and even boil water notices in some communities.

- **Legislative Success:** The new Texas Water Fund, if approved by voters in November, makes \$1 billion available for new water supply projects and repairing aging, deteriorating water systems. In addition, the Legislature approved \$125 million in matching funds to maximize the state’s drawdown of federal IIJA dollars.

## Texas voters want to prepare for natural disasters.

84% of voters supported using \$2 billion of the budget surplus to improve flood protection infrastructure.

- **Legislative Success:** Budget writers added \$625 million to the Flood Infrastructure Fund for the fund’s statutory purposes of financing drainage, flood mitigation, or flood control projects.

## Texas voters strongly value parks.

In February 2023, 73% of voters supported using \$1 billion of surplus funds to build new state parks and improve existing parks.

- **Legislative Success:** Budget writers allocated \$1 billion for the Centennial Parks Conservation Fund provided that voters approve the fund’s creation in November’s constitutional amendment election. In addition to this historic appropriation, the Legislature also allocated \$125 million to the Texas Parks and Wildlife Department for parkland acquisition.





## In the News

KVUE

**“I think water is a priority for this session,” Jeremy Mazur said. Mazur is a senior policy advisor for Texas 2036, a nonprofit public policy think tank.**

Mazur said the last time lawmakers focused this much on water was 10 years ago during the 2013 drought that caused billions of dollars in economic losses for the state.

<https://www.kvue.com/article/news/investigations/defenders/water-issues-aging-infrastructure-legislative-session/269-eb273815-52f7-4097-9709-76a5af6dc343>

Texas Tribune

**“House Bill 10 and Senate Bill 28 seek to address two major water issues for Texas: the problem of aging, deteriorating infrastructure and the need for more water supplies in a drought-prone state,” said Jeremy Mazur, Texas 2036 senior policy adviser.**

“Both bills provide an excellent foundation for building lasting water infrastructure policies for Texas that address these water challenges.”

<https://www.texastribune.org/2023/03/07/broadband-water-infrastructure-texas-bills/>



Texas 2036 Board member Andrew Hall (Amarillo) and Senior Policy Advisor Jeremy Mazur meet with State Sen. Kevin Sparks, sponsor of HB 2847, which will help Texas grow in the emerging hydrogen energy sector.



**Senior Policy Advisor**  
Jeremy Mazur discusses the highlights from Texas 2036's Water Infrastructure Blueprint during the Texas Water Day Conference held in the State Capitol.

Dallas Morning News

**Jeremy Mazur, a senior policy adviser on water for Texas 2036, explained that this funding bucket would provide assistance to small, rural and underserved communities that are often forgotten in infrastructure planning. He said some of these towns are unable to improve their infrastructure because they lack the money or the knowledge on how to navigate assistance programs.**

<https://www.dallasnews.com/opinion/editorials/2023/06/06/texas-makes-crucial-water-investment-but-voters-must-sign-off/>

## Texas Tribune

**Jeremy Mazur, a senior policy analyst for the nonpartisan advocacy group Texas 2036 who has studied the state's water needs, put the federal and state investment this way: "It's going to be a drop in the bucket compared to the long-term cost."**

<https://www.texastribune.org/2023/05/03/texas-water-infrastructure-broken/>



Senior Policy Advisor Jeremy Mazur joins with other water policy leaders for Governor Abbott's signing of SB 28 expanding the state's financial strategy for delivering new water supplies and fixing aging, deteriorating infrastructure.



Senior Policy Advisor Jeremy Mazur discusses Texas' water infrastructure challenges during an in-studio interview with Spectrum News.

## Texas Tribune

**In a recent poll, 89% of Texas voters said they were in favor of using \$5 billion, or about 15%, of the budget surplus to fix aging infrastructure.**

Jeremy Mazur, senior policy adviser with Texas 2036, estimates that the real price tag for all of the state's water infrastructure needs would be more than \$150 billion. Mazur and other water advocates estimate that the fund would need to start with an initial investment of \$3-5 billion.

<https://www.texastribune.org/2023/05/04/texas-water-systems-solutions/>



Manager of Policy and Advocacy Hope Osborn speaks to the Texas Lyceum's "Sustainability of Texas Communities West of I-35" Conference in Amarillo, focusing on water and other infrastructure challenges facing Panhandle communities.

## ABC 13

**"Do we have enough water supplies for a growing state that is prone to being afflicted by drought?"**

Senior Policy Advisor Jeremy Mazur with the Think Tank Texas 2036 said. "The answer is that we're working on it."

<https://abc13.com/texas-news-water-caucus-clean-and-accessible-aging-infrastructure/12832318/>

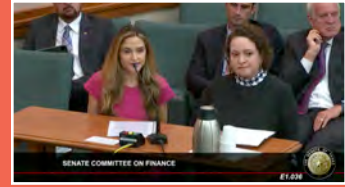


Texas 2036 Executive Vice President A.J. Rodriguez talks about broadband with San Antonio Report cofounder Robert Rivard.

## Austin-American Statesman

**Polling from February showed 88% of Texas voters view maximizing the federal money for broadband expansion as an important task for the Legislature this session, said Mitrah Avini, a policy analyst for Texas 2036 who testified in support of HB 9.**

<https://www.statesman.com/story/news/state/2023/04/03/texas-legislature-house-increase-rural-broadband-infrastructure-state-comptroller/70068128007/>



**Policy Analyst Mitrah Avini testifies on House Bill 9 before Senate Finance Committee**

## Austin-American Statesman

**“Our affordability crisis is such that it cannot be ignored, even by representatives and senators who don’t live necessarily in areas that are affected as much,” said Emily Dove, a policy adviser for the think tank Texas 2036. “This is a statewide affordability crisis.”**

<https://www.statesman.com/story/news/politics/state/2023/05/01/texas-lawmakers-weigh-land-use-rules-after-little-progress-in-austin/70164956007/>



**Policy Advisor Emily Dove discusses housing legislation at an April 2023 meeting of the Austin Infill Coalition, a group dedicated to expanding access to affordable housing options in the capital’s urban core.**



**Texas 2036 Senior Vice President of Policy and Advocacy John Hryhorchuk joins KXAN’s Josh Hinkle on “State of Texas” for a statewide broadcast discussing Texas 2036 polling results and areas of agreement across the political spectrum, including infrastructure investment.**

## Austin-American Statesman

**If polling is a guide, Texans are likely to support the fund. Texas 2036, a think tank focused on preparing the state for future growth, says that nearly three-fourths of respondents to a recent survey supported investing \$1 billion for parkland acquisition.**

The nonprofit predicts that by 2036 — Texas’ 200th birthday — the state will have added 8 million residents. That represents about one-fourth of the 30 million people living here now. Those new Texans will look to get outdoors and enjoy state parks, which parks advocates say already are overwhelmed with reservation requests during peak times.

<https://www.statesman.com/story/news/politics/state/2023/05/16/texas-parks-wildlife-department-trust-fund-vote-november-election-2023/70224454007/>



# JUSTICE AND SAFETY





## Building Public Confidence in Law Enforcement

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Sunset legislation includes multiple reforms fundamentally reshaping the agency responsible for licensing and regulating peace officers and law enforcement agencies, including repealing problematic “discharge categories” in favor of a new officer misconduct reporting system and a new data infrastructure for officer personnel records and licensing actions.

## Modernizing Child Welfare IT Systems

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The Department of Family and Protective Services will report on the funding and timeline requirements needed to modernize the state’s child welfare IT system to one that meets federal standards. The report should put the state on the path to upgrade this crucial technology infrastructure, supporting caseworkers and better caring for children.

## Addressing the Judicial Caseload Backlog

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This bill will require the systematic collection of case-level court data to provide a better understanding of what’s behind persistent and costly court backlogs. Coupled with appropriations updating the state’s legacy IT system, Texas court data will be an asset to the administration of justice, rather than a mere byproduct of the courts.



# Goals and Priorities

**Our Justice and Safety policy platform encompasses three goals from the Texas 2036 Strategic Framework:**

- **Public Safety:** Texans are protected from threats to their well-being and property.
- **Justice System:** Texans are served effectively, efficiently, and impartially by the justice system.
- **Protection for the Vulnerable:** Texas protects the vulnerable from traumatic experiences.

**Our policy priorities were guided by the following principles:**

- Peace officers can more effectively deliver public safety when the public has confidence in accountable, transparent, and responsive local law enforcement.
- Texans deserve timely access to justice.
- To better serve the most vulnerable of Texans, agencies and case workers need modern technology.

**With a firm resolve and a forward-looking approach, the 88th Legislature responded to pressing justice and safety issues in Texas. Harnessing the power of data and technology, important enhancements on policing, the judiciary and child welfare were advanced.**

Justice systems across the country are sorely lacking in good data. Texas 2036 marshaled its expertise to develop new data, identify gaps in existing data, and advocate for systems-level change to lay the foundation for data informed policy in policing, the judiciary and beyond.

Our data informed efforts to refresh the Texas Commission on Law Enforcement, the state's regulatory body overseeing peace officers. This approach also helped support legislators' efforts to address other challenges – including the lack of sufficient data on court backlogs and outdated child welfare technology – and aided the progress of multiple legislative efforts that were fortified by millions of dollars in investments.

While justice and safety systems often suffer from a lack of consistent and actionable data, existing data raises significant concerns about how the state engages Texans during difficult moments.

# Law Enforcement Policy Successes

The Sunset Commission reviews each Texas agency, typically every 12 years, to recommend changes and whether the agency should continue to exist. The Texas Commission on Law Enforcement (TCOLE) underwent a regularly scheduled Sunset Commission review in 2020, which described the way law enforcement was regulated in Texas as “largely ineffective,” “toothless,” and “fundamentally broken.”

In the 2021 legislative session, lawmakers filed a TCOLE Sunset bill that would have deferred some of the most significant questions to an interim blue ribbon panel while leaving systemic problems in place. This modest proposal, however, faced such significant opposition that the bill failed without receiving a single floor vote in either legislative chamber. The failure of the 2021 bill prompted a second Sunset Commission review in 2022 and the need for legislative action in 2023. Texas 2036 began engaging on TCOLE issues in 2022.

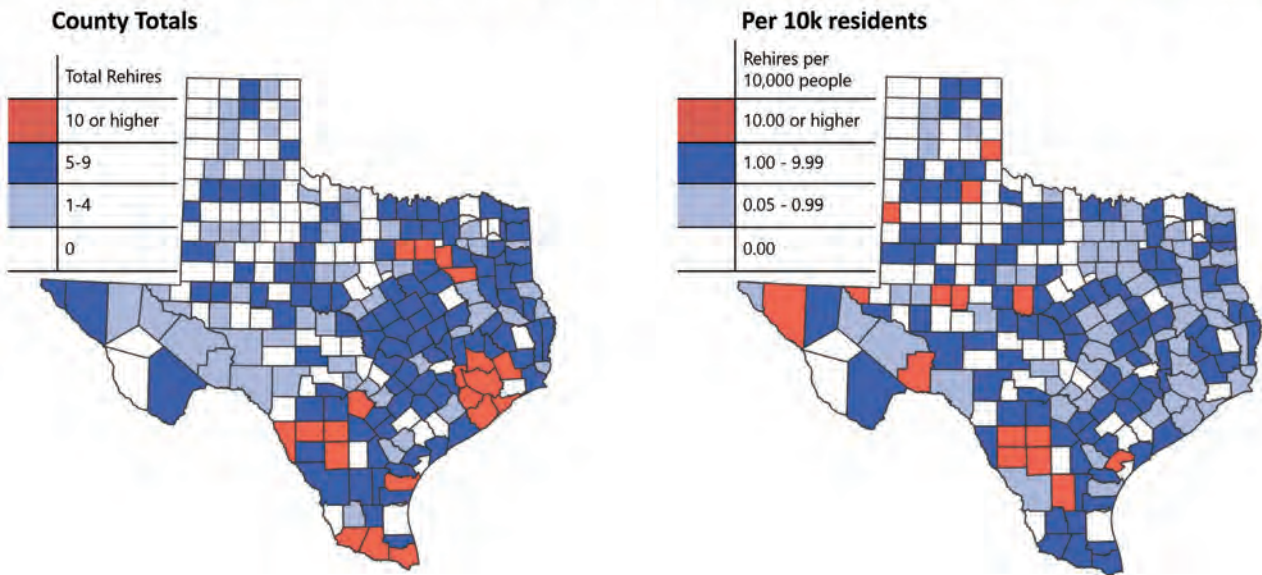
One area of focus for Texas 2036 was the challenge of wandering officers – individuals who are fired from one law enforcement agency for misconduct only to be hired by a different law enforcement agency.

