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PUC holds summit on federal emissions caps

by Mark Lavergne

Cap and Trade opponents, led by Gov. Rick Perry, blew out of the woodwork Sept. 22 at the Public Utility Commission's summit on the topic.

HR 2454, which squeaked through the U.S. House in June, 219-212, caps greenhouse gas emissions nationwide and turns CO2 emissions into a tradable commodity for energy providers and businesses.

Perry said the bill "would precipitate an economic disaster in Texas, making our state less secure, hindering the ability to be competing with the rest of the world" and imposing the "single largest tax increase in American history" — one "devastating to normal Texans who simply want to do an honest day's work and take care of their families."

The PUC called the summit in conjunction with the Texas Commission on Environmental Quality (TCEQ) and the Texas Railroad Commission. The three commissioners from

each agency formed the nine-member panel, hearing from nearly two dozen speakers.

Jobs and budgetary impacts

Martin Hubert of the Texas Comptroller's Office said the bill would cost Texas 137,000 jobs by 2020.

Texas Workforce Commission Chairman Tom Pauken concurred, citing a study by Prof. Gabriel Calzada of the Universidad Rey Juan Carlos in Madrid, which concluded that heavily subsidized alternative energy jobs, or "green jobs," actually create more layoffs than new positions, at a ratio of 2.2 to one. And at 18.1 percent unemployment, the country has more jobless than any other in Western Europe, and more than double that of Texas, indicating green jobs may not be the panacea of prosperity that some environmentalist proponents of cap and trade have claimed.

Karen Campbell, a policy analyst with the Heritage Foundation, Washington, D.C., cited other potentially "devastating" effects on the

Texas economy. From 2012 to 2035, she said, the House cap and trade bill would lower gross state product by \$26 billion, personal income by \$9 billion, kill 94,041 jobs, raise electric prices by \$890.59 per household, and gasoline prices by 62 cents per gallon — all on average per year. This takes into account other jobs that would be created and income gained as a result of the bill. All this of course would mean less revenue for the state, and more future budget shortfalls.

Kathleen Hartnett White, director of the Anne & Tobin Armstrong Center for Energy and Environment at the Texas Public Policy Foundation, said the Cap and Trade bill — all 1,427 pages of which she has read — also mandates that a certain percentage of energy come from renewable sources. The bill includes tightened energy efficiency mandates, such as for new buildings.

Luke Bellsnyder of the Texas Association of Manufacturers predicted that under the

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Big surprise from the Health and Human Services Commission: Obamacare will blow a whole in the Texas budget.

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Thanks to tuition deregulation, the state-guaranteed college savings fund needs a serious overhaul ... yesterday.

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Self-evaluation reports provide glimpse into Sunset

by Andy Hogue

Neither Lt. Gov. David Dewhurst nor Speaker Joe Straus has made his appointments to the Sunset Advisory Commission for this year, meaning that only two holdovers from each chamber are currently on the commission. Meaning also that how the Sunset process will pan out for the 2011 session is anyone's guess.

But the Texas Sunset Advisory Commission's work in preparation for the 82nd Legislative Session is underway, as several departments have filed self-evaluation reports.

The Sunset Advisory Commission consists of 10 legislators (five from each chamber) and two public members, most of whom serve four-year terms. It recommends whether to continue agencies and how to structure them.

All state agencies expire if not renewed by their Sunset deadlines (usually about 12 years after their last Sunset bill passed).

The first step of that process is the self-evaluation reports, which are basically descriptions of agencies and recommendations for the

Sunset process. By examining the reports carefully, one can often figure out what an agency's "wish-list" is for the upcoming session.

Dewhurst's and Straus's appointments for the upcoming term are particularly critical. The Public Utility Commission and the Texas Commission on Environmental Quality are among the agencies that are slated to undergo Sunset Review in 2011. In 2013, Sunset will look at the Texas Education Agency and the Texas Health and Human Services Commission, among others — making the choice of commissioners for the upcoming four-year period particularly important. Here's a look at some of the key suggestions from the self-evaluation reports.

