

GeTtin' SALTy Podcast Episode 47

Nikki Dobay (00:00):

Hello and welcome to Getting' Salty, a state and local tax policy podcast hosted by Greenberg Traurig. My name is Nikki Dobay, shareholder in the Sacramento, California and Portland, Oregon offices. Today we are doing something a little different and very special. We are Getting' Salty and beyond, and to do that, I'm very excited to be joined by two of my colleagues out of our Texas offices. Elizabeth Hadley is a shareholder in our Austin, Texas office in the government Law and Policy Group. Elizabeth, thank you so much for being here today.

Elizabeth Hadley (00:35):

I'm so excited to be here. I'm ready to get Salty.

Nikki Dobay (00:37):

Awesome, awesome. Well, we will be getting there. And also joining us is our Texas Salt Correspondents. Kat, I just gave you that title. Catalina Baron, one of our state and local tax lawyers in the Houston office. So today we are going to be focusing on Texas politics because the Texas legislature is in session. Elizabeth is going to give us a big picture overview of the politics, where the state is with respect to revenues, priorities, things of that nature, and then we will get a little Salty and get into some tax bills. But Elizabeth, I have to ask you before we get into the nitty-gritty, I was looking at your bio and it says that you are board certified in legislative and campaign law by the Texas Board of Legal Specialization. What the heck does that mean? Sounds very fancy.

Elizabeth Hadley (01:31):

Well, it means that I think I had a momentary lapse in sanity a few years ago and decided to sit for the board certification exam, which was like taking part of the bar exam again 20 plus years after I had taken the original bar exam. So this came about briefly. There's a section of the bar as I'm sure your state bar has different sections of specialization, and there is a legislative and campaign law section that was started, I don't know, 10, 12 years ago. And so I was on that board and then actually chaired the section and while I was chair, a previous chair had been working on getting this certified by the Supreme Court as a board specialization certification area. And the Supreme Court granted that while I was the chair. So a couple years later I thought, "Well, I should probably do this since I chaired the section."

(02:26):

And it was a lot more in the weeds than I expected, even though this is what I do every day. Of course, like the bar exam, it covers a lot of areas that I don't necessarily practice every day at all or every day, like election law contest and things like that. And gets very into the details of the constitution, statutes, house and Senate rules, redistricting the budget, the whole appropriations process, all of that. And so I did it and very thankfully passed it. And so I'm now one of, I think only 12 or 13 people in the state, actually the whole country board certified in this area because as far as I know, another state has not made this a board certification area yet. So it's just a fun thing to have. Hopefully it helps something.

Nikki Dobay (03:17):

Well, it's also one of those things when you participate on these bar committees and you do really good things and then you're like, "Oh, I guess I did something really good and now I have to take the test too." [inaudible 00:03:29]. Well, congratulations on that. I was looking at that and I was like, "What the heck is that? I'm going to have to ask her." So well congratulations. And it seems like we have the right person on the podcast then.

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Elizabeth Hadley ([03:39](#)):

Hopefully so.

Nikki Dobay ([03:41](#)):

Well, most of our listeners are state tax specialists. Many of them pay attention to state tax legislative sessions. And so Texas is a bit of a unique state, huge state that is very important to a lot of state and local tax folks, but your legislative process seems to be a little different than a lot of states. So at a very high level, can you walk us through what you all do every two years and why you only do it every two years?

Elizabeth Hadley ([04:10](#)):

Sure. Well, to answer the last part because that's what the constitution says. So yes, the Texas legislature meets every other year. They meet every odd numbered year starting the second Tuesday in January and meet for 140 days. So this year, the second Tuesday fell on January 14th, which is pretty late comparatively. And so we actually go until June 2nd. We'll be a sunny day the last day of the regular legislative session. Of course, the governor can call special sessions after the regular session and can call as many of those as he wants. That last up to 30 days. After last session in 2023 we had three or four of those when they were working on some hot button issues. So hopefully we won't have that this year. They can get done what they want to get done in the regular session. But in that 140-day period, they are only constitutionally required to do one thing, and that is passed a balanced budget.

