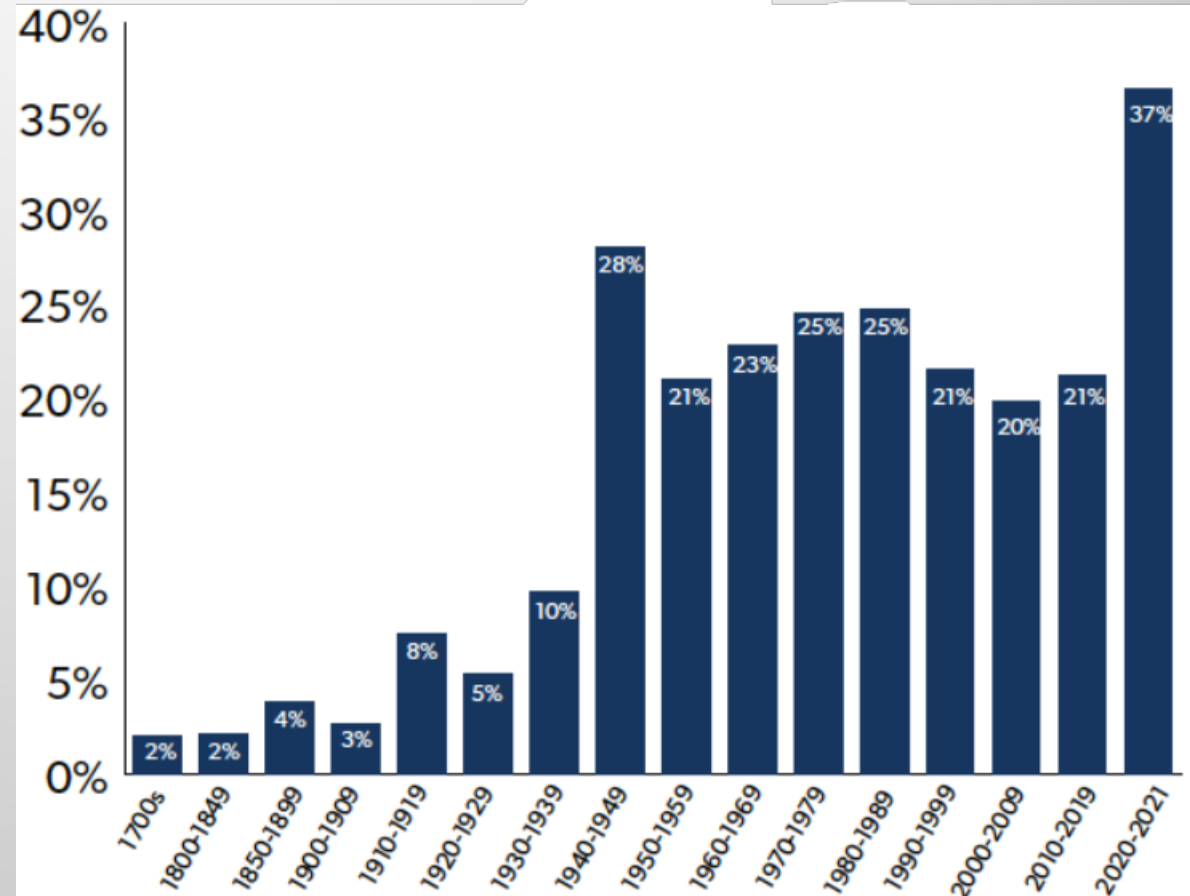


The Problem with Big Government

A Preview of the 88th Texas Legislature

Bill Peacock
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Federal Spending as a Percent of U.S. GDP
1700-2021

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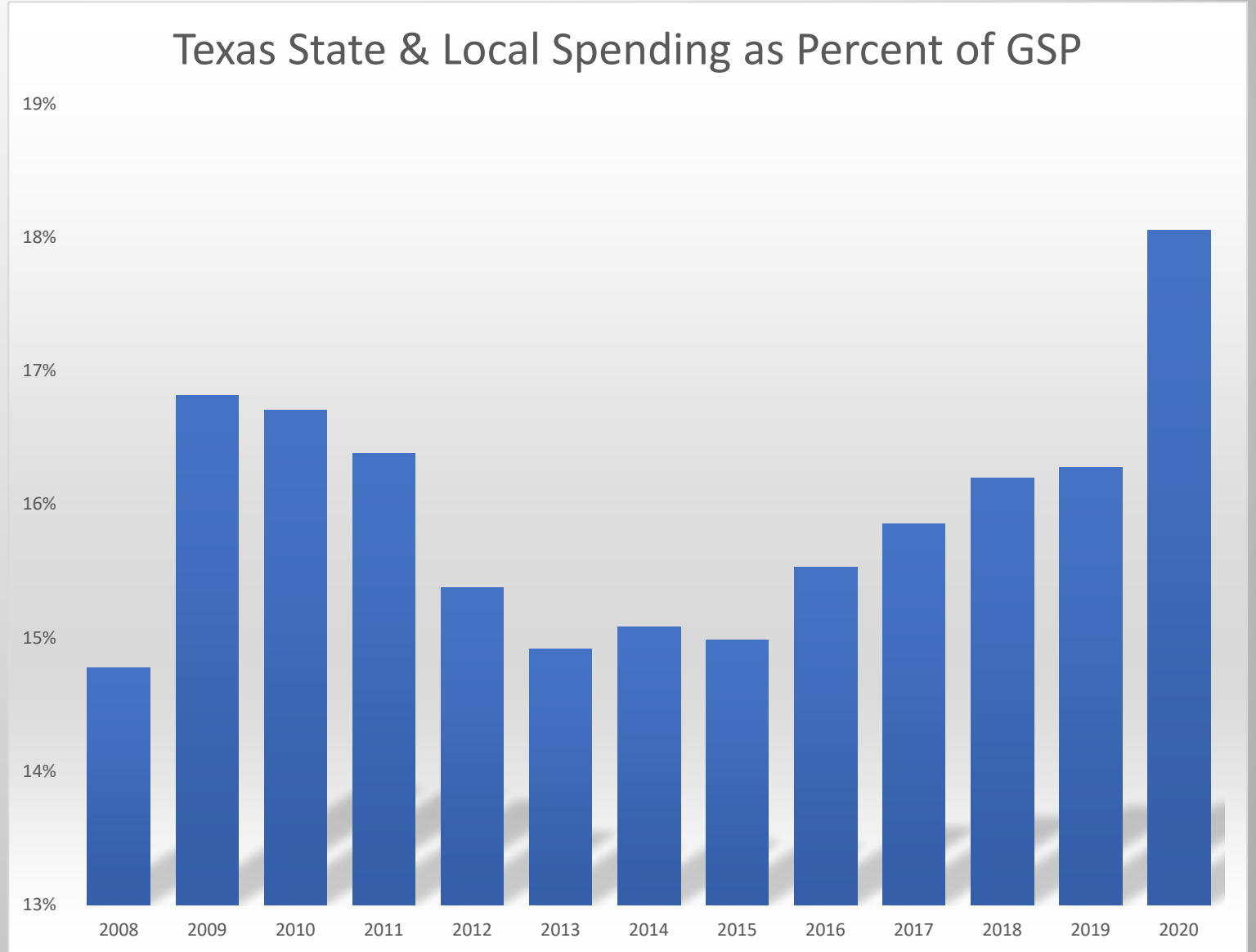
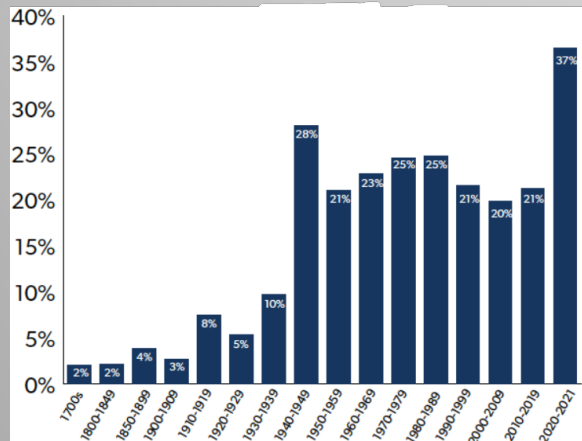
Federal Spending as a Percent of U.S. GDP
1700-2021