Capital Metro

Suggestions for reforming the Capital Metropolitan Transportation Authority — the transportation system of the Austin area and surrounding communities and suburbs — include waiving the two-cent sales tax cap on

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bill, by 2030 a manufacturing facility such as a paper mill would see electric prices increase annually between \$13.8 million and \$21.7 million, with increases of as much as \$4.1 million for smaller facilities.

White described Title IV of the bill, the "Climate Change Workers Adjustment Assistance Program," as "unemployment benefits for people who have lost their jobs as a result of this program." Such a worker, she said, could get up to 70 percent of his previous pay, up to 80 percent of the value of his health insurance premium, and payment for job retraining, job search and job relocation, all for up to three years. White said this section amounts to an admission on the part of the bill's authors that it will cost private sector jobs.

Bob Avant, with Texas AgriLife Research at Texas A&M University, pointed to huge administrative costs for applying the bill. "Just think about the engineers and the lawyers and everybody else that they need to get a CO2 permit to operate," he said. "Nobody talks about those costs; those intangibles of what it's going to cost to regulate that."

CO2: The new gold

White said if the bill passes as-is, CO2 would immediately become the country's most valuable new commodity. "Somebody invented something like gold by this bill," she said, noting that CO2 could be "held" by anyone — traded, fungible — but "owned" by no one.

"It does not constitute a property right, nor does any offset credit," White said. Under the bill, she said, "Nothing limits, quote, 'the authority of the U.S. to terminate or limit allowances.'"

The EPA, White related, would initially grant about 85 percent of the allowances needed, and the remainder it would auction each year. Only entities directly regulated by the bill could purchase them at auction, she said, starting at the first auction at \$28 a ton.

"It is amazing," she said, "that EPA becomes the banker of the world's most new, most valuable commodity."

The electricity sector, White said, would get about 35 percent of the carbon credits, with oil refiners restricted to 2 percent.

"Costs of inaction"

Proponents of the House bill, a key Democratic project, contend the "costs of inaction" would be much greater, on the essentially Malthusian principle that natural resources face

exhaustion, absent government regulation.

That's despite objections from social justice advocates that the bill would hit low-income families the hardest of all.

A spokeswoman for the Roman Catholic Diocese of Austin, **Barbara Budde**, said Texans at 50 percent of federal poverty guidelines now spend 75 percent of their income on energy. "That's unsustainable," Budde said.

The diocese's interim administrator, the Rev. Msgr. **Michael Mulvey**, published an op-ed in the *Austin American Statesman* Sept. 18, warning that the city's own renewable energy proposals would spike energy prices and hit the poorest families hardest.

But environmentalists insist that the hikes on Austinites' electricity bills are for their own good.

Cyrus Reed of the Lone Star Chapter of the Sierra Club said "continuing with our current electricity mix" in Austin would be "among the most expensive options." Austinites would "definitely see bills stabilize or even go down as our homes and buildings require less electricity," Reed assured.

Tom Smith of the Ralph Nader-affiliated lobby Public Citizen said inaction would cause dengue fever outbreaks, 10- to 12-year droughts, a 35 percent drop in water supplies, and rising sea levels requiring refinery relocations.

"All of these are costs that we're going to bear in Texas as a result of climate change," Smith said. "The question is how much, and that is determined by the kinds of actions that you as regulators and we as advocates are willing to make commitments to do."

Texas Agriculture Commissioner **Todd Staples** took perhaps the sharpest aim at the Malthusian foundations of HR 2454, saying: "Are these the same people that in 1968 predicted there would be a major food shortage in the U.S.? And in the 1970s hundreds of millions of people are going to starve to death? Or in 1972 warned the world would run out of gold by 1981, mercury and silver by '85, tin by '87, and petroleum copper, lead, and natural gas by 1992?"

Oil and Gas

Perry said the bill would lead to a 41 percent increase in gasoline prices.

