



# LEGISLATIVE BUDGET BOARD

## Summary of Fiscal Size-up for the 2016–17 Biennium

SUBMITTED TO THE 84TH TEXAS LEGISLATURE

PREPARED BY LEGISLATIVE BUDGET BOARD STAFF

MAY 2016



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**MAY 2016**

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# LEGISLATIVE BUDGET BOARD

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# SUMMARY OF FISCAL SIZE-UP: 2016–17 BIENNIUM

May 2016

The Legislative Budget Board (LBB) staff is pleased to present the *Summary of Fiscal Size-up: 2016–17 Biennium*.

This new publication distills key information found in the full version of *Fiscal Size-up*:

- three overview chapters that address the state budget, revenue and economic outlook, and significant fiscal legislation; and
- one-page summaries for each article of government and each state agency or institution (each summary includes graphics and brief written explanations).

The *Summary of Fiscal Size-up: 2016–17 Biennium* and the complete *Fiscal Size-up: 2016–17 Biennium* are available on the Legislative Budget Board's website: [www.lbb.state.tx.us](http://www.lbb.state.tx.us).

Annual and biennial budget data are also available in an interactive format online: [www.lbb.state.tx.us/InteractiveGraphics.aspx](http://www.lbb.state.tx.us/InteractiveGraphics.aspx). The data can be filtered and downloaded into Excel worksheets.

I trust that this summary document and the complete *Fiscal Size-up* will prove to be useful resources to members of the Legislature and to all Texans who have an interest in the state's budget and fiscal policy.

Ursula Parks

Director



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# 1. STATE BUDGET OVERVIEW

This chapter provides an overview of the General Appropriations Act (GAA), including the Governor's vetoes, and other bills passed by the Eighty-fourth Legislature, 2015, that appropriate funds. These combined appropriations are referred to as the state budget for the 2016–17 biennium. The overview highlights major changes in the budget from the previous biennium, and incorporates the adjustments to 2014–15 appropriations included in House Bill 2, the supplemental appropriations bill.

The budget is categorized into articles that cover certain areas of state government. For example, Article I is General Government. Article II covers Health and Human Services, and Article III is Public and Higher Education. Six additional articles cover the other areas of government, plus an article providing general provisions to all state agencies and institutions.

The Legislature uses four methods of finance to appropriate funds to state agencies and public institutions of higher education: General Revenue Funds, General Revenue–Dedicated Funds, Federal Funds, and Other Funds. **All Funds** is the summation of the methods of finance.

- **General Revenue Funds** include the nondedicated portion of the General Revenue Fund, which is the state's primary operating fund. General Revenue Funds also include the Available School Fund, the State Instructional Materials Fund, and the Foundation School Fund.
- **General Revenue–Dedicated Funds** include more than 200 accounts within the General Revenue Fund that are dedicated for specific purposes by statute or the funds-consolidation process. For example, Trauma Facility and EMS Account No. 5111 is funded through deposits collected in the Driver Responsibility Program and state traffic fines related to traffic offense convictions. The revenues are statutorily dedicated to the Department of State Health Services to provide funding for designated trauma facilities, county and regional emergency medical services, and trauma-care systems; for qualified provider and hospital payments in Medicaid; and to the Higher Education Coordinating Board for graduate medical education and nursing education programs.

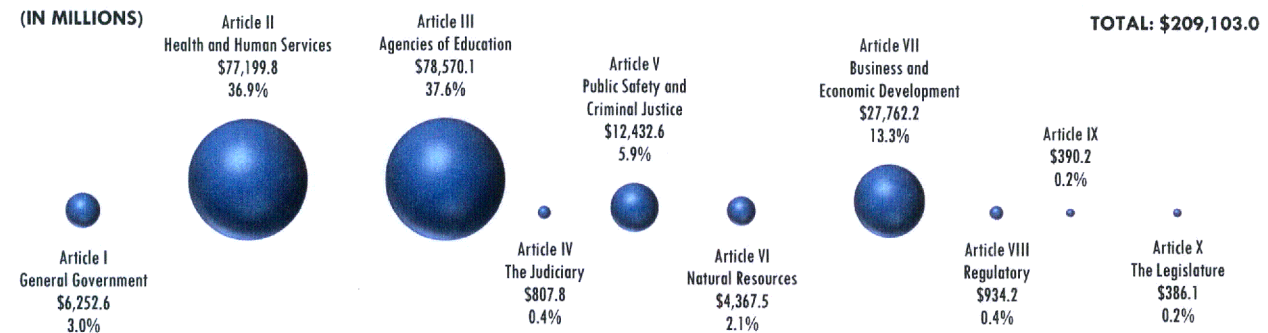
- **Federal Funds** include grants, allocations, payments, or reimbursements received from the federal government by state agencies and institutions. The largest portion of federal funding appropriations are for the Medicaid program in Article II. Other examples of Federal Funds appropriations include the Title I Grants to Local Educational Agencies, National School Lunch Program, Transportation Grants and National Highway System Funding, Special Education Basic State Grants, and the Children's Health Insurance Program.
- **Other Funds** consist of any funds not included in the General Revenue Fund (dedicated or not) or Federal Funds. Examples of Other Funds include the State Highway Fund, the Texas Mobility Fund, the Property Tax Relief Fund, the Economic Stabilization Fund, trust funds, bond proceeds, and interagency contracts.

**Figures 1 to 14** show the total appropriations for the 2016–17 biennium by each method of finance for each article compared to the 2014–15 biennium expenditure/budgeted level of funding. Included are highlights of major funding items or significant policy or fiscal issues across the state; a reconciliation of the base that explains how the previous biennium's appropriations have been adjusted during the 2014–15 biennium; an itemization of exceptions to 2016–17 baseline funding; and examples of factors affecting the state budget, including budget drivers such as correctional population and public school daily attendance.

This chapter also provides additional context for understanding the budget, including an analysis of trends in state government expenditures, restricted appropriations, and an explanation of constitutional spending limits.

## FUNDING BY ARTICLE

**FIGURE 1**  
**FUNDING BY ARTICLE, ALL FUNDS**



SOURCE: Legislative Budget Board.

**FIGURE 2**  
**FUNDING BY ARTICLE, ALL FUNDS**

(IN MILLIONS)

ALL FUNCTIONS	EXPENDED/BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE
Article I – General Government	\$5,321.5	\$6,252.6	\$931.1	17.5%
Article II – Health and Human Services	\$74,751.5	\$77,199.8	\$2,448.3	3.3%
Article III – Agencies of Education	\$74,724.5	\$78,570.1	\$3,845.7	5.1%
<i>Public Education</i>	\$56,171.9	\$58,556.2	\$2,384.3	4.2%
<i>Higher Education</i>	\$18,552.6	\$20,013.9	\$1,461.3	7.9%
Article IV – The Judiciary	\$764.5	\$807.8	\$43.3	5.7%
Article V – Public Safety and Criminal Justice	\$11,869.0	\$12,432.6	\$563.7	4.7%
Article VI – Natural Resources	\$6,933.5	\$4,367.5	(\$2,566.0)	(37.0%)
Article VII – Business and Economic Development	\$27,429.5	\$27,762.2	\$332.6	1.2%
Article VIII – Regulatory	\$1,132.6	\$934.2	(\$198.3)	(17.5%)
Article IX – General Provisions	\$0.0	\$390.2	\$390.2	N/A
Article X – The Legislature	\$374.0	\$386.1	\$12.0	3.2%
<b>Total, All Articles</b>	<b>\$203,300.5</b>	<b>\$209,103.0</b>	<b>\$5,802.5</b>	<b>2.9%</b>
<b>Amount of Tax Relief</b>			<b>(\$1,200.0)</b>	
<b>Growth Excluding Tax Relief</b>			<b>\$4,602.5</b>	<b>2.3%</b>

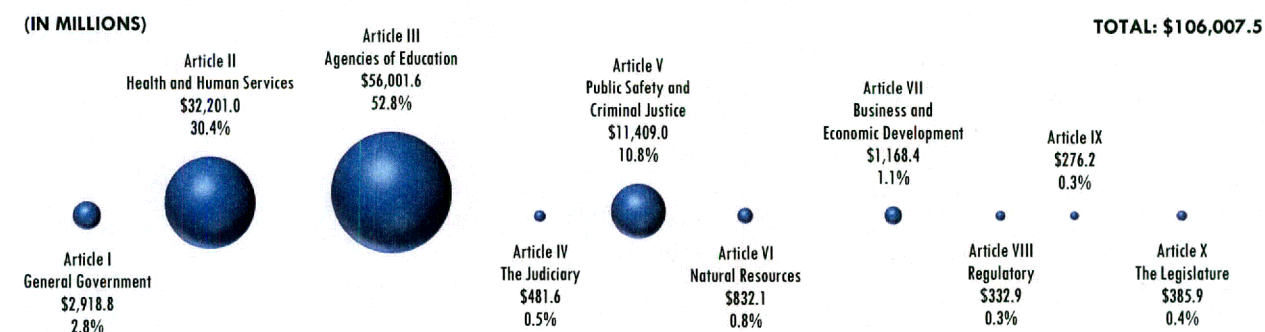
NOTES:

(1) Excludes Interagency Contracts.

(2) Biennial change and percentage change are calculated on actual amounts before rounding. Therefore, figure totals may not sum due to rounding.

SOURCE: Legislative Budget Board.

**FIGURE 3**  
**FUNDING BY ARTICLE, GENERAL REVENUE FUNDS**



SOURCE: Legislative Budget Board.