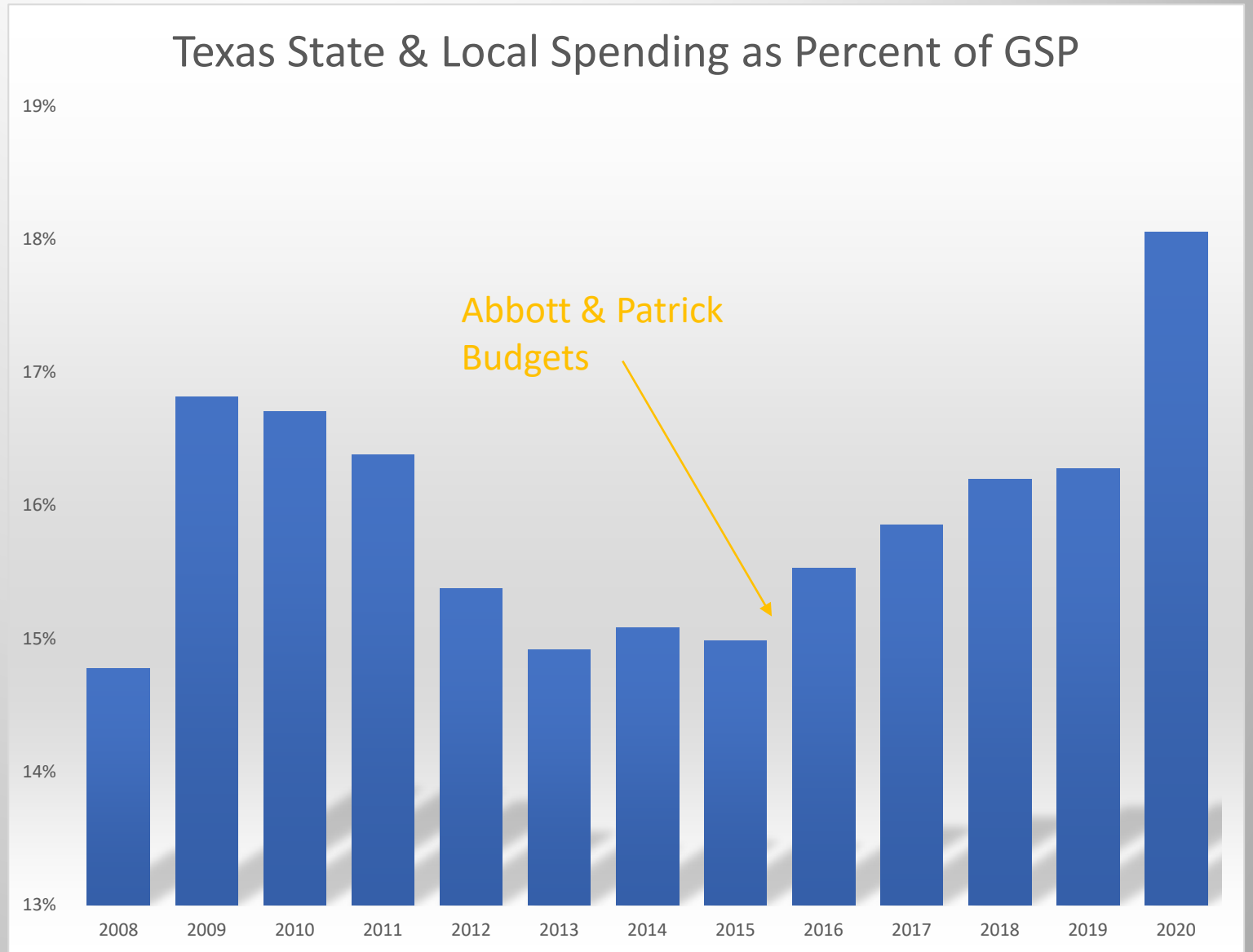
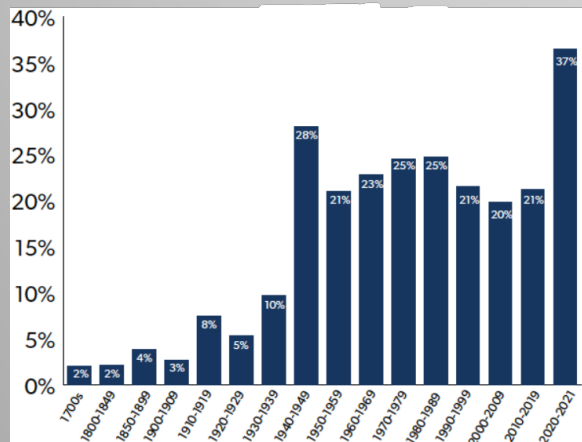
The Big Three

- Many Important Issues
 - Elections; Democrat Chairs; Abortion; Sexualizing Texas Kids; Gender Modification of Children; the Border; Parental Rights and Educational Freedom; Gun Ownership
- Focus Today
 - The Texas Budget
 - Property Taxes
 - The Texas Electric Grid