Jim Greenwood, vice-president of governmental affairs for Valero Energy said 83 percent emissions reduction by 2050 would mean that each person would have to produce no more than about 2.5 tons of CO2 per year, less than the average in colonial times. Just two countries presently meet that standard, Green-

wood said — Haiti and Somalia.

Dr. **Michael Webber**, of the University of Texas' Center for International Energy and Environmental Policy, said while the bill does constrain carbon-emitting fossil fuels like oil and gas, Texas is also rich in the kinds of energy sources whose cultivation the bill would encourage, such as solar, wind, and natural gas.

But **Brian Woodard** of Devon Energy countered that the bill's renewable electricity standard does not recognize natural gas, focusing instead on wind and solar. The bill could force Devon and other producers to reduce drilling activity "substantially," he said.

Agriculture

Perry said the bill would cause some families to lose their farms, while Avant predicted it would drive up the cost of diesel fuels used to operate tractors, manufacture fertilizer, and generate electricity for irrigation pumps, cotton gins, and other rural necessities. Avant cited a report from Texas AgriLife Research, saying HR 2454 would cause 23 of 25 farms and ranches studied by the agency to face lower cash reserves in 2015.

Avant said agriculture cannot pass its increased costs onto the consumers. "We are price takers," he said.

Staples cited an American Farm Bureau study predicting the bill would cost Texas farmers up to \$5 billion a year by 2020, and \$13 billion annually by 2030, forcing the nation to outsource agriculture.

Infrastructure

"We are doing it right," PUC Chairman **Barry Smitherman** said. "... We are achieving results without having to be forced to do it by the federal government."

Smitherman cited estimates that as early as 2013, coal and natural gas plants will start getting "kicked off the grid" in favor of wind power.

Former state representative and Wind Coalition executive director **Paul Sadler** agreed that the key to those results is infrastructure. Sadler said that he expected after the presidential election that a big transmission construction campaign would take off. But that hasn't happened outside of Texas, he said. "If you get the cart before horse, that seems dangerous to me," he said.

Webber said there is "some precedent" for individual states to be exempted from the specific regulations of cap and trade as long as it still promises to meet the targets using a different approach, such as that in Texas.



HHSC: Health reform has major state budget consequences

by William Lutz

What's the prospective cost of the health care bill taking shape in the Senate Finance Committee, under the guidance of Sen. **Max Baucus** (D-Montana)?

Get a grip: \$14.425 billion in general revenue (state tax dollars) over the next 10 years. To put it another way, that averages more than \$2.5 billion per biennium over and above what the state already is spending.

Texas Sen. **John Cornyn** asked the Health and Human Services Commission for the figures. The commission delivered its estimate Sept. 21.

The commission's report also states that the Baucus bill would add 2,479,000 Texans to government health care programs during the next 10 years at a total cost, state and federal, of \$138.4 billion.

"We know already," Cornyn said, "that the American people are weary of excessive government spending, and they feel like Washington is not appropriately responsive to their concerns, as we've seen on our TV screens and in town hall meetings across the country. Medicaid already imposes huge costs on state taxpayers and already crowds out other priorities like education, law enforcement, and the like." (Medicaid is the state-federal subsidized health care program for the poor.)

After Cornyn got through criticizing the bill, Gov. **Rick Perry** chimed in, in a Sept. 22 letter to Baucus. "Last week," the Governor wrote, "Senate Majority Leader Harry Reid said he was concerned that the health care legislation you have proposed will expand the Nevada Medicaid population beyond what his state can afford. Speaking as governor of a state with a significantly larger caseload than Nevada – a caseload that could double under your proposed Senate Finance plan – let me respectfully say I am troubled by the financial impact on Texas taxpayers and our budget."

Perry reiterated his request for the federal Center for Medicare and Medicaid Services (CMS) to approve the State of Texas's Medicaid Reform request, submitted in April 2008. The waiver was requested, in part, to implement the Legislature's Medicaid Reform bill, SB 10.