([05:05](#)):

Everything else is gravy on that, but there will be thousands of bills filed. The bill filing deadline is March 14th, so we still have another month of bills being filed. I don't know what the latest bill count is today, but I think the total is somewhere around three to 4,000 bills have been filed so far. Last session, I think it was around 7,000 bills and a little over a thousand passed. So it just gives you an idea. There will be a lot of bills filed that don't become law, but there will be, I would say around a thousand is a pretty fair estimate for what they may get through in a session, obviously give or take. And then within that there are priorities. The governor, lieutenant governor, and speaker will all announce their legislative priorities. The governor and lieutenant Governor have done that.

([05:58](#)):

The governor also announces emergency items that can be taken up before other legislation. In the first 60 days. They're limited on what they can actually pass out of the legislature, and that includes just emergency items as identified by the governor. So as far as that process we're in a period now where House Committees just got named yesterday, we have a new speaker this session, so it's a process to get house committees put together. So over the last month that has been underway and they were announced yesterday. So now we'll start seeing more committee meetings. Some senate committees have already started meeting. And then just to continue at the high level overview, much like in Congress, any bills have to go through, pass through both chambers, the House and the Senate. And then once a bill has passed through both chambers, then it goes on to the governor and he can either sign it and it becomes law or not sign it and it still becomes law or he can veto it. So we'll see what gets to his desk by the end of May, 1st of June.

Nikki Dobay ([07:05](#)):

And does the governor have line item veto power or is it just a thumbs up or thumbs down essentially?

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Elizabeth Hadley ([07:12](#)):

Well, in regular legislation it's just thumbs up, thumbs down, but in the budget there's line item.

Nikki Dobay ([07:18](#)):

Okay, well thank you for that. And so you mentioned that committees are being named have been named, so that's all going, but where are the politics at in Texas right now post-election going into the next election, and where are things sitting? Are things going to fly through by one party or another, or is there going to be some folks that can stop things? What can we expect on that front?

Elizabeth Hadley ([07:45](#)):

Well, Texas is still very solidly a red state. They, I think became even more so in this last election. We saw a couple of seats in the house flip from Democrat to Republican in one Senate seat. So there's still a very strong Republican majority. And then in the lieutenant governor presides over the Senate, Lieutenant Governor in Texas has a lot of authority and power, is granted to that position by the Constitution, which is also a little unique I think from other states. You see a lot of states where Lieutenant Governor is perhaps more ceremonial, and that is not the case in Texas. In addition to appointing all the committees, Lieutenant Governor also is who decides what legislation comes to the floor for consideration and vote by the full Senate. So there's a lot of power in that office in that position. And then in the house you have the speaker, and let me back up to, the Lieutenant Governor is elected as a statewide elected official.

([08:50](#)):

So the lieutenant governor is not also a senator, he is a previous senator, but that is a statewide elected position and he is elected he or she, but currently he is elected separate from the governor, so they're on separate tickets. So Lieutenant Governor Dan Patrick was elected by the voters in the state of Texas and presides over the Senate. And then in the house you have the speaker of the house who is a member of the house, a state representative, and is chosen by the members of the house to be the speaker and presides over the house. And so they all work together. And so Dustin Burroughs, who's the new speaker, also a Republican, and then of course governor Greg Abbott, who's been in office a while is a Republican. So you have all statewide elected officials in Texas are Republicans. And those three obviously work together to get through the legislative session and what all the priorities are.

Catalina Baron ([09:45](#)):

Elizabeth and the election of the speaker of the house was a little bit interesting too. There was a lot of noise around that.

Elizabeth Hadley ([09:53](#)):

It was, so in terms of just the nitty-gritty politics, there's definitely been a lot of, I guess I would say infighting within the Republican Party. And you had the prior Speaker Dade Phelan who was running for speaker and eventually withdrew his candidacy from the race after a very heated battle. And then you had two candidates. You had David Cook who had been picked by the more, I would say, conservative wing of the house to be the candidate. And that is actually who came out as the Republican caucus candidate. Then you had Dustin Burroughs, who's also a very conservative Republican, come out against Representative Cook.

([10:41](#)):

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So you had multiple Republicans in this race to be speaker, and it came down to a vote on the opening day, which speaker is elected on opening day anyway. But typically we know who the speaker is going to be before we get to the opening day of the legislature. And this year we really didn't, it came down to the vote and they actually had to take two votes before they had the numbers. And Representative Burroughs is the one who prevailed. So it was definitely not the normal Speaker's election in Texas. So I think most would like to say we are not like Congress here though it's interesting how things have changed a little bit.