The Texas Budget

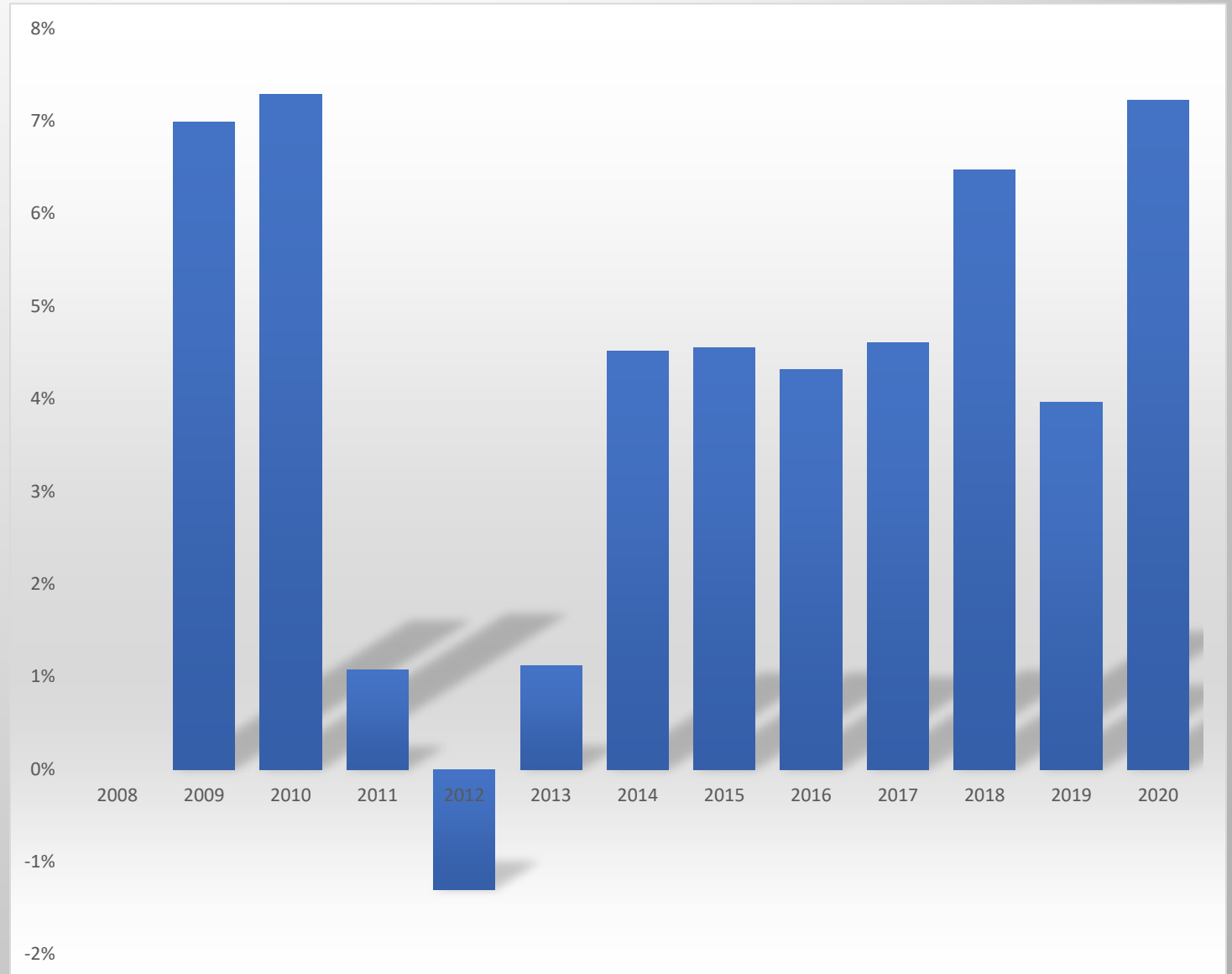


The Texas Budget



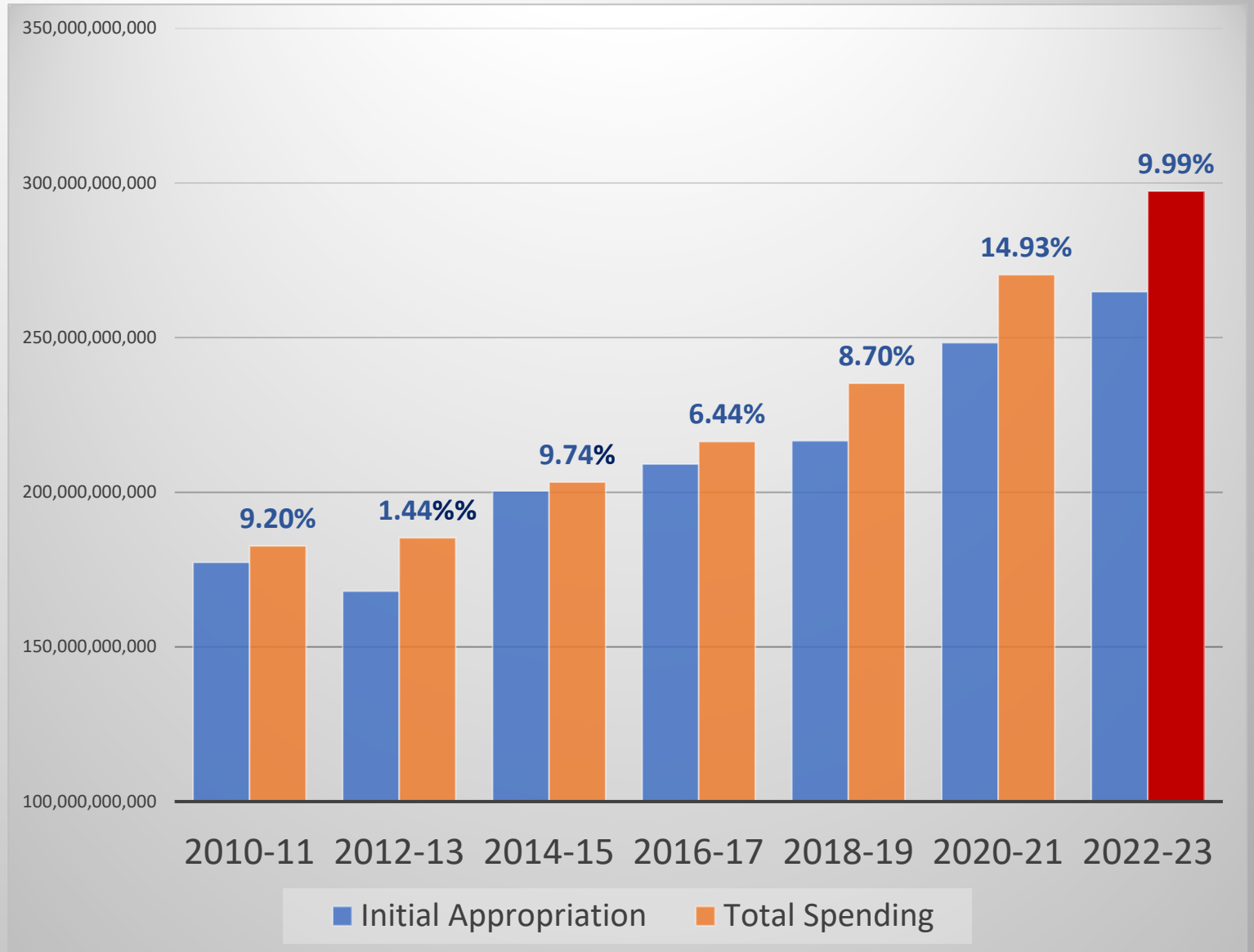
The Texas Budget

State & Local Government
Spending Growth



The Texas Budget

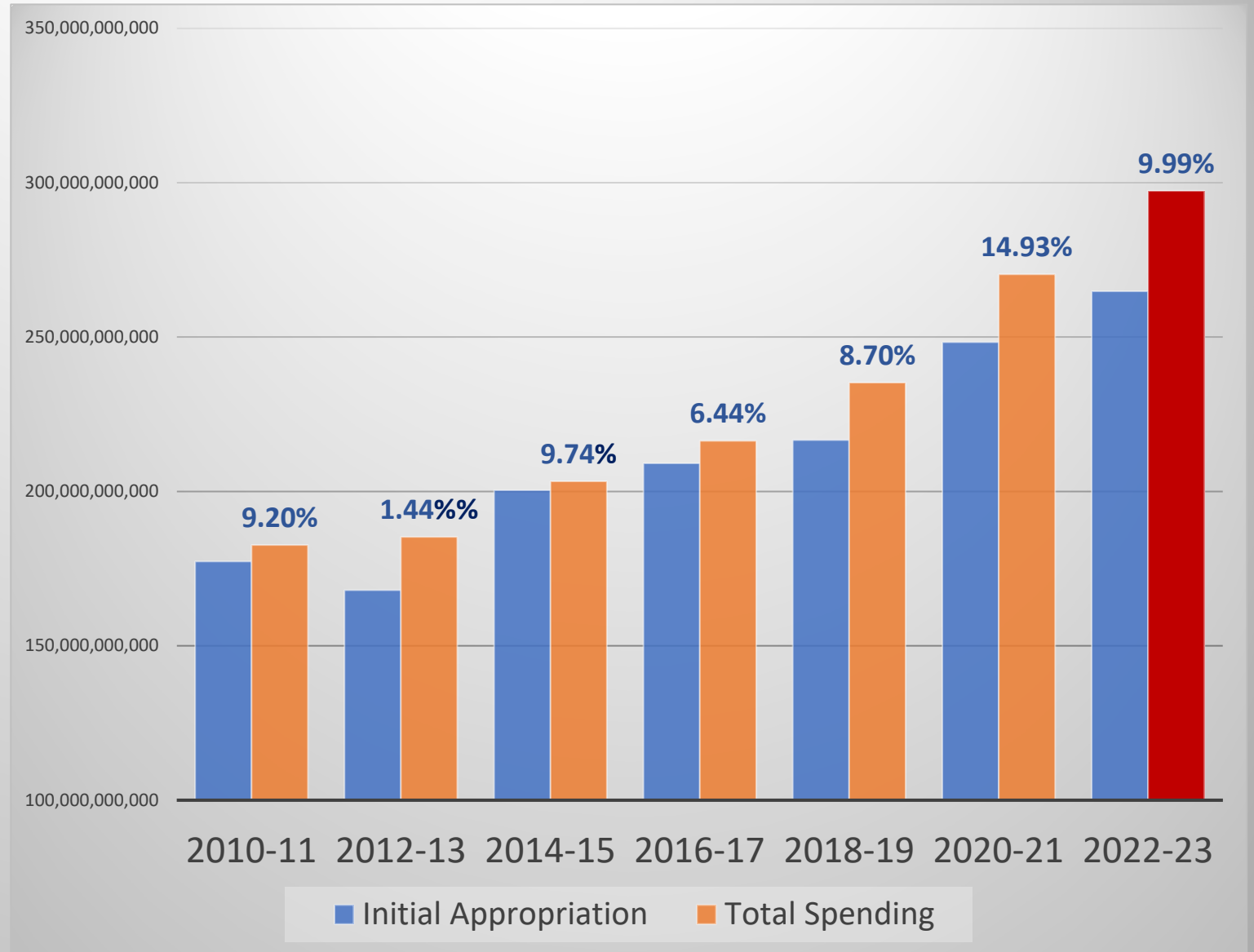
Biennial Appropriations
and Spending: 2010-23



Looking Ahead: 2024-25

“The 10-member Legislative Budget Board, headed by Patrick and Speaker Dade Phelan, unanimously chose 12.33% as the maximum allowed increase. That would allow an additional \$12.5 billion of spending of undedicated tax revenues in 2024-2025.”

- Dallas Morning News



The Texas Budget

Issues in the 88th
Texas Legislature

- How to spend the \$27 billion budget surplus from 2022-23?
 - Property tax relief
- How much new money will the Legislature have for 2024-25?
 - Sales tax avg increase 10.2% (4.89% annually)
 - Other GR revenue 11.86% (5.76% annually)
- Federal Funds mess
 - \$80 billion in COVID funds
 - \$13 billion from ARPA
 - \$20 billion nationally from the IRA upcoming
- The Liberty Budget
 - Zero-Growth Budget
 - Legislature must prioritize spending
 - Excess revenue to be returned to taxpayers through cuts to property taxes or the sales tax