The challenge was rooted in Texas’ discharge system, which indicated why an officer separated from an agency using one of three categories: “honorable,” “general” or “dishonorable.” The classifications were appealable.

The 2020 Sunset review found that more than a quarter of dishonorably discharged officers were rehired in any given year. Texas 2036 partnered with the data firm Benchmark Analytics and TCOLE to research the wandering officer phenomenon in Texas, resulting in the most detailed accounting of peace officer movement patterns in Texas to date. This research analyzed the period from 2012 to 2022, when hundreds of law enforcement agencies in Texas rehired 1,401 dishonorably discharged peace officers and 7,840 generally discharged peace officers.

Some of the findings were significant. For example, it was remarkably common to see officers successfully upgrade a less-than-honorable discharge, not because they won appeals on their merits, but by default because the firing agency didn’t participate in the process. For officers who successfully won an improved discharge category in 2021, 59% of the cases were by default. This research also found that the practice of rehiring dishonorably discharged peace officers was largely concentrated in smaller agencies and in less-densely populated parts of Texas.

## Dishonorably Discharged Peace Officers Rehired: 2012-2022



This research led to recommendations for improving how Texas handles law enforcement discharges by introducing a more neutral, fact-based system that includes the standardization of personnel files and the reporting of internal affairs information to TCOLE. Other recommendations included addressing the large and growing number of law enforcement agencies, and an overhaul of TCOLE's data infrastructure to be more transparent to the public and useful for officers and agencies that regularly rely on TCOLE.

## SB 1445 (Paxton/Goldman)

SB 1445 is the Sunset bill for TCOLE, an omnibus reform package for how the state regulates the profession of law enforcement. This bill has a number of key provisions that will create a new system of investigating and reporting officer misconduct, raise minimum standards for creating and operating a law enforcement agency, give TCOLE the regulatory tools it needs to ensure licensed officers are fit for duty and improve data and transparency around law enforcement generally. **Texas 2036 was extensively involved in the TCOLE Sunset process and all subsequent legislative stages, supporting the final version of this legislation.**



### What you need to know: TCOLE reform

<https://texas2036.org/posts/what-you-need-to-know-tcole-reform/>

### The case for addressing wandering officers after Uvalde

<https://texas2036.org/posts/the-case-for-addressing-wandering-officers-after-uvalde/>

### Reporting on wandering officers: How other states handle the issue

<https://texas2036.org/posts/reporting-on-wandering-officers-how-other-states-handle-the-issue/>

### 2022 TCOLE report: Texas 2036 comments

<https://texas2036.org/posts/tcole-report-comments-texas-2036/>



“SB 1445 makes excellent progress toward building the public’s confidence in law enforcement and establishing a regulatory structure rooted in good data, transparency and accountability. This TCOLE Sunset legislation is leaps and bounds above what legislators considered two years ago.”

**Luis Soberon,**  
Policy Advisor



“After 3 years of work and a fight bigger than Texas, we finally passed a TCOLE Sunset bill that advanced the profession in a positive direction.”

**Jennifer Szimanski**  
(Combined Law  
Enforcement Agencies  
of Texas)



# The Texas 2036 Difference: TCOLE Sunset

Texas 2036 intensively engaged in the TCOLE Sunset process for the first time in 2023, providing a unique case study of the value of data-driven, non-partisan engagement on important state issues. The second TCOLE Sunset process resulted in comprehensive, impactful, and bipartisan reforms that will help public safety in Texas going forward.

## 2021 TCOLE SUNSET BILL

(House Bill 1550)

The 2021 legislation proposed modest reforms, deferring most challenging matters to a blue ribbon panel review of law enforcement regulation. This panel was tasked with studying professional standards of conduct for licenses, training and continuing education requirements, along with accountability for licensees and agencies.

This legislation also included:

- “Fit-for-duty” exam requirements for officers to ensure physical and psychological fitness to serve.
- Emergency license suspension authority for TCOLE if a licensed officer constituted an imminent threat to public health, safety or welfare.

### RESULTS

Political consensus not reached.

Law enforcement and advocacy stakeholders hostile to the bill.

**Failed to pass the Legislature, forcing a second Sunset review.**

## 2023 TCOLE SUNSET BILL

(Senate Bill 1445)

The 2023 legislation comprehensively addressed the governance of Texas’ law enforcement oversight agency, improving transparency and accountability and, as a result, helping to bolster public trust in law enforcement.

Key provisions include a fundamental reform of how wandering officers are dealt with in Texas:

- Removal of problematic “F-5 discharge” categories and related appeals.
- Misconduct investigation policies & required reporting to TCOLE for all agencies and officers.
- Standardized personnel records and stronger pre-hiring background checks for all agencies and officers.

In addition to the “fit for duty” exams and emergency license suspensions considered in the failed 2021 effort, other reforms in the 2023 legislation include

- Improved minimum standards for creating and continuing law enforcement agencies.
- Public-facing officer database of basic employment, licensing, and training information.

### RESULTS

Law enforcement and advocacy group approval.

Passed the Senate 31-0.

Passed the House 138-1.

**Signed into law by the Governor.**

# Law Enforcement Data Landscape

Texas 2036, in partnership with Benchmark Analytics, a data firm that specializes in law enforcement, produced the Texas Law Enforcement Data Landscape, a report examining Texas law enforcement regulation and data. This report delved into key questions about how the state regulates the profession of policing through the Texas Commission on Law Enforcement (TCOLE), how it handles wandering officers, and how TCOLE manages motor vehicle stop data.

As a comprehensive and topic resource for policymakers, the Law Enforcement Data Landscape became a baseline for reliable information on the state of law enforcement regulation and a guide for shared goals among key stakeholders. TCOLE leadership quoted the report in testimony before lawmakers, and the report was regularly cited by other law enforcement groups and associations, particularly on the issue of wandering officers.



*Policy Advisor Luis Soberon, testifying before the Senate Committee on Criminal Justice on Dec. 9, 2022, addressing the committee's interim charge related to court backlogs.*

## Arredondo Press Coverage

# San Antonio Express-News

EXPRESSNEWS.COM • WEDNESDAY, FEBRUARY 22, 2023 • VOL. 158, NO. 149 • \$2.00

## Fired chief wins discharge dispute

Case 'another reminder' of lapses in police accountability

By Eric Dexheimer  
AUSTIN BUREAU

Few public officials have been as pilloried as Pedro "Pete" Arredondo.

As chief of the Uvalde school district police department, Arredondo should have assumed better command of the May 24, 2022, mass shooting at Robb Elementary School that left 19 stu-

dents and two teachers dead. Nearly 400 police officers loitered outside and in the hallways for more than an hour before a Border Patrol team stormed the classroom and killed the 18-year-old attacker.

"The only thing stopping a hallway of dedicated officers from entering Room 11 and 12 was the on-scene commander who decided to place the lives of

officers before the lives of children," Texas Department of Public Safety Director Steve McCraw said of Arredondo.

Two months later, the Uvalde school board fired him.

Texas police who leave an agency are assigned one of three discharge designations: honorable, general or dishonorable. Those fired — or who resign in

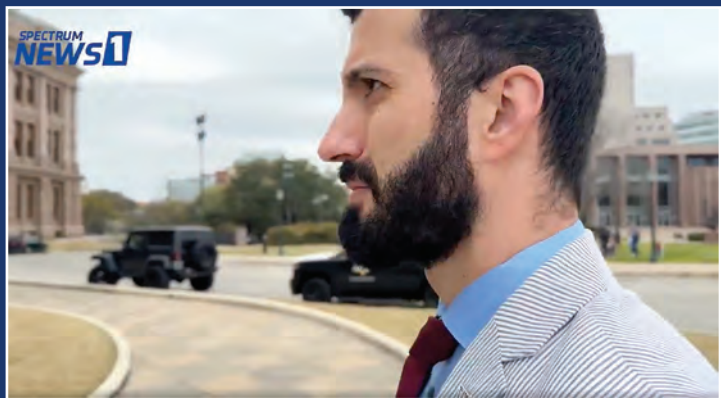
*Discharge continues on A8*



Pedro "Pete" Arredondo, the former police chief for Uvalde's schools, won his discharge designation appeal when the district apparently didn't reply.

Juan Figueroa/  
TNS

In researching the state's wandering officer challenges, Texas 2036 uncovered information that was previously not disclosed to the public regarding the termination of the Uvalde school district police chief, Pete Arredondo. This information indicated that he was poised to receive an "honorable discharge" by default in an administrative hearing after being fired for cause following his actions during a mass shooting at a local elementary school. This provided a high-profile case study about how Texas handles law enforcement discharges and resulted in reporting in local, state and national news outlets that informed conversations on TCOLE Sunset at a pivotal moment in the regular session.



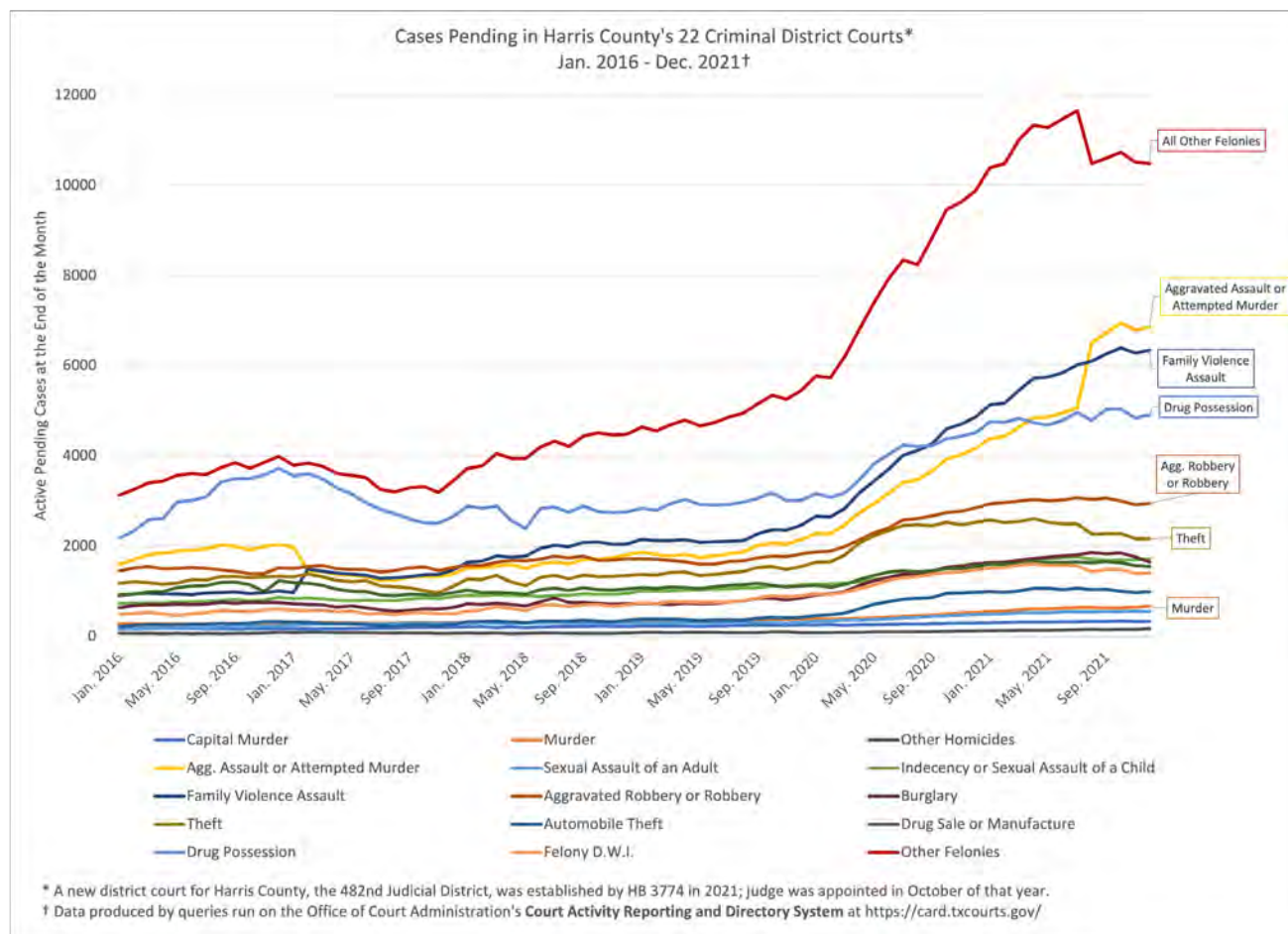
Policy Advisor Luis Soberon was featured on a Spectrum News story in February 2023, highlighting wandering officer issues out of San Antonio and Uvalde.