Nikki Dobay ([11:27](#)):

Well, that sounds like it was a nail-biter of an opening day.

Elizabeth Hadley ([11:33](#)):

It was interesting. In the lobby, it was very interesting to watch. And gambling is not legal here yet, though we are working on that. That's one of the things that we're working on this session. But I would not be surprised if there were some debts placed on who was going to be the lead.

Nikki Dobay ([11:52](#)):

That's amazing. So now as the legislature starts to do their work, let's turn to the fiscal outlook. And you said my question here made you chuckle. So my question was what is the fiscal outlook of Texas? We are seeing in by and large states are doing fairly well. There's some outliers that are struggling, but how's Texas doing on that front?

Elizabeth Hadley ([12:18](#)):

We are doing very well fiscally. The comptroller came out with his biennial revenue estimate in January right before session started and gave the legislature a budget of 194.6 billion. And with that we actually have a surplus of 23.8 billion. And then we also have the rainy day fund, which is like the state savings account, which is sitting currently at 28.5 billion. So right now we have plenty of money to take care of things with. And as I know we're going to talk about property tax relief is definitely going to be, I think part of where some of that money goes. So the fiscal outlook is good.

Nikki Dobay ([13:05](#)):

And so we are going to turn to some of the tax bills of interest and Cat's going to walk us through a couple things on her list, but any other just high level thoughts on the legislative session before we really start getting Salty?

Elizabeth Hadley ([13:19](#)):

Yeah, I think it'll be interesting now that we have another speaker candidate. It's very well-known if you look at anything online or on X or anywhere else that the past speaker and lieutenant governor did not have a harmonious relationship. So I think we're waiting to see how things will be between Lieutenant Governor and this speaker. And the governor has gotten more involved in this last election, I think than he previously has. He typically will sit back a little bit, give his emergency items and sit back. So we'll see how they all work together. But I think part of that and how that will all work out will be determined by how some of these priority items get handled. So before we get into the more tax specific things, one of the main items that the Governor and Lieutenant Governor have said are priority and emergency items are education savings account also known as vouchers.

[\(14:17\)](#):

So that is something that they have said has to pass. And that largely dictated our last election cycle, particularly primaries of Republican House members. The Senate passed the bill out last session and it never made it through the house. And so members, particularly Republican members who opposed the ESA's last session were targeted in primaries and many of them lost. So it is definitely, I think the litmus test of how things will go. And if that doesn't get through, then I think it could have an effect on everything else in the session and be determinant on what happens with any other legislation including the budget. So the Senate has already passed out that bill, and now that we have house committees, when bill referrals start, it'll get referred in the house and we'll see how quickly they take it up and what happens with that. I don't have a dog in that fight. I don't have a client in that space. So luckily that-

Nikki Dobay [\(15:23\)](#):

So just watching eating popcorn on the sideline.

Elizabeth Hadley [\(15:27\)](#):

Yes, but it will have an effect on the things that I am working on. And because it is such a hot topic and priority that they've got to get a handle on that I think before they'll really focus on a lot of other things. So passing school choice is I think that top priority. I know bail reform has also been a priority, an emergency item of Lieutenant Governor and the Governor. So that's been another issue that has been said that if that doesn't get through, then I think other things will get held up. So those are two of the big things. A couple other things on the Governor's list are, and this gets into the funding too, but to make a huge, he says, "Texas size investment and water infrastructure." So this is definitely going to be a water session. It is a very big priority. Texas is a big state. There's a lot of needs.

[\(16:22\)](#):

And you've got aging infrastructure, you have a lot of big tech and manufacturing and things in Texas. And also moving to Texas, Samsung is building a huge chip factory just north of Austin. You have data centers, you have lots of large commercial type activity that has water needs in addition just to the normal development and all the people who are moving here. So there's going to be a big, big push on water and there will be a lot of funding that will be focused on that. And so those are, I'd say, think really the top things in addition to some other things like dealing with the border and working with the new administration and the federal government on that, that's obviously a big focus of the leadership in Texas. So those are some things that we can see. But property tax reform is also a big one. And the governor's priority list stated that they wanted to use at least 10 billion of that budget surplus that I mentioned, so at least more than a third of it toward property tax relief. So I'll stop there if y'all want to pick up on that.