**FIGURE 4**  
**FUNDING BY ARTICLE, GENERAL REVENUE FUNDS**

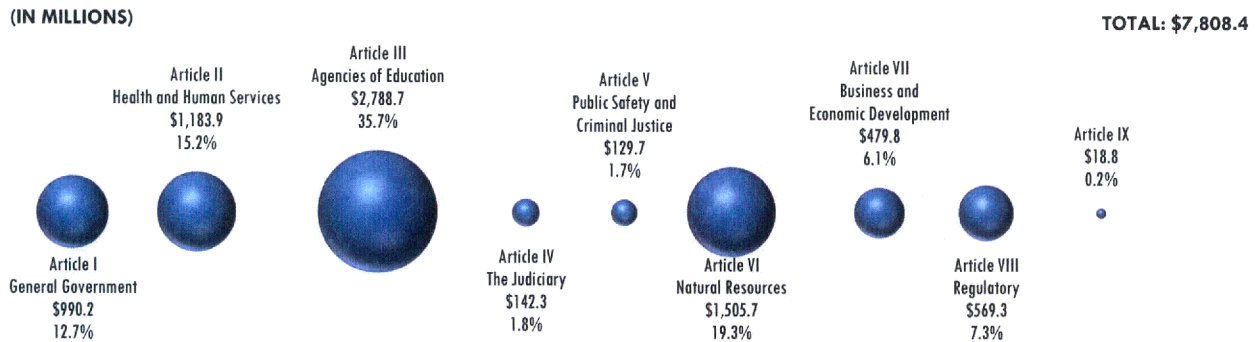
(IN MILLIONS)

ALL FUNCTIONS	EXPENDED/BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE
Article I – General Government	\$2,834.3	\$2,918.8	\$84.5	3.0%
Article II – Health and Human Services	\$29,751.2	\$32,201.0	\$2,449.8	8.2%
Article III – Agencies of Education	\$51,457.3	\$56,001.6	\$4,544.3	8.8%
<i>Public Education</i>	\$38,189.8	\$41,323.0	\$3,133.3	8.2%
<i>Higher Education</i>	\$13,267.5	\$14,678.5	\$1,411.1	10.6%
Article IV – The Judiciary	\$447.3	\$481.6	\$34.3	7.7%
Article V – Public Safety and Criminal Justice	\$9,292.0	\$11,409.0	\$2,117.0	22.8%
Article VI – Natural Resources	\$717.3	\$832.1	\$114.8	16.0%
Article VII – Business and Economic Development	\$914.9	\$1,168.4	\$253.5	27.7%
Article VIII – Regulatory	\$284.5	\$332.9	\$48.4	17.0%
Article IX – General Provisions	\$0.0	\$276.2	\$276.2	N/A
Article X – The Legislature	\$373.9	\$385.9	\$12.0	3.2%
<b>Total, All Articles</b>	<b>\$96,072.6</b>	<b>\$106,007.5</b>	<b>\$9,934.9</b>	<b>10.3%</b>
<b>Amount of Tax Relief</b>			<b>(\$3,800.0)</b>	
<b>Growth Excluding Tax Relief</b>			<b>\$6,134.9</b>	<b>6.4%</b>

NOTE: Biennial change and percentage change are calculated on actual amounts before rounding. Therefore, figure totals may not sum due to rounding.

SOURCE: Legislative Budget Board.

**FIGURE 5**  
**FUNDING BY ARTICLE, GENERAL REVENUE–DEDICATED FUNDS**



SOURCE: Legislative Budget Board.

**FIGURE 6**  
**FUNDING BY ARTICLE, GENERAL REVENUE–DEDICATED FUNDS**

(IN MILLIONS)

ALL FUNCTIONS	EXPENDED/BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE
Article I – General Government	\$865.7	\$990.2	\$124.5	14.4%
Article II – Health and Human Services	\$1,191.5	\$1,183.9	(\$7.6)	(0.6%)
Article III – Agencies of Education	\$2,676.1	\$2,788.7	\$112.6	4.2%
<i>Public Education</i>	\$0.1	\$0.0	(\$0.1)	(100.0%)
<i>Higher Education</i>	\$2,676.1	\$2,788.7	\$112.6	4.2%
Article IV – The Judiciary	\$133.5	\$142.3	\$8.9	6.6%
Article V – Public Safety and Criminal Justice	\$56.5	\$129.7	\$73.2	129.4%
Article VI – Natural Resources	\$1,210.1	\$1,505.7	\$295.6	24.4%
Article VII – Business and Economic Development	\$463.4	\$479.8	\$16.4	3.5%
Article VIII – Regulatory	\$789.2	\$569.3	(\$219.9)	(27.9%)
Article IX – General Provisions	\$0.0	\$18.8	\$18.8	N/A
Article X – The Legislature	\$0.0	\$0.0	\$0.0	N/A
<b>Total, All Articles</b>	<b>\$7,386.0</b>	<b>\$7,808.4</b>	<b>\$422.5</b>	<b>5.7%</b>

NOTE: Biennial change and percentage change are calculated on actual amounts before rounding. Therefore, figure totals may not sum due to rounding.

SOURCE: Legislative Budget Board.

**FIGURE 7**  
**FUNDING BY ARTICLE, GENERAL REVENUE FUNDS AND GENERAL REVENUE–DEDICATED FUNDS**



SOURCE: Legislative Budget Board.

**FIGURE 8**  
**FUNDING BY ARTICLE, GENERAL REVENUE FUNDS AND GENERAL REVENUE–DEDICATED FUNDS**

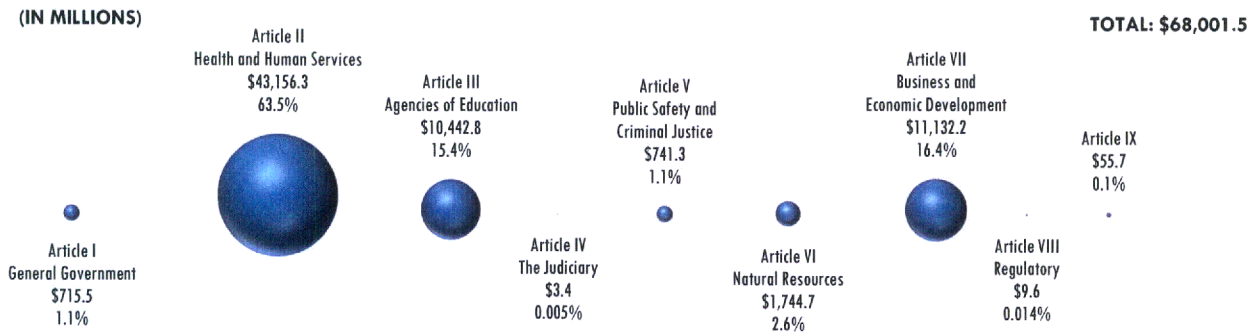
(IN MILLIONS)

ALL FUNCTIONS	EXPENDED/BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE
Article I – General Government	\$3,700.0	\$3,909.1	\$209.1	5.7%
Article II – Health and Human Services	\$30,942.6	\$33,384.9	\$2,442.2	7.9%
Article III – Agencies of Education	\$54,133.4	\$58,790.3	\$4,656.9	8.6%
<i>Public Education</i>	\$38,189.9	\$41,323.0	\$3,133.2	8.2%
<i>Higher Education</i>	\$15,943.6	\$17,467.3	\$1,523.7	9.6%
Article IV – The Judiciary	\$580.8	\$624.0	\$43.2	7.4%
Article V – Public Safety and Criminal Justice	\$9,348.5	\$11,538.7	\$2,190.2	23.4%
Article VI – Natural Resources	\$1,927.4	\$2,337.8	\$410.4	21.3%
Article VII – Business and Economic Development	\$1,378.2	\$1,648.2	\$270.0	19.6%
Article VIII – Regulatory	\$1,073.7	\$902.2	(\$171.5)	(16.0%)
Article IX – General Provisions	\$0.0	\$295.0	\$295.0	N/A
Article X – The Legislature	\$373.9	\$385.9	\$12.0	3.2%
<b>Total, All Articles</b>	<b>\$103,458.6</b>	<b>\$113,815.9</b>	<b>\$10,357.4</b>	<b>10.0%</b>
<b>Amount of Tax Relief</b>			<b>(\$3,800.0)</b>	
<b>Growth Excluding Tax Relief</b>			<b>\$6,557.4</b>	<b>6.3%</b>

NOTE: Biennial change and percentage change are calculated on actual amounts before rounding. Therefore, figure totals may not sum due to rounding.

SOURCE: Legislative Budget Board.

**FIGURE 9  
FUNDING BY ARTICLE, FEDERAL FUNDS**



SOURCE: Legislative Budget Board.