## Court Policy Successes

For years, Texas courts have faced a backlog of criminal cases, delaying justice for defendants and victims alike. Prior to the COVID-19 pandemic, 20% of criminal cases in district courts were older than one year by the time they concluded – far beyond the nationally-accepted standard. By June 2021, nearly 35% of all cases were over a year old, and more than half of the criminal docket was older than standards say they should be.

To identify legislative and regulatory opportunities to alleviate case backlog, Texas 2036 began collecting and analyzing publicly available court data. What we found was that Texas largely lacks adequate data to provide state policymakers with a complete view of what drives backlogs of cases in state courts or even distinguish between individual trial courts. For example, counties will report aggregate data from all their district courts' criminal cases in 15 high-level categories such as aggravated assault and drug possession — everything from marijuana to methamphetamine — and then report one “other felonies” category of cases that can account for a quarter of a county’s criminal docket. In Harris County, “other felonies” were 26% of the district courts’ pending caseload in 2020, driving the backlog of pending criminal cases in Harris more than any one case category.



This is a problem that leaders within the state judiciary have acknowledged for years. Disaggregated case-level data from trial courts, for example, would provide crucial insights into differences between trial courts, how cases are progressing and which kinds of cases are occupying the most space in our dockets.

To close this data gap, Texas 2036 engaged in extensive research to identify data deficiencies and raise the profile of the issue in the public discourse. During the legislative session, our staff worked closely with stakeholders in advocacy groups, the Office of Court Administration and lawmakers, sharing our findings and providing recommendations.

These recommendations informed four new bills and new funding opportunities that open the door to collecting case-level court data, improving the accessibility of available judicial and criminal justice data, and fully funding data-driven IT projects like the development of text-based reminders for defendants to appear in court. This provided state leaders with the tools and information necessary to address the lingering case backlog and prevent future delays.

## HB 841 (Ordaz/Middleton)

HB 841 requires the Office of Court Administration and the Texas Judicial Council to collect case-level data from trial courts across the state, as opposed to the aggregate county-level statistics previously reported from district and county courts. This bill, and the accompanying funding, will update our legacy court data collection system and ensure that policymakers and the public have detailed and actionable information about what's happening in their community's courts and how we can tackle court backlogs across the state. **Texas 2036 testified in support of this legislation and its accompanying funding.**



**Shedding light on court backlogs: Texas lawmakers triumph with case-level data act**

<https://texas2036.org/posts/shedding-light-on-court-backlogs-texas-lawmakers-triumph-with-case-level-data-act/>

**Case-level data will drive understanding of court backlogs**

<https://texas2036.org/posts/case-level-data-will-drive-understanding-of-court-backlogs/>



*HB 841 by @ClaudiaOrdazTX and @mayes\_middleton represents a basic principle — data is not just a byproduct of the judicial system but an asset to the administration of #txjustice.*

*It now awaits the Governor's signature. #txlege*

@Texas2036

## HB 3474 (Leach/Hughes)

HB 3474 is the biennial omnibus court bill, which creates new district and county courts in statute and includes a number of other provisions related to the administration of the state's judiciary. Much of the bill is dedicated to creating new district, county and other statutory courts across Texas to address growing caseloads and existing backlogs. One provision in the bill will improve public access to important information related to the needs across the state for additional judicial resources by requiring regular publication of district court workloads. The provision was initially filed as a separate bill (HB 3249), and Texas 2036 worked with the bill author to include similar language as an amendment to the omnibus bill. **Texas 2036 supported this bill and worked to improve data-related elements.**

## HB 1182 (Harless/Whitmire)

HB 1182 requires the Office of Court Administration and the Texas Judicial Council to collect case-level data, as well as summary court-level data from trial courts. It also requires courts to submit regular judicial workload information on caseloads, juries empaneled, continuances ordered and other information. Additionally, it requires publication of this information on the Office's website. This will build upon other efforts to improve the data and transparency of our state judiciary. **Texas 2036 testified in support of this legislation.**



*Congrats to @SamHarless126 & @whitmire\_john on the passage of #HB1182, which aims to standardize the reporting of data from different types of courts and provide for publishing the information online in a searchable format. #txlege*

@Texas2036

## HB 1184 (Rose/Johnson)

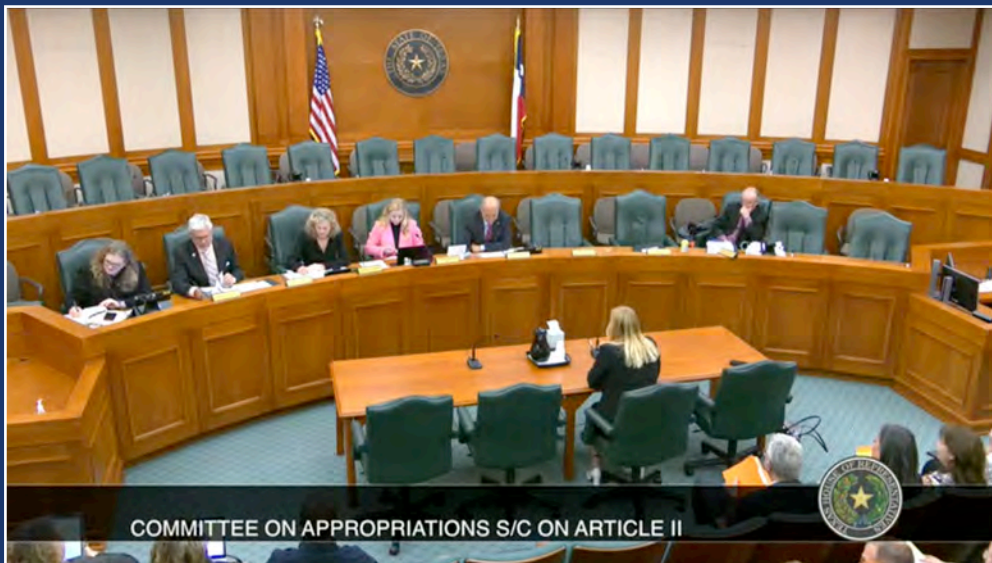
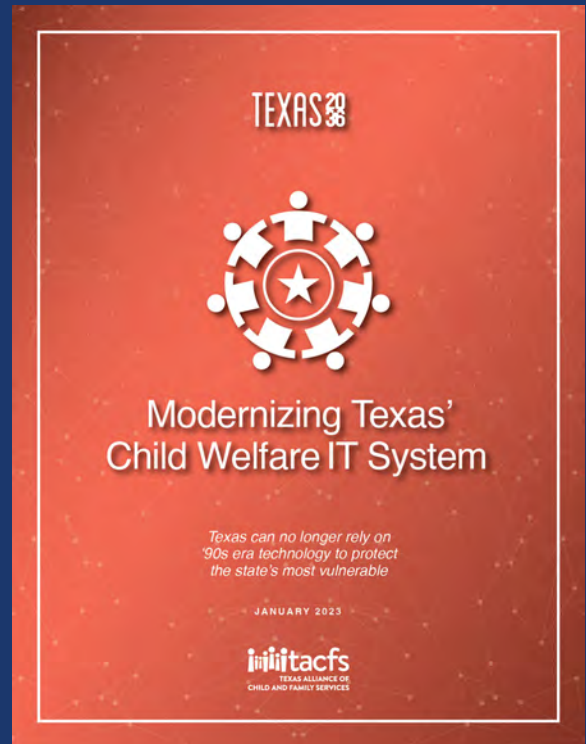
The future of criminal justice reform efforts depends on the ability to evaluate existing programs for their effectiveness in reducing recidivism. HB 1184 would permit certain research institutions to access bulk criminal history information to perform important criminal justice research. This will allow them to evaluate the effectiveness of specialty courts, deferred adjudication, and other pretrial diversion programs. **Texas 2036 supported this legislation.**

# Modernizing Texas' Child Welfare IT System

Jointly published by Texas 2036 and the Texas Alliance of Child and Family Services, the Modernizing Texas' Child Welfare IT System report published in January 2023 found that the Texas Department of Family and Protective Services' (DFPS) outdated IMPACT data system impedes caseworkers' ability to review or input important electronic case file information.

IMPACT was created in 1996 and lacks the ability to upload and store most documents, such as birth certificates, school records, legal documents, medical, dental, developmental and psychological evaluations.

Texas 2036 recommended replacing IMPACT with a Comprehensive Child Welfare Information System (CCWIS), the new federal standard for child welfare systems. House Bill 1 (Bonnen/Huffman) requires DFPS to release a report no later than December 2024 that details the exact funding and timeline needed to transition to a CCWIS.



Manager of Policy and Advocacy Hope Osborn testifies in front of the House Appropriations Subcommittee on Article II on Feb. 28, 2023 in favor of funding to transition to a CCWIS system.



# In the Budget: Justice and Safety

HB 1 and SB 30 contain numerous examples of Texas 2036-supported budget items, ranging from moderate improvements to complete overhauls of information technology infrastructure that underpin many basic and mission-critical functions at justice and safety agencies.

## Justice and Safety-Related Data and Technology

Among data and technology improvements, there were many improvements planned for court and justice system-related information systems in particular.

**Replacing Office of Court Administration Legacy Judicial Data System:** Pursuant to a Judicial Council recommendation, the Legislature appropriated \$6 million to replace OCA's legacy judicial data system responsible for collecting and analyzing judicial data. OCA currently works with aggregated data sets from trial courts in the existing legacy data system. The proposed replacement system will be equipped to collect case-level statistical data which allows improved transparency in our judiciary and the ability to identify drivers of court backlogs. This improved quality of information will better inform judicial policymakers and allow for better allocation of taxpayer dollars.

**IT Licensing:** The Legislature allocated \$4.3 million to OCA to fund direct IT services for state courts to ensure the judiciary can operate efficiently and securely in their day-to-day IT functions.

**Court Appearance Text Reminder System:** OCA was allocated \$2.2 million to fully fund a text-based reminder program for criminal defendants to reduce their failure to appear for court dates. Similar programs in other jurisdictions have dramatically improved appearance rates, reducing negative consequences for Texans and saving time and resources for the broader judicial system.

**District Court Workload Report:** The Legislature allocated \$200,000 for a rider directing OCA to conduct and publish a judicial workload analysis, including non-judicial court staff, across the state to proactively identify the judicial needs across the state using data it already collects.

**Data Analyst at Texas Commission on Jail Standards:** The Commission on Jail Standards requested and received \$143,000 for a new data analyst to prepare reports and review trends in jail populations, review historical performance, evaluate jail staff turnover, and compile and review complaint data – all of which will likely improve agency efficiency and reduce long-term taxpayer costs.

**Data Infrastructure/IT Resources at Texas Commission on Law Enforcement:** The Texas Commission on Law Enforcement (TCOLE) received \$2.6 million for additional FTEs to facilitate the transition of its licensing database, the Texas Commission on Law Enforcement Data Distribution System, or TCLEDDS, away from the vendor that has developed and managed the database since its creation. The money will better prepare the agency for state ownership, data system maintenance and the development of a public-facing licensee database and Department of Information Resources data center services. Law enforcement agencies will benefit from more robust security and improved user experience.

**Implementing TCOLE Sunset Bill:** TCOLE is also going to receive \$4.7 million to carry out the charges of SB 1445, the agency's Sunset bill, to support the new functions and responsibilities they have with regard to the creation of new databases and the collection and maintenance of data and information related to officers' licensing status, personnel files, and misconduct reports.

## Investment in Correctional Facility Security, Safety, & Infrastructure

Texas 2036 supported investing in the installation of air conditioning systems to improve working conditions for Texas Department of Criminal Justice staff as well as the basic living conditions for felons housed in these facilities.

TDCJ requested over \$256 million in their initial budget request for hundreds of repair and restoration projects related to security, safety, and infrastructure, including HVAC repair and installation projects, at TDCJ facilities. Given the hundreds of facilities statewide, many over 75 years old, these projects are critical to meeting security and safety requirements and statutory obligations in confining and supervising adult felons.

Between initial budget decisions by lawmakers and additions late in the budget process, HB 1 and SB30 allocated a total of \$276 million dollars for these repair and restoration projects, meeting the agency's initial ask and addressing additional facility needs in the process. While all facility upgrades appear to be prudent expenditures, the potential for a portion of these funds to begin addressing the lack of air conditioning in state prisons is particularly encouraging.

