



# Legislative UPDATE

September 4, 2020  
Number 35

## **Comptroller Announces State Revenue Collections for Fiscal Year 2020**

With the state's 2021 fiscal year beginning on September 1, the comptroller [released state revenue totals](#) for fiscal year 2020 this week. Not surprisingly, state tax collections were down 3.4 percent in 2020 from 2019. Interestingly, overall state revenue was up 10.7 percent over fiscal year 2019. According to the comptroller, the increase is "primarily due to substantial increases in federal funding for pandemic-related assistance." These figures only reinforce the budgetary challenges the Texas Legislature will face in the 2021 legislative session.

Additionally, the comptroller released state sales tax collection numbers for August, which reflect sales made in July. As a result of the rising COVID-19 infection rates in July, state sales tax revenue dipped 5.6 percent below sales tax revenue receipts from August 2019.

The comptroller will release local sales tax numbers a little bit later this month, but the following statement in the comptroller's press release may not bode well for state and local sales tax revenue alike, at least in the short term: "Consumer spending was supported in July by enhanced federal benefits, which have since been reduced or expired. Consequently, further declines in sales tax revenue may ensue in the coming months."

## **Big City Mayors Speak at the Texas Tribune Festival**

Earlier this week, the mayors of Houston, San Antonio, Dallas, Austin, Fort Worth, and El Paso were interviewed by Evan Smith of *The Texas Tribune* to kick off the start of the virtual Texas Tribune Festival. The panel focused on major issues including the pandemic, the economy, and each city's perspective on their budgets.

The mayors emphasized their collaboration on working against the coronavirus starting in the early weeks of the pandemic including weekly calls and implementing a mask mandate in their cities before one was issued statewide. Stressing local control, the mayors discussed how they have the expertise on the local economy, demographics, COVID-19 cases, among other factors, in their own cities to make those decisions to combat the virus.

A large portion of the panel discussion focused on the pandemic effects on city budgets. While facing major shortfalls this budget cycle, most were able to avoid layoffs and furloughs. Budget woes come in different fashions for each city but the loss from hotel occupancy taxes are felt in Texas' largest cities. As major events and festivals are cancelled and unknown when they will return, the impact of those losses to the local economy will be devastating as businesses will be shattered and cannot return.

Each mayor talked about the financial challenges each city is facing. San Antonio is dealing with a \$100 million shortfall even as the city stopped certain expenses mid-year, while Dallas is facing a loss of tens of millions with new construction offsetting most of the losses. Mayor Sylvester Turner of Houston talked about his concern for the future budgets after taking a \$162 million hit. Mayor Betsy Price of Fort Worth echoed his concern saying that cities will be facing budget challenges for the next three to four years. Fort Worth has had a loss of \$20 million in sales taxes but remains optimistic as sales taxes continues to increase. Austin is addressing a \$60-80 million deficit. El Paso has already adopted its budget with a reduction of \$24 million.

The panel is available to watch on demand for festival attendees.

## **Legislative Committees Request Information on Interim Charges**

Due to the ongoing pandemic and the uncertainty as to scheduling interim hearings, several legislative committees have issued notices of formal "requests for information" ("RFIs") to which the public, including cities, may respond. The following is a non-exhaustive list of RFIs on city-relevant interim charges, sorted by the deadline for submitting comments. Interested city officials may follow the links associated with each committee for more details about the procedure to submit comments:

**September 8, 2020** – [House Insurance Committee](#):

- **Interim Charge 1:** Monitor the agencies and programs under the Committee's jurisdiction and oversee the implementation of relevant legislation passed by the 86th Legislature. Conduct active oversight of all associated rulemaking and other governmental actions taken to ensure intended legislative outcome of all legislation, including HB 1900, which amends the Texas Windstorm Insurance Association (TWIA) operations and funding practices. Review the rulemaking process by the Texas Department of Insurance (TDI) and the adoption of an updated plan of operation by TWIA. Monitor whether the purchase of reinsurance has increased or declined and determine whether this provision of the

legislation has had any impact on premium rates. Monitor the appointment and work of the Legislative Funding and Funding Structure Oversight board.

**September 14, 2020** – [House Ways and Means Committee](#):

- **Interim Charge 1.3:** Monitor the agencies and programs under the Committee's jurisdiction and oversee the implementation of relevant legislation passed by the 86th Legislature. Conduct active oversight of all associated rulemaking and other governmental actions taken to ensure intended legislative outcome of all legislation, including the following: HB 4347, which relates to the use of hotel occupancy, sales, and mixed beverage tax revenue for qualified projects. Examine the effectiveness and efficiency of the hotel projects, qualified hotel projects, and uses of local hotel occupancy tax revenue. Examine the negative fiscal impact to the state resulting from the dedication of the state portion of those taxes.
- **Interim Charge 2:** Study and consider possible methods of providing property tax relief, including potential sources of revenue that may be used to reduce or eliminate school district maintenance and operations property tax rates.
- **Interim Charge 3:** Study the role of the local option sales and use tax, including: an analysis of the available uses for those taxes, specifically economic development agreements; the statewide distribution of local tax rates; the proportion of the local government budget supported by sales and use taxes; the application of consistent sales sourcing rules; and the impact of shifting from origin to destination sourcing.