**FIGURE 10  
FUNDING BY ARTICLE, FEDERAL FUNDS**

(IN MILLIONS)

ALL FUNCTIONS	EXPENDED/BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE
Article I – General Government	\$662.8	\$715.5	\$52.7	8.0%
Article II – Health and Human Services	\$43,134.7	\$43,156.3	\$21.6	0.1%
Article III – Agencies of Education	\$10,034.1	\$10,442.8	\$408.7	4.1%
<i>Public Education</i>	\$9,759.1	\$10,172.8	\$413.7	4.2%
<i>Higher Education</i>	\$275.0	\$270.0	(\$5.0)	(1.8%)
Article IV – The Judiciary	\$3.8	\$3.4	(\$0.3)	(9.0%)
Article V – Public Safety and Criminal Justice	\$1,120.7	\$741.3	(\$379.4)	(33.9%)
Article VI – Natural Resources	\$2,656.2	\$1,744.7	(\$911.5)	(34.3%)
Article VII – Business and Economic Development	\$11,102.3	\$11,132.2	\$29.9	0.3%
Article VIII – Regulatory	\$13.2	\$9.6	(\$3.6)	(27.2%)
Article IX – General Provisions	\$0.0	\$55.7	\$55.7	N/A
Article X – The Legislature	\$0.0	\$0.0	\$0.0	N/A
<b>Total, All Articles</b>	<b>\$68,727.7</b>	<b>\$68,001.5</b>	<b>(\$726.2)</b>	<b>(1.1%)</b>

NOTE: Biennial change and percentage change are calculated on actual amounts before rounding. Therefore, figure totals may not sum due to rounding.

SOURCE: Legislative Budget Board.

**FIGURE 11**  
**FUNDING BY ARTICLE, OTHER FUNDS**



SOURCE: Legislative Budget Board.

**FIGURE 12**  
**FUNDING BY ARTICLE, OTHER FUNDS**

(IN MILLIONS)

ALL FUNCTIONS	EXPENDED/BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE
Article I – General Government	\$958.7	\$1,628.0	\$669.3	69.8%
Article II – Health and Human Services	\$674.2	\$658.6	(\$15.6)	(2.3%)
Article III – Agencies of Education	\$10,556.9	\$9,337.0	(\$1,219.9)	(11.6%)
<i>Public Education</i>	\$8,222.9	\$7,060.3	(\$1,162.5)	(14.1%)
<i>Higher Education</i>	\$2,334.0	\$2,276.7	(\$57.4)	(2.5%)
Article IV – The Judiciary	\$179.9	\$180.3	\$0.4	0.2%
Article V – Public Safety and Criminal Justice	\$1,399.7	\$152.6	(\$1,247.2)	(89.1%)
Article VI – Natural Resources	\$2,350.0	\$285.1	(\$2,064.9)	(87.9%)
Article VII – Business and Economic Development	\$14,949.1	\$14,981.8	\$32.7	0.2%
Article VIII – Regulatory	\$45.7	\$22.5	(\$23.2)	(50.8%)
Article IX – General Provisions	\$0.0	\$39.5	\$39.5	N/A
Article X – The Legislature	\$0.1	\$0.2	\$0.1	64.4%
<b>Total, All Articles</b>	<b>\$31,114.3</b>	<b>\$27,285.6</b>	<b>(\$3,828.7)</b>	<b>(12.3%)</b>
<b>Amount of Tax Relief</b>			<b>\$2,600.0</b>	
<b>Growth Excluding Tax Relief</b>			<b>(\$1,228.7)</b>	<b>(3.9%)</b>

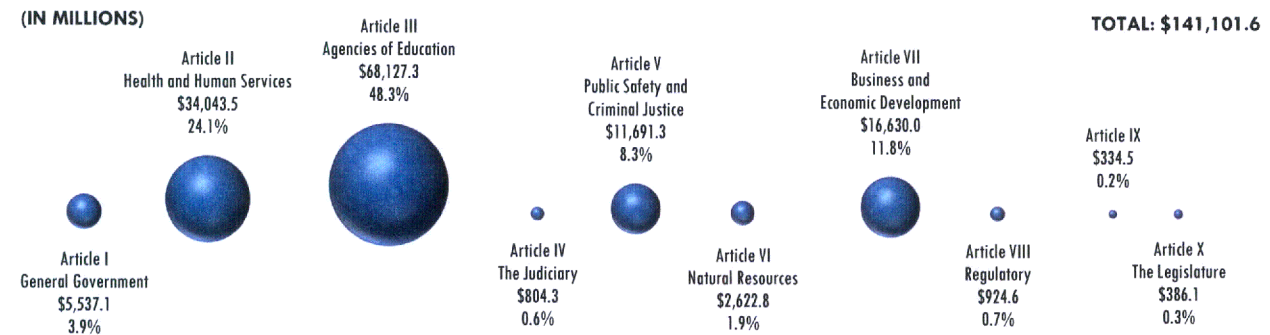
NOTES:

(1) Excludes Interagency Contracts.

(2) Biennial change and percentage change are calculated on actual amounts before rounding. Therefore, figure totals may not sum due to rounding.

SOURCE: Legislative Budget Board.

**FIGURE 13**  
**FUNDING BY ARTICLE, GENERAL REVENUE FUNDS, GENERAL REVENUE–DEDICATED FUNDS, AND OTHER FUNDS**



SOURCE: Legislative Budget Board.

**FIGURE 14**  
**FUNDING BY ARTICLE, GENERAL REVENUE FUNDS, GENERAL REVENUE–DEDICATED FUNDS, AND OTHER FUNDS**

(IN MILLIONS)

ALL FUNCTIONS	EXPENDED/BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE
Article I – General Government	\$4,658.7	\$5,537.1	\$878.4	18.9%
Article II – Health and Human Services	\$31,616.8	\$34,043.5	\$2,426.7	7.7%
Article III – Agencies of Education	\$64,690.3	\$68,127.3	\$3,437.0	5.3%
<i>Public Education</i>	\$46,412.7	\$48,383.4	\$1,970.7	4.2%
<i>Higher Education</i>	\$18,277.6	\$19,743.9	\$1,466.3	8.0%
Article IV – The Judiciary	\$760.7	\$804.3	\$43.6	5.7%
Article V – Public Safety and Criminal Justice	\$10,748.3	\$11,691.3	\$943.0	8.8%
Article VI – Natural Resources	\$4,277.4	\$2,622.8	(\$1,654.5)	(38.7%)
Article VII – Business and Economic Development	\$16,327.3	\$16,630.0	\$302.7	1.9%
Article VIII – Regulatory	\$1,119.4	\$924.6	(\$194.8)	(17.4%)
Article IX – General Provisions	\$0.0	\$334.5	\$334.5	N/A
Article X – The Legislature	\$374.0	\$386.1	\$12.0	3.2%
<b>Total, All Articles</b>	<b>\$134,572.9</b>	<b>\$141,101.6</b>	<b>\$6,528.7</b>	<b>4.9%</b>
<b>Amount of Tax Relief</b>			<b>(\$1,200.0)</b>	
<b>Growth Excluding Tax Relief</b>			<b>\$5,328.7</b>	<b>4.0%</b>

NOTES:

(1) Excludes Interagency Contracts.

(2) Biennial change and percentage change are calculated on actual amounts before rounding. Therefore, figure totals may not sum due to rounding.

SOURCE: Legislative Budget Board.



## HIGHLIGHTS OF THE STATE BUDGET

For the 2016–17 biennium, funding includes the following key budget items:

### FOUNDATION SCHOOL PROGRAM

- \$42.3 billion in All Funds is provided for state aid to school districts and charter schools through the Foundation School Program (FSP) system. The All Funds amount reflects a \$2.7 billion, or 6.8 percent, increase from the 2014–15 biennium. The All Funds increase is primarily attributable to \$1.5 billion in FSP funding in excess of amounts estimated to be necessary to fund current law obligations (see the following paragraph) and an additional \$1.2 billion for property tax relief, providing an equivalent reduction in local property taxes. Appropriations of General Revenue Funds for the FSP total \$35.5 billion, a \$3.9 billion, or 12.2 percent, increase from the 2014–15 biennium. The amount of General Revenue Funds reflects an increase of \$2.6 billion to replace lower estimated Property Tax Relief Fund revenue (Other Funds) due to franchise tax relief, \$1.2 billion in property tax relief, and \$1.5 billion in additional funding for schools, partially offset by a lower state cost to fund current law compared to the 2014–15 biennium.
- The \$1.5 billion increase in FSP funding from current law includes: \$1.2 billion related to an increase in the basic allotment; \$200.0 million to equalize within the school finance formulas the treatment of similar tax effort across school districts; \$55.5 million for the Instructional Facilities Allotment to provide tax relief for property-poor districts issuing bonds for local facility needs; and \$47.5 million for the New Instructional Facilities Allotment to provide start-up funds for new district and charter school campuses.

### TAX RELIEF PROVISIONS

- As noted previously in the FSP discussion, \$3.9 billion in additional General Revenue Funds is appropriated to the FSP in the 2016–17 biennium to hold school districts harmless for lost revenue resulting from tax relief legislation. The additional \$3.9 billion in funding is the result of two separate tax relief provisions:
  - \$1.2 billion is provided by Senate Bill 1 and Senate Joint Resolution 1, which would provide

an equivalent amount of school district property tax relief; the property tax relief is provided by increasing the mandatory homestead exemption for school districts from \$15,000 to \$25,000; and

- \$2.6 billion is provided by House Bill 32, which led to a corresponding appropriation reduction from the Property Tax Relief Fund (PTRF). The franchise tax reform is provided by reducing the franchise tax rates by 25.0 percent and modifying the E-Z Computation and Rate, resulting in less PTRF revenue.