Perry's letter prompted a retort from state Rep. **Garnet Coleman** (D-Houston), one of the leading Texas Democrats on health policy. "Gov. Perry asserts that health-care reform should be achieved only by allowing states to develop their own solutions," Coleman said. "Based on his

track record this would be an imprudent and possibly detrimental action. His statement is laughable given his track record on health care, which is dismal at best. Quite frankly, leading a state with the highest uninsured population in the nation is nothing to brag about. Under his leadership, families have seen their insurance premiums rise a whopping 91.6 percent ... In 2003, he signed legislation that resulted in the removal of over 200,000 children from the CHIP rolls and oversaw the massive privatization effort of our health care services that resulted in wasted taxpayer dollars and a drop in service to Texans in need of aid from the Health and Human Services Commission."

How the numbers add up

The HHSC report provides a fascinating window into how the Baucus health care bill would operate.

First, the bill expands Medicaid to all persons making less than 133 percent of the Federal Poverty Level. According to HHSC spokeswoman **Stephanie Goodman**, most able-bodied adults are not eligible for Medicaid in Texas. Eligibility is mainly restricted to pregnant women, children, and persons with disabilities. Therefore, the bill would expand eligibility to those not currently able to claim Medicaid benefits. The state would have to spend \$9.8 billion over 10 years in state tax dollars (known as general revenue) providing benefits to newly-eligible Medicaid clients.

The bill also contains an individual mandate that all persons carry health insurance. HHSC estimates the number of Medicaid-eligible persons who claim the benefit would rise to 94 percent (from 78 percent currently), costing the state \$11.1 billion in general revenue.

The bill does make two significant changes that would reduce the cost to Texas taxpayers. First, it eliminates the deductions from income for determining eligibility for Medicaid (reducing costs by \$8 billion in general revenue over 10 years). Also, a provision in the bill negotiated between the pharmaceutical industry and Democratic leaders in Congress increases the rebates the government receives from government-purchased pharmaceutical products. That change would save Texas taxpayers \$4.2 billion in general revenue over 10 years.

The bill also phases out the Children's Health Insurance Program, instead encouraging CHIP recipients to buy coverage through Obama's health insurance exchange. But CHIP and Medicaid have a more generous benefits

structure than any private insurance plan currently on the market. Transportation to the doctor's office, for example, is included in CHIP and Medicaid. The Baucus bill requires states to purchase a policy for CHIP-eligible parents that covers the difference between what private insurance provides and the amount of CHIP benefits. Therefore, the net effect of the changes to CHIP would be increased cost of \$645 million general revenue over 10 years.

Additionally, HHSC estimates that the Baucus plan, if enacted, would add \$5 billion in general revenue administrative costs over 10 years.

Total these changes, and HHSC estimates a net effect of \$14.425 billion.

There's one more catch. A provision in the Baucus bill lowers by half state payments from the Disproportionate Share Program (known as DSH or "Dish" in health care circles) if the number of uninsured drops by half.

Texas uses DSH – in part – to pay reimbursement rates to hospitals for government-subsidized care. So if the provision in the bill reducing DSH should take effect, HHSC estimates added costs of \$6 billion, for a grand total of \$20.425 billion in extra state tax dollars for Baucus-ObamaCare.

Speaking to Congress last week, President **Barack Obama** said there are no tax increases in his health care bill. But the HHSC study documents that the Obama-Baucus health care bill is funded, in part, by offloading costs onto state governments.

A \$2.5 billion-plus biennial hit to Texas general revenue won't be easy to plug in an era where sales tax revenue is softening. The Baucus bill would effectively either require a reduction in state services or force taxes up even on those earning less than \$250,000 per year – the constituents whose taxes Obama during his presidential campaign promised not to raise.

Additionally, the Baucus bill imposes new regulatory requirements on insurance carriers that will drive up the cost of existing premiums. Cornyn mentioned one such requirement, citing data prepared by Blue Cross. "In my state alone – in Texas in the individual insurance market – 91 percent of the current policies in place don't comply with the minimum actuarial value required under this bill," Cornyn said.