Property Taxes

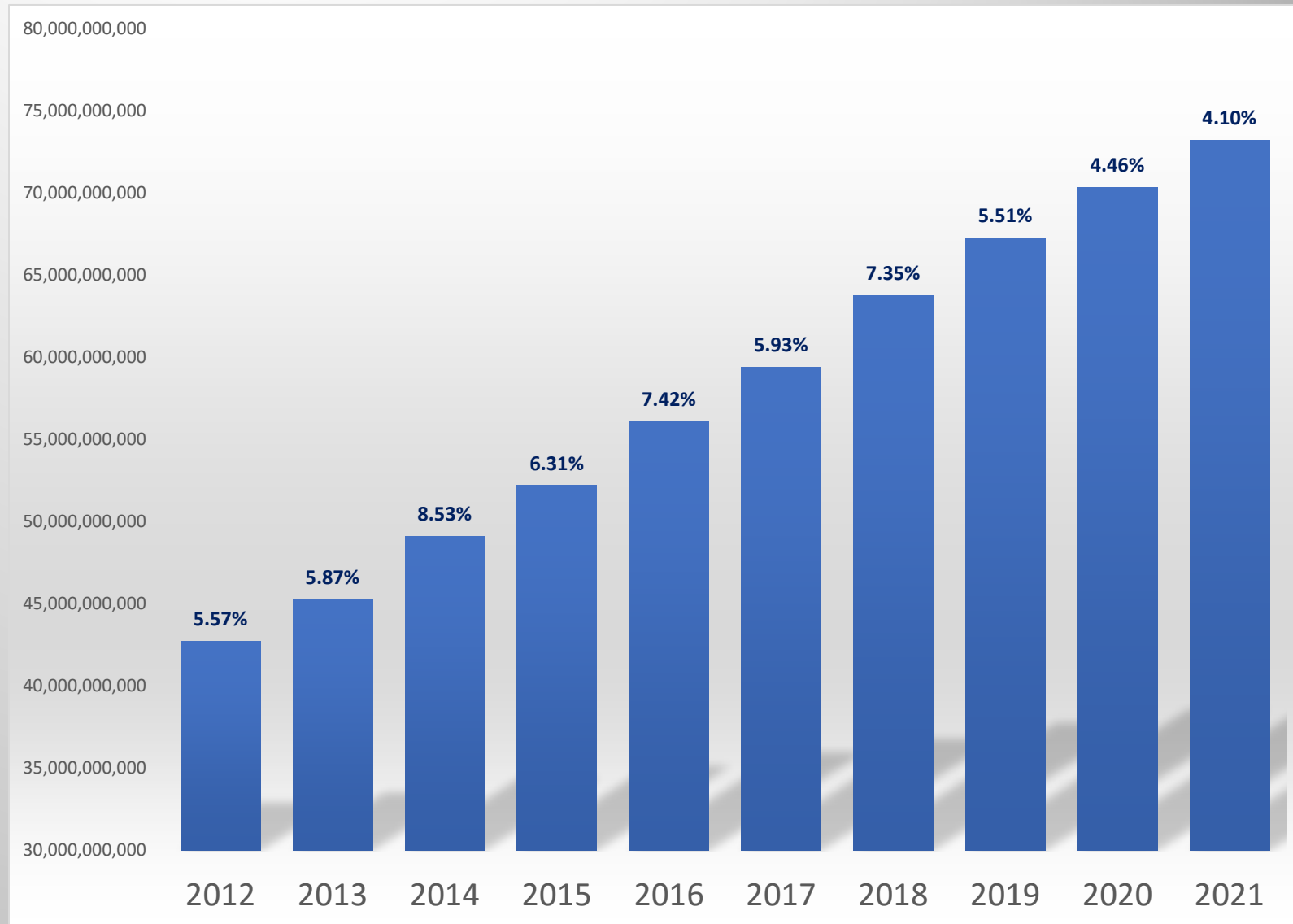
Property Tax Revenue — All Sources

Schools: \$38.9 billion

Cities: \$12.5 billion

Counties: \$11.7 billion

Special Districts: \$9.8 billion



Property Taxes

Property Tax Relief — A History of Failure

- 1997—Raising the **Homestead Exemption**
 - \$10,000 increase
 - Results: Property taxes increased \$812 million, up 4.8%
- 2006—The Property Tax-Franchise **Tax Swap**
 - Increased franchise tax by \$14 billion to fund education
 - Results: Decrease of \$400 million; over next two years increase of almost \$5 billion
- 2015—Raising the **Homestead Exemption**
 - Increased by \$10,000, to \$25,000
 - Results: increase of \$1.1 billion in 2015; \$3.8 billion in 2016
- 2019—Limiting Tax Growth and a **Buy Down**
 - \$5 billion increase from surplus for schools for “buy down”
 - Result: Increase of \$3.4 billion
- 2021—Raising the **Homestead Exemption**, Again
 - from \$25,000 to \$40,000
 - Results: ????

Property Taxes

Property Tax Relief — A History of Failure

Why Previous Efforts Failed

- Most have been small compared to the size of the property tax levy
- The Texas Legislature usually provides property tax relief to homeowners
- The Texas Legislature has done little to limit local taxing entities from raising rates
- Texas politicians have refused to reign in spending growth

Property Taxes



\$13.5 billion



\$2.5 billion



\$0?

Property Tax Relief

—

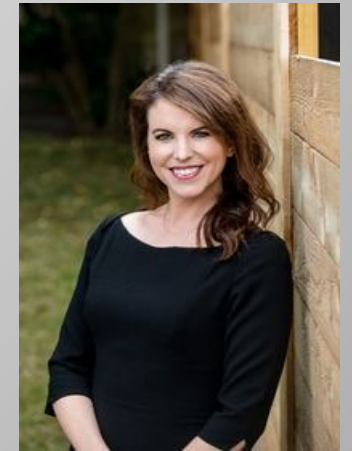
The Current Atmosphere



\$24 billion
HB 174



\$24 billion
HB 612



\$24 billion
HB 629

Property

“Busting the spending cap sets a very dangerous precedent. Once you’ve done it once, [it’s] easy to do it again.”

Patrick said he would prioritize increasing teacher pay and giving a “thirteenth check,” or a cost-of-living adjustment, to retired teachers

– Dan Patrick



\$13.5 billion



\$2.5 billion



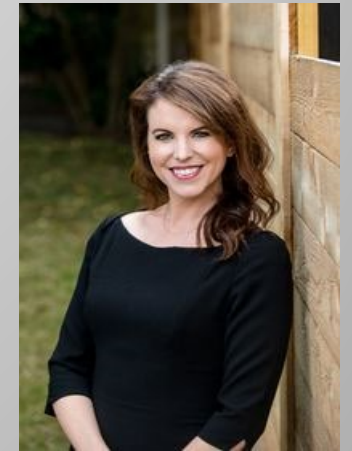
\$0?



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Property

“I know there’s a lot of politicians who are going around saying we need to go around spending half this revenue [on property tax relief]. I’ve got elected officials who haven’t taken the oath of office saying we need to spend all the revenue on property tax relief. Let me just remind you, none of this money came from property taxes. It all came from sales tax. No one is even considering how much more expensive it’s going to be to run government next cycle.” – Dade Phelan



\$13.5 billion



\$2.5 billion



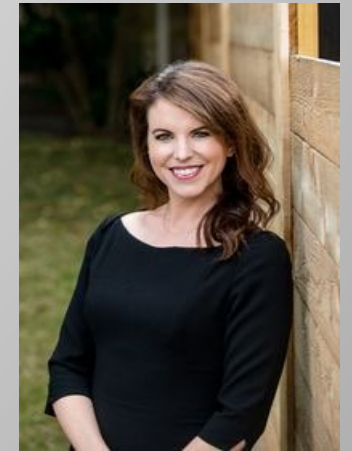
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Property Taxes

