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OF THE

STATE OF TEXAS

BEGUN AND HELD AT

THE CITY OF AUSTIN

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VOLUME I
Lieutenant Governor Dewhurst was escorted to the speaker's rostrum.

Governor Perry and his party were escorted by Senators Wentworth, Whitmire, Ratliff, Bivins, and Zaffirini, committee on the part of the senate; a Representatives Turner, chair; Hupp, Oliveira, Van Arsdale, and Wor committee on the part of the house; were announced at the door of the house at being admitted, were escorted to the speaker's rostrum.

Lieutenant Governor Dewhurst called the senate to order.

A quorum of the senate was announced present.

The Honorable Tom Craddick, speaker of the house, called the house representatives to order.

A quorum of the house was announced present.

Speaker Craddick stated that the two houses were in joint session pursuant to HCR 35 for the purpose of hearing an address by the Honorable Rick Perry.

Speaker Craddick introduced Anita Perry, first lady of Texas and Gw Shea, secretary of state of the State of Texas.

Speaker Craddick recognized Lieutenant Governor Dewhurst, who introduced the Honorable Rick Perry, governor of the State of Texas, to the joint session.

Governor Perry addressed the joint session speaking as follows:

Lieutenant Governor Dewhurst, Speaker Craddick, statewide officeholder: members of the house and senate, my fellow Texans: It is an honor to speak to you again from the dais of this historic chamber.

On the floor of this house, I enjoyed some of my best years and developed lasting friendships. Even when we disagreed, we did so with civility. If a colleague refused to vote our way, we would shake their hand, give them a pat the back—and then quietly switch the lights on their voting machine. It's no wonder they vote by voice in the senate.

I am honored to share this dais with a good man members of this house can be proud to call "Mr. Speaker", my friend, Tom Craddick. And the members of the senate can be equally proud to have a presiding officer with great vision, my friend, Lieutenant Governor David Dewhurst.

These two men are strong partners in the effort to build a better Texas. Of course, I have no greater partner than a woman with whom I have shared my life: Because of her, I am the most blessed man on earth. Please welcome our First Lady Anita Perry.

This is the second occasion that I have spoken on the state of our state. Two years ago, I appeared before you only one month after taking office. Today I come before you under very different circumstances.

In the past two years, I have come to know this state and its people better than ever before. I have had the chance to see up close our state in all its diversity—its great accomplishments and the people who make them so. And I never doubted what a blessing it is to be governor of this one people—this one Texas.
We've got good reason to be proud of this state. Look at what we have accomplished in the last four years. Today in Texas, we have more than one million people enrolled in our colleges and universities—the highest total ever. Fourth grade students of every background, including our Hispanic, African American, and Anglo students, rank in the top 10 in the nation in the subjects of reading and math. Thousands of teachers have migrated to Texas in recent years because of improved benefits.

Today in Texas, a half million children are insured under the Children’s Health Insurance Program.

In the last two years, Texas has added four times as much wind power capacity as any other state. And we are not only exploring the potential of renewable energy, we have sent a message to old polluters: Clean up or shut down.

Today in Texas, we are spending $1.7 billion more on transportation projects than we did just four years ago. We have begun a new road-building program to help some of our poorest Texans in colonias.

And since the tragic events of September 11th, our emergency response personnel are better prepared, our health alert system is better coordinated, and our resources and our people are more secure.

And there is one other recent piece of good news. We have now learned our job base will expand by the thousands and our economy by the billions because Toyota is coming to San Antonio. With us today is Vice President Jim Wiseman with Team Toyota. Please help me welcome him to Team Texas.

These accomplishments are just a part of our story. Today, and every day in Texas, millions of men and women work hard, pay their taxes, and contribute to the world’s 10th largest economy. On their shoulders we have built a prosperous, high-tech society that is the envy of many—a state that attracts people and businesses, ingenuity, and opportunity from every corner of the globe.

As the international news magazine The Economist put it recently, "the future is Texas." The reason is clear. Among our 21 million citizens, there is a surplus of spirit, optimism, and compassion. And so it is with complete confidence that I say to you today: The state of our state is strong.

But it is not the state of our state that concerns me. It is the state of our government. When I took office two years ago, economic storm clouds had only begun to form. Today, those clouds cast a dark shadow over our state and place a special burden upon our government.