Translation: millionaires and state government budget-writers won't be the only ones paying more for health care under the Obama-Baucus plan. ○



Texas has highest rate of young adults without high school diploma

The Census Bureau announced findings this week that Texas ranks highest in the number of adults 25 years and over without high school diplomas.

Texas Association of Business President Bill Hammond called the findings “both disheartening and unsurprising,” saying they threaten Texas’ standing as an economic powerhouse in the nation. He criticized the Texas Education Agency for setting low and easily achievable standards that paint a false picture of the state’s academic successes and failures.

“Sunlight on these issues is the best disinfectant, but the Texas Education Agency (TEA) has continually lowered the bar and hidden the truth to create false hope,” Hammond said in a statement, pointing out that over 63 percent of Texas schools have been rated as “Recognized” or “Exemplary” based on TEA accountability ratings, “yet many of our students are reaching ninth grade without the ability to read.”

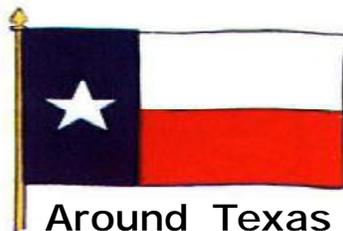
People and places

***Hutchison announces campaign staffing changes** U.S. Sen. **Kay Bailey Hutchison’s** gubernatorial campaign announced this week the addition of several new staff, including political strategist **Keats Norfleet** as senior adviser. Norfleet, who has in the past worked with Texas political strategist **Bryan Eppstein**, was most recently president of the statewide political consulting firm The Election Group, LLC. He directed the 2007 Texas Cancer Research Referendum, which campaigned in favor of the constitutional amendment for the state to issue billions in cancer research bonds over the next decade. A former field director for the Texas Republican Party, he was Hutchison’s deputy campaign manager when she ran for re-election in 2006.

Hutchison also appointed five regional political directors, including former Dallas County Republican Party executive director **Kim Garza**.

“Each new member of our team brings years of experience in Texas politics and in their communities,” said Hutchison campaign manager **Terry Sullivan**.

***Pickens endorses Perry** **T. Boone Pickens**, the legendary energy investor who has recently pushed for expanded use of renewable energy like wind and solar power, this week endorsed Gov. **Rick Perry** for re-election, calling Perry “a proven leader who has been instrumental in helping Texas maintain a key role in the national economy, despite the many challenges we face.



He understands what needs to be done to address the threat of foreign oil imports and how we should begin using a cleaner, cheaper, domestic option,” like natural gas.

***Gilbert launches campaign.** Democrat **Hank Gilbert**, toll-road opponent and 2006 candidate for Texas Agriculture Commissioner, officially kicked off his gubernatorial campaign this week with a 13-city tour entitled “Road to Prosperity” — continuing the theme of transportation policy to which he has alluded in previous statements.

***Flynn to seek re-election.** Rep. **Dan Flynn** (R-Van), vice chairman of the House Committee on Border and Intergovernmental Affairs and member of the Sunset Advisory Commission, announced Sept. 23 that he will run for a fifth term in HD 2, which includes Hunt, Rains, and Van Zandt Counties in northeast Texas. “I am committed to defending our citizens from government intrusion in their lives, and will continue to fight for individual freedoms and liberties,” he said.”

Flynn, who is endorsed by Texans for Fiscal Responsibility, says improving transportation infrastructure, curbing illegal immigration, and defending the Second Amendment are his major priorities for the 82nd session.

AG: Three men arrested for voter fraud

Many opponents of the 81st legislative session’s ill-fated Voter ID bill said illegal voting happens so rarely in Texas that a new law was not worth the effort (though stopping it was apparently worth “chubbing” the legislative calendar and delaying the renewal of several state agencies until a special session).

But three arrests were made last week stemming from a Border town school board election last year.

The Texas Attorney General’s Office said investigators arrested three men accused of casting votes illegally in the Progreso ISD election in May 2008. The men were convicted felons at the time of the election, thus ineligible to cast ballots, according to AG’s office spokesman **Dirk Fillpot**.