# A Look Ahead: Future Justice and Safety Policy Priorities

While lawmakers made important advances in justice and safety policy this session, there are still areas in need of attention. Here are a few that Texas 2036 will continue to engage on in the interim and beyond:

**Recidivism Reduction Strategies:** The Texas Department of Criminal Justice will undergo Sunset Review this coming interim. This rare opportunity to take a holistic view of our state's prison system is an opportunity to speak to data-informed initiatives that can improve the chances of success for justice-involved Texans once they have paid their debt to society and reenter the workforce and the broader community.

**Where Do Foster Kids Go?:** There are many anecdotal stories about what happens to foster children once they age out of the system, including less than optimal places like prison or the street, but there is not currently in one place a comprehensive data perspective – including the numbers, the reasons why these children go where they do, and examining the resources these young adults receive along the way.

## Texas Voters Speak

In a series of statewide polls, Texas 2036 asked Texas voters what they thought about basic questions of law enforcement and the judiciary. These polls of registered Texas voters found...

**Texas voters consistently expressed confidence in their local police, but that confidence can vary.** In September 2022 and in February 2023, we asked voters if they trust their local law enforcement to handle crime and public safety issues. In September 2022, 68% of voters said they do trust their local law enforcement while 20% said they do not. Presented with the same question in February 2023, 63% expressed trust, while 30% did not.



**Texas voters value transparency and accountability.** In February 2023, 77% of voters said that removing any requirement for law enforcement agencies to report misconduct to the state would decrease their trust in law enforcement. And in September 2022, 83% of Texas voters said making it harder to rehire law enforcement officers who were previously fired for poor conduct and improving public transparency into law enforcement licensing and training would increase their trust in law enforcement.

- **Legislative Success:** SB 1445 became law, requiring misconduct investigations and reporting to the state, requiring agencies to conduct more thorough background checks before hiring an officer, and requiring TCOLE to develop a public-facing database on basic officer licensing and training information.

**Texas voters value the right to a speedy trial.** In January 2022, 89% of voters said that they were concerned about court backlogs, with 59% saying they were either “extremely” or “very” concerned.

- **Legislative Success:** HB 841, HB 1182, and HB 3474 became law, which will require the collection of new, case-level data and utilize existing data to improve judicial data quality and accountability in how the judiciary is handling court backlogs.

**Texas voters understand the need for modern technology, especially for vulnerable populations.** In February 2023, 80% of voters said that the Texas state child protective services agency should update its information technology from its current 1990s technology to better serve children and families.

- **Legislative Success:** HB 1, the budget, contained a rider instructing the Department of Family and Protective Services to produce a report on the exact funding and timeline needed to transition to a new data system that meets federal standards and better serves kids, families, and the caseworkers that serve them.



## In the News

### Houston Chronicle

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**“Instead, we urge the Legislature to require law enforcement agencies to provide as much information as possible on the F-5. Texas 2036 recommends lawmakers provide “neutral and basic” reasons for an officer’s separation from their agency; require all law enforcement agencies to maintain uniform, detailed personnel records; require agencies who hire officers from out of state to check the National Decertification Index before hiring an officer with a checkered work history; and most importantly, make all of this information available to the public. To us, that seems reasonable.”**

**– Luis Soberon**

<https://www.houstonchronicle.com/opinion/editorials/article/uvalde-police-chief-pete-arredondo-accountability-17797025.php>

### Texas Tribune

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**“In the ‘90s, the internet really barely existed. People weren’t doing their jobs on laptops,’ said Hope Osborn, a policy and advocacy manager at the data-based think tank Texas 2036.**

‘Now that we’re in this digital age, most people’s entire jobs revolve around their phones and computers. If you have a system that makes it more difficult for them to use those things, you’ve got some tension.’ // ‘Some of the efforts are there, but you can only put so many Band-Aids on a system that can’t do the basic functionality of what you want it to do,’ Osborn said.”

<https://www.texastribune.org/2023/03/22/foster-care-technology-system-impact/>

### ABC News

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**“They filed the right motion to pick back up and try to defend the original discharge designation,” said Luis Soberon, a policy researcher for Texas 2036, the group that first found Arredondo had won an appeal to remove the official blemish from his police record that was made after he was fired by the Uvalde district.”**

<https://abcnews.go.com/US/uvalde-school-district-challenges-pete-arredondos-appeal-upgrade/story?id=97454163>







# GOVERNMENT PERFORMANCE



**\$1.9B****Increased State  
Employee Pay  
Scales over the  
Biennium****\$900M****Supplemental  
Lump-Sum Payment  
for Employees  
Retirement System  
Unfunded Liabilities  
over the Biennium****\$931.2M****Eliminating  
Unfunded Law  
Enforcement and  
Judicial Pension  
Liabilities**

## Ensuring Fiscal Sustainability



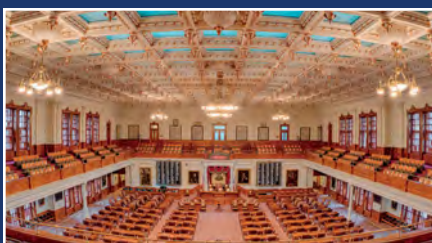
With a historic budget surplus, the Legislature took prudent steps to ensure that a temporary surplus could finance long-term growth. Prudent actions included buying down unfunded pension liabilities, saving the state billions in future interest payments, as well as creation of endowment and revolving funds for higher education and infrastructure.

## Modernizing State Data and Technology



Smart investments in state data and IT capacity can yield long-term savings and improve the efficiency of government operations. This session, budget writers funded strategic investments in upgrading agency technology and data analysis, and lawmakers bolstered efforts to address cybersecurity risks.

## Supporting the State Workforce



A high performing government requires that state agencies employ qualified public servants. After significant turnover, the Legislature responded with much-needed pay raises for agency and legislative staff, including targeted pay raises for some of the highest-demand, highest turnover positions. This effort was coupled with benefits reform that included incorporating parental leave for state employees.

**The Texas government must operate in an effective, efficient, and fiscally sustainable manner to ensure our state is the best place to live and work over the long term.**

**This session, Texas legislators improved government performance with improvements in information technology systems, investment to recruit and retain talent in the state workforce, better accountability measures for critical agencies, and the passage of a forward-thinking budget.**

The 88th Texas Legislature started with a historic budget surplus, passing a judicious \$321 billion budget investing in our state's long-term needs, including many generational Texas 2036-supported investments in infrastructure and

workforce that will support and fuel economic growth for generations.

Backed by a long-term, data-driven approach and a deep understanding of the state budget, Texas 2036 offered essential support to legislative efforts to maximize these investments' impact for generations to come. Texas 2036 testified 26 times in legislative appropriations hearings this session, as well as 17 times during pre-session budget hearings in 2022, to help provide guidance on how to ensure one-time and continuous investments can promote fiscal sustainability and improved government performance. Legislators did just that, passing legislation and a state budget to better meet the needs of Texas taxpayers.

## Goals and Priorities

**Our Government Performance policy platform encompasses four goals from the Texas 2036 Strategic Framework:**

- **Long-Term Obligations:**  
Texas strategically manages state expenditures to deliver the best value to taxpayers.
- **Talent In Government:**  
The public sector attracts and retains the talent needed to deliver excellent service and get results.
- **Proven Modern Methods:**  
Texas state government uses data-driven and proven modern methods to drive toward shared goals.

**Our policy priorities were guided by the following principles:**

- Unfunded liabilities, including pension debt, shift costs between generations and drive up future fiscal risks.
- Information technology and cybersecurity modernization can allow state government to more efficiently and effectively serve taxpayers.
- Accountability for tax dollars requires measurement of outcomes.
- State government needs to hire and retain capable staff to provide efficient and effective services.

Texas 2036 views these core governance matters as essential toward achieving all other Strategic Framework goals: better information technology systems can improve services and protect state-held data across all sectors of government; fiscal sustainability mitigates the impact of future economic downturns on government operations; better agency performance measures allow for better decision making by policymakers; and recruitment and retention of a talented state workforce ensures better government operation in general, but especially within specialized, high-turnover positions.

Many of these policy decisions are made in the state budget. With a record revenue projection, Texas 2036 consistently recommended making strategic generational investments while maintaining fiscal sustainability. The Legislature improved Texas' long-term financial health with prudent investments that will dramatically reduce future costs by paying down pension debt.

Legislators signaled a commitment to improving government operations and return on taxpayer dollars for Texans through funding and policy that secures and modernizes state data systems and attracts and retains talented employees, allowing state government to provide more reliable and efficient services with relevant, updated technology and qualified, experienced staff.

**Texas 2036 focused on four key policy areas in government performance this legislative session:**

- Fiscal sustainability in order to meet current and future taxpayer needs,
- Recruitment and retention of a talented state workforce,
- Improving information technology systems, and
- Improving budget performance measures.

# Fiscal Sustainability Policy Successes

In the two sessions that Texas 2036 has been legislatively engaged, our organization has stood out as the sole organization to consistently support legislation to address our state’s unfunded pension liabilities. Historically, most of the state’s unfunded liabilities resulted from pension debt. Working in support of Sen. Joan Huffman and Rep. Greg Bonnen, Texas 2036 has supported three major legislative acts that, paired with accompanying appropriations, will save the state nearly \$40 billion in interest payments over the next 30 years.

In 2021, Sen. Huffman and Rep. Bonnen filed SB 321, which overhauled the Employees Retirement System pension plan by replacing the unsustainable defined benefit plan with a “cash balance” plan, similar to the financially sound plans offered by the Texas Municipal Retirement System and Texas County and District Retirement System. In place of the traditional defined benefit plan, in which the state bore all of the risk for a market downturn, SB 321 created a shared risk scenario, in which the state guaranteed the first 4% annual return, and then shared the net return above 4% with employees. This significantly reduced balance sheet exposure going forward, and allowed the state to begin paying off the existing liabilities from the former plan through a series of “legacy payments” spread across future bienniums.

Texas 2036 supported three actions this session that built upon the SB 321 reforms for the main ERS plan: (a) legacy payments to fulfill previous SB 321 promises; (b) supplemental payments to speed the retirement of this debt; and (c) clean-up legislation to ensure SB 321 could fulfill its promise. The Legislature ultimately appropriated multiple legacy payments that totalled \$1.19 billion and a supplemental payment of \$900 million to speed the retirement of this liability, which will save the state \$5.16 billion over the next 30 years by reducing future interest payments. This \$5.16 billion is in addition to the \$33 billion in savings already accrued by the passage and follow-through on SB 321.

Texas 2036 also supported budget action to completely pay off the unfunded liabilities of two other funds: the Law Enforcement and Custodial Officer Supplemental (LECOS) Retirement Fund, scheduled to be fully depleted by 2045, and the Judicial Retirement System 2 (JRS 2) plan, scheduled to be fully depleted by 2067. The LECOS fund was designed as a supplemental benefit for law enforcement officials, who also receive the traditional ERS benefit. Texas 2036 supported SB 1245 (Huffman/Bonnen), which creates a new cash balance retirement plan for new state district and appellate judges in JRS 2 after Sept. 1, 2023, lowering the funding period and stabilizing the fund long term. Texas 2036 is the only organization on record supporting this legislation.

The state appropriated \$931 million to completely pay off the debts of the LECOS and JRS 2 plans. This is projected to save the state nearly \$1.4 billion in interest payments over the next 31 years.

## Recent Pension Reforms Will Save The State Nearly \$40 Billion In Upcoming Decades

1

### **SB 321 (87-R): ERS Pension Reform**

*Major reform to the state's primary employee pension plan brought a plan facing depletion toward a path for actuarial soundness.*

*The state appropriated \$1.19 billion in 2023 to maintain its commitment to this plan.*

***This saved the state \$33 billion in future interest payments.***

2

### **HB 1 & SB 30 (88-R): Supplemental Payments**

*The legislature also appropriated an additional \$900 million to more quickly retire the ERS pension debt, building upon the success of SB 321 (87-R), saving the state \$5.16 billion in future interest payments.*

*The legislature appropriated \$931 million to completely pay off the unfunded liability for the LECOS and JRS 2 pension plans, saving the state \$1.4 billion in future interest payments.*

3

### **SB 1245 (88-R): JRS 2 Pension Reform**

*The legislature passed SB 1245 (Huffman/Bonnen) to provide future state judges with an actuarially sound pension plan similar to the one created for state employees in SB 321 (87-R).*

***Texas 2036 was the only organization on record to support this legislation.***



In summary, Texas 2036 supported the following acts of legislation that will improve our state's long-term fiscal health:

### SB 1245 (Huffman/Bonnen)

SB 1245 creates a new cash balance retirement plan, similar to the SB 321 (87-R), for new state district and appellate judges after Sept. 1, 2023. Coupled with the appropriations described above, this will stabilize judicial pensions for the long term.