Nikki Dobay [\(17:30\)](#):

Awesome. Cat, do you want to start ticking off the list of the tax bills you've been keeping track of?

Catalina Baron [\(17:38\)](#):

Yeah, I think Elizabeth ticked it off because that's the biggest one. And I think actually the only one, I have not seen anything on the R&D credit and is a reminder that's set to expire in 2026. So if they wanted to extend that, it needed to be during this legislative session. And we have not seen any action on that, which is concerning. The hope I think, for business development was that it would be permanently extended during this legislative session, and that has not happened. So I think mostly the

property tax Senate Bill 4 is what we're focused on in terms of taxes. And as I understand it, yesterday, Senate Bill 4 passed the Senate and it's now headed to the house.

[\(18:27\)](#):

And basically it increases the homestead exemption to \$140,000, 150,000 for certain people. And I think it's estimated to bring around \$1,700 of yearly relief to taxpayers. That's the average. And I think the understanding is it's largely modeled after the 2023 property tax relief bill, except for the governor did make it clear during his state of the state that he wanted to make sure that certain loopholes that were used by counties were closed in this bill and were taken care of so that counties can just up the tax rate and get around relief that way.

[\(19:11\)](#):

So what's interesting is that in terms of how this is going to get covered, they call it the process of paying down, will be done largely with state sales tax revenue. And so that does hint as to what will happen with state sales tax. There's currently nothing in no bill related to the data processing regs that we saw the controller issue, and we haven't heard a lot of news or movement on that. So it'll be interesting to see if the state will figure out some ways to make sales tax a little more intense to subsidize this property tax relief. But again, like Elizabeth said, there seems to be a surplus. And this was, I think the first priority the governor mentioned, emergency item. So it seems like it's an important topic for everybody.

Elizabeth Hadley [\(20:02\)](#):

Yeah, I mean it definitely I think has to happen and I think they will be called back into special sessions if it doesn't happen. It will be interesting the last session or two, the House and Senate differed on the methodology of how it gets done. Y'all know much more about that than I do, but there was some contention over how to go about this and what was the right way. I know that they really went back and forth on last session, so we'll see how that plays out. But it's definitely something that I think is one of the items that has to get done and have a special session.

[\(20:42\)](#):

And another thing to that I only know enough to be dangerous with is that oil and gas, severance tax is obviously a big piece in addition to sales tax of where our funding comes from, which is also why oil and gas, fossil fuels are still a very big priority, they're the king of Texas, and people get a little bristly on some of the renewable discussion. However, the governor tweeted out not too long ago about how Texas is number one in solar too. And so solar and wind and the legislature is working more like on nuclear. So I know I'm getting a little off-topic, but it just comes back to there are more reasons than why oil and gas is important here too, that goes into our funding in addition to other thoughts.

Nikki Dobay [\(21:31\)](#):

And just a question on process with the property tax reform, Elizabeth, do you think that this, we've seen a bill that passed the Senate, it'll be going to the house, is that something that could happen very quickly or are those other priorities going to happen before that can happen? Or is this in that general bucket of one of the priorities so it won't be necessarily held up by some of those other items?

Elizabeth Hadley [\(21:58\)](#):

Yeah, I think this is where behind closed doors politics comes in that we are not going to necessarily know about that they're going to be negotiating things behind closed doors as to how I think these will get prioritized.

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Nikki Dobay ([22:11](#)):

Got it.

Elizabeth Hadley ([22:12](#)):

I do think the school choice is probably going to be, I would guess first up, especially since it came out of the Senate first, and so we'll see. But that's going to be where they're going to be having a lot of negotiations. Historically, the Governor or Lieutenant Governor, and speaker will have weekly meetings. We'll see if that is going to happen. But those are the things that they'll talk about. And I think try and game plan and strategize what needs to happen first and where the members are, where the votes are and all that kind of stuff. And bail reform, I'll say too, is one of those matters that will need a hundred votes as a constitutional amendment. And those things are maybe a little harder this session with some of the politics and just some of the things that have happened within the Republican Party and then Republicans and Democrats. So that one may take a little longer for them to figure out where all the votes are.