Property Tax Relief

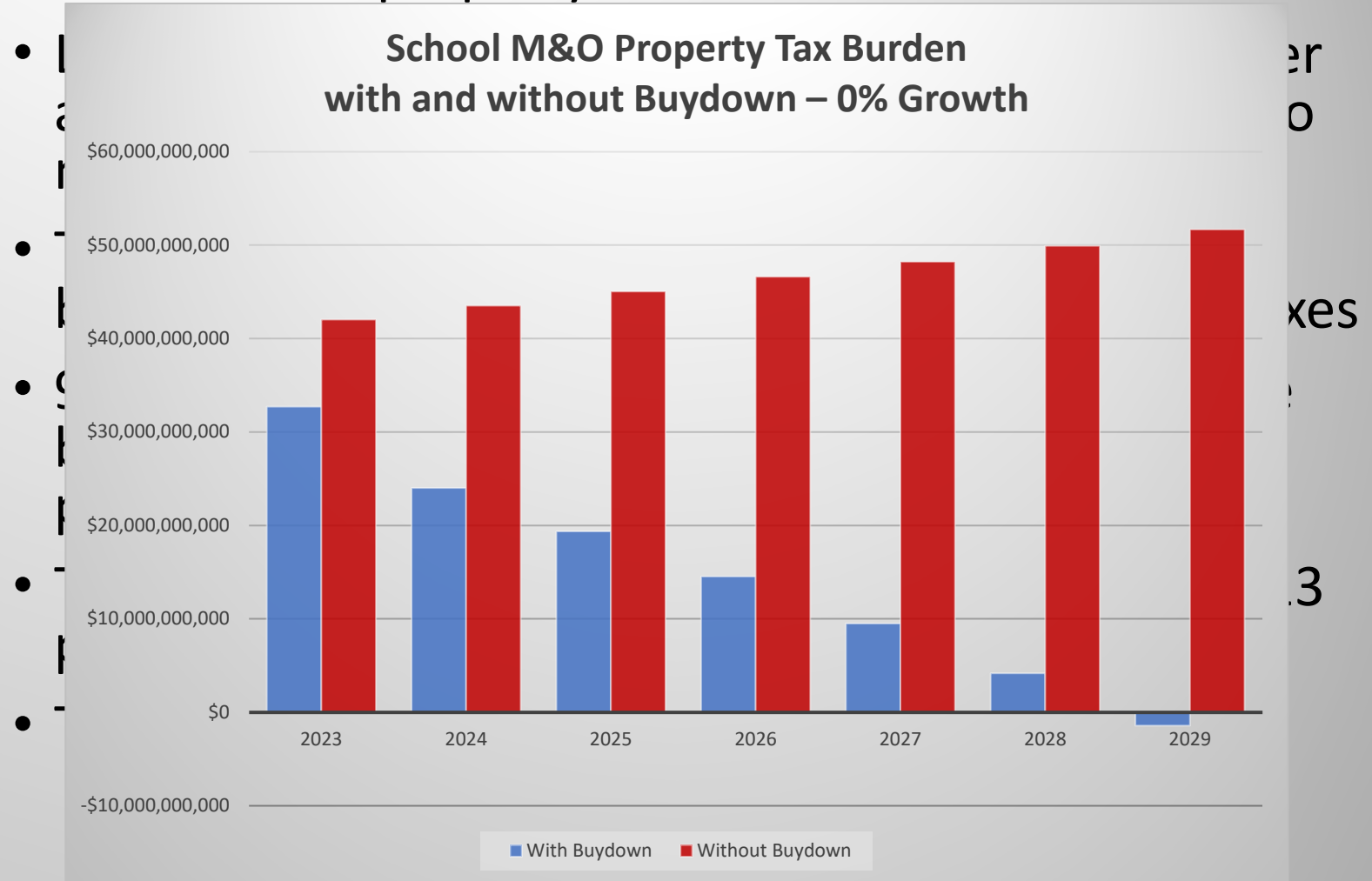
The Path Forward

- School M&O property taxes should be frozen
- Local governments should be required to seek voter approval to adopt a property tax rate above the 'No new revenue' tax rate.
- The Texas Legislature should use the entire \$27 budget surplus to permanently reduce property taxes
- 90% of all future budget surpluses projected at the beginning of each session should be used to permanently reduce property taxes
- The Texas Legislature should not renew Chapter 313 property tax abatements or enact a replacement.
- The Variable: limit state spending growth to _ %
 - 4% annual growth eliminates M&O in 16 years
 - 3% annual growth eliminates M&O in 12 years
 - 2% annual growth eliminates M&O in 10 years
 - 0% annual growth eliminates M&O in 6 years

Property Taxes

Property Tax Relief — The Path Forward

- School M&O property taxes should be frozen



- 2% annual growth eliminates M&O in 10 years
- 0% annual growth eliminates M&O in 6 years

The Texas Electric Grid – No Way Out?

BUSINESS // ENERGY

Lawmakers worry consumers could be 'big loser' in ERCOT power market redesign

FOX 4
DALLAS / FORT WORTH

Texas lawmakers grill state energy leaders over plans to overhaul electricity market

NEWS > POLITICS

Texas lawmakers, energy experts unsure 'complicated' new power grid market would work

The Public Utility Commission recommended an untested design in response to the 2021 winter storm.

Texas energy officials' proposal to overhaul the power grid is drawing skepticism

In the wake of the deadly 2021 winter storm, the Texas Legislature ordered an overhaul of the state's power market to prevent future widespread blackouts. But some senators aren't fans of the main option on the table.

The Texas Electric Grid – No Way Out?

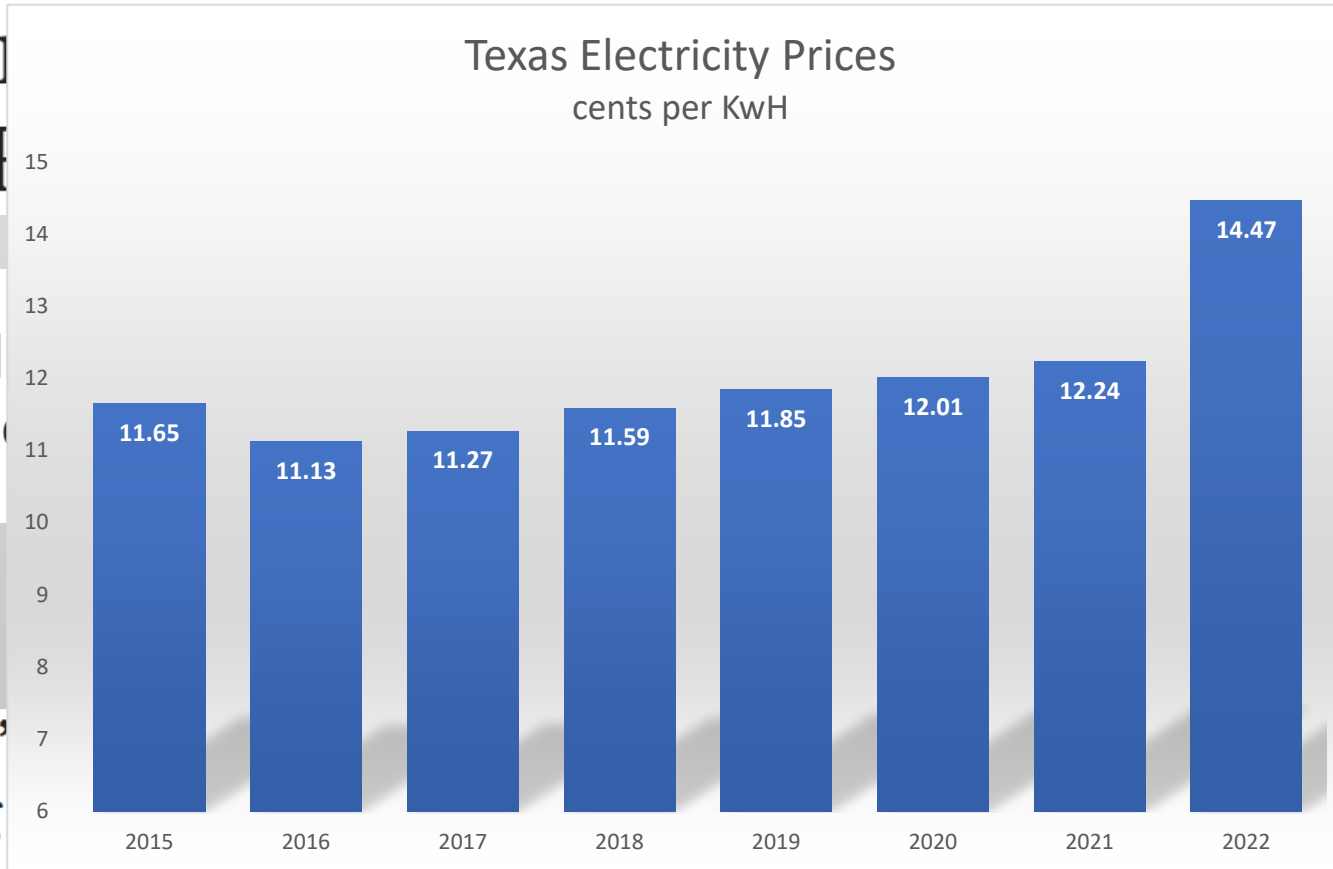
BUSINESS // ENERGY

Law
in E

be 'big loser'

FOX 4
DALLAS/FORT WORTH

Texas lawmakers grill
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experts unsure
grid market would