**Texas 2036 supported this bill in committee and testified in support of using surplus funds to retire pension liabilities.**

### SB 729 (Huffman/Bonnen)

SB 729 cleans up and makes technical corrections to SB 321 (87-R), the Employees Retirement System (ERS) pension reform bill from the last session. **Texas 2036 served as a resource on this bill, registered in support of companion legislation, and testified in support of using surplus funds to retire pension liabilities.**

## In the Budget: Pensions and Retirement

With the state projecting a record fund balance and record revenue, Texas 2036 successfully advocated for generationally impactful investments while preserving long-term fiscal sustainability by reducing future risk from the state's unfunded liabilities and better aligning our revenue structure to the state's future economy.

Historically, most of the state's unfunded liabilities resulted from pension debt. This session, legislators took action to substantially reduce pressure on future budget writers by fulfilling its legal obligation to make legacy payments to retire the state's former ERS pension plan; making a supplemental payment to retire this debt sooner, saving the state billions; and fully eliminating the outstanding liabilities of pension programs for law enforcement and judges. Texas 2036 provided support for each of these measures.

**Legacy Payments for ERS Pension Debt:** The Legislature fulfilled its promises from last session's SB 321, which overhauled the Employees Retirement System (ERS) pension plan and placed it on a path to actuarial soundness. Texas 2036 engaged heavily in 2021 in support of SB 321, which was projected to save the state \$33 billion over the next three decades.

The Legislature built upon the investment of last session by allocating \$1.19 billion in legacy payments between HB 1 and SB 30 to continue the retirement of the former plan's pension debt and the plan's path toward actuarial soundness.

#### **Supplemental Payment for ERS Pension Debt:**

SB 30 includes an additional one-time \$900 million payment to accelerate the retirement of the ERS pension's unfunded liabilities. This action will save the state \$5.16 billion in future interest payments over the next 30 years.

#### **Full Retirement of Law Enforcement and Judicial Pension Debt:**

HB 1 allocated \$931.2 million to eliminate all unfunded actuarial liabilities and cover normal costs for the Law Enforcement & Custodial Officer Retirement Fund and the Judicial Retirement Fund Plan 2. Without these allocations, the most recent public actuarial valuations show the LECOS fund scheduled to deplete in 2045 and JRS 2 in 2067. This front-loaded approach is also projected to save the state nearly \$1.4 billion in future interest payments over the next 31 years.

# Information Technology Policy Successes

In order to meet the demands of Texans in the 21st century, the tools utilized by the government must keep pace to facilitate, and not obstruct, the efficient and effective provision of public services. During the 88th Legislative Session, legislators passed a variety of Texas 2036-supported bills to improve information technology that would:

- Improve the cybersecurity posture of state and connected public-sector information systems; and
- Modernize state information systems to improve and streamline agency operations while collecting better, more actionable data for policymakers.

These bills will strengthen the specialized cybersecurity and information system expertise of the Department of Information Resources (DIR) while making their services more widely available to state agencies and other public sector entities in the state.

## HB 4553 (Longoria/Johnson)

Seeks to expand and align eligible customers across DIR's statewide technology centers, telecommunication services, security services, and cooperative contracts program using uniform statutory definitions in the respective chapters of the Government Code. **Texas 2036 supported this legislation.**

## SB 271 (Johnson/Shahen)

Expands the types of cyberattacks required to be reported to DIR – currently limited to those involving a computerized data breach – to other forms including ransomware or distributed denial of service attacks. **Texas 2036 supported this legislation.**

## SB 621 (Parker/Capriglione)

Defines in statute many of the functions already being carried out by DIR's current Chief Information Security Officer (CISO). The purpose of getting these CISO duties in statute, similar to how the duties of DIR's Chief Data Officer already are, is to outline the role for future people who may fill the role, given the growing importance of this agency function currently and in the future. **Texas 2036 supported this legislation.**

**These bills are in addition to numerous budget investments supported by Texas 2036 to improve state agency data and technology. Those items are addressed here as well as within the relevant subject areas of this report.**

# In the Budget: Improving Information Systems

House Bill 1 and Senate Bill 30 contain numerous examples of Texas 2036-supported funding items that range from moderate improvements to complete overhauls of the data systems and processes that underpin many basic and mission-critical agency functions.

**Railroad Commission Mainframe Transition:** The Texas Railroad Commission's (RRC) mainframe transition project is the largest IT modernization project in the agency's history. HB 1 appropriated \$21.5 million for phase 3 of this multi-phase project that began in 2018. The project will migrate the agency's programs and data off of an antiquated

mainframe toward modern, cloud-based frameworks. RRC requested this exceptional item because the existing legacy system increasingly hampers the agency's ability to keep up with the evolution of RRC's regulated industries, demands for wider access to Commission data, and legislative requirements.

**Project Management and Risk Mitigation at Texas Water Development Board:** The Legislature appropriated \$16 million to the Texas Water Development Board to address the issues attendant to the agency's responsibilities rapidly expanding, not only for talent recruitment and retention, but for modernizing their data systems to meet increased demand and workload. \$4.2 million of the \$16 million will go toward an improved project management system for TWDB-funded projects as well as toward addressing cybersecurity threats to their data systems. This investment in the agency's data systems and processes will be critical to the TWDB's ability to timely award aid applicants with newly appropriated water supply and flood resiliency money as well as ensuring maximum drawdown of federal dollars.

**Replacing Office of Court Administration (OCA) Legacy Judicial Data System:** Pursuant to a Judicial Council recommendation, the Legislature appropriated \$6 million to replace OCA's legacy judicial data system responsible for collecting and analyzing judicial data. OCA currently works with aggregated data sets from trial courts in the existing legacy data system. The proposed replacement system will be equipped to collect case-level statistical data which allows improved transparency in our judiciary and the ability to identify drivers of court backlogs. This improved quality of information will better inform judicial policymakers and allow for better allocation of taxpayer dollars.

**IT Licensing for OCA:** The Legislature allocated \$4.3 million to OCA to fund direct IT services for state courts to ensure the judiciary can operate efficiently and securely in their day-to-day IT functions.

**Court Appearance Text Reminder System:** OCA was allocated \$2.2 million to fully fund a text-based reminder program for criminal defendants to reduce their failure to appear for court dates. Similar programs in other jurisdictions have dramatically improved appearance rates, reducing negative consequences for Texans and saving time and resources for the broader judicial system.

**Data Analyst at Texas Commission on Jail Standards:** The Commission on Jail Standards requested and received \$143,000 for a new data analyst to prepare reports and review trends in jail populations, review historical performance, evaluate jail staff turnover, and compile and review complaint data – all of which will likely improve agency efficiency and reduce long-term taxpayer costs.

**Data Infrastructure/IT Resources at Texas Commission on Law Enforcement:** The Texas Commission on Law Enforcement (TCOLE) received \$2.6 million for additional FTEs to facilitate the transition of its licensing database, the Texas Commission on Law Enforcement Data Distribution System, or TCLEDDS, away from the vendor that has developed and managed the database since its creation. The money will better prepare the agency for state ownership, data system maintenance and the development of a public-facing licensee database and Department of Information Resources data center services. Law enforcement agencies will benefit from more robust security and improved user experience.

**Implementing TCOLE Sunset Bill:** TCOLE will receive \$4.7 million to carry out the charges of SB 1445, the agency's Sunset bill, to support the new functions and responsibilities they have with regard to the creation of new databases and the collection and maintenance of data and information related to officers' licensing status, personnel files, and misconduct reports.

**DFPS Impact Overhaul Planning:** The Legislature directed Department of Family and Protective Services to produce a report on timelines and funding needed for transition from the agency's current Information Management Protecting Adults and Children in Texas (IMPACT) case management system to a new system that adheres to federal standards with the goal of improving outcomes through data quality and interoperability.

**Enhanced UI Data Collection:** The Legislature directed the Texas Workforce Commission to produce a report on the costs of necessary upgrades to the state unemployment insurance data system and associated information technology and staffing to allow for enhanced reporting of employment and earnings data as part of routine wage filings required by HB 3767 (87-R).

**Modernizing Education and Workforce Data Infrastructure:** The Texas Higher Education Coordinating Board appropriates \$15 million to make continued investments in upgrading the state's education and workforce data infrastructure to allow the agency to deepen efforts to provide granular, relevant data and analysis for students, employers, institutions, and policymakers to assist in effective decision making. The funding also ensures that this data is stored and administered with the highest standards of security and confidentiality.



# Talent in Government Policy Successes

To meet the demands of a growing state, our government needs the tools – not only from a technology perspective but from a workforce perspective – to provide high-quality services. Due to inflation and a history of infrequent salary increases, the state’s compensation grew less competitive against private sector competition, impacting the state’s ability to attract and retain talent. Without a qualified workforce, government operations can suffer and implementation of important reforms can slow.

Beginning in the summer of 2021, Texas 2036 released a series of blogs highlighting the difficulties many legislative staff face with low, stagnant salaries and rising housing costs in Austin, where most legislative jobs require workers to live.

The Legislative Branch has a workforce of over 2,000 individuals, including temporary and part-time workers. For full-time employees in 2021, median annual salary is \$55,924, with the lowest median salary of \$42,000 at the Texas House of Representatives and the highest median salary of \$81,000 at the Legislative Budget Board. Housing costs have tripled for Austin residents since 2000, with the average monthly full-market cost of a two-bedroom apartment at \$1,434. That number requires 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, just over half of Legislative branch staff – including nearly 62% of full-time House staff – cannot afford fair market rent on a two-bedroom apartment in Austin.

Early in session, the Legislature sent promising signs on addressing staffers’ low pay, approving a meaningful increase to House and Senate office operating budgets. The Legislature followed through further by including \$1.9 billion to pay for an across-the-board 5% increase in annual state employee salaries, with a minimum \$3,000 annual increase, in FY24, and an additional 5% increase, with a \$3,000 minimum annual salary increase, in FY25.

Together with Senate Bill 222 (88-R) by Sen. Nichols and Rep. Metcalf, the Legislature signaled its commitment to competitively recruiting and retaining a talented workforce for the 21st century.

## SB 222 (Nichols/Metcalf)

SB 222 creates a paid parental leave program for all state employees after the birth or adoption of a child. For a parent giving birth, they would receive up to eight weeks of paid leave. Spouses, or parents with a gestational surrogate or those adopting a child, would receive four weeks of paid leave. The bill also explicitly does not require the employee to use up his/her paid vacation and paid sick leave before taking this leave. **Texas 2036 supported this legislation.**



“Members, this is a great accomplishment for this body and the great state of Texas... on establishing paid parental leave for state agency’s employees for the first time ever.”

**Rep. Will Metcalf**  
on the House Floor  
on May 25, 2023



# In the Budget: State Workforce

In addition to supporting \$1.9 billion in across-the-board pay increases for state agency staff in HB 1 and SB 30, Texas 2036 raised the issue with legislators of how the state's decreasingly competitive compensation packages more acutely affected various critical professional and specialized positions where employees routinely leave for private sector or for similar positions at other agencies that offered better pay and/or lifestyle. The Legislature responded with meaningful budgetary investments, supported by Texas 2036, in the following targeted workforce roles:

**Public Utility Commission:** The Legislature allocated \$11.4 million to the Public Utility Commission of Texas for targeted salary increases for attorneys and professional staff, in addition to increased personnel for oversight of ERCOT and the electric grid, increased efficiency in processing legal and rate caseloads, and balanced workloads among staff.

**Texas Commission on Environmental Quality:** HB 1 allocates an additional \$28 million to the Texas Commission on Environmental Quality for targeted salary increases for mission-critical technical staff like scientists and engineers, as a knowledgeable, capable workforce is essential for providing regulatory certainty and consistency across the agency's water, air, and waste regulatory programs. Failure to maintain qualified staffing levels risks delays in critical permitting and inspection programs.

**Texas Water Development Board:** The Legislature appropriated \$16 million to the Texas Water Development Board to address the issues attendant to the agency's responsibilities rapidly expanding, by hiring and retaining more qualified personnel and investment in competitive salaries for the agency. This investment will be critical to getting newly appropriated water supply and flood resiliency money to potential beneficiaries quickly as well as ensuring maximum drawdown of federal dollars.

**Texas Department of Criminal Justice:** To address Texas Department of Criminal Justice's continued high turnover rates and increasing vacancies, the Legislature allocated an additional \$375 million to continue funding a 15% increase for correctional staff.