Nikki Dobay ([23:13](#)):

And then I guess one question, just getting both of your experience in Texas are tax issues something that can get rolled up in the budget? And so we'll see one big push at the end as part of that process or these items that we're going to see more on an ad hoc basis, and they could happen at any time.

Catalina Baron ([23:36](#)):

Nikki, do you have PTSD from California?

Nikki Dobay ([23:39](#)):

Maybe and many other states.

Elizabeth Hadley ([23:44](#)):

I don't know, Cat if you want to take that or, I mean, its-

Catalina Baron ([23:48](#)):

I don't know of anything that would preclude them from doing so, from including them within the budget like other states do. But I usually see property tax as a standalone item, just because it's so important for Texas taxpayers and the public. That's what I've seen. I don't know, Elizabeth, if you disagree.

Elizabeth Hadley ([24:08](#)):

Yeah, no, yeah, it should be separate. I mean, the budget is divided up in articles. You've got general government, you have health and human services, you have education, you have natural resources, all these different areas. And I think while property tax is handled in that same atmosphere, it's got to be its own separate thing.

Nikki Dobay ([24:35](#)):

Got it. All right, well we have the surprise non-tax question, which is the most fun part of this podcast, Elizabeth. But any final thoughts on the session? I'm sure we'll be back as things wind down or wrap up or move into special session to find out what happened.

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Elizabeth Hadley ([24:54](#)):

Yeah, I mean, I'm excited. I am a total legislative policy nerd and I love all of this. I love being in the building. And it's funny, I mentioned it being like Congress earlier, but I think for the most part, the Texas legislature is still a family. And I've got friends, I'm nonpartisan as a lobbyist. I work with people in both sides of the aisle, obviously both chambers and there's a lot of great people over there, and it's fun to get to know them, the members and their staff. It's exciting now to see who new committee chairmen are.

([25:31](#)):

And it's just a fun process to be part of, as crazy as that might sound. So I look forward to getting in there and rolling my sleeves up and trying to get the bills passed that my clients have asked me to work on, which run the gamut on subject matter. And just hoping that some of these other things don't get in the way of the matters that I'm working on. And just hope everybody can get along and that we have a good session. And like I said, all they have to really do is pass a balanced budget. So I think they'll certainly get that done and hopefully do some good with these excess funds that we have.

Nikki Dobay ([26:12](#)):

Good. Cat, any final thoughts on the tax side? I know you want that RND, the extension.

Catalina Baron ([26:18](#)):

I know I could listen to Elizabeth speak all day. It's amazing. I'm learning so much. I think-

Elizabeth Hadley ([26:24](#)):

I know I feel like we need to get together after this. You could be really helpful on things that we work on and helping us understand.

Catalina Baron ([26:31](#)):

Oh, I think the other way around, I think you got it backwards. I think Glenn Hager, who's the Texas Comptroller announced that he will not be running again. So that's an interesting thing that I think we haven't mentioned yet. So we'll have to see who will be the Texas Comptroller next.

Elizabeth Hadley ([26:49](#)):

Yeah. And he has been a great Comptroller and he's just a great person. I know him personally and his deputy Comptroller, Lisa Craven, who's been with him for years, and they're just really fantastic people. So I look forward to seeing what he is going to do next and hope we'll see him in another role. We'll see how that plays out for him. But yeah, I think back on the political side of things, it will be interesting after we get through session to see how things shake out in terms of statewide leadership because I do think we'll see some things open up and we'll see who is going to try and fill those positions at the statewide level in 2026 because that's when our statewide officials are elected. So we'll definitely be interesting to see. I think we'll see a lot of people throwing their hat in the ring.

Nikki Dobay ([27:44](#)):

Awesome. Well, we will be back and yes, you two definitely need to connect offline and talk politics and tax.

Elizabeth Hadley ([27:51](#)):

Wait, I have to tell y'all a funny thing really quick to make this extra Texas, especially for your listeners who are not from here. Some of the fun things about my job, in addition to just all the people I get to work with, and like I said, I live over there. And so you see these people in the building as we call it the pink building because made of pink granite more than your family when you get to a certain point in session. So everybody's really close, but there are fun events and activities that are very Texas that happen over here during session as well because you have different groups coming in to visit. And so one of the things that had just happened earlier this week that when I tell people this, they're like, "No, you're lying. That cannot be right."