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Texas energy officials'
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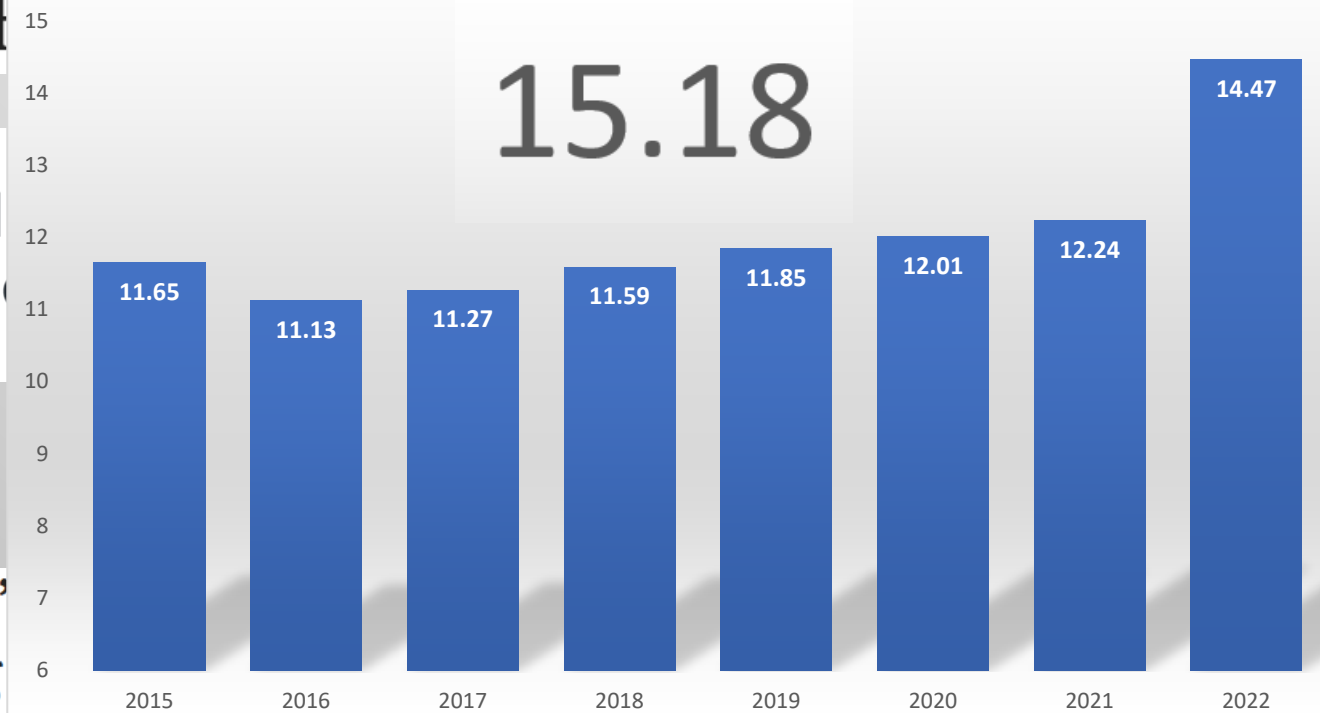
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The Texas Electric Grid – No Way Out?

BUSINESS // ENERGY

Law
in E

Texas Electricity Prices
cents per kWh



be 'big loser'

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DALLAS/FORT WORTH

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The Texas Electric Grid – No Way Out?

BUSINESS // ENERGY

Law
in E

- Regulation of the Market to Reduce Competition
- Subsidies for Renewable Energy
- Manipulation of Prices to Subsidize Traditional Generators

be 'big loser'

FOX 4
DALLAS / FORT WORTH

**Texas lawmakers grill
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- Subsidies for Renewable Energy
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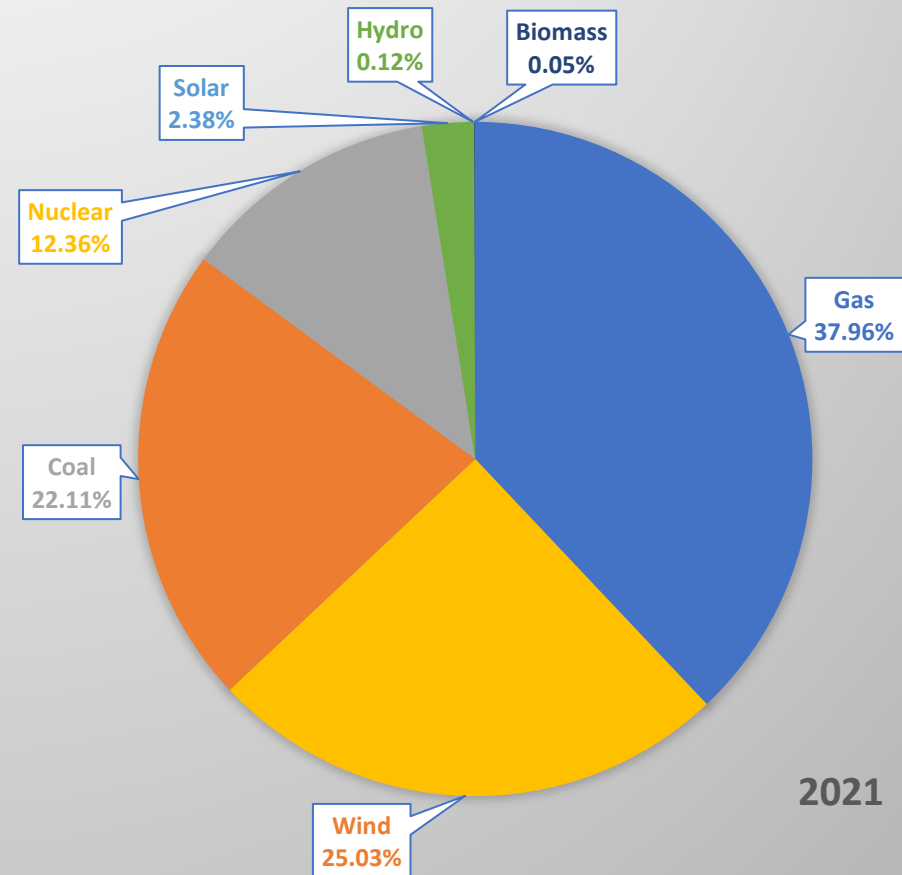
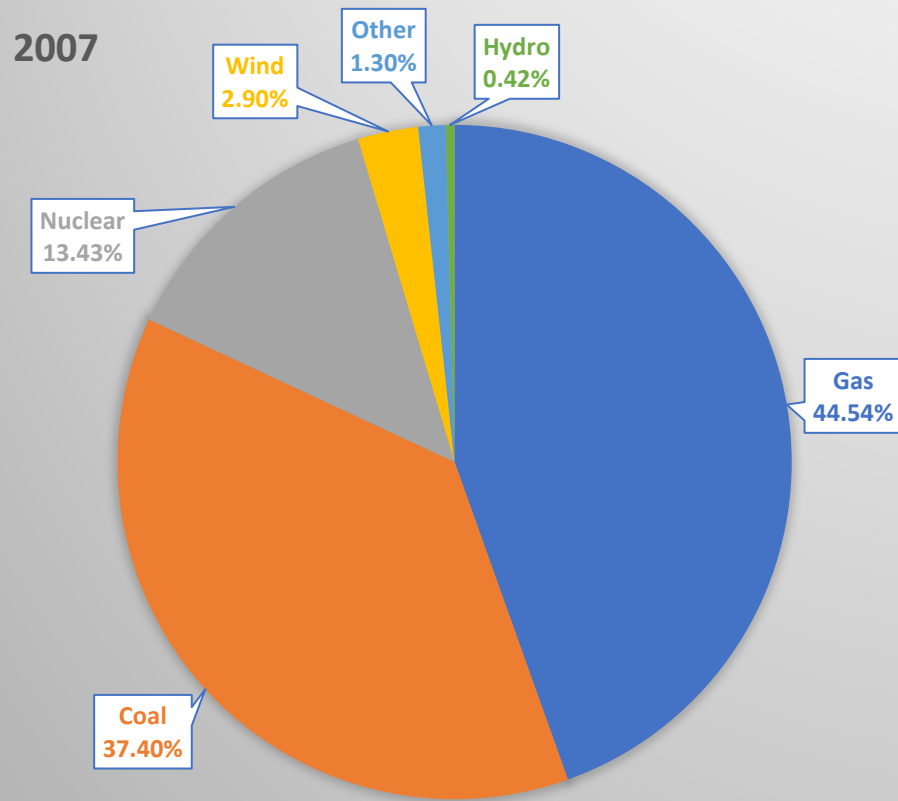
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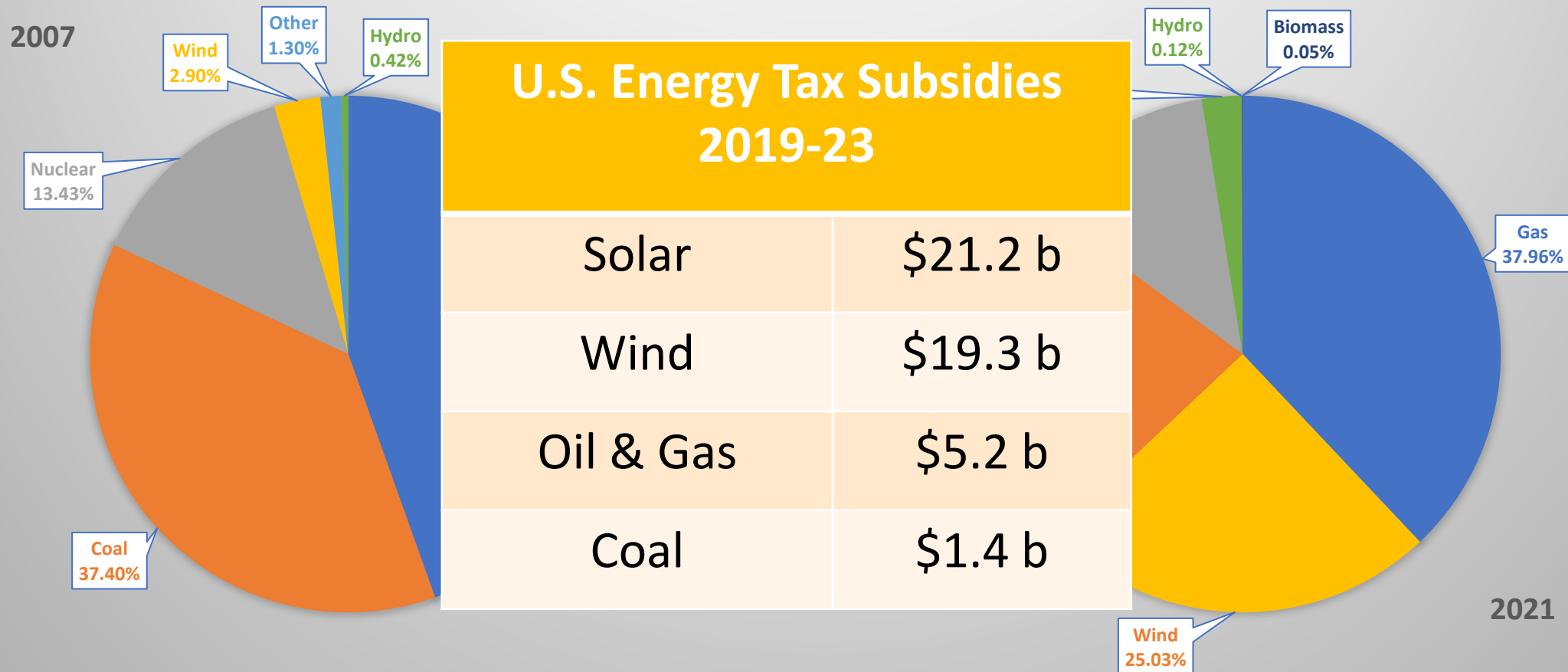
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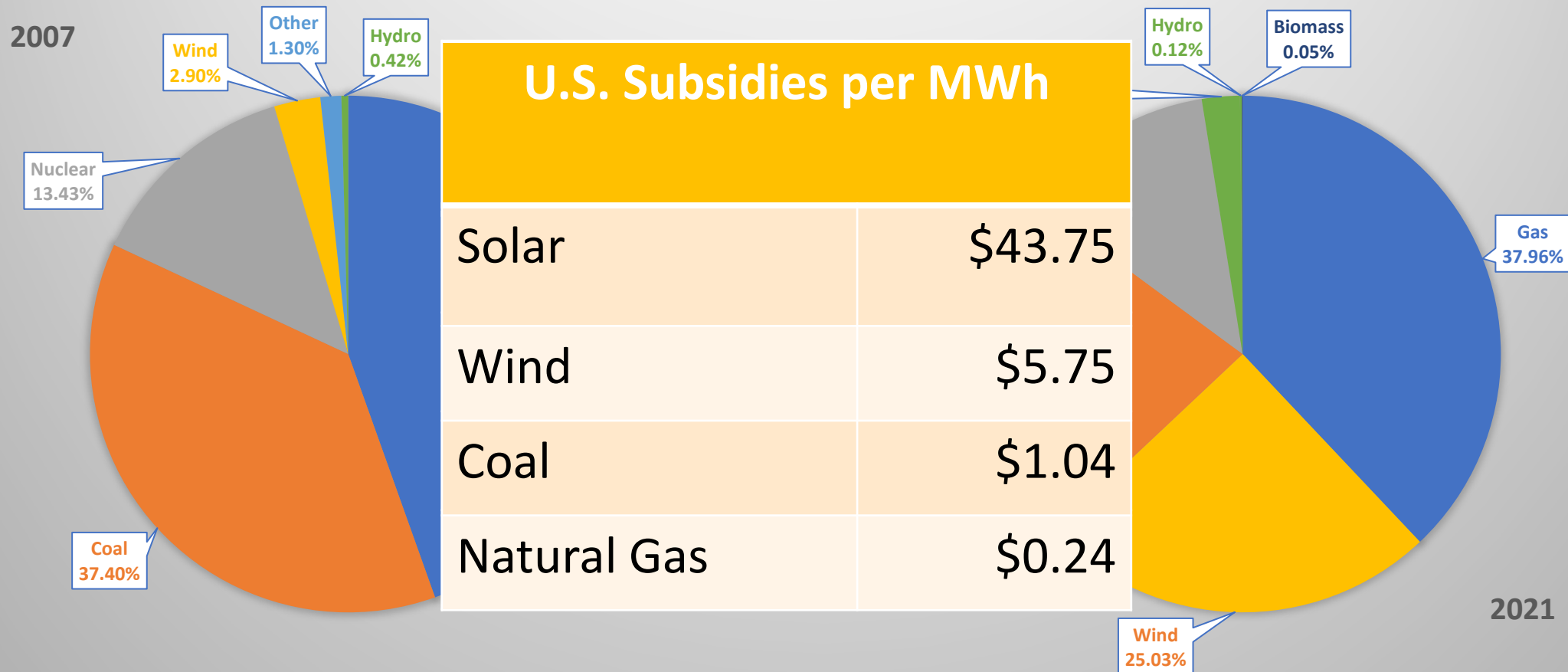
The Texas Electric Grid – Renewables