**Texas Commission on Law Enforcement:** HB 1 appropriates \$2 million to the Texas Commission on Law Enforcement (TCOLE) to provide targeted pay raises for sworn peace officers and non-commissioned staff to keep up with salary levels at other agencies and increased cost of living. HB 1 also provides an additional \$894,000 to TCOLE for additional support staff to meet existing human resources and legal needs.

## Performance Measure Policy Successes

Texas 2036 relies on its Strategic Framework to monitor progress toward our 36 goals using transparent and relevant data. For similar reasons, we believe lawmakers should have access to meaningful performance measures for state appropriations. With transparent reporting for agency performance, the Legislature will be better positioned to spend tax dollars accountably and improve agency operations where appropriate.

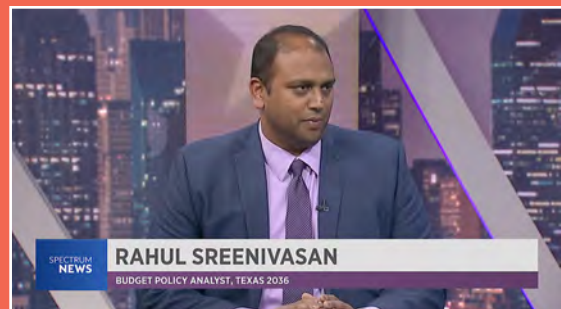
During the Sunset Commission's review of the Texas Water Development Board and the Public Utility Commission, Texas 2036 recommended that each agency's performance measures within the state budget be updated to track success toward meeting specific performance objectives identified during the Sunset process. These recommendations were adopted by the Sunset Commission and new performance measures are now included within each agency's budget for the FY 2024-25 state budget.

- The Texas Water Development Board was directed to track its efficiency in processing applications for financial assistance, including the expediency in delivering funds to qualified applicants.
- The Public Utility Commission was directed to report to the Legislative Budget Board, the Sunset Advisory Commission, and the Legislature on the activities and findings of the agency's enhanced analytic capabilities provided by the Data Analysis Team and expanded engineering expertise, including any notable outcomes or efficiencies that occurred as a result of the agency's enhanced analytic capabilities.



Policy Advisor Rahul Sreenivasan, Manager of Policy and Advocacy Hope Osborn, and Policy Advisor Renzo Soto meet with Comptroller Glenn Hegar on Jan. 9, 2023.

Policy Advisor Rahul Sreenivasan speaks with Spectrum News regarding the state budget and the recently released Biennial Revenue Estimate on Jan. 12, 2023.





# A Look Ahead: Future Government Performance Policy Priorities

While lawmakers made important advances in government performance this session, there are still areas in need of attention. Texas 2036 will continue to engage on in the interim and beyond in areas like:

**Fiscal Sustainability and Unfunded Liabilities:** To build on the successes Texas 2036 has had with pension reform, we plan to investigate other unsustainable state financial trends, including those that result from rising health care costs. Particularly, an evaluation of ERS and TRS health care costs and “other post-employment benefits” (OPEBs) may be needed. OPEBs – those non-pension benefits that go to state retirees – may require attention given that Texas has nearly \$100 billion in OPEB liabilities, but only \$1.35 billion in corresponding assets – resulting in just a 1.4% funded ratio.

## Texas Voters Speak

In a series of statewide polls, Texas 2036 asked Texas voters what they thought about government performance issues. These polls of registered Texas voters found...

**Texas voters support paying down unfunded liabilities.** In September 2022, Texas voters said they would allocate 10% of the state’s budget surplus – projected to be \$2.7 billion at the time – to paying down debt and unfunded liabilities.

- **Legislative Success:** The Legislature continued to address the state’s unfunded pension liabilities, completely retiring the debt of the LECOS and JRS 2 plans while making supplemental contributions to reduce future interest payments for the ERS legacy plan.

**Texas voters want the state to invest in modern technology.** In February 2023, 83% of voters approved of using \$2 billion to improve the state’s technology and cybersecurity systems.

- **Legislative Success:** The Legislature funded 11 information system modernization initiatives supported by Texas 2036.

**Texas voters support state employee pay raises.** In September 2022, by a two-to-one margin (51% support, 24% oppose), Texas voters favored increasing pay to attract talent for all state government positions.

- **Legislative Success:** The Legislature funded an across-the-board pay raise for all state employees, as well as targeted raises for legislative and agency staff in critical positions.







# FOCUS ON THE FUTURE



## Artificial Intelligence Advisory Council

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Starts an appointed Artificial Intelligence Advisory Council to study and monitor artificial intelligence systems developed, employed or procured by state agencies.

## Texas Space Commission

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Creates the Texas Space Commission and Aerospace Research and Space Economy Consortium, after Texas lawmakers included \$350 million in their budget.

## Flying Vehicles

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Reactivates the Advanced Air Mobility Advisory Committee to assess state law and any potential changes needed to facilitate the development of advanced air mobility operation and infrastructure.

# Goals and Priorities

Our Focus on the Future policy platform encompasses five goals from the Texas 2036 Strategic Framework:

- **Mobility of Goods:** Texas enables economic growth by moving goods efficiently.
- **Transportation Safety and Reliability:** Texans can travel to their destinations safely and reliably.
- **Confidence in Government:** Texans have confidence in the public institutions that serve them.
- **Proven Modern Methods:** Texas state government uses data-driven and proven modern methods to drive toward shared goals.
- **Economic Growth:** Texas spurs economic growth through an innovative and business-friendly climate.

Our policy priorities were guided by the following principles:

- By promoting future-focused industries, Texans can bolster its economic growth and keep up with the demands of a growing population.
- With modern technological tools, the state government can keep up with the needs of modern citizens and provide efficient, effective services.
- For Texas to be on the right track, it needs to focus on long-term solutions and funding mechanisms so that the state has the capacity to fully solve problems for current and future generations.

**The 88th Legislature did not only think about the problems of today when deciding how to allocate the record budgetary surplus – they invested in the new and emerging technology that could benefit Texans for generations to come.**

Texas 2036 was proud to continue our work on improving and protecting state government technology by expanding into supporting future-focused technology. Texas is setting itself up to be a leader in innovation with important research and monetary investments in advanced air mobility, space and artificial intelligence this session.

Our policy priorities were guided by the following principles:

- By promoting future-focused industries, Texans can bolster its economic growth and keep up with the demands of a growing population.
- With modern technological tools, the state government can keep up with the needs of modern citizens and provide efficient, effective services.
- For Texas to be on the right track, it needs to focus on long-term solutions and funding mechanisms so that the state has the capacity to fully solve problems for current and future generations.

## Air Mobility

Texas 2036 supported legislation allowing the state to expand its work on what are colloquially called “flying cars.” With a more developed regulatory structure, Texas can be at the forefront for the introduction of small, highly automated aircraft that carry passengers or cargo in the lower altitudes of Texas airspace. This work and legislation exemplifies forward thinking around near-future technology and demonstrates our state’s commitment to being a national and world leader in an industry that Deloitte projects to be worth \$115 billion annually by 2035.

## Space

This session, Texas 2036 focused on supporting legislation that would best position Texas as a leader in the growing aerospace industry, both nationally and globally. Morgan Stanley estimates that the space economy is set to grow to a trillion-dollar industry by 2040. Given Texas’ historic leadership in space exploration, the state has a vested interest in maintaining its competitive advantage in the latest space race. It currently faces stiff competition from a handful of other states, including Florida, Alabama and Colorado. With the creation of the Texas Space Commission and the accompanying \$350 million investment from the state, Texas will be in the best position possible to attract and maintain the talent and industry necessary to take advantage of this growing commercial space sector.

## Artificial Intelligence in State Government

Texas 2036 supported forward-looking legislation that would study and monitor the use of artificial intelligence (AI) systems by Texas state agencies. Artificial intelligence is a rapidly developing field with vast potential to improve lives, not just through the private sector, but also with how public entities may provide better consumer experiences for their taxpayers. Proper implementation of AI-related tools in state government and other levels of government requires responsible development that protects the security and privacy interests of Texans while protecting against inadvertent harm and bias.

# Focus on the Future Policy Successes

## SB 2144 (Parker/Cook)

SB 2144 establishes an Advanced Air Mobility advisory committee to assess current state law and any potential changes that are needed to facilitate the development of advanced air mobility operations and infrastructure in Texas. This bill, continuing the work of the original Urban Air Mobility Advisory Committee established by SB 763 (87-R), will ensure Texas coordinates the safe introduction of flying vehicle technology in the state. This includes comprehensive assessments of regulatory impacts and challenges, opportunities for high-density Urban Air Mobility, interoperability, cybersecurity, industry-regional government partnership, and workforce development issues. **Texas 2036 testified in support of this legislation.**



### Texas takes giant leap forward on flying vehicles

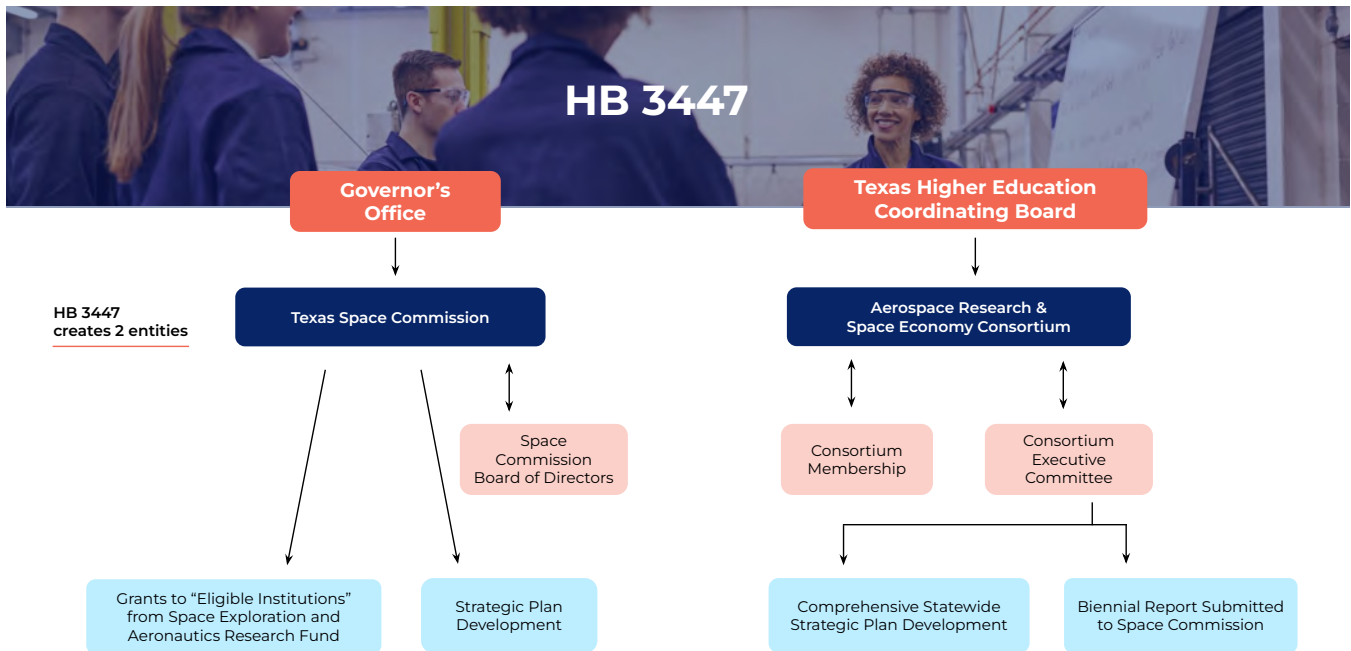
<https://www.gilmermirror.com/2023/05/17/texas-takes-giant-leap-forward-on-flying-vehicles/>



*“Texas 2036 supports #SB2144. For Texas to continue being a destination for businesses and people, our state should foster an environment that incubates innovation in how we transport both goods and ourselves,”*  
said policy advisor  
@RahulSreeniTX. #txlege

@Texas2036





## HB 3447 (Bonnen/Huffman)

HB 3447 creates the Texas Space Commission and Aerospace Research and Space Economy Consortium, with \$350 million included in the budget to support these efforts. This bill will help grow the space industry in the state of Texas, attract new business investments to the state, and promote space-related research and educational opportunities at Texas universities. In 2021, Texas 2036 CEO Margaret Spellings joined Texas 2036 board member Maynard Holt, former astronaut Col. Tim Kopra, and Brownsville Mayor Trey Mendez in calling for a "Lone Star Space Plan" to reestablish the state's preeminent leadership position in the space industry. **Texas 2036 testified in support of the legislation.**



### Space Commission bill passes the Legislature

<https://texas2036.org/posts/space-commission-bill-passes-the-Legislature/>



*Congrats to @joanhuffman & @DrGregBonnen on #HB3447 receiving approval from the Texas Senate.*

*The bill is vital to efforts to make Texas the center of the rapidly growing space sector, a \$1 trillion industry by 2040. #txlege #space*

@Texas2036

## HB 2060 (Capriglione/Parker)

Creates an appointed Artificial Intelligence Advisory Council to study and monitor artificial intelligence systems developed, employed or procured by state agencies. This bill will help the state navigate how it is currently using and will use artificial intelligence (AI) to better serve taxpayers by improving existing processes and creating new uses. But the state must plan for how to responsibly protect the privacy and security interests of Texas residents in the context of this new frontier of how its government may serve its constituents. **Texas 2036 testified in support of this legislation.**



*"HB 2060 recognizes the need for ethical guidelines in the development and use of artificial intelligence in state agencies. While AI has proven to be effective at streamlining government services, it is important to ensure these systems are developed and used in a responsible manner."*

**Rep. Capriglione**  
on the House Floor  
on April 19, 2023

## In the Budget:

### Space Exploration

The NASA Johnson Space Center (JSC) is actively looking to expand available aerospace jobs in Texas, while business and city leaders have joined Texas 2036 in identifying the need for a Lone Star Space Plan. The passage of HB 3447, establishing the Texas Space Commission, reflects lawmakers' recognition of the need for strategic planning and organization to successfully foster this industry. To implement HB 3447, legislators allocated \$350 million to build facilities adjacent to the JSC and to create the Space Exploration and Aeronautics Research Fund.