The fiscal challenge we face cannot be blamed on Texas families. No one can say Texans are not working hard enough or paying enough in taxes. Just ask them. Most will tell you they are doing plenty of both.

Since 1990, our population has grown by 27 percent, and inflation has increased by 37 percent. And what has government grown by in the same period? 125 percent. We would be wise to remember a universal truth: No government has ever taxed and spent its way to greater prosperity. The challenge of our time, and the mandate of our people, require a new approach and a new direction.
As past generations of Texans discovered, the darkest of clouds and most difficult of circumstances often reveal a silver lining of opportunity. Difficult as times may be, surely, that is true today. That is why we must seize the opportunity before us, not by merely tinkering with the levers of government machinery, but by rebuilding the entire engine.

We must begin by setting clear and limited priorities. And I will begin by stating my top three priorities for all of you: The education of our children, the security of all Texans, and the fiscal responsibility of our government. Education, because it represents the greatest investment we can make in a future of prosperity. Security, because the economic security of citizens, and the safety of citizens are the core responsibilities of any government. And fiscal responsibility, because neither of these priorities can be met unless our spending is disciplined.

In funding, the most sacred of obligations is that no expenditure should be immune from inspection. We must not let the most worthwhile of programs collapse under their own weight because spending goes uncontrolled or unquestioned. Every dollar spent by government, every line-item in the budget, must be analyzed and justified. That is why I joined the leadership of the house and senate in offering a budget built from zero.

It's time to begin anew, to review, and rebuild priorities. It would be easy to do otherwise—to simply add to the tax burden of Texans. But Texans elected us to set priorities, not to raise the price of government.

We should follow the example of millions of Texas families. When times are tough, they don't keep doing what they have always done, spending what they have always spent. They start from scratch. That does not mean they won't make the mortgage or rent payment because they know they must cover the basics. But it may mean no cable TV, more meals at home, or bringing lunch to work. When ends don't meet, our families prioritize. Why shouldn't government?

That's why I have asked the members of both legislative bodies to work with me to produce a budget document that is more transparent and easier to understand than budgets of the past. Every expenditure should be exposed to the light of public scrutiny. Discretionary travel and administrative costs should not be lumped in with vital classroom dollars or specific services. For me, it's really just this simple: If hardworking Texans are going to pick up the tab, then they should be able to look at every item on the receipt. Responsibility, transparency, and thrift—these are the foundations on which we must build government anew. In every respect, government must reflect our values, our priorities, and our sense of what is right.

Sometimes it is easy to forget that behind every government program, there is a real taxpayer funding it. So that the taxpayers are not lost in this debate, I have invited two of them to join us today. Here with us today are retired trucker Ronnie Congleton and small business owner Wanda Rohm. Please welcome them to their state capitol.
These Texans represent what is right about our state—a trucker who has kept the wheels of commerce churning, and a small business owner who toils to create jobs for the people of San Antonio. They are willing to pay their fair share because they see a legitimate role for government, but they also see a limited role for government.

Many Texans are enduring difficult economic times. Some have seen the value of their retirement accounts plummet, and in some instances, their pensions destroyed. Some have lost jobs because of corporate misdeeds, and virtually all have seen their insurance costs rise with little explanation. That is why we must not only try—we must succeed—in prioritizing our budget without raising taxes.

We have already begun to take responsible measures. Because of the dedicated Texans leading our agencies, we are reducing current year spending by seven percent an effective 13 percent reduction with only seven months left in the fiscal year. It is a painful process, I know. My office has eliminated unnecessary dues and fees, reduced our staff size, and returned unexpended balances to achieve a 16 percent reduction in our operating budget.

And I have done this before. I served on the House Appropriations Committee when Texas suffered through tough times in the oil patch and real estate market. I have managed an agency budget, and for 18 years, I have examined government spending from virtually every perspective. Like me, David Dewhurst showed as land commissioner that agencies can prioritize spending.

The bottom line is this: We must separate wants from needs, identify core priorities, and put the common interest ahead of narrow special interests.

The deliberative process is in place by which members of the legislature can analyze the value of every expenditure. I respect that process. But as governor, I also have a responsibility to fight for the priorities of Texans. So today I come before you with specific suggestions to reduce our budget.