**September 18, 2020** – [House Elections Committee](#):

- **Interim Charge 1:** Monitor the agencies and programs under the Committee's jurisdiction and oversee the implementation of relevant legislation passed by the 86th Legislature. Conduct active oversight of all associated rulemaking and other governmental actions taken to ensure intended legislative outcome of all legislation, including the following: HB 933, which requires election information to be posted on the Secretary of State's (SOS) and each county's internet website. Monitor the costs associated with implementing the legislation. Work with the SOS to determine which office elections should be included in the website postings based on costs and popularity of the office.
- **Interim Charge 2:** Make recommendations for establishing best practices for conducting an election during a declared disaster. Examine model legislation and statutes from other states pertaining to voting during a declared disaster when polls are inaccessible.
- **Interim Charge 3:** Evaluate election laws with the purpose of strengthening voter integrity and fair elections. Perform an in-depth study of the voter registration processes and explore whether centralizing voter registration would be more effective than today's processes. Consider ways to improve voter list maintenance and study the volunteer deputy registrar process and voter registration procedures in other states. Include in the evaluation a review

of the state's curbside voting protocols and identify processes to improve the efficiency, privacy, and security of curbside voting.

**September 18, 2020** – [House Transportation Committee](#):

- **Interim Charge 1:** Monitor the agencies and programs under the Committee’s jurisdiction and oversee the implementation of relevant legislation passed by the 86th Legislature. Conduct active oversight of all associated rulemaking and other governmental actions taken to ensure intended legislative outcome of all legislation, including the following:
  - SB 282 and SB 962, which relate to the funding for the State Highway Fund. Study the current mix of user fee-based funding for the state highway system, including registration fees, tolls, and fuel tax, and determine if current funding generated is sufficient to maintain cost demands. Examine whether current legislative appropriations, including projections for Proposition 1 (severance tax) and Proposition 7 (sales tax) funds, are keeping pace with Texas' highway funding needs to accommodate population and economic development growth. Make recommendations for additional methods of funding or innovative tools that the state could utilize to deliver road infrastructure projects.
  - SB 357, which relates to outdoor advertising signs. Monitor the Texas Department of Transportation's implementation of the new statutory requirements set forth in the legislation, including any related rulemaking.
- **Interim Charge 2:** Study the state's transportation and road safety efforts in support of the Texas Transportation Commission's goal of ending traffic deaths in the state by 2050. Identify the most dangerous roads and transportation corridors in the state and determine opportunities to reduce high rates of traffic accidents and fatalities in these areas. Make recommendations to improve policies, funding strategies, program development, and agency coordination to ensure continuous improvements to road safety.
- **Interim Charge 3:** Study the technology and safety aspects of autonomous and semi-autonomous vehicles, including predictive capabilities and the potential for dedicated freeway and surface lanes for public transportation, autonomous vehicles, and semi-autonomous vehicles. Make recommendations for optimizing state policy to prepare for varying vehicle technologies to ensure safety and traffic reliability on Texas roadways.
- **Interim Charge 4:** Study the state’s seaport infrastructure and the infrastructure at land ports of entry to facilitate international trade and economic growth. Examine seaport infrastructure and the auxiliary rail and roadway needs connected to each port as well as the port's ability to keep pace with oil and gas production. Make recommendations to maximize the economic flow of goods and products to and from seaports and study the feasibility and economic impact of dredging and widening Texas ports in order to remain competitive in international trade. Examine the infrastructure at international border ports of entry in Texas and identify transportation-related impediments to international trade that

negatively impact the state. Make recommendations to reduce border wait times, facilitate economic growth, and expedite trade. (Joint charge with the House Committee on International Relations & Economic Development)

- The Committee also seeks the following information related to the COVID-19 pandemic:
  - Inquiry 1: How has the COVID-19 pandemic affected state agencies, interested parties, and the public as it relates to transportation matters?
  - Inquiry 2: What transportation issues are anticipated to arise in the future as a result of the COVID-19 pandemic?
  - Inquiry 3: How has the COVID-19 pandemic impacted the ability of the transportation state agencies to accomplish their mission and to serve the public in an effective and efficient manner?