[\(28:32\)](#):

Is it was Rattlesnake Day in the Capitol and the Sweetwater Jaycees Sweetwater, Texas is apparently the rattlesnake capital of the world, and they bring rattlesnakes to the capitol and have them in this outdoor rotunda area that we have. And you can go down there and hold the snakes, pet the snakes, they'll put them on you. I do not do that because I do not want to be anywhere near a snake, but there's a second floor overlook that you can look down there too. So that's where I usually go and look down. And so basically it is a pit of snakes, which you can make all kinds of jokes about when you're talking about a capital with full of politicians and lobbyists. And yeah, for two days we had Rattlesnake Day. So welcome to Texas. Welcome to Texas.

Nikki Dobay [\(29:21\)](#):

Cat knows this is my nightmare.

Catalina Baron [\(29:24\)](#):

Elizabeth, do people dress up for Texas Day?

Elizabeth Hadley [\(29:28\)](#):

Yeah, you'll see some people. I mean, I would say this is another fun fact when I got here. I'm originally from Mississippi and we moved here in 2008 and I started working for a senator in the Capitol. And I remember looking down one day and just noticing that every single man had on cowboy boots with their suit. And that's not something I grew up with and saw. I mean, people who I knew wore boots were more like in farming or rodeo or stuff like that. So it's a very much a thing that they have on their cowboy boots every day. So I don't know, I think every day is probably Texas Day. So you should come visit Nikki. Nikki, come down. I'll take you and Cat to the capitol and give you a tour.

Nikki Dobay [\(30:13\)](#):

All right. Just not on Rattlesnake Day.

Elizabeth Hadley [\(30:16\)](#):

No, it's already happened.

Nikki Dobay [\(30:17\)](#):

True. Okay. Okay. I can come. I can come. All right, well that was so much fun. I almost don't need a question, but I'll ask this one quickly. So this is how it works. I ask the question, I'll answer first so you have time to collect your thoughts. I want to know what is your guilty pleasure TV show? And I assume, Elizabeth, you don't have a lot of time to watch TV right now, but when you do watch your Guilty Pleasure TV show. I have two buckets. So I watch a lot of murder shows, like true crime, murder shows,

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and then I'm also been really into high-end real estate shows lately. So those are my little guilty pleasures. Cat, what have you been watching for fun?

Catalina Baron ([30:58](#)):

Any good old Colombian tele novella, like the OG Ugly Betty.

Elizabeth Hadley ([31:04](#)):

Yes, I love that.

Catalina Baron ([31:05](#)):

The Colombian version. Of course, there's a character called Catalina.

Elizabeth Hadley ([31:11](#)):

I love that.

Nikki Dobay ([31:13](#)):

All right, Elizabeth.

Elizabeth Hadley ([31:15](#)):

Well, so my guilty pleasure, which I actually said this at our shareholder meeting last week in the communications forum. So guilty pleasure was a question. And actually what I said mine is binge-watching too much TV. So when I have downtime or even if I'm catching up on things, I definitely can stay up too late and binge-watch shows. So I tend to like comedy, cooking or reality. So I have watched most seasons of The Bachelor and Bachelorette. I can't say I've gotten super into this one though. I know he is from Houston, so I need to pick that back up. I love the Great British Baking Championship. And so whenever there's a new season of that, absolutely watch that. And then, I don't know, I've got so many different things that I pick up and watch on Max, Netflix, Hulu, whatever. I'm loving, Shrinking right now on Apple. That's a really good one. And then all kind of various Netflix shows, but I tend to go for the light, funny or reality for picking.

Nikki Dobay ([32:20](#)):

Awesome. Awesome. Well, thank you both so much for joining me today. This has been really fun and we're excited to do this, Getting' Salty and beyond. And Elizabeth, you are a great person to join us for our first experiment here. It's been an amazing success. So thank you to the listeners for joining us today. We will be back talking about Texas more this session I am sure. And information about Cat, Elizabeth and I will all be in the show notes. If you have any questions or comments, please do leave those in the show notes as well. And I will be back in a few weeks. On the next, Getting' Salty.