

# JOBS FOR TEXAS AGENDA

84TH LEGISLATIVE SESSION

CREATING MORE GOOD PAYING  
JOBS FOR MORE TEXANS

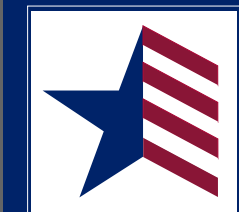


TEXAS  
ASSOCIATION OF  
BUSINESS

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Dear Friends:

Texas has been the job creation leader for the past decade. That incredible growth has brought opportunity for many, but also brought many new challenges.

We believe with our strong economy, and the revenue that economy generates, that it is time to deal with some of the major issues that will allow Texas to keep up with our growth and keep our economy the envy of the nation.

At the top of our priority list is fully funding our transportation system to at least maintain our current level of congestion. That goes beyond passing Proposition 1 on the November ballot to ending non-education diversions from the state highway fund and leaving no financing solution off the table.

The state faces a critical shortage in primary care physicians and advanced practice registered nurses (APRN's). TAB is leading an effort to pass two programs that will increase the number of residency programs in Texas and to create more educational opportunities for people wanting to train to be APRN's.

TAB is continuing to lead the effort to improve higher education outcomes by pushing to have a percentage of higher education dollars tied to increasing graduation rates. TAB was successful in tying community college funding to completion rate improvement and we believe the same should be done for state four-year institutions.

We also would like to see every child who qualifies for a TEXAS Grant, a \$5,000 scholarship program, be able to get one. That would allow many more students to go to the community college or four-year school of their choice.

We would like to see the environmental permitting process brought into the 21st century. Currently, it is a very long and expensive process that is costing Texas new jobs. It must be brought in line with 47 other states that allow for strict time limits on the time it takes to get a permit. That would add certainty for investors that want to bring dollars and jobs to Texas.

We also believe it vital to ensure the long-term success of our well-respected workers' compensation system. That's why we recommend leveling the playing field for all workers' compensation insurers in Texas, and increasing coverage options for Texas-based employers with operations in other states. We support getting government out of the insurance business and creating an even more robust and fair system for high-risk employers.

The future of Texas is dependent upon us joining together and supporting these initiatives and proposals outlined with more detail in the following document. We hope you will join us in our effort next session to ensure these ideas become law.

Sincerely,

Bill Hammond  
CEO

# CUT REGULATORY RED TAPE

## Reform the Environmental Permitting Process

Attracting capital investment and job growth demands a regulatory climate that offers stability and predictability to investors. In Texas, the process for approving environmental permits is unpredictable, unfair to applicants and subject to abuse by those opposing many new business developments and infrastructure projects. The problem is not with technical review of applications by the state agency, but with the opportunity under Texas law for outside parties to challenge permits through a trial-like contested case hearing before an administrative law judge. Contested case hearings can add significant delays and unpredictable costs to projects while unfairly placing the burden on applicants to prove that permits written by a state agency meet all legal requirements.

Those opposed to many business developments can use the threat of a contested case hearing to leverage concessions from project sponsors that are not required under state law or agency regulation. This adds uncertainty to projects and increases costs for investors. Significant capital investments and job growth opportunities in Texas have been lost or moved to other states in large part because of the problems represented by the permitting process in Texas. Other states with which we compete for economic investments are now actively using the knowledge of our permitting process to convince prospective investors to look beyond Texas for their projects while offering a more predictable and efficient permit process in their states.

## Solution

One option is to replace the current contested case process with an administrative review and approval process that incorporates public notice and comment, much like the process used by EPA at the federal level. At the very least, the process needs to be reformed to:

- impose strict time limitations on all parties to the permitting process,
- narrow the eligibility of parties to request a contested case hearing,
- focus the scope of a permit hearing only on actual fact issues that are clearly in dispute, and
- require those protesting an application to bear the burden of proof that a state permit does not meet legal and regulatory requirements.