### MEDICAID

- \$61.2 billion in All Funds, including \$25.0 billion in General Revenue Funds and \$0.2 billion in General Revenue–Dedicated Funds, is provided for the Texas Medicaid program. This appropriation is an increase of \$1.9 billion in All Funds, including \$1.9 billion in General Revenue Funds and General Revenue–Dedicated Funds. Approximately \$1.6 billion in General Revenue Funds is provided for items including projected caseload growth, including the transition of certain children from the Children's Health Insurance Program (CHIP) to Medicaid coverage; maintaining fiscal year 2015 average costs for most programs, including fiscal year 2015 rate increases; and replacing \$0.3 billion in Interagency Contracts with General Revenue Funds. This increase is offset by a reduction of \$0.3 billion in General Revenue Funds from discontinuing state funding for the nonfederal portion of the Disproportionate Share Hospital (DSH) program in the 2016–17 biennium.
- A less favorable Federal Medical Assistance Percentage (FMAP) results in a higher proportion of the program being funded with General Revenue Funds (an estimated increase of \$797.3 million), with the net loss of specific enhanced Federal Funds matching rates further increasing the proportion of the program funded with General Revenue Funds (an increase of \$77.0 million). These increases are offset by a reduction to the proportion of the program funded with General Revenue Funds (a decrease of \$278.7 million) related to a 23 percentage point increase to the Enhanced Federal Medical Assistance Percentage (EFMAP), which applies to certain children enrolled in Medicaid who previously received services through CHIP.

- \$587.7 million in All Funds in the 2016–17 biennium, including \$241.7 million in General Revenue Funds, is provided to reimburse Medicaid managed care organizations for the cost of the federal Affordable Care Act Health Insurance Providers Fee and associated federal income tax; this appropriation represents an increase of \$392.9 million in All Funds, including \$161.4 million in General Revenue Funds, from the 2014–15 biennium, which only included one year of payments. Appropriations of \$712.6 million in All Funds, an increase of \$573.3 million, is provided for increases to hospital payments, including those to rural, trauma-designated, and safety-net hospitals; the majority of the state share of these payments is funded through transfer of funds to the Health and Human Services Commission (HHSC) from appropriations to the Department of State Health Services from General Revenue–Dedicated Trauma Facility and EMS Account No. 5111. Appropriations of \$327.6 million in All Funds, including \$125.7 million in General Revenue Funds, is provided to fund an additional 5,601 community care waiver clients at the Department of Aging and Disability Services by the end of fiscal year 2017 and additional clients in the STAR+PLUS program at HHSC. Funding levels also reflect a decrease of \$869.6 million in All Funds, including \$373.0 million in General Revenue Funds, for cost-containment initiatives. Funding for projected cost growth is not included.

## TRANSPORTATION

- \$23.1 billion in All Funds is provided for all functions of the Texas Department of Transportation (TxDOT); this amount includes an increase in State Highway Funds (Other Funds) made available from the discontinuance of \$1.3 billion in State Highway Fund appropriations to agencies other than TxDOT; and an estimated \$2.4 billion in funding from oil and natural gas tax-related transfers to the State Highway Fund, as authorized by Proposition 1, November 2014. The net agency decrease of \$0.1 billion is the result of the increases referenced previously and of decreases in bond proceeds and in other revenue sources.
- \$19.7 billion in All Funds is provided for transportation planning and design, right-of-way acquisition, construction, and maintenance and preservation. This amount includes \$8.8 billion for maintenance and preservation of the existing transportation system; \$5.8 billion for construction and highway improvements; \$2.4 billion from estimated oil and natural gas tax-related transfers to the State Highway Fund (Proposition 1, 2014) for constructing, maintaining, and acquiring rights-of-way for non-tolled public roadways; \$1.8 billion for transportation system planning, design, and management; and \$0.9 billion for right-of-way acquisition.
- \$2.2 billion in All Funds is provided for debt service payments and other financing costs, including \$1.6 billion in Other Funds from the State Highway Fund and Texas Mobility Fund, \$500.9 million in General Revenue Funds (an increase of \$202.5 million), and \$125.7 million in Federal Funds from Build America Bond interest payment subsidies.

## MENTAL HEALTH

- Behavioral health and substance abuse services for the 2016–17 biennium are provided \$3.6 billion in All Funds, including \$2.7 billion in General Revenue Funds and General Revenue–Dedicated Funds, an increase of \$192.7 million in All Funds from the 2014–15 biennium (not including Medicaid mental health services). These appropriations are distributed across 18 agencies in five articles. Increased funding for inpatient client services is included for new contracted community hospital beds, state hospital information technology improvements, and building repairs and inflation-related cost increases. Increased funding for outpatient services reflects funding adjustments for local mental health authorities, funding the adult mental health wait list, federal Preadmission Screening and Resident Review services, substance abuse prevention and treatment, neonatal abstinence syndrome prevention services, transition support for patients moving from hospitals to the community, expansion of recovery-focused clubhouses, crisis and suicide prevention services, and residential treatment slots for Department of Family and Protective Services clients who are at risk of parental relinquishment. Funding assumes discontinuation of the NorthSTAR behavioral health program in January 2017, with a transfer of funding to the appropriate mental health and Medicaid programs, and funds provided for the transition period. Funding supports mental

healthcare services and substance abuse treatment for incarcerated offenders and civilly committed violent sex offenders, mental healthcare services for veterans, child advocacy centers, psychiatric services at The University of Texas Health Science Centers in Tyler and Houston, and enhanced behavioral intervention and crisis respite services for individuals with intellectual and developmental disabilities who have behavioral issues.

- State agencies with mental health appropriations are required to develop a five-year joint strategic plan by May 1, 2016, and a joint expenditure proposal by June 1, 2016, to coordinate mental health programs and funding across the state.

## HIGHER EDUCATION

- Higher Education formulas are supported by \$7.2 billion in General Revenue Funds and \$1.3 billion in statutory tuition in General Revenue–Dedicated Funds. Included in this amount are an increase of \$391.5 million in General Revenue Funds and an increase of \$68.2 million in statutory tuition in General Revenue–Dedicated Funds. The increase in formula appropriations considers the funding of enrollment growth and results in the following formula rate changes:
  - General Academic Institutions (GAI) Instruction and Operations (I&O) from \$54.86 to \$55.39;
  - Lamar State Colleges (Lamars) I&O from \$3.44 to \$3.53;
  - Texas State Technical College (TSTC) returned value percentage from 32.6 percent to 35.5 percent;
  - Health Related Institutions (I&O) from \$9,527 to \$9,829;
  - HRI Graduate Medical Education from \$5,122 to \$6,266;
  - Public Community and Junior College contact hour from \$2.65 to \$2.69; and
  - Public Community and Junior College success points from \$185.12 to \$172.58.
- Appropriations include \$278.5 million to support research to institutions through three new research funds implemented for the 2016-17 biennium, the

Texas Research University Fund, the Core Research Support Fund, and the Comprehensive Research Fund.

- Appropriations include \$240.0 million in General Revenue Funds in fiscal year 2017 for debt service on new projects authorized by House Bill 100. This legislation authorized the issuance of tuition revenue bonds, not to exceed \$3.1 billion, to fund specific projects at various GAIs, HRIs, Lamar State Colleges, and TSTCs.
- Appropriations to the Higher Education Fund (HEF) increased by \$131.3 million in General Revenue Funds due to the enactment of Senate Bill 1191 by the Eighty-fourth Legislature. This legislation amended the amount and allocation of the HEF annual appropriation to certain institutions of higher education.
- Appropriations to the Texas Higher Education Coordinating Board include funding for programs that provide financial assistance to students attending institutions of higher education. Appropriations for the largest of these programs, TEXAS Grants, total \$715.0 million, which includes an increase of \$62.7 million in General Revenue Funds.

## ADULT INCARCERATION AND CRIMINAL JUSTICE

- \$6.7 billion in All Funds and \$6.6 billion in General Revenue Funds and General Revenue–Dedicated Funds is provided for the incarceration, probation, and parole of adult offenders in the Texas Department of Criminal Justice (TDCJ), which includes housing, security, classification, food and necessities, healthcare, and treatment services. General Revenue Funds are increased by \$355.9 million for the 2016–17 biennium and include \$188.0 million for an 8.0 percent pay increase for TDCJ correctional and parole officers, and a \$89.9 million increase for Correctional Managed Health Care. Funding for Correctional Managed Health Care for the 2016–17 biennium totals \$1.1 billion.

## JUVENILE JUSTICE

- \$634.9 million in All Funds and \$591.0 million in General Revenue Funds are appropriated to the Juvenile Justice Department (TJJJD) for juvenile

justice services. The Eighty-fourth Legislature, 2015, revised the funding structure and provided direction for the development and implementation of a regional diversion alternatives initiative. The initiative is intended to reduce the number of youth committed to TJJD state secure facilities by providing youth services in their home communities. Funding includes \$9.6 million to implement this regional diversion alternatives plan, and an increase of \$0.8 million in General Revenue Funds, primarily as the result of funding for targeted grants to juvenile probation departments, and for pay increases for juvenile correctional officers and juvenile parole officers. This funding is offset by reductions related to decreasing juvenile populations. An All Funds reduction of \$14.4 million from the 2014–15 biennium is included, primarily the result of a decrease in General Obligation Bond Proceeds, an agency-estimated decrease in Federal Funds, and decreasing juvenile populations.