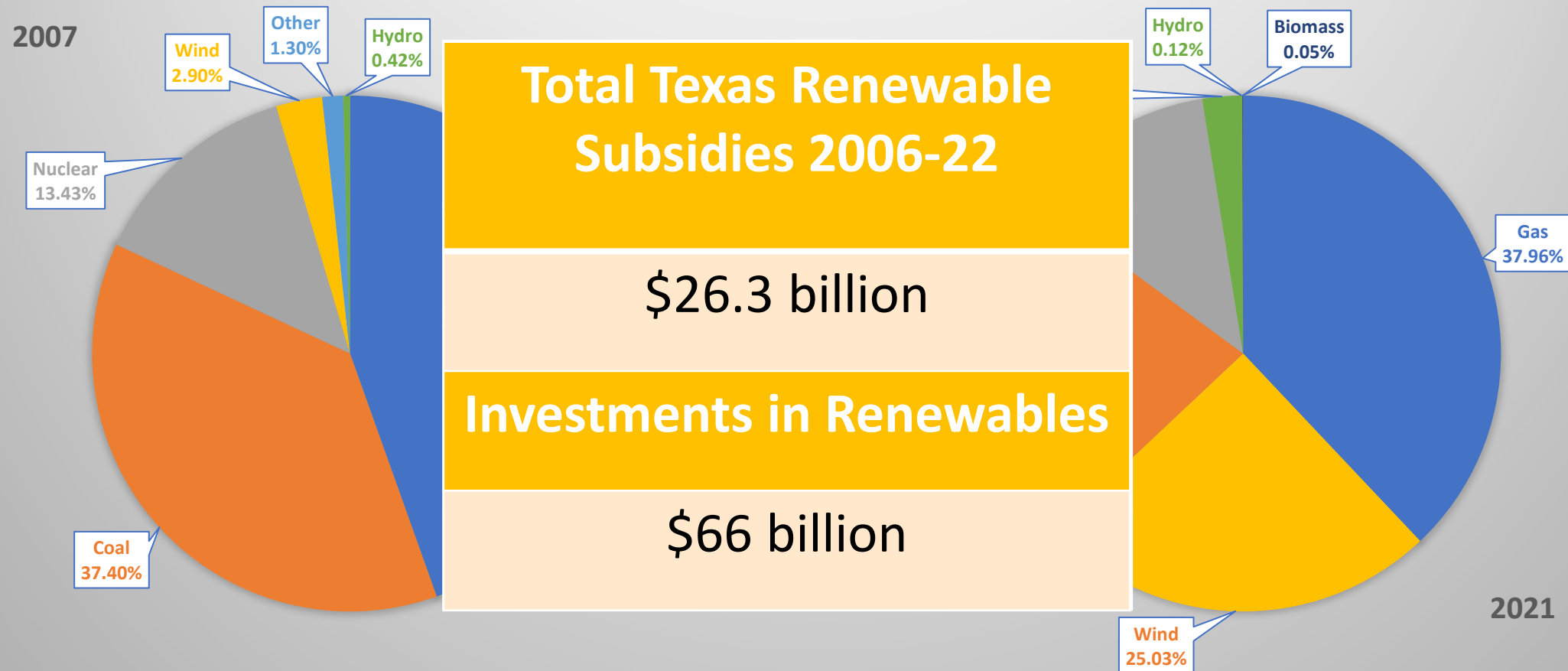
The Texas Electric Grid – Renewables



The Texas Electric Grid – Renewables



The Texas Electric Grid – Renewables



The Texas Electric Grid – Renewables

2007

Wind

Other
1.30%

Hydro

Hydro
0.12%

Biomass
0.05%

BUSINESS // ENERGY

Texas is expected to see \$67 billion in clean energy investment under Democrats' inflation bill