# END GOVERNMENT INVOLVEMENT IN PRIVATE BUSINESS

**Allow state's leading provider of workers' compensation insurance coverage the ability to better serve Texas employers; put policyholders fully in charge of the company they own.**

TAB actively supported reform of the Texas workers' compensation system in 2001 and 2005. Thanks to those reforms, medical costs in the system have moderated and overall costs to employers are lower. One of the reforms included creating Texas Mutual Insurance Company. Over the years, governmental control over Texas Mutual has diminished as the Texas Legislature has passed legislation to reduce the state's unique oversight of this private company. The remaining state involvement includes gubernatorial appointment of a majority of the Texas Mutual board of directors, including the chair. However, like all mutual companies, the policyholders own the company and have full fiduciary responsibility for its operation. Texas Mutual has become the state's largest workers' compensation insurer and would like to offer its owners more services. Owners have expressed interest in allowing Texas Mutual to directly insure the out-of-state employees of Texas-based employers. Many states have laws banning the licensing of an insurance company in which another state has an involvement. Additionally, Texas Mutual is exempt from federal taxes because of its relationship with the state, a benefit some say creates an unfair playing field for competitors.

## **Solution**

Texas lawmakers should end the state's unique involvement in a private business, Texas Mutual Insurance Company. The change will level the playing field in the workers' compensation market and allow the company's policyholder owners to fully determine the direction of their company. The state will maintain regulatory oversight, just as it does with other mutual insurance companies.



# IMPROVE HIGHER EDUCATION

## Outcomes-Based Formula Funding

Texas needs to increase both student access to higher education and student success in earning academic credentials to maintain economic competitiveness and provide a higher quality of life for Texas families. The current state funding formulas reward universities for the number of students enrolled on the 12th day of class, regardless of outcomes. With only 49% of all students graduating within 6 years, it is time to focus on outcomes and not just access.

### Solution

Begin to implement outcomes-based funding by providing 10% of funding for four-year universities based on Bachelor's degrees awarded, with bonuses for graduating at-risk students and degrees in fields of critical economic importance to Texas. Including student success measures in the formulas will further spur institutions to be innovative in developing and strengthening support services such as counseling, tutoring and degree planning, which have a demonstrated impact in helping students achieve their educational goals. Outcomes-based funding would show that higher education is an accountable, efficient and innovative steward of public funds. Texas would take a key national leadership role in reinventing higher education in ways that meet the specific needs of students and the state's economy.

## TEXAS Grant Funding

The Texas Legislature established the TEXAS (Towards EXcellence Access and Success) Grant to ensure that well-prepared high school graduates with financial need could attend college. The Texas Association of Business has a long history of ensuring this program is best serving the needs of students to ensure that our institutions of higher education are serving the needs of employers. In the previous sessions, we advocated for the successful passage of a priority model allocation of the grant funds, ensuring students receiving the awards would be successful. The Coordinating Board allocates funding to institutions of higher education that then have broad discretion to decide how and to whom they will make awards, operating within the eligibility requirements of the program. The 2016-17 base budget of \$652.6 million funds 100% of renewal students and 84% of initially eligible students at a \$5,000 award amount.

### Solution

In order to provide access to all the deserving, eligible students, the legislature should provide full funding levels for the TEXAS Grants Program, which would cost an additional \$137.9 million for the biennium. The increase to the base-budget would fund 100% of both renewal and initially eligible students and provide increased access to higher education.

# INCREASE TEXAS' TRANSPORTATION INFRASTRUCTURE

## Transportation Infrastructure Tools

The critical nature of our transportation funding challenges in Texas requires that no viable tool for building and maintaining our transportation infrastructure be taken off the table for use by local, regional or state transportation authorities.

## Solution

Transportation agencies should not be precluded from the use of innovative financing solutions such as tax increment financing or the use of comprehensive development agreements to provide the maximum flexibility in project delivery and return on investment. The use of design-build procedures can also save the state as much as 8% over traditional procedures for transportation project implementation.

## Transportation Funding

The state has failed to maintain a funding source for transportation infrastructure that meets the demands of our growing economy. This is limiting the ability of our economy to reach its full potential. Texas ranks 44th of all the states in transportation funding on a per-vehicle basis. This is far short of what is needed to support a transportation system that supports an economy that is the largest among the states and one of the largest in the world. The motor fuel tax has proven inadequate to generate the revenues for transportation system maintenance and new growth. Borrowing money has served as a stopgap measure, but the large debt burden is not sustainable. All options for funding transportation should be seriously considered.

The Legislature made progress in 2013 by authorizing a constitutional amendment in November 2014 to direct a portion of oil and gas severance tax revenue to transportation funding. It is estimated that Proposition 1, when approved by the voters, will add approximately \$1.7 billion per year in additional funds.