## BORDER SECURITY

- \$800.0 million in state funds is provided to fund border security initiatives at the Department of Public Safety (DPS), Trusteed Programs within the Office of the Governor, Texas Parks and Wildlife Department, Texas Alcoholic Beverage Commission, Texas Commission on Law Enforcement, and Department of Criminal Justice. Including federal grant funds for Operation Stonegarden, the All Funds total for border security is \$839.6 million.
- DPS is provided the majority of this funding (\$749.8 million in state funds), \$489.3 million of which is in the agency's bill pattern as Goal B, Secure Texas. Other strategies in the DPS budget contain additional funding for border security-related functions and activities (\$260.5 million). Major funding items that make up the statewide biennial increase of \$318.9 million include the following: \$142.6 million for a 50-hour work week for all DPS troopers; \$107.0 million to recruit, train, and equip 250 new and transfer DPS troopers; and \$83.4 million to continue Operation Secure Texas through the 2016–17 biennium. Funding also includes \$38.4 million at Trusteed Programs within the Office of the Governor for local grants and other support, and \$10.0 million at the Texas Parks and Wildlife Department for enhanced game warden activity.

## FACILITIES

- Funding includes \$387.7 million in General Revenue Funds and General Revenue–Dedicated Funds appropriated from the newly established deferred maintenance fund, for deferred maintenance projects at state buildings overseen by the Facilities Commission (\$217.2 million), Military Department (\$19.6 million), Department of Criminal Justice (\$60.0 million), and Texas Parks and Wildlife Department (\$91.0 million). Funding is also identified for deferred maintenance projects at the Department of Public Safety (\$21.0 million) and the Department of Transportation (\$200.0 million).
- Funding also includes \$81.6 million in General Revenue Funds for miscellaneous facilities needs, including maintenance for the Capitol, Capitol Visitors Center, and State History Museum at the State Preservation Board (\$15.0 million); courthouse preservation grants (\$20.0 million) and building repairs at multiple historic sites at the Texas Historical Commission (\$5.1 million); maintenance and repair at Howard College (\$2.0 million); grants for capital improvements at the Parks and Wildlife Department (\$12.5 million); the relocation of staff in the Hobby Complex (\$2.0 million) at the Texas Facilities Commission; and an Alamo master plan at the Texas General Land Office (\$25.0 million).
- Funding also includes \$767.7 million in Revenue Bond Proceeds and \$14.8 million in General Revenue Funds for the related debt service at the Facilities Commission to construct several new facilities including utility infrastructure and two buildings in the Capitol Complex and a facility in the North Austin Complex.
- Additional appropriations include \$8.4 million in General Revenue Funds for renovation of the Lyndon B. Johnson Building.

## TEACHER RETIREMENT AND HEALTH BENEFITS

- \$3.6 billion in All Funds is provided for the state contribution to retirement benefits of the Teacher Retirement System (TRS), including \$3.5 billion in General Revenue Funds, \$94.2 million in General Revenue–Dedicated Funds, and \$6.8 million in Other Funds (Teacher Retirement System Pension

Trust Fund Account No. 960). Funding reflects a state contribution rate of 6.8 percent of employee payroll in each year of the 2016–17 biennium. Based on payroll trend data, an assumed annual payroll growth is included in each year of the biennium at a rate of 2.0 percent for public education and 4.0 percent for higher education.

- Retiree health insurance funding includes \$562.2 million in General Revenue Funds, which provides a statutorily required state contribution to TRS-Care of 1.0 percent of public education payroll.

### STATE EMPLOYEE RETIREMENT

- Funding for state contributions to the Employees Retirement System (ERS) retirement program reflects an increase of \$329.8 million in All Funds (\$288.3 million in General Revenue Funds and General Revenue–Dedicated Funds) for state employees' retirement benefits. Funding provides for a 9.5 percent state contribution rate each fiscal year of the 2016–17 biennium. Funding also provides for biennialization of the fiscal year 2015 statewide salary increase, payroll growth for state employees, and full-time-equivalent (FTE) position increases at certain state agencies. Pursuant to House Bill 9, an estimated \$32.0 million in All Funds (approximately \$22.8 million in General Revenue Funds and General Revenue–Dedicated Funds) is appropriated to ERS for elimination of the 90-day waiting period for state contributions to the ERS retirement plan.
- An estimated \$332.0 million in All Funds (approximately \$251.4 million in General Revenue Funds and General Revenue–Dedicated Funds) is appropriated for an across-the-board pay raise of 2.5 percent in fiscal year 2016 for state employees, including Schedule C employees and exempt positions that contribute to the ERS retirement plan. This raise was intended to offset a similar increase in the member contribution rate. Higher education employees and judges and justices of the district and appellate courts are excluded from this provision. Funding also provides \$56.9 million in All Funds (\$42.3 million in General Revenue Funds and General Revenue–Dedicated Funds) for related benefits at ERS and the employer Social Security contribution at the Comptroller of Public Accounts (CPA).
- The Eighty-fourth Legislature, 2015, also continued the additional retirement contribution from all general state agencies of 0.5 percent of the total base wages and salaries for each eligible employee for a total combined state contribution rate to the ERS retirement plan of 10.0 percent.

### CORRECTIONAL OFFICER PAY INCREASE AND SCHEDULE C ADJUSTMENT

- The Texas Department of Criminal Justice is appropriated \$188.0 million in General Revenue Funds to provide an 8.0 percent pay increase to correctional officers and parole officers at the Texas Department of Criminal Justice. The Board of Pardons and Paroles is appropriated \$2.3 million in General Revenue Funds to provide an 8.0 percent pay increase to parole officers.
- The Juvenile Justice Department is appropriated \$4.3 million in General Revenue Funds to provide a 2.5 percent salary increase in fiscal year 2016 and an additional 2.5 percent increase in fiscal year 2017 for juvenile correctional and parole officers.
- Additional appropriations totaling \$1.7 million in All Funds to provide pay increases and related benefits to certain positions in Salary Schedule C to address salary compression at the Alcoholic Beverage Commission, the Department of Criminal Justice, the Department of Public Safety, and the Parks and Wildlife Department.
- The Schedule C funding allows for salary increases for approximately 135 captains, game wardens, and related positions at the respective agencies for individuals who have at least eight years of service. Salary increases range from \$1,367 to \$7,223 annually, or 2.5 percent to 7.4 percent, corresponding with the employee's length of service.

### HEALTH BENEFITS

- \$3.7 billion in All Funds (\$2.6 billion in General Revenue Funds and General Revenue–Dedicated Funds) is provided for the state contribution for group insurance benefits for general state employees, retirees, and their dependents. The funding reflects an increase of \$616.6 million in All Funds (\$612.2 million in General Revenue Funds and General Revenue–Dedicated Funds), which provides for a

7.19 percent increase in the state contribution for fiscal year 2016 and a 7.17 percent increase in the state contribution for fiscal year 2017. These increases fund an annual benefit cost trend of 7.0 percent, when combined with spend down of approximately \$231.0 million from the contingency reserve fund, leaving an estimated \$100.0 million in the fund for the 2016–17 biennium. Amounts also reflect an annual state employee retirement rate of 5.0 percent and FTE position changes at certain state agencies.

## SOCIAL SECURITY

- \$1.6 billion in All Funds (\$1.3 billion in General Revenue Funds and General Revenue–Dedicated Funds) is provided for the state contribution for Social Security payroll taxes. Funding is sufficient to provide the 6.2 percent Social Security employer contribution and the 1.45 percent Medicare employer contribution. The funding reflects an increase of \$82.4 million in All Funds (\$139.8 million in General Revenue Funds and General Revenue–Dedicated Funds), which provides for biennialization of the fiscal year 2015 statewide salary increase, 0.5 percent annual payroll growth for state employees and 4.0 percent annual payroll growth for higher education employees, and for FTE position changes at certain state agencies.

## FULL-TIME-EQUIVALENT POSITIONS

- Funding provides for 216,674.5 FTE positions in fiscal year 2016, and 216,863.3 in fiscal year 2017. The number of positions in fiscal year 2017 is a decrease of 1,426.6 positions from fiscal year 2015 budgeted levels. The decrease is primarily related to a reduction of FTE position caps for institutions of higher education to align with the lower of fiscal year 2014 actual position levels or institutions' requested caps, which was partially offset by position increases across certain other areas of state government.

## DEBT SERVICE

- The 2016–17 biennium fully funds debt service and totals \$4.0 billion in All Funds. This increase of \$437.3 million, or 12.2 percent from the 2014–15 biennium, consists of \$1.9 billion for fiscal year 2016 and \$2.2 billion for fiscal year 2017. Funding provides for debt service for General Obligation bonds and revenue debt issued or expected to be issued by the Texas Public Finance Authority, the