#### September 25, 2020 – [House Natural Resources Committee](#)

- **Interim Charge 1:** Monitor the agencies and programs under the Committee's jurisdiction and oversee the implementation of relevant legislation passed by the 86th Legislature. Conduct active oversight of all associated rulemaking and other governmental actions taken to ensure intended legislative outcome of all legislation, including the following:
  - HJR 4, SB 7, and SB 8, which relate to statewide and regional flood planning and mitigation. Monitor the progress of the Texas Water Development Board (TWDB) and other entities to provide for the planning, development, and financing of drainage, flood mitigation, and flood control projects statewide to strengthen the state's infrastructure and resiliency to future floods.
  - HB 722, which relates to the development of brackish groundwater. Monitor the designation of Brackish Groundwater Production Zones by the TWDB and the adoption of rules by groundwater conservation districts for the production of brackish groundwater from those Zones.
  - HB 807, which relates to the state and regional water planning process. Monitor the appointment of the Interregional Planning Council by the TWDB and the Council's progress toward increasing coordination among Regional Water Planning Groups.
- **Interim Charge 2:** Study the efforts of the TCEQ, the TWDB, and the Public Utility Commission of Texas to incentivize, promote, and preserve regional projects to meet water supply needs and encourage public and private investment in water infrastructure. Identify impediments or threats to regionalization with special emphasis on:
  - Prioritization in planning and implementing the State Water Plan, Regional Water Plan, and other recommended water supply projects;

- Barriers to private investment and the development of public-private partnerships to implement needed water supply projects, including the retail water and wastewater industry, to address the state's growth challenges;
- Public water and wastewater systems that are unable to meet federal and state standards due to inadequate operational capacity and factors that prevent such systems from being integrated into larger systems and processes that more easily facilitate the sale, transfer, or merger of systems;
- State agency authority to regulate regional water supply pricing.
- The committee also seeks written submissions on the following topics:
  - Emerging issues in groundwater and surface water interaction, in particular in areas of increasing competition for scarce resources.
  - The status of water markets in Texas and the potential benefits of and challenges to expanded markets for water.

**October 30, 2020** – [House Licensing and Administrative Procedures Committee](#)

- **Interim Charge 1:** Monitor the agencies and programs under the Committee's jurisdiction and oversee the implementation of relevant legislation passed by the 86th Legislature. Conduct active oversight of all associated rulemaking and other governmental actions taken to ensure intended legislative outcome of all legislation, including the following:
  - HB 892, which relates to county regulation of game rooms. Monitor the status of counties statewide who have chosen to regulate game rooms and implement their own regulatory structure to combat illegal gambling activity via registration and permitting requirements, fees, disclosure of ownership, inspection schemes, and civil and criminal penalties.
  - HB 1545, which is the sunset legislation for the Texas Alcoholic Beverage Commission. Monitor the implementation of the legislation and the agency's progress in the consolidation, repeal, and creation of certain licenses and permits and the adoption of new fees.

**November 13, 2020** – [House Ways and Means Committee](#)

- **Interim Charge 1.1:** Monitor the agencies and programs under the Committee's jurisdiction and oversee the implementation of relevant legislation passed by the 86th Legislature. Conduct active oversight of all associated rulemaking and other governmental actions taken to ensure intended legislative outcome of all legislation, including the following:

- S.B. 2, which is the Texas Property Tax Reform and Transparency Act of 2019. Monitor the implementation of the legislation, including a review of the tax rates adopted by taxing units in 2019 and 2020, the appraisal review board survey system, and progress in onboarding the tax rate notices and websites. Make recommendations for modifications as necessary and appropriate.

## **Coronavirus (COVID-19) Updates**

The Texas Municipal League is open for business. The building is closed to all but essential personnel and most staff is working remotely, but the League remains open for business and is fully ready to serve. Cities are encouraged to call or email for legal assistance, help with ordinances, or for general advice or assistance. Let us know how we can assist you and your city.

Call TML staff at 512-231-7400, or email Scott Houston for legal assistance at [SHouston@tml.org](mailto:SHouston@tml.org); Rachael Pitts for membership support at [RPitts@tml.org](mailto:RPitts@tml.org); and the training team for questions about conferences and workshops at [training@tml.org](mailto:training@tml.org).

The League has prepared a coronavirus clearinghouse [web page](#) to keep cities updated. In addition, everyone who receives the *Legislative Update* should receive a daily email update each afternoon with information on new developments. The daily email updates will be our primary means of communication during the pandemic. Those emails are being archived [chronologically](#) as well as by [subject matter](#).

*TML member cities may use the material herein for any purpose. No other person or entity may reproduce, duplicate, or distribute any part of this document without the written authorization of the Texas Municipal League.*