### Advanced Computing

SB 30 provides \$440 million to the University of Texas at Austin to establish the Texas Institute of Electronics and \$226.4 million to the Texas A&M University System for quantum and artificial intelligence chip fabrication and the Center for Microdevices and Systems. Both of these initiatives can lend to and benefit from semiconductor research and development.

## A Look Ahead: Future-Focused Policy Priorities

While lawmakers made important advances in emerging technology policy this session, there are still areas in need of attention. During the interim and beyond, Texas 2036 will continue to engage in areas like:

**Transportation of Tomorrow:** Whether it's electric vehicles, flying cars, smart roads or autonomous freight trains, Texas should be the leader in new and emerging transportation technologies.

**Optimizing AI in State Government:** Texas 2036 will track the work of the new AI Advisory Committee and examine how AI can be responsibly deployed in state government to improve service to Texans while protecting Texans' privacy and safety interests and mitigating unintended consequences of this emerging technology.

**The Future of AI in Texas:** What is the state's role in facilitating development and forming a regulatory framework around AI as advanced tools become more widely available in the private and public sectors? Increased adoption of AI tools will likely require more computing power, which will likely necessitate the development and manufacturing of more advanced, powerful and possibly more specialized semiconductors in a market that is currently very small and in its early stages. What are the opportunities for workforce and economic development, especially with recent investments in research endowments and the Texas CHIPS act, and for semiconductor fabrication facilities at UT-Austin and the Texas A&M System?

# Texas Voters Speak

In February 2023, Texas 2036 conducted a statewide poll of Texas voters to assess attitudes about the future of Texas. The poll of registered Texas voters found that:

## Texas voters support space exploration.

73% of Texas voters said it was important for Texas to continue its leadership in space exploration.

## In the News

### Austin Business Journal

***“Establishing some kind of state entity or coordinating body, which could help align the aerospace industry with the government would be really helpful as we currently face stiff competition from a handful of other states,” said Mitrah Avini, a policy analyst with Texas 2036, giving testimony before state lawmakers at the start of the current legislative session.***

“We’re falling behind when it comes to STEM education, which could threaten the future of employees and others who go into this industry,”

<https://www.bizjournals.com/austin/news/2023/05/19/texas-space-commission-approved-by-senate.html>



Data Analyst Carlos Navarro and Policy Analyst Mitrah Avini attend the SystemsGo Rocket Launch on May 5, 2023.

### Houston Business Journal

***“The state Legislature has taken note of Texas’ growth in the industry, with a bill on Gov. Greg Abbott’s desk set to create the Texas Space Commission and the Aerospace Research and Space Economy Consortium.***

The public policy think tank Texas 2036, speaking in support of the legislation, determined that Texas currently accounts for 10% of the nation’s space industry, while the state’s commercial sector of the industry is expected to reach \$1 trillion by 2040.”

<https://www.bizjournals.com/houston/inno/stories/news/2023/05/22/axiom-mission-2-launch-space-station.html>

### The Community News

***“The creation of an advisory panel on air mobility will help shepherd the development of these cutting-edge technologies.***

While this represents just the first steps, they are important ones. If this is to become a giant leap forward for all Texans, our leaders must continue to look for innovative ways to push the air mobility industry forward in the years and decades to come.”

<https://www.community-news.com/stories/texas-takes-giant-leap-forward-on-flying-vehicles.35245>







A photograph showing a line of four women of diverse backgrounds standing at a voting station. They are positioned in front of a large American flag. The woman in the foreground is a Black woman with curly hair, wearing a maroon blazer. Behind her is a woman with dark curly hair in a blue denim jacket, followed by a woman with long dark hair in a grey sweater, and finally a woman with blonde hair in a blue denim shirt. The text "ON YOUR BALLOT" is overlaid in large white letters across the center of the image.

# ON YOUR BALLOT

## Water

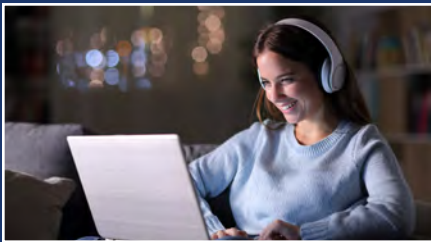
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The state loses approximately 136 billion gallons of water per year because of leaking water main pipes and the state will be 7 million acre feet short of our needed supply in the next 50 years. SJR 75 would address Texas' aging, deteriorating water infrastructure through a new Texas Water Fund.

## Broadband

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2.8 million households and 7 million people are lacking broadband Internet coverage in Texas. HJR 125 would create the Broadband Infrastructure Fund to provide funding for a future where every Texan is able to connect to high-speed internet.

## Parks

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SJR 74 would establish the Centennial Parks Conservation Fund, capitalizing on our historic revenue surplus to make a transformational investment in the state's park system and to foster further economic development in rural areas of the state. The fund aims to provide a stable revenue stream, allowing for both the development of more land to keep up with our growing state, while freeing up resources to address the backlog of repair and maintenance needs statewide.

## Higher Education

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Investing in the work of the state's research universities is key to maintaining Texas' global competitiveness in economic innovations and training the workforce of the future. HJR 3 aims to enhance the capacity of Texas' research universities and provide for more high-quality research statewide.



# Goals and Priorities

These four constitutional amendments impact four goals from the Texas 2036 Strategic Framework:

- **Postsecondary:**  
Texas students earn a postsecondary credential to access the jobs of today and tomorrow.
- **Digital Connectivity:**  
Texans can digitally participate in economic opportunities and essential services.
- **Sustainable Water:**  
Texans can rely on a sustainable water supply.
- **Parks and Wildlife:**  
Texas enhances and protects its state parks, public and private open spaces, and wildlife.

Our policy priorities were guided by the following principles:

- To sustain its growth, Texas needs to invest in water infrastructure, resiliency, and supply.
- Broadband is essential to ensuring all Texans can participate in the state's growth. All technologies should be on the table to connect Texans.
- State parks can improve health, the environment and the economy. Increasing access to meet public demands fosters benefits across multiple policy areas.
- Education funding – from K-12 to postsecondary – should be stable and prioritized to ensure the best educational opportunities for current and future generations.

In addition to legislative action and in the spirit of our future-oriented outlook, Texas 2036 engaged with policymakers on several constitutional amendments that will appear on your ballot in the fall.

Texas 2036 was proud to support efforts to create four new constitutionally-dedicated funds in Texas for higher education, broadband, state parks and water. If approved by voters, billions of dollars will be allocated to improving these items essential to the prosperity and growth of our state. Early voting runs from Monday, Oct. 23, 2023 to Friday, Nov. 3, with Election Day on Tuesday, Nov. 7.

## Constitutional Amendments

Constitutional Amendments have a higher threshold to pass than a regular bill to become state law. They require a two-thirds vote in each chamber, versus a simple majority in the House and five-ninths in the Senate. If they pass, they appear on voters' ballots the following election – usually November of the same year – and must receive a majority of votes to become a part of the Texas Constitution.

According to the Texas Legislative Council, “from the adoption of the current Texas Constitution in 1876 through November 2021, the Legislature has proposed 698 amendments to the constitution, of which 695 have gone before Texas voters. Of the amendments on the ballot, 515 have been approved by the electorate and 180 have been defeated. Three amendments were never placed on the ballot for reasons that are historically obscure.” Another 299 were filed during the 88th Legislative Session, and 13 were passed to head to the voters for final approval. Of those, Texas 2036 supported the following four:



## SJR 75 (Perry/King)

SJR 75 establishes the Texas Water Fund (TWF) administered by the Texas Water Development Board (TWDB) and authorizes TWDB to distribute money from TWF to other funds or accounts administered by the agency without further legislative appropriation, including the Water Assistance Fund, New Water Supply for Texas Fund, Rural Water Assistance Fund, and the Statewide Water Public Awareness Account. **SJR 75 implements one of the key recommendations in Texas 2036's Water Infrastructure Blueprint for the 88th Legislative Session: the need to create a new, constitutionally-dedicated fund for addressing Texas' water infrastructure challenges.** If the constitutional amendment is passed this November, \$1 billion will be appropriated to the TWF. **Texas 2036 testified in favor of both the constitutional amendment and its enabling legislation. Texas 2036 mobilized a stakeholder coalition of over 45 chambers of commerce, businesses and industry organizations in support of this constitutional amendment.**



### New water legislation aims to fix at-risk water systems

<https://texas2036.org/posts/new-water-legislation-aims-to-fix-at-risk-water-systems/>

### Water legislation flows from Senate to House

<https://texas2036.org/posts/water-legislation-flows-from-senate-to-house/>



*Big #txwater day in the House with SB 28 and SJR 75 on the calendar. These bills address the challenges of developing new water supplies, and fixing aging water systems.*

*@Texas2036 supports SB 28 and SJR 75. #txlege*

**Jeremy B. Mazur @jeremybmazur**

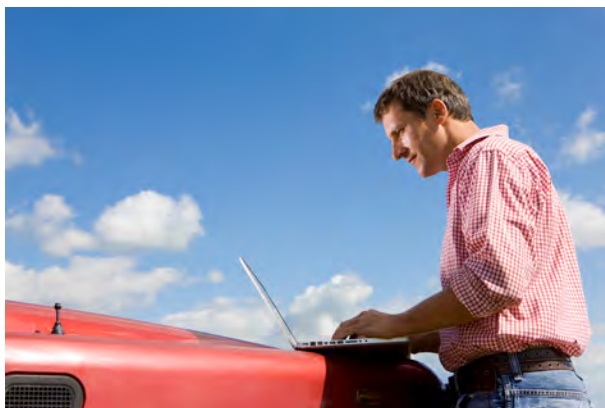
## HJR 125 (Ashby/Huffman)

HJR 125 establishes the Broadband Infrastructure Fund, a constitutionally dedicated fund administered by the Comptroller. The fund will further the goal of expanding access to reliable, high-speed internet in the state of Texas. The use of the fund will be limited to administering grants through the Broadband Development Program, funding 9-1-1 and next-generation 9-1-1 services, pole replacement funding, providing matching funds for the federal BEAD program and expanding access to broadband in economically distressed areas. If passed by voters this November, \$1.5 billion will be appropriated to the fund. **Texas 2036 supported this amendment, including testifying in support of this constitutional amendment's enabling legislation. In addition, Texas 2036 continued its leadership role for the Digital Texas coalition, which has grown to over 40 members, and Texas 2036 participated as a coalition partner for Texas Broadband Now.**



### Getting to know the Broadband Infrastructure Fund

<https://texas2036.org/posts/getting-to-know-the-broadband-infrastructure-fund/>



*Congrats to @joanhuffman & @TrentAshbyTX on Senate Finance passing #HB9/#HJR 125 overwhelmingly. This represents a historic opportunity to address the digital divide in Texas & to allow more Texans to participate fully in the 21st century economy. Next stop, Senate floor! #txlege*

**@Texas2036**

## SJR 74 (Parker/Walle)

SJR 74 creates the new Centennial Parks Conservation Fund to be administered by the Texas Parks and Wildlife Department, providing a dedicated funding source for the acquisition, development and maintenance of state parks in Texas. The fund created by this proposed amendment, together with its enabling legislation, SB 1648, would be an essential tool in ensuring Texans have access to public parklands for generations to come. If passed by voters this November, \$1 billion will be appropriated to the fund. **Texas 2036 identified \$1 billion for state parks as a productive use of federal American Rescue Plan Act stimulus funding in a September 2021 report titled “Texas Opportunities to Leverage Federal Stimulus Funds: A Playbook for the Future of Texas.”** In this report, Texas 2036 raised awareness of strong public support for such an appropriation. Subsequently, Texas 2036 issued a report in 2022 in partnership with the Rice University Baker Institute of Public Policy that found Texas state parks had a positive economic return on investments, especially for rural counties. Texas 2036 testified in support of this constitutional amendment and assisted coalition partners.