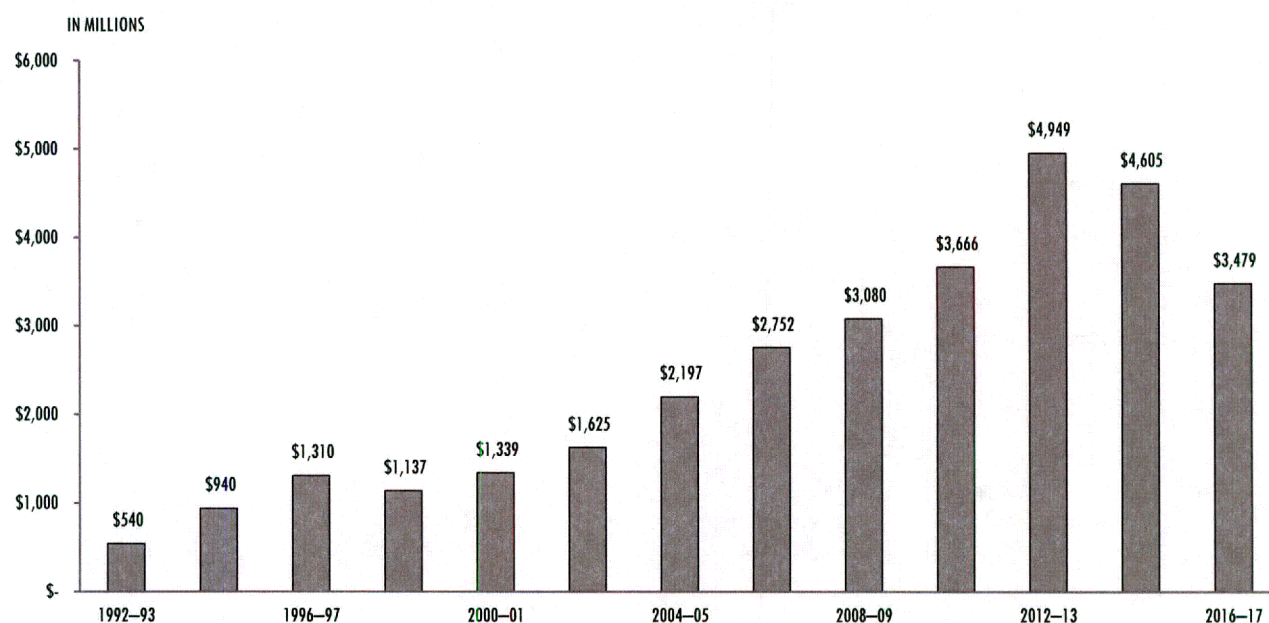
Water Development Board, and the Department of Transportation. Funding provides for reimbursement of debt service payments for tuition revenue bonds issued by institutions of higher education. Special Provisions relating only to State Agencies of Higher Education include an additional \$240.0 million in General Revenue Fund appropriations contingent on legislation authorizing new revenue bonds for capital projects at various institutions of higher education.

- Funding includes \$14.8 million in General Revenue Funds for issuance of new revenue debt (\$767.7 million) by the Texas Public Finance Authority for new state-owned buildings that the Facilities Commission oversees; and \$6.0 million in General Revenue Funds for issuance of new General Obligation bond debt (\$50.0 million) at the Water Development Board for grants to economically distressed areas.

## GENERAL REVENUE–DEDICATED FUNDS

- Since 1991, unappropriated General Revenue–Dedicated account balances have been counted as available for certification of General Revenue Fund appropriations. In 1991, the Comptroller of Public Accounts counted \$540.0 million in General Revenue–Dedicated account balances as available to certify appropriations for the 1992–93 biennium. The General Revenue–Dedicated account balances that were counted toward certification of General Revenue Fund appropriations grew from this amount to \$4.9 billion for the 2012–13 biennium, as shown in **Figure 15**.
- The Eighty-third Legislature, 2013, took steps to reduce reliance on General Revenue–Dedicated account balances by establishing an ongoing process to reduce reliance on General Revenue–Dedicated account balances for certification in House Bill 7, Eighty-third Legislature, Regular Session, 2013. Other provisions in House Bill 7, House Bill 1025 (Supplemental Appropriations Act, 2012–13 Biennium), and Senate Bill 1 (General Appropriations Act, 2014–15 Biennium) contributed to the reduction in General Revenue–Dedicated account balances available for certification of General Revenue Fund appropriations from the 2012–13 to 2014–15 biennia. This legislation reduced the total amount by \$344.0 million or 7.0 percent.

**FIGURE 15**  
**GENERAL REVENUE–DEDICATED ACCOUNT BALANCES COUNTED FOR CERTIFICATION, 1992–93 TO 2016–17 BIENNIA**



SOURCE: Comptroller of Public Accounts.

- According to the CPA's Certification Revenue Estimate (CRE) for the 2016–17 biennium, the actual balance in General Revenue–Dedicated accounts available for certification at the end of fiscal year 2015 totaled \$4.6 billion.
- A total of \$7.8 billion in General Revenue–Dedicated Funds was appropriated for the 2016–17 biennium, an increase of \$422.5 million, or 5.7 percent, from the 2014–15 biennial level.
- Of the \$7.8 billion of General Revenue–Dedicated Funds appropriated, \$923.6 million consists of appropriations that are in amounts in excess of estimated revenue collections to those accounts, thereby reducing balances available for certification. After adjusting for revenue collections to other General Revenue–Dedicated accounts in excess of appropriations from such accounts, the estimated net reduction in General Revenue–Dedicated account balances available for certification is \$407.0 million.
- Significant General Revenue–Dedicated Funds appropriations increases from 2014–15 biennial levels include: \$162.3 million to the Texas Commission on Environmental Quality for certain air quality programs, including the Texas Emission Reduction Plan, the Low Income Vehicle Repair Assistance, Retrofit and Accelerated Vehicle Retirement Program (LIRAP), and Local Initiative Projects, to reduce air emissions; \$48.2 million for the Texas B-On-Time program to fund renewal awards and return unobligated balances to institutions of higher education; \$42.2 million to various agencies and the Supreme Court for sexual assault prevention, crisis and legal services, a new Child Sex Trafficking Prevention Unit, and enforcement of human trafficking laws; and \$23.0 million to the Texas A&M Forest Service for grants to rural volunteer fire departments.
- Funds from General Revenue–Dedicated accounts are appropriated in almost all articles of the GAA. The estimated amount of the net impact to reliance on General Revenue–Dedicated accounts for certification of the GAA for the 2016–17 biennium in House Bill 1 is shown by article in **Figure 16**.
- The Eighty-fourth Legislature, 2015, acted to further reduce reliance on balances in General Revenue–Dedicated accounts to certify the state budget by incorporating certain appropriation decisions and passing certain measures in House Bills 6 and 7. The aggregate impact of these efforts and those in House Bill 1 is an estimated \$1.1 billion reduction in the amount of General Revenue–Dedicated

account balances counted for certification, from \$4.6 billion to \$3.5 billion for the 2016–17 biennium. The estimated amount of the aggregate impact to reliance on General Revenue–Dedicated accounts for certification of the GAA for the 2016–17 biennium is shown in **Figure 17**.

## ECONOMIC STABILIZATION FUND

- No appropriations from the Economic Stabilization Fund are included in the 2016–17 biennium. The balance of the fund is estimated to be \$10.4 billion at the end of fiscal year 2017.

## STRATEGIC FISCAL REVIEW

- Seventeen state entities were subject to the Strategic Fiscal Review (SFR) in preparation for the Eighty-fourth Legislature, 2015. The SFR provided an in-depth analysis of the selected state agency programs and their relationships to the agencies' missions and statutes. Analysis that is the result of this review by the staff of the Legislative Budget Board was made available to the members of the Eighty-

fourth Legislature to aid in their budget and policy deliberations.

**FIGURE 16**  
**RELIANCE ON GENERAL REVENUE–DEDICATED ACCOUNTS FOR CERTIFICATION OF THE GENERAL APPROPRIATIONS ACT, 2016–17 BIENNIUM**

IN MILLIONS

ARTICLE	GENERAL REVENUE–DEDICATED APPROPRIATIONS IN HOUSE BILL 1	NET CHANGES IN BALANCES AVAILABLE FOR CERTIFICATION OF GENERAL REVENUE FUND APPROPRIATIONS IN HOUSE BILL 1
Article I – General Government	\$990.2	(\$43.3)
Article II – Health and Human Services	\$1,183.9	(\$223.2)
Article III – Agencies of Education	\$2,788.7	(\$134.2)
Article IV – Judiciary	\$142.3	(\$13.7)
Article V – Public Safety and Criminal Justice	\$129.7	(\$5.7)
Article VI – Natural Resources	\$1,505.7	\$206.2
Article VII – Business and Economic Development	\$479.8	\$150.5
Article VIII – Regulatory	\$569.3	(\$324.9)
Article IX – General Provisions	\$18.8	(\$18.8)
Article X – The Legislature	\$0.0	\$0.0
<b>Total – All Articles</b>	<b>\$7,808.4</b>	<b>(\$407.0)</b>

NOTES:

(1) Except for estimated appropriations authorized by Article IX, §18.02, related to the general state employee pay raise, the net change in balances available for certification from Article IX are distributed throughout articles based on the article in which the agency receiving the appropriation is located.

(2) Totals may not sum due to rounding.

SOURCE: Legislative Budget Board.



**FIGURE 17**  
**ESTIMATED AGGREGATE IMPACT OF LEGISLATIVE ACTIONS TO REDUCE RELIANCE ON GENERAL REVENUE–DEDICATED ACCOUNTS FOR CERTIFICATION OF THE GENERAL APPROPRIATIONS ACT, 2016–17 BIENNIUM**

**IN MILLIONS**

<b>Beginning balance in General Revenue–Dedicated Accounts, as of September 1, 2015</b>	<b>\$4,605.0</b>
Estimated change in General Revenue–Dedicated Account Balances due to House Bill 1	(\$407.0)
Estimated change in General Revenue–Dedicated Account Balances due to House Bill 6	(\$573.5)
Estimated change in General Revenue–Dedicated Account Balances due to House Bill 7	(\$142.1)
Revenue estimate revision in the Certification Revenue Estimate	(\$3.7)
<b>Total reductions</b>	<b>(\$1,126.3)</b>
<b>Estimated balances in General Revenue–Dedicated accounts available for certification of 2016–17 biennial General Revenue Fund appropriations</b>	<b>\$3,478.7</b>

NOTE: Totals may not sum due to rounding.