## Solution

Further progress can be made by ending diversions from the state highway fund. Currently, some gas tax revenue is diverted from transportation programs, including 25% to public education. Ending all non-education diversions could add as much as \$700 million dollars annually for our roads and other transportation needs. Also, the half of sales tax that is specific to motor vehicle sales could be directed to fund transportation. Even if only the future growth in motor vehicle sales taxes were to be spent on transportation, that would translate roughly to some \$300 million annually. Proposition 1, in conjunction with these additional revenue sources, will significantly improve our ability to meet our transportation needs, and all without increasing any existing tax or fee. However, these measures collectively still do not provide the funding that is actually needed long term. If new sources are to be considered, one likely option should be the current vehicle registration fee. Texas levies one of the lowest annual registration fees in the country and a modest \$50 increase is estimated to generate roughly \$1.2 billion in additional revenue. While few want to consider raising fees on the public, we cannot continue to talk about job growth in Texas without adequate funding for roads.



# PROMOTE BUDGET TRANSPARENCY



## **Spend Dedicated Revenues for Their Intended Purposes**

The Texas Legislature has a long track record of assessing fees against businesses to fund regulatory programs and avoid the use of general revenue tax dollars wherever possible. Income from these fees is typically not adjusted to match the amounts of money appropriated to the regulatory agencies. Because revenues often exceed expenditures, large unspent account balances accumulate. When the Legislature convened in 2013, the Comptroller reported unobligated balances in dedicated fee funds in excess of \$5 billion – money collected from citizens and businesses that was used to justify state spending limits, but not used for the purpose for which it was collected.

In recent years, the Legislature has undertaken across-the-board budget reductions due to general revenue constraints. For agencies that regulate businesses by processing permits and other approvals, these reductions actually add to the delays and the bureaucratic steps to expand economic activity and grow jobs, even as the money paid to the state to conduct these programs sits unspent in the treasury.

## **Solution**

The Legislature has recognized the problems with this approach and has made progress in addressing it; however, that process needs to continue. The process must be reformed so that:

- the state collects only what fee revenues the Legislature intends to spend;
- the Comptroller's biennial revenues estimate clearly distinguishes between dedicated fees and general revenue taxes; and
- if businesses are willing to pay for the programs that are necessary for new business and job growth, those programs should be funded as long as the funds to support them are available and the general tax payers are not burdened.

# ADDRESS THE PRIMARY CARE SHORTAGE

Texas is facing a severe shortage of doctors and nurse practitioners. This is due to Texas' rapid population growth, as well as the sheer size of the state, rising healthcare costs, and the aging population. According to the U.S. Department of Health and Human Services, 126 out of Texas' 254 counties are designated Health Professional Shortage Areas, defined as areas with a doctor-patient ratio less than one doctor per 3,000 patients. Most of those counties are rural.

Texas must increase the number of residency positions for doctors to help fill this gap. Currently, some doctors leave the state to do their residency, and many never return to practice here. Beginning this year, there are at least 63 medical school graduates in Texas that will have to go out of state to enter a residency program. By 2016, at current funding levels, that will grow to 180. Texas must have enough residency positions to, not only keep all of our doctors in Texas to complete their residency, but attract out-of-state doctors to complete their residency in Texas. We know if out-of-state doctors come to Texas to complete their residency, 85 percent will stay here.

An increase in the number of Advanced Practice Registered Nurses (APRN's) or nurse practitioners in Texas is helping to fill the primary care physician gap. From 2000 to 2009 the supply of APRN's increased 87 percent, while the supply of primary care physicians only increased 18 percent. A study published in 2000 in the Journal of the American Medical Association found that APRN's used a similar amount of diagnostic testing and emergency care as primary care physicians, and had similar patient outcomes.

## **Solution**

In order to have enough residency slots for all medical school graduates in Texas, as well as extra to attract graduates from out-of-state, the legislature should appropriate an additional \$40 million to the Higher Education Coordinating Board to create an additional 280 first-year residency slots. Texas also must increase the number of APRN graduates by increasing graduate nursing faculty and the number of clinical placements available. Making available an additional \$20 million to graduate nursing programs would give them the additional resources needed to expand the number of new graduates.







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