First, we can save taxpayers $1.7 billion by adopting many of Comptroller Strayhorn's innovative e-Texas ideas in recent reports. We can also save $500 million by re-directing Telecommunications Infrastructure Fund dollars to the technology allotment for schools. And in so doing, we can increase our investment to $35 per student.

I join Speaker Craddick in calling for tuition deregulation so our colleges have greater control over their dollars. In addition to any savings this may generate, it's a matter of principle. If we're going to appoint boards of regents, let's give them room to do the job. By estimating higher education income better, reducing special item projects, and asking community colleges to pay a proportionate share of insurance costs, we could net $1.1 billion in savings and recovered costs.

By changing the point of collection for the gas tax, we could generate an additional $300 million in revenue. By closing the Delaware loophole and ensuring businesses render their property, we could generate $400 million more. In my book, it's not a new tax if you should have been paying it all along.

To achieve a savings of $3.8 billion, we could reduce our current appropriation levels by an average of nine percent in the next budget, with the exception of public education, which we can increase by half a billion dollars.
And this average reduction of nine percent, compared to the reductions being achieved by agencies right now, would represent an actual increase for many of those agencies.

To reach this figure, we must examine the structure, benefits, and costs of programs like Medicaid. Along those lines, it is time Texas received its fair share of federal dollars to meet growing health care needs.

Today, my office will be releasing a more detailed list of these savings and other ideas that bring our total savings to $9.5 billion. My friends, it can be done. We can balance our budget without raising taxes.

In addition, consider the following categories of potential savings. We spend $2.6 billion on professional fees and services, $27 million on subscription and membership costs, $292 million on computer equipment, $178 million on furnishings and equipment, and $206 million on travel each biennium. A 15 percent reduction in administration costs alone would yield $2 billion in savings.

Now is the time to consolidate, restructure, and, when necessary, eliminate boards and agencies. We have to ask ourselves why facility leasing and space planning is performed by 162 state employees at 17 agencies when it can be done by one agency—the Texas Building and Procurement Commission. We could abolish the Aircraft Pooling Board, sell its assets, and allow the private sector to perform the same job for less money. And we must ask ourselves if spending half a million dollars on a Center for Financial Responsibility is truly financially responsible. In a time of prioritization, expenditures can't be evaluated in a vacuum but in comparison to other items. Starting from zero, every dollar spent by government must be prioritized. A nine percent reduction may be too much for certain critical agencies and not enough for others.

I know these ideas will face detractors. No one likes to talk about reductions. But when difficult times beckon, leaders must not do what's easy, but what's right. Sam Houston said it best, "Do right and risk consequences." That is what leadership is about, and that is what we must do together. And besides, Texas families don't want, don't need, and don't deserve new taxes. Slowdowns in the economy usually are temporary. Tax hikes usually are not.

In the last two weeks, we have learned that Hewlett Packard will transfer 475 jobs to Houston, and that Toyota will bring at least 2,000 jobs to San Antonio—in each case because of our strong business climate. But the lesson of these two success stories is not complacency—just the opposite. We must do even more to grow our economy and to avoid future economic downturns. To help grow our economy, today, I am proposing the creation of a Texas Enterprise Fund. To meet the demands of a competitive marketplace, we must be nimble, aggressive, and forward-looking.

Today, I propose investing 30 percent of the revenue projected for the Economic Stabilization Fund, roughly $390 million, into a new Enterprise Fund. We could set aside $200 million to close the deal with companies like Toyota, recognizing that not one dollar would be spent without the guarantee of jobs and paychecks coming to Texas. We could also fund efforts to attract Nobel laureates
and endowed chairs in the promising fields of technology and biotechnology. We could even fund the Border Health Institute in El Paso and the Regional Academic Health Center in the Rio Grande Valley.

We could fund these initiatives and more so that Texas has a stronger, more diverse foundation for the future. The best way to avert future rainy day scenarios is to grow our economy. Using the Rainy Day Fund to meet recurring obligations is shortsighted. It leaves future legislatures with a check they must write but an account they may not be able to draw from. Investing in jobs is the wiser course for our future. And to further protect our job base, we must continue the effort to stop lawsuit abuse in Texas.