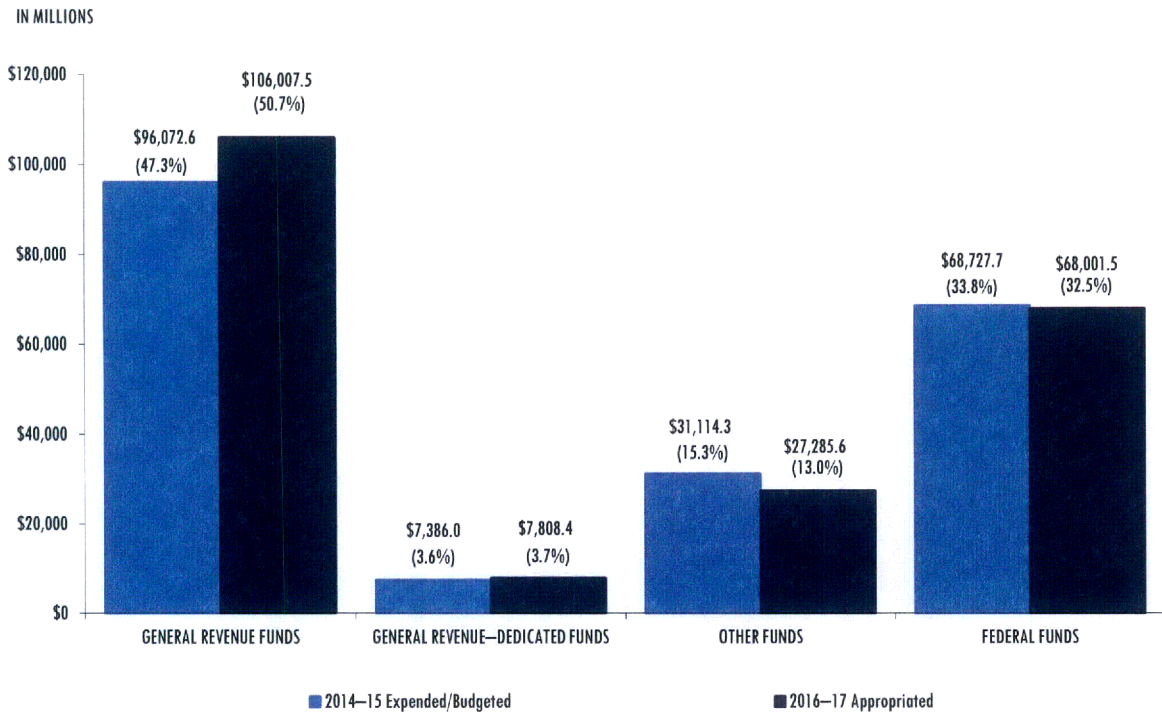
SOURCE: Texas Comptroller of Public Accounts.

## BIENNIAL COMPARISON BY FUND SOURCE

Figure 18 shows a comparison of biennial amounts for each of the four funding sources, or Methods of Finance, in the state budget. Expended or budgeted amounts for the 2014–15

biennium refer to agency expenditures in 2014 and agency budgeted amounts in 2015. Amounts for the 2016–17 biennium refer to all appropriations made for 2016–17. Percentage amounts in each column reflect the percentage of the entire biennial budget represented by that fund source.

**FIGURE 18**  
**BIENNIAL COMPARISON BY SOURCE OF 2014–15 EXPENDED/BUDGETED FUNDS AND 2016–17 APPROPRIATED FUNDS**



SOURCE: Legislative Budget Board.

## APPROPRIATED, ESTIMATED, AND BUDGETED FUNDS COMPARISON

The Texas Legislature makes appropriations and provides authority to state agencies and institutions of higher education that allow actual expenditures (i.e., estimated and budgeted amounts) to vary from the original appropriation amounts. Typically these changes result from shifts in population, client demands, or unforeseen events such as natural disasters, changes to federal formulas, grant requirements, or additional or reduced available revenue or balances supporting legislative appropriations. Often these incremental changes are authorized by existing law, either through the Texas Constitution or the General Appropriations Act, and do not require legislative action. However, some expenditure changes require further action by the Legislature

in the form of an emergency or supplemental appropriations bill.

Projected estimated and budgeted amounts for the 2014–15 biennium increased by approximately \$2,879.9 million, or 1.4 percent, in All Funds. These adjustments affect most articles in the budget and range from a decrease of \$682.9 million to the Foundation School Program due to higher than anticipated property value growth and lower than expected enrollment growth, to an increase of \$768.1 million for Teacher Retirement System retiree health care supplemental funding. This amount consists of a net increase of \$1,167.0 million (1.1 percent) in General Revenue Funds and General Revenue–Dedicated Funds, and a net increase of \$1,712.4 million (1.8 percent) in other funding sources (Federal Funds and Other Funds). **Figure 19** shows the most significant changes.

**FIGURE 19**  
**RECONCILIATION OF INITIAL 2014–15 BIENNIAL APPROPRIATIONS TO 2014–15 ESTIMATED/BUDGETED AMOUNTS**

(IN MILLIONS)	GENERAL REVENUE FUNDS AND GENERAL REVENUE–DEDICATED FUNDS	ALL FUNDS
<b>2014–15 Biennial Appropriations as Published in 2014–15 Fiscal Size-up</b>	<b>\$102,291.6</b>	<b>\$200,421.1</b>
<b>BUDGET ADJUSTMENTS</b>		
<b>General Government</b>		
Fiscal Programs within the Office of the Comptroller of Public Accounts: increase in General Revenue Funds relating to several adjustments including mixed beverage tax disbursements to locals (\$58.4 million), unclaimed property payments (\$39.7 million), and supplemental funding for the Texas Tomorrow Fund (\$87.7 million)	\$185.7	\$185.7
Trusted Programs within the Office of the Governor: unexpended balances from fiscal year 2013	\$171.8	\$226.0
Trusted Programs within the Office of the Governor: decrease in General Revenue Funds and General Revenue–Dedicated Funds due to transfer of funds through budget execution for border security from disaster funds (\$13.7 million in General Revenue Funds) and the General Revenue–Dedicated Emerging Technology Fund (\$7.0 million)	(\$20.7)	(\$20.7)
<b>Health and Human Services</b>		
Department of Family and Protective Services: net increase of \$10.3 million in All Funds due to a \$26.8 million shortfall in various programs, offset by projected surpluses totaling \$16.5 million in General Revenue Funds in various programs, an increase in Temporary Assistance for Needy Families (TANF) Federal Funds of \$10.3 million, and a method of finance swap to replace \$33.4 million in General Revenue Funds with TANF Federal Funds	(\$33.4)	\$10.3
Health and Human Services agencies: net increases related to unexpended balances from fiscal year 2013 for capital projects for State Supported Living Centers (\$23.0 million), State Hospitals (\$22.7 million in General Revenue Funds and \$24.3 million in All Funds), Department of Assistive and Rehabilitative Services (\$0.2 million), and adjustment for Medicaid-related available balances (\$18.2 million in General Revenue Funds and \$50.0 million in All Funds)	\$63.9	\$97.5
Health and Human Services agencies: net decrease in program revenue primarily related to Medicaid/Children’s Health Insurance Program (CHIP) drug rebates, program income, experience rebates, and cost sharing	(\$63.9)	(\$63.9)

**FIGURE 19 (CONTINUED)**  
**RECONCILIATION OF INITIAL 2014–15 BIENNIAL APPROPRIATIONS TO 2014–15 ESTIMATED/BUDGETED AMOUNTS**

(IN MILLIONS)	GENERAL REVENUE FUNDS AND GENERAL REVENUE–DEDICATED FUNDS	ALL FUNDS
<b>BUDGET ADJUSTMENTS</b>		
Health and Human Services Commission: net increase in All Funds related to several adjustments, including supplemental funding for reimbursements to health insurers for the portion of the Health Insurance Providers Fee and Federal Income Tax attributable to Medicaid (\$79.7 million increase in General Revenue Funds); Medicaid acute care shortfall of \$319.6 million offset by transfers of \$244.1 million from other health and human services agencies and programs (\$75.5 million increase in General Revenue Funds); and a reduction of \$50.0 million in General Revenue Funds for a surplus in TANF cash assistance grants	\$105.2	\$326.3
<b>Public and Higher Education</b>		
Texas Education Agency: net decrease in All Funds related to several adjustments, including a reduction in the Foundation School Program, primarily due to higher than anticipated property value growth and lower than expected enrollment growth (\$710.0 million in General Revenue Funds and \$57.7 million in Other Funds); reductions in several programs, including the National School Lunch Program (\$608.1 million in Federal Funds); and, an increase for unexpended balances from fiscal year 2013 for instructional material allotments (\$140.4 million in General Revenue Funds)	(\$569.6)	(\$1,235.4)
Teacher Retirement System: net increase in General Revenue Funds and General Revenue–Dedicated Funds associated with retiree healthcare supplemental funding (\$768.1 million) and several adjustments resulting from higher than anticipated payroll growth, including public education retirement contributions (\$283.3 million), retiree healthcare contributions (\$45.3 million), higher education retirement contributions (\$47.6 million in General Revenue Funds and \$1.0 million in Other Funds), offset by a decrease due to the exclusion of patient income from health-related institutions of higher education (\$135.8 million)	\$1,008.5	\$1,009.5
Optional Retirement Program: increase in General Revenue Funds and General Revenue–Dedicated Funds for higher education retirement contributions due to higher than anticipated payroll growth	\$70.0	\$70.0
Available University Fund: increase in Other Funds attributable to transfers due to increased value of the Permanent University Fund	\$0.0	\$381.7
Higher Education Coordinating Board: increase in unexpended balances from fiscal year 2013 for the Family Practice Residency Program (\$7.8 million), Graduate Medical Education Expansion (\$9.2 million), and Hazlewood Exemption (\$30.0 million)	\$47.0	\$47.0
Board authorized and statutory tuition adjustments for institutions of higher education	\$125.5	\$125.5
<b>Public Safety and Criminal Justice</b>		
Department of Criminal Justice: increase in supplemental funding for correctional managed health care	\$42.5	\$42.5
Texas Military Department: increase in General Revenue Funds and General Revenue–Dedicated Funds for border security consisting of \$26.5 million in General Revenue Funds (\$17.5 million through budget execution and \$9.0 million in supplemental funds), and \$32.5 million through emergency declaration out of the General Revenue–Dedicated Emergency Radio Infrastructure Account	\$59.0	\$59.0
Department of Public Safety: increase in General Revenue Funds and General Revenue–Dedicated Funds for border security consisting of \$87.2 million in General Revenue Funds (\$57.9 million through budget execution and \$29.3 million in supplemental funds); and \$12.5 million in General Revenue–Dedicated Funds (\$7.0 million through budget execution and \$5.5 million through emergency declaration)	\$99.7	\$99.7
Department of Public Safety: net decrease in All Funds related to lapsed public assistance grant funds (\$245.6 million reduction in Federal Funds), offset by increased receipts for seized and forfeited assets (\$16.9 million in Federal Funds) and concealed handgun permits (\$26.5 million in Other Funds)	\$0.0	(\$202.3)