### Texas state parks are rural economic engines

<https://texas2036.org/posts/texas-state-parks-are-rural-economic-engines/>

### State Parks Are Rural Economic Engines

<https://texas2036.org/wp-content/uploads/2022/07/State-Parks-One-Pager-FINAL.pdf>

### Texas Opportunities To Leverage Federal Stimulus Funds

<https://texas2036.org/wp-content/uploads/2021/09/TX2036-Federal-Funds-Playbook-9-15.pdf>



*Did you know? @TexasHouse voted in favor of SB 1648 and SJR 74 this week, which paves the way for a transformative investment in #txparks if approved by TX voters in the Fall.*

*“This is a resounding testament to the important role state parks play in making our state one of the best places to live,” said Texas 2036’s @RahulSreeniTX.*

@Texas2036

## HJR 3 (Bonnen/Huffman)

HJR 3 creates the Texas University Fund, which is the permanent higher education research endowment for universities not eligible for the Permanent University Fund. The first four universities eligible for the fund are Texas State University, Texas Tech University, University of Houston and University of North Texas. Other institutions are eligible once they spend a certain average amount in federal and private research expenditures (\$20 million for Fiscal Year 2024 and an amount to be determined by Texas Higher Education Coordinating Board for Fiscal Year 2025 and beyond) and award at least 45 research doctoral degrees every year for the prior three fiscal years. HJR 3 is seed funded with \$3 billion in general revenue, but every fiscal year thereafter it is funded by interest and dividends from the Economic Stabilization Fund (an amount to be determined every fiscal year). **Texas 2036 supported this constitutional amendment and its enabling legislation.**



### Making a bet on higher ed, emerging technologies

<https://texas2036.org/posts/making-a-bet-on-higher-ed-emerging-technologies/>



*Congrats to @DrGregBonnen & @joanhuffman on the passage of #HB1595, establishing the Texas University Fund as a dedicated, independent and equitable source of funding for Texas universities not eligible for appropriations from the Permanent University Fund. #txlege #txed*

@Texas2036



# In the Budget: Constitutional Amendments

With a historic budget surplus and no promise that future legislative sessions will enjoy such a bounty, Texas 2036 encouraged lawmakers to prudently invest portions of the surplus into endowments and one-time expenses that will yield long-term returns on investment.

All four of the Texas 2036-supported constitutional amendments that will be on the ballot this November were appropriated large, one-time sums of money, contingent on voter approval of the given amendments, to capitalize their respective proposed funds.

**Texas Water Fund:** SB 30 includes a planned \$1 billion appropriation, pursuant to SB 28 and pending voter approval of SJR 75, for the newly created Texas Water Fund to develop new water supplies, fix aging water systems and improve water conservation in Texas.

**Texas Broadband Infrastructure Fund:** HB 1 includes \$1.5 billion for the newly created Texas Broadband Infrastructure Fund, pursuant to HB 9 and pending voter approval of HJR 125. These dollars will be critical as part of the provider match drawdown for broadband dollars through a federal broadband expansion program established by the Infrastructure Investment and Jobs Act of 2021. Because the federal dollars are available on a 4:1 match and leveraging the maximum amount of federal dollars was identified as a priority in Texas 2036's recent survey of Texas voters, it is important for lawmakers to act on this opportunity.

**Centennial Parks Conservation Fund:** HB 1 additionally allocates \$1 billion, pursuant to SB 1648 and pending voter approval of SJR 74, to seed the newly created Centennial Parks Conservation Fund. The money in the fund would be used for parkland acquisition and development, strengthening our state park infrastructure and benefiting Texans statewide.

**Texas University Fund:** SB 30 and HB 1 include provisions to allocate \$3 billion, pursuant to HB 1595 and pending voter approval of HJR 3, to the proposed redesignated Texas University Fund. The new fund would serve as a permanent endowment for education, research base funding and research performance funding for select non-Permanent University Fund research institutions.

# Texas Voters Speak

In February 2023, Texas 2036 conducted a statewide poll of Texas voters to assess attitudes about the future of Texas. The poll of registered Texas voters found:

## **Texas voters want to take advantage of federal funds for broadband.**

88% of Texas voters said it was important for the state to maximize its drawdown of federal broadband funds.

## **Texas voters value parks.**

73% of Texans support investing \$1 billion to create and expand our park system, growing from the September 2021 Voter Poll that showed 68% support that level of investment.

## **Texas voters expect sound, functioning water infrastructure.**

89% of voters support spending \$5 billion on fixing aging water systems.



# In the News

## KRTK

**“Do we have enough water supplies for a growing state that is prone to being afflicted by drought?” Senior Policy Advisor Jeremy Mazur with the Think Tank Texas 2036 said.**

**“The answer is that we’re working on it.” KRTK, Feb 2023**

<https://abc13.com/texas-news-water-caucus-clean-and-accessible-aging-infrastructure/12832318/>

## Gainesville Daily Register

**“The prospects for the water fund look good — recently polling by Texas 2036 suggested strong public support for improving the state’s water infrastructure. We hope broadband passes as well, because Cooke County and a lot of other places are to have trouble attracting new industries (and jobs) without reliable, high-speed internet access.”**

[https://www.gainesvilleregister.com/opinion/editorials/editorial-support-water-broadband-amendments-to-texas-constitution/article\\_46adb9ca-bf74-11ed-8bd1-63c82f19e728.html](https://www.gainesvilleregister.com/opinion/editorials/editorial-support-water-broadband-amendments-to-texas-constitution/article_46adb9ca-bf74-11ed-8bd1-63c82f19e728.html)

## Dallas Morning News

**“With Texas in the lead for Tier 1 universities, our next strategic goal should focus on dramatically expanding our educated workforce. The policy experts at Texas 2036 forecast that 70% of jobs will require a postsecondary credential by our state’s bicentennial. This is good news for high-skills graduates looking for high-paying jobs, but also a warning for state leaders, given that fewer than 1-in-3 Texas high school graduates obtain a postsecondary credential within six years of graduation.”**

<https://www.dallasnews.com/opinion/commentary/2023/04/15/how-texas-pulled-ahead-in-the-tier-1-university-race/>



## Austin American Statesman

**“If polling is a guide, Texans are likely to support the fund. Texas 2036, a think tank focused on preparing the state for future growth, says that nearly three-fourths of respondents to a recent survey supported investing \$1 billion for parkland acquisition.**

The nonprofit predicts that by 2036 — Texas’ 200th birthday — the state will have added 8 million residents. That represents about one-fourth of the 30 million people living here now. Those new Texans will look to get outdoors and enjoy state parks, which parks advocates say already are overwhelmed with reservation requests during peak times.”

<https://www.statesman.com/story/news/politics/state/2023/05/16/texas-parks-wildlife-department-trust-fund-vote-november-election-2023/70224454007/>

## Austin American Statesman

**“Administered by the state comptroller’s office, the new [Broadband Infrastructure] fund would support the efforts of the Texas Broadband Development Office to expand internet availability in the state by potentially providing needed matching funds to draw down federal dollars from the BEAD program.**

If approved by voters in November, the Broadband Infrastructure Fund could be the biggest state investment in broadband development to date.” Austin American Statesman, May 2023

<https://www.statesman.com/story/opinion/columns/your-voice/2023/05/12/opinion-investing-in-broadband-is-our-chance-to-bridge-the-digital-divide/70176012007/>



**Policy Advisor Rahul Sreenivasan testified in favor of SJR 74 in Senate Water, Agriculture, and Rural Affairs on Apr. 13, 2022.**



**Policy Analyst Mitrah Avini testifying in favor of HJR 125's enabling legislation, HB 9, on May 15, 2023, in Senate Finance.**



**Jeremy Mazur, Senior Policy Advisor, testifying in favor of SJR 75 on Mar. 20, 2023, before the Senate Committee on Water, Agriculture, and Rural Affairs.**







# COMMUNICATIONS

## *Driving Discussion*

The best research and data will have no impact if people are unaware of them. Here's how Texas 2036 amplified the reach of key issues facing the state.

## BY THE NUMBERS

Jan. 1 – Jul. 15, 2023

### Communication Goals

- Raise awareness of Texas 2036 – our people and our work.
- Be a trusted resource to policymakers, stakeholders, reporters and the public.
- Build civic demand to address the issues that matter most to Texas' future.

**4,000+**  
Content Pieces

### Digital Engagement



**64K+**

Followers

(+10K New Followers  
since Sept. 1, 2022)

**3.1M+**

Social Media  
Impressions

**205K+**

Engagements

(6.4% engagement rate)

**268K+**

Views generated  
by 100 Videos

**2.9M+**

Texas Tribune  
Ad Impressions

# Emails

# 100K+

## Views of 48 Newsletters

# 45%

**Open Rate**  
(average nonprofit  
open rate is 25%)

# Media

# 50+

## Op-eds and Press Releases

5K+

## Reporter Outreach

*(Pitches, Interview Requests and Opened Press Releases)*

600+

## Complete Media Mentions

*of Texas 2036 People or  
Work (including Spanish)*

## Website

100K+

## Website Visitors

150+

## Published Blogs

# 135+

## Testimonies, presentations and documents posted in the Resource Center



# 221

## Print and Multimedia Stories in 106 Outlets



# MEET THE TEAM



## Leadership

*Left to right: A.J. Rodriguez - Executive Vice President, Marc Watts - Board Chair, Margaret Spellings - President and CEO, and Tom Luce - Founder and Chairman Emeritus*



## Data Team

*Left to right: Dr. Anjali Gupta, Lauren Leining, Dr. Holly Heard and Carlos Ignacio Navarro*



## Communications Team

*Left to right: Jessi Acuña, Meagan Falcon, Merrill Davis and John Reynolds. Not pictured: Anne Davies, Margaret Weinkauff, and Heather Zrubeck*



## Policy Team

*Left to right: Luis Soberon, Mitrah Avini, Jeremy Mazur, Renzo Soto, Gabriel Grantham, John Hryhorchuk, Hope Osborn, Mary Lynn Pruneda, Charles Miller, Emily Dove, and Rahul Sreenivasan*

## Operations and Development Teams

*Not pictured: Justin Coppedge, Anne Davies, Amy Mueller, Emily George, Margaret Weinkauff, Heather Zrubeck, Hans Voss, Chris Mendezona, Christina Burns and Kenton Neel*



## Board of Directors

Left to right: (Front): Hunter Hunt, Sam Susser, Peter Rodriguez, Juliea Garcia, Pat Avery, Marc Watts, Anne Barnes, Elaine Mendoza, Amy Chronis, Tracee Bentley, Roberto Coronado, Joe Strauss (Back): James Henry Russell, Jeanne Phillips, Maynard Holt, Andrew Hall, Val La Mantia, Tom Luce, Brad Tidwell, Ron Kirk, and Bob Campbell

Marc Watts Chair		Elaine Mendoza Legislative Committee Chair	
Pat Avery	Ed Escudero	Tom Luce	Virginia Schaefer
Ann Barnes	Shannon Fletcher	Cynt Marshall	Sheryl Sculley
Aline Bass Callahan	Eva Guzman	Trent McKnight	Nicole Small
Tracee Bentley	Andrew Hall	Sonya Medina Williams	Joe Straus
Bob Campbell	Maynard Holt	Elaine Mendoza	Sam L Susser
Abel Castro	Hunter Hunt	Kyle Miller	Brad Tidwell
Amy Chronis	Wallace Jefferson	Jeanne Phillips	Julieta Villarreal García
Roberto Coronado	Ron Kirk	Peter Rodriguez	Marc Watts
Tony Cucolo	Val LaMantia	James Henry Russell	Zeynep Young



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TEXAS 2036

[texas2036.org](https://texas2036.org)