The men, indicted by a Brooks County

grand jury on Sept. 16, are:

- **Ruben Trevino Garcia**, 62, who was convicted of felony involuntary manslaughter in Hidalgo County on Feb. 22, 2005.

- **Jose De Jesus Cano**, 41, who was convicted of a third-degree felony charge of driving while intoxicated in Hidalgo County on Aug. 24, 2004.

- **Mario Manuel Medrano**, 22, who was convicted of felony theft in Hidalgo County on Jan. 11, 2006.

If convicted, each could face up to 10 years in prison and a fine of up to \$10,000.

“This past week’s arrests are part of a continuing criminal investigation by the Office of the Attorney General into potentially illegal voting practices during the 2008 Progreso Independent School District election,” Fillpot said.

Progreso ISD is a K-12 district located in Hidalgo County on the U.S.-Mexico border.

Stossel addresses TPPF luncheon on Obamacare

News reporter **John Stossel**, who recently announced he is moving from ABC News to Fox News, criticized Obama-style health care reform at a TPPF luncheon on Sept. 24. Stossel acknowledged that the current system is, as Obama put it, “unsustainable.”

“Not that Obamacare is better,” he said, arguing that the reason healthcare costs have risen is that the scope of medical insurance has inflated to include non-catastrophic care, and that competition is what holds prices down.

Stossel observed that insurance means “someone else pays for you, so they decide what you get, and it costs more, because no third party ever spends your money as carefully as you do.”

Stossel pointed to Lasik eye surgery as one of the last remnants of the health care sector that is not hampered by government intervention, and in which customers still pay for the service themselves. “The doctors give out their email addresses, and their cell phone numbers. Does your doctor do that?”

He pointed out that Lasik eye surgery is cheaper while the quality has gotten better. “Pursuit of profit works,” he said.

What about suggestions that people have a longer life expectancy in Europe under their universal government-run healthcare systems? “That’s deceptive,” Stossel said, “because ... they live longer than we do because we shoot each other more often, we drive more and therefore have more car accidents and kill each other more often, and because we’re fat. When

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Sunset/from 1

Metropolitan Transit Authority funding across the state of Texas and waiving the requirement of a referendum election for rail projects. Also in the wording was a hint that Cap Metro would like to see some new taxing options given to urban transportation entities.

The transportation authority also called for giving MTAs the power to levy property taxes, air quality taxes, and/or vehicle-miles-driven taxes to be spread across multiple counties in a metropolitan area – measure sure not to prove popular with fiscal conservatives.

Regarding rail referenda, Cap Metro said having to wait for an election to ratify a proposed rail plan delays the planning process and keeps rail at a disadvantage over other options, such as automobiles and buses.

Says the report: “When rail is specified as the only transit option that requires a referendum, the requirement can place politics over sound planning. The election requirement has the effect of distorting the planning process by imposing additional expense, time, and logistical requirements on rail projects. Non-rail options can become prematurely preferred, not because they are necessarily the best transportation solution, but because they can be implemented more easily, with a faster and less cumbersome approval process and without the significant expense of a public referendum to approve it. The referendum requirement makes it even more challenging for Capital Metro to provide transportation options that can be competitive with and more attractive than the automobile.”

Around Texas/from 4

you take that out, we live longer.

“Also the European systems are working OK only because they freeload off of American innovation.”

Stossel also denounced the recent large increases in government spending, which even before Obama came to 40 percent of gross domestic product.

“I say government spends like drunken sailors, but that insults drunken sailors because they spend their own money,” Stossel quipped.

He also said Texas legislators have made insurance worse in Texas because, “always looking to please the interest group that testifies before them they pass all these mandates saying every policy must cover things like alcoholism, in vitro fertilization, drug treatment ... all of that makes the insurance policies cost much more.”