By responsibly balancing our budget and taking innovative measures to create jobs, we will address the most urgent needs of both the present and our future. It is clear that this session will be about one dominant issue—spending. But there are other priorities I would like to discuss in brief.

For this legislative session to be a success, this legislature must take strong action to end insurance fraud, stop unfair pricing practices, and lower homeowners insurance rates. We must give the Department of Transportation the tools they need to build a 21st Century transportation system that gets traffic moving, removes hazardous vehicles from our cities, reduces pollution, and adds to our job base. We must pass a budget that fully meets our clean air obligations because future generations deserve nothing less. And we must not only improve water conservation, but desalinate the saltwater that splashes upon our coast each day. With the presence of many valuable resources and numerous points of entry, we must also remain vigilant in protecting this great state from the destructive designs of terrorist enemies. And we must reform our medical malpractice laws by passing a $250,000 cap on non-economic damages.

All across Texas, patients are seeing their doctors hang up their white coats and stethoscopes because they are being forced out of practice. When specialists cannot afford malpractice insurance or must turn away high-risk pregnancies for fear of a lawsuit, then a health care catastrophe is not far from the making. No one knows this better than two South Texas physicians with us today: family practitioner, Dr. Antonio Falcone and OB-GYN, Dr. Christine Canterbury. Please welcome these two individuals who work for a healthier Texas.

Doctors Falcone and Canterbury, like a lot of physicians, have seen how patient health is jeopardized by lawsuit abuse. That is why we must pass comprehensive malpractice reform. Doctors should spend more time examining patients and less time being cross-examined in the courtroom.

These are priorities we must address in this session. There are other challenges that may take longer to solve. School finance is one such issue. There is no clear solution currently on the table. But beginning now, we must work until a solution is found because the era of Robin Hood must come to an end.

There is no greater cause than the education of our children—all of our children. That’s why I will reject any effort to lower standards and weaken educational accountability. At the same time, we must not be content with a system that still allows children to slip through the cracks.
The complacency of conventional wisdom tells us some children are destined to fail, and some schools cannot be fixed. Galena Park Independent School District shows the conventional wisdom is wrong. Galena Park serves a student population that is 66 percent economically disadvantaged. And they spend less than the state average per student. In some places that would be an excuse. But in Galena Park, it’s a challenge. And as the largest, most diverse school district in Texas with an exemplary rating, they are meeting that challenge. Please join me in welcoming the architect of Galena Park’s educational renaissance, Dr. Shirley Neeley.

As Dr. Neeley reminds us, innovation and achievement start at the local level. As a state, we must set high standards and demand results. But we must never let bureaucratic mandates stand in the way of those results. Today, I am offering a proposal called the "Education Freedom Plan." It is based on this important principle: Local educators and local citizens know what’s best when it comes to the education of their children. My proposal will eliminate costly mandates that stand in the way of achievement. While we have a vested interest in enforcing class size limits and health and safety standards, there are many mandates that require needless paperwork and waste precious resources.

Recently, Eanes ISD in Austin was forced to spend $8,000 on a compensatory education audit despite the fact that they don’t receive any comp. ed. dollars. School districts across this state are diverting precious dollars away from the classroom to pay consultants for audits, to pay for higher utility costs than necessary, and to meet the mandates placed upon them by the state. Schools find themselves producing paperwork on their pest management programs, their recycling efforts, and their sanitation efforts. Sometimes they even generate paperwork on how to reduce paperwork. According to our school administrators and school board members, with mandate relief we can free up a minimum of $500 million for local schools and put that money where it is needed—back in the classroom. If schools are meeting performance standards, they should be able to spend their education dollars much like a block grant. Let’s focus on results instead of micromanaging the process from Austin. And let’s live up to the ideal many of us profess—local control.

We must also continue to build on our recent progress in reading and math by strengthening the science curriculum. My Science Initiative will improve pay for expert science teachers while preparing our students for the technology jobs of the future. It is time the State of Texas reimbursed our generous teachers who buy school supplies. My plan rewards teacher generosity and teaching excellence, and it does something else: It protects educators from frivolous lawsuits. My education plan is achievable, and even better, it’s funded. It qualifies Texas for at least 400 million additional federal dollars. But in the end, the greatest dividend will not be measured in dollars spent but in lives changed.