**FIGURE 19 (CONTINUED)**  
**RECONCILIATION OF INITIAL 2014–15 BIENNIAL APPROPRIATIONS TO 2014–15 ESTIMATED/BUDGETED AMOUNTS**

(IN MILLIONS)	GENERAL REVENUE FUNDS AND GENERAL REVENUE–DEDICATED FUNDS	ALL FUNDS
<b>BUDGET ADJUSTMENTS</b>		
<b>Natural Resources</b>		
General Land Office: increase in Federal Funds related to disaster recovery	\$0.0	\$57.2
Parks and Wildlife Department: increase in General Revenue Funds for border security, consisting of \$2.1 million in supplemental appropriations and \$3.7 million through budget execution	\$5.8	\$5.8
Parks and Wildlife Department: net increase in All Funds for capital projects and other expenses (\$65.4 million in Federal Funds) and gifts, reimbursements, and other collected revenue (\$21.0 million in Other Funds)	\$0.0	\$86.5
<b>Business and Economic Development</b>		
Department of Housing and Community Affairs: increase in Federal Funds for community affairs (\$21.5 million) and the federal American Recovery and Reinvestment Act of 2009 (\$20.0 million)	\$0.0	\$41.5
Texas Department of Transportation: decrease in General Revenue Funds due to transfer of funds through budget execution for border security from debt service savings	(\$47.9)	(\$47.9)
Texas Department of Transportation: net increase in Other Funds related to decreases in bond proceeds and related debt service (\$679.7 million), offset by an increase of \$1,713.4 million relating to roads repairs, including those in energy sectors	\$0.0	\$1,033.6
<b>Regulatory</b>		
Public Utility Commission: decrease in General Revenue–Dedicated Funds due to unspent System Benefit Funds	(\$175.0)	(\$175.0)
<b>State Contributions for Employee Benefits and Debt Service</b>		
State employee benefits: increase in All Funds, for employee health insurance (decrease of \$83.8 million), retirement (increase of \$80.4 million), Social Security (increase of \$58.9 million), and benefit replacement pay (decrease of \$8.1 million)	\$68.4	\$47.4
General Obligation bond debt service payments: decrease in General Revenue Funds at the Texas Public Finance Authority due to transfer of funds through budget execution for border security	(\$17.5)	(\$17.5)
<b>Subtotal, Adjustments</b>	<b>\$1,125.1</b>	<b>\$2,189.9</b>
Other Adjustments	\$41.9	\$689.5
<b>Total, Adjustments</b>	<b>\$1,167.0</b>	<b>\$2,879.4</b>
<b>Total, Estimated/Budgeted Funds for the 2014–15 Biennium</b>	<b>\$103,458.6</b>	<b>\$203,300.5</b>

## NOTES:

(1) Totals may not sum due to rounding.

(2) Excludes Interagency Contracts.

SOURCE: Legislative Budget Board.

## APPROPRIATIONS FOR ITEMS WITH 2016–17 BASELINE FUNDING EXCEPTIONS

An important way to analyze state appropriations is to examine funding for entitlement programs and other programs with established statutory or constitutional obligations. These programs, the most significant of which include the Foundation School Program (FSP), Medicaid, employee benefits and debt service obligations, receive a significant portion of overall funding. This legislative focus begins with the structure of the Legislative Appropriations Requests (LAR) made by state agencies. The LARs for state agencies and institutions of higher education consist of two parts, the Base and Exceptional Items requests. Typically, the General Revenue Funds and General Revenue–Dedicated Funds amounts in the Base request for the upcoming biennium cannot exceed the General Revenue Funds and General Revenue–Dedicated Funds amounts expended and budgeted during the previous biennium. This limitation is referred to as the General Revenue Funds and General Revenue–Dedicated Funds baseline funding limit, and any remaining requested General Revenue Funds and

General Revenue–Dedicated Funds amounts are included as Exceptional Item requests. However, some agencies are granted exceptions to request Base funding that exceeds the baseline limit for certain programs or state obligations. These programs usually meet certain criteria such as being a federal entitlement; being statutory, formula-, rate-, or client-driven; or for which certain funding thresholds are required by the Texas Constitution. **Figure 20** shows the total 2016–17 biennial appropriated amounts for the baseline exceptions as authorized by the June 2014 Policy Letter and the subsequent *Legislative Appropriation Request Instructions for the 2016–17 Biennium*. Amounts shown in **Figure 20** include the 2014–15 Expended/Budgeted amounts for the identified programs, as well as the final appropriated 2016–17 biennial amount for each. Please note that the total final appropriated amount may include funding beyond what was strictly necessary to meet the entitlement requirement. For example, the \$3.9 billion General Revenue Funds increase to the FSP includes funds for newly authorized obligations, such as funding for property and franchise tax relief. These increases will raise the base for the subsequent biennium.

**FIGURE 20**  
**PROGRAMMATIC EXCEPTIONS TO BASELINE FUNDING, GENERAL REVENUE FUNDS AND GENERAL REVENUE–DEDICATED FUNDS ONLY, 2016–17 BIENNIUM**

BUDGET ADJUSTMENTS (IN MILLIONS)	2014–15 EXPENDED/ BUDGETED	2016–17 APPROPRIATED	BIENNIAL CHANGE	PERCENTAGE CHANGE
<b>Health and Human Services</b>				
Medicaid	\$21,186.4	\$22,707.8	\$1,521.4	7.2%
Children’s Health Insurance Program	\$575.0	\$150.0	(\$424.9)	(73.9%)
Foster Care	\$353.1	\$342.0	(\$11.1)	(3.1%)
Adoption Subsidies	\$231.2	\$254.8	\$23.6	10.2%
Permanency Care Assistance	\$9.8	\$17.6	\$7.8	79.0%
<b>Public Education</b>				
Foundation School Program	\$31,686.5	\$35,540.9	\$3,854.4	12.2%
Employer Contributions for State Pension Systems (TRS pension only)	\$3,429.6	\$3,581.4	\$151.8	4.4%
Employer Contributions for State Pension Systems (TRS health care benefits only)	\$1,308.4	\$562.2	(\$746.3)	(57.0%)
<b>State Employee Benefits</b>				
Employer Contributions for State Pension Systems (ERS only)	\$678.0	\$968.1	\$290.1	42.8%
Employer Contributions to Employee Health Insurance (ERS only)	\$2,010.2	\$2,622.4	\$612.2	30.5%
Employer Contributions to Social Security	\$1,171.9	\$1,311.7	\$139.8	11.9%
Benefit Replacement Pay	\$29.2	\$26.3	(\$3.0)	(10.1%)
State Employee and Public Safety Death Benefits	\$33.2	\$40.2	\$7.0	21.1%

**FIGURE 20 (CONTINUED)**  
**PROGRAMMATIC EXCEPTIONS TO BASELINE FUNDING, GENERAL REVENUE FUNDS AND GENERAL REVENUE–DEDICATED FUNDS ONLY, 2016–17 BIENNIUM**

BUDGET ADJUSTMENTS (IN MILLIONS)	2014–15 EXPENDED/ BUDGETED	2016–17 APPROPRIATED	BIENNIAL CHANGE	PERCENTAGE CHANGE
<b>Debt Service Payments</b>				
Debt Service Requirements for General Obligation and Revenue Bond Authorizations	\$1,762.2	\$2,178.6	\$416.4	23.6%
<b>Total, Programmatic Exceptions to Baseline Funding</b>	<b>\$64,464.7</b>	<b>\$70,304.0</b>	<b>\$5,839.4</b>	<b>9.1%</b>
<b>Total, General Revenue Funds and General Revenue–Dedicated Funds</b>	<b>\$103,458.6</b>	<b>\$113,815.9</b>	<b>\$10,357.4</b>	<b>10.0%</b>

## NOTES:

- (1) Totals may not sum due to rounding.  
(2) Amounts only include General Revenue Funds and General Revenue–Dedicated Funds amounts and exclude funds not subject to the baseline limitations.

SOURCE: Legislative Budget Board.