Office of Public Utility Counsel

Discussion in the OPUC’s report concerned whether the office should be authorized to serve as an ombudsman. It also asked whether it should be allowed to advocate for consumers before the Texas Commission on Environmental Quality (TCEQ) in water and sewer cases and the Texas Railroad Commission.

The Public Utility Counsel is an independent agency whose leader is appointed directly by the governor. The Public Interest Council at TCEQ is appointed by the commission.

Several business groups and trade associations are often leery of having a powerful, independent public counsel, because they are worried such a post could quickly become government-funded environmental activism. On the other hand, several Republican lawmakers like the idea of an independent public counsel, because some of the disputes, particularly the water and sewer rate disputes, affect local landowners, who are concerned about their property values and rights. Therefore, this issue does not always fall neatly along conservative-liberal lines or the usual Republican-Democratic party stereotypes.

The report referenced a bill in the 81st Legislature filed by Rep. **Harvey Hilderbran** (R-Kerrville) that would have transferred TCEQ’s Office of Public Interest Counsel (OPIC) functions – pertaining to residential and small commercial customer representation in water and sewer rate issues – to the OPUC. The report noted the defeat of a similar bill in the 80th session. The self-evaluation report en-

dorses the idea of allowing OPUC to intervene in gas cases before the Texas Railroad Commission and water and sewer cases before TCEQ.

Division of Workers’ Compensation

The self-evaluation report of the Texas Department of Insurance’s Division of Workers’ Compensation makes several recommendations that are likely to be controversial with some of the major players.

One thing the division recommends is that the commission review the benefit levels in the workers compensation system. During the debate over the Supreme Court’s decision in *Entergy v. Summers* proponents of the decision (i.e. the tort reform and business lobby) argued that if liability of premises owners is limited, then it will be easier to increase benefit levels to ensure injured workers get adequate compensation. But some critics of the *Entergy* decision (i.e. the plaintiff’s bar) viewed that position as disingenuous and do not think that the business lobby would actually support a compensation benefit increase.

The Division of Workers’ Compensation is also asking for a careful review of the dispute resolution procedures regarding whether an injury is covered by workers’ compensation and to what extent a treatment is covered.

Though unemployment is rising in Texas amid economic hard times on the national scene, the Division of Workers’ Compensation of the Texas Department of Insurance reports the system “has improved considerably and continues to show signs of progress” – due in part to legislative reforms in 2001 and 2005.

Office of Injured Employee Counsel

Much of the report of the Office of Injured Employee Counsel involved (not surprisingly) the rights of injured workers. The report notes that an insurance carrier can request a second opinion when it doesn’t like the worker’s doctor’s diagnosis, but the worker does not have the right to a second opinion. It also proposes more procedural rights for injured workers in the many administrative and legal proceedings associated with workers compensation. ○

Former Texas Rep. **Arlene Wohlgenuth** said that if the Senate proposal for “nationalized, government-run healthcare” becomes law, it would cost Texas approximately \$4 billion a year, or 10 percent of the state’s general revenue just to cover the expansions. She said Boston, the largest city in a state that in 2006 instituted its own form of universal care, has a waiting line almost twice as long as any other major city in the country. “We would all face very long waiting lines if this were to pass,” Wohlgenuth said.

She pointed to health savings accounts as a more viable option. “They work, they’re out there, let’s use them.” She also called for individual ownership of health insurance policies, allowing consumers to buy policies across state lines, and the passage of increased scope of practice laws. ○

We welcome your leads, suggestions and comments. Please contact us at 512/832-4702, Fax 832-9905 or e-mail lsr@lonestarreport.org.



Texas Tomorrow Fund fix needed

The Texas Guaranteed Tuition Plan is in crisis. Rapidly increasing college tuition rates have led to the funds' insolvency.

Never was it anticipated that Texans' tax dollars would be required to cover skyrocketing tuition increases, let alone cover an investment reaping astronomical returns. It doesn't seem ethical.

In a few cases, this is what the old Texas Tomorrow Fund boils down to.