Investments in Renewables

\$66 billion

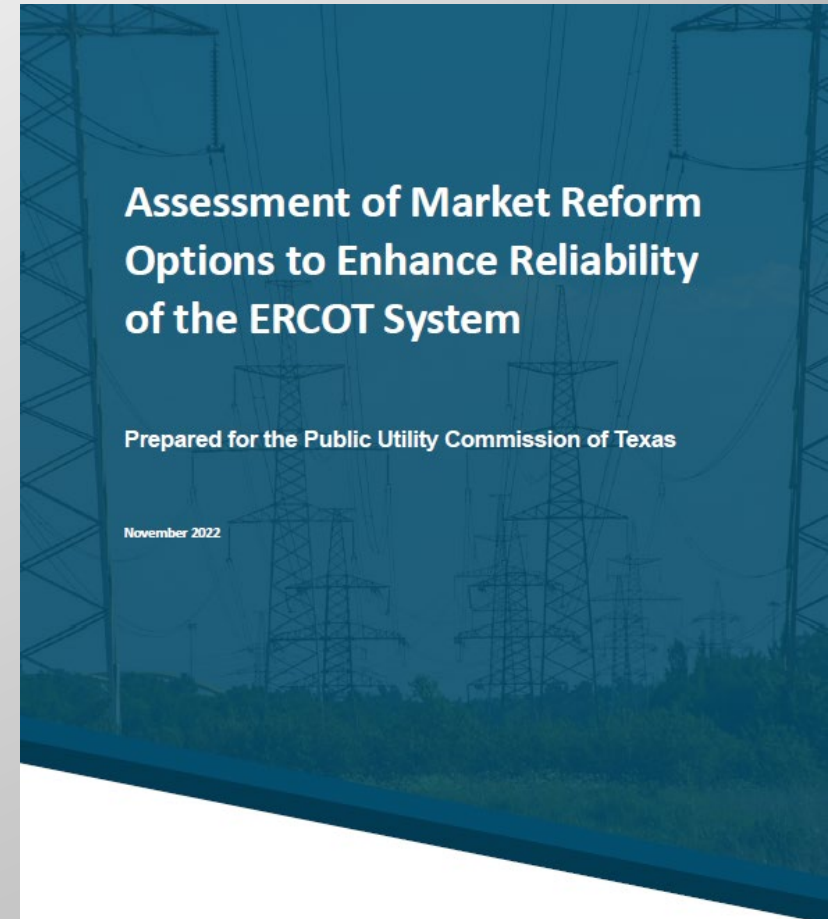
Coal
37.40%

Wind
25.03%

2021

The Texas Electric Grid – PUC Plan

- Practically eliminates price competition
 - Makes Texans pay twice for electricity
 - Does nothing to address the growth of renewables
-
- Forces consumers to pay billions of dollars more to increase profits for generators

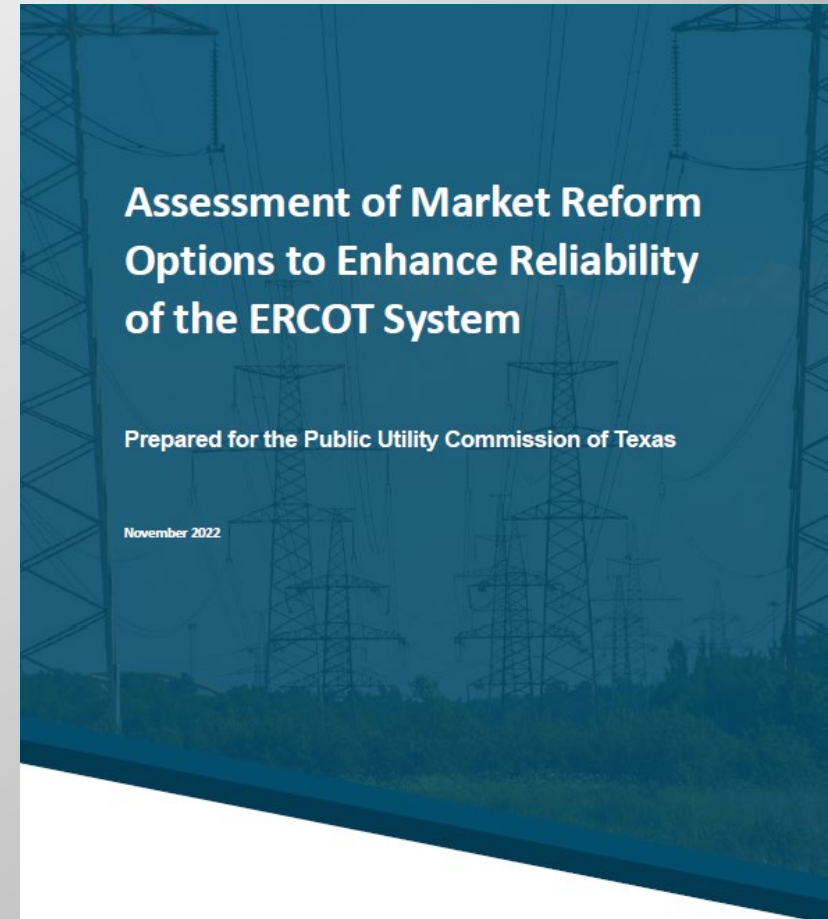


The Texas Electric Grid – PUC Plan

- Practically eliminates price competition
- Makes Texans pay twice for electricity
- Does nothing to address the growth of renewables

Renewable Share of New Generation 2018-21
85%
Renewable Share of New Generation 2022-26
98.69%

- Forces consumers to pay billions of dollars more to increase profits for generators



The Texas Electric Grid - Costs

Projected Annual Est. Energy Costs Imposed by U.S. & Texas Governments – 2026	
Source	Amount
CREZ Lines	\$573,683,601
RPS/RECs	\$27,219,750
Securitization	\$738,246,192
ORDC/Ancillary	\$3,300,000,000
Congestion (Renewables)	\$766,475,000
Market Redesign	\$460,000,000
Chapters 312 & 313	\$167,584,402
U.S. Renewable Subsidies	\$2,437,015,948

How We Will Pay	
Source	Amount
Electric Bill	\$5,865,624,543
Income Taxes	\$2,437,015,948
Property Taxes	\$167,584,402
Total Annual Cost	\$8,470,224,893
Under Control of Texas Legislature	\$6,033,208,945

The Texas Electric Grid – Path Forward

Stop the federal assault on the Texas electricity market through renewable energy subsidies

- Directly address the price distortions caused by renewable resources receiving out-of-market support through requiring either
 - Renewable energy minimum offer price
 - Firmness of dispatch for renewable energy
- Eliminate/do not renew Chapter 312 and 313 property tax abatements for wind and solar generation
- Make Texas' Renewable Energy Credits program voluntary

Scrap the Market Redesign Project at the PUC

Maintain Texas' energy-only market and restore competition through these steps

- End the PUC's manipulation of market prices by eliminating the ORDC and ERCOT's Ancillary Services.
- Do not adopt a mandatory reliability standard
- End the socialization of grid connection and transmission costs
- Require the PUC to model the costs and reliability of Texas' energy-only market with these recommendations in place

The Texas Electric Grid Forward



Stop the federal assault on the Texas electricity market through energy subsidies
Directly address the price distortions caused by renewable energy subsidies receiving out-of-

Bill Peacock @BillPeacock3 · Feb 17
Last session, @DadePhelan killed a @KHancock4TX bill in his committee that would have required the @PUCTX to study the problems caused by renewable energy subsidies that led to the blackouts this week. Maybe these committees ought to investigate this.



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The Texas Electric Grid - Forward



Stop Texas House Speaker Blocks Bill Rollings electricity market through energy subsidies
Back High Electricity Prices causing out-of-

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The Texas Electric Grid



“We need to redesign the market to make sure there is enough generation and there’s enough power. We can’t leave here next spring unless we have a plan for more natural gas power.”

St Texas House Speaker Blocks Bill Rollings electricity market through Back High Electricity Prices

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Scrap Property Tax Abatements at the PUC

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Scrap

Maintain Texas energy-only

Warren Buffett group lobbying Texas lawmakers for deal to build \$8 billion worth of power plants for emergency use

In return, lawmakers would agree to create a revenue stream for Buffett's Berkshire Hathaway through an additional charge on Texans' power bills.

- End the PUC's manipulation of Services.
- Do not adopt a mandatory reliability standard
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- Maintenance

Scrap Maintain Texas energy-only

- End the PUC’s manipulative Services.
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Warren deal to emerge

In return, law through an a



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Life, Liberty, and the Pursuit of Happiness

The Problem with Big Government

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- We can't stop Big Government from taking away our God-given unalienable rights
- The only successful path to Liberty is to turn Big Government into Little Government
 - The Liberty Budget: Zero Growth in state government spending
 - Local governments must get permission from voters to increase property taxes
 - Get control over education spending
 - Get Texas government out of the energy business
 - Withdraw from Medicaid
 - Defund Texas' regulatory state