We must renew our commitment today to educating every child. Young Texans who abandon school drop out on their future, and they pay the price for it in terms of lost hopes and unfulfilled dreams. That’s why we need a High School Completion Initiative. Funded by a mixture of federal, state, and private dollars,
we can replicate the model of success in our elementary schools by identifying students at risk of dropping out and developing high school completion plans for each one of them.

Students need more choices in order to experience opportunity. Let's give our high school students numerous options for completing their coursework, such as flexible scheduling, additional tutoring and mentoring, and access to innovative learning environments like middle colleges.

And let's allow parents of children stuck in sub-standard schools to choose the best school for their child whether that school is public, private, or religious. I know in this chamber there are Republicans and Democrats willing to take this step. They know what I know: When you give parents a choice, you give children a chance.

This will be a difficult session because there will be many things distracting us from the greater good. But let's not allow partisanship to be one of those hurdles. In Washington, the party out of power is often referred to as the loyal opposition, but the emphasis seems to be on the word, "opposition." Instead of speaking with one another, disagreements are aired at dueling press conferences. Common ground and, many times, common decency take a back seat to political posturing and partisanship. There's a better way. It's called the Texas way.

For nearly 40 years of my life, I called myself a Democrat. For nearly six years, I served in this chamber as one. With a unique perspective, I have learned an important lesson: Neither party has a patent on virtue. What matters most is what is best for Texas. And my door is open to any of you who enter in good faith—not as a member of a particular side, but as a partner in good governance.

The Texas of a new century must be built on the legacy of centuries past. Texans have always been bold, pioneering, and unrestrained in vision—focused on the far horizon. In the skies over Texas 10 days ago, we saw the tragic result that sometimes befalls those who dare to pioneer, but we saw so much more. In the lives of a commander from Amarillo, a pilot from Lubbock, an aeronautical engineer educated in Arlington, and in each of the Columbia seven who trained at Johnson Space Center in Houston, we saw a spirit of boldness, a determination to reach high—to leave old worlds for new, to make a difference for all of mankind. Such heroes stir the soul, inspire the imagination, and point our hearts to great pursuits. They also remind us that the future belongs to the brave and the bold.

Whether you were born here or found the right path that led you here, it makes no difference. The Texas dream is a condition of the heart and a state of mind. Texans never embrace the status quo. We are too busy pushing the envelope of freedom, focusing on that far horizon.

As we move forward in this new session, let us remember at all times the fundamental principle that guides our actions: Government should not limit freedom. Freedom should limit government. Let us go forward, together in a spirit of boldness—a spirit that has defined the many generations of Texans past and present, and a spirit that will once again lead us to a better tomorrow and to that far horizon. Thank you. God bless you, and may God bless this one Texas.
The interpretation of the proceedings of the house was provided today by Sandra Rouse.

SENATE RECESS
At 12:45 p.m., Lieutenant Governor Dewhurst stated that the business of the joint session had been accomplished and the senate would, in accordance with a previous motion, stand recessed until 1:30 p.m. today.

HOUSE AT EASE
At 12:45 p.m., the speaker announced that the house would stand at ease pending the departure of guests.

(Speaker pro tempore in the chair)
The chair called the house to order at 1:01 p.m.

HR 110 - ADOPTED
(by Taylor)
Representative Taylor moved to suspend all necessary rules to take up and consider at this time HR 110.
The motion prevailed without objection.
The following resolution was laid before the house:

HR 110. Honoring Kris Anne Vogelpohl for her selection as the recipient of the Person of Vision award for 2003 by the Prevent Blindness organization.

HR 110 was adopted without objection.

On motion of Representative Woolley, the names of all the members of the house were added to HR 110 as signers thereof:

HR 200 - ADOPTED
(by Alonzo)
Representative Alonzo moved to suspend all necessary rules to take up and consider at this time HR 200.
The motion prevailed without objection.
The following resolution was laid before the house:

HR 200, Congratulating the members of Knights of Columbus Oak Cliff Council 3593 on the joyous occasion of their 50th anniversary and extending to them sincere best wishes for continued success.

HR 200 was adopted without objection.

HR 195 - ADOPTED
(by McClendon, et al.)
Representative McClendon moved to suspend all necessary rules to take up and consider at this time HR 195.
The motion prevailed without objection.