The Texas Tomorrow Fund, a constitutionally backed fund, was created in 1995 to provide a mechanism for parents to save for their children's education by setting up a pre-paid account to lock in current tuition rates. Parents had 10 years after a child's high school graduation date to use the fund.

However, the deregulation of tuition in 2003 — setting no upper limits on what a university could charge — has allowed tuition rates to skyrocket by 89 percent, a rate no investment vehicle should be guaranteed to cover.

With nothing on the horizon providing more certainty in tuition rates, some fund purchasers are prepared to cash in on a jackpot investment. Considering that four years of a public college tuition was \$11,000 in the 1990's, and is nearly \$29,500 (according to the Texas Guaranteed Tuition Plan), the fund is a great investment for parents and an even better investment for individuals who have no plans to direct those funds to college tuition.

And it appears the intent of this public policy was for it to be used for higher education.

Some savvy investors appear to be poised to enjoy that windfall profit to purchase a new home or car. After all, where else can you get an 86% increase in your investment?

But this fund was intended to help parents send their children to college, you say...and you are right. But currently, there are no restrictions on the fund to be used for other purposes.

This is a raw deal for taxpayers, who are responsible for guaranteeing the fund.

How did this happen? Two things went

Peggy Venable and Nina Sidoryanskaya

wrong.

First, the loosely written legislation creates incentives for this behavior by failing to specify the fund may be spent solely for tuition. Failure to set those parameters allows the fund to be used as a high-yield personal savings account.

Second, when it was first put in place, no one anticipated that tuition would increase so rapidly. At that time, the public wasn't anticipating the Legislature would give college administrators a blank check in the form of "tuition deregulation."

“ Never was it anticipated that Texans' tax dollars would be required to cover skyrocketing tuition increases, let alone cover an investment reaping astronomical returns. It doesn't seem right. ”

Currently, the fund has no safeguards against actuarial instability and will need up to \$2.1 billion taxpayer dollars by 2030 to meet its obligations. This problem was dumped in the lap of Texas Comptroller **Susan Combs** and the Texas Prepaid Higher Education Tuition Board.

Under Comptroller Combs' leadership, the Board has unanimously worked to set this fund on actuarially sound footing.

After Nov. 30, cancelled contracts will be reimbursed only for the principal amount paid into the fund, minus administrative fees. This is to deter individuals from holding onto the account without using it for educational purposes.

Is this reasonable? Some would argue that a set rate of interest should also be provided.

But one who purchases a term life insurance policy and fails to make a payment forfeits the policy. The prepaid college fund is an insurance policy, not an investment.

This was a hard but necessary choice for Texans who cannot bear the unintended consequences in the cost of poorly written legislation. The fund was never intended to provide a windfall to investors.

Though the Texas Tomorrow Fund has been closed to new participants since 2003, Texas parents can still save for their children's education through the improved Texas Tuition Promise Fund.

This new Fund offers greater choices and flexibility and provides a carrot for universities to keep tuition rates low.

The new plan still locks in the prepaid tuition amount, but the sum paid to the university will be based on the cost of tuition or the investment return, whichever is lower. If schools let their tuition rates go through the roof, they will be paid only the return on the fund.

Previously, the fund had to be purchased in large increments of two to five years, which was difficult for some families. The new plan allows parents to purchase as much — or as little — as they can afford. If \$25 a month is in a family's budget, they can secure tuition rates for college hours over time. Better yet, it allows friends and family to make contributions to the child's account as well.

Although it is problematic to change a program retroactively, these extenuating circumstances are so unusual that they require a new direction to protect taxpayers.

The tuition board should be applauded for its work to rectify the problems plaguing the failing fund. By increasing parents' choices and increasing universities' accountability to keep tuition affordable, more Texans will be able to plan for the college education that they need and other taxpayers won't be left holding the bag. ○

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Chairman

David Hartman

Contributing Editors

David Hartman, William Murchison
Bud Schauerte, Peggy Venable

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Managing Editor

William Lutz

Correspondents

Mark Lavergne
Andy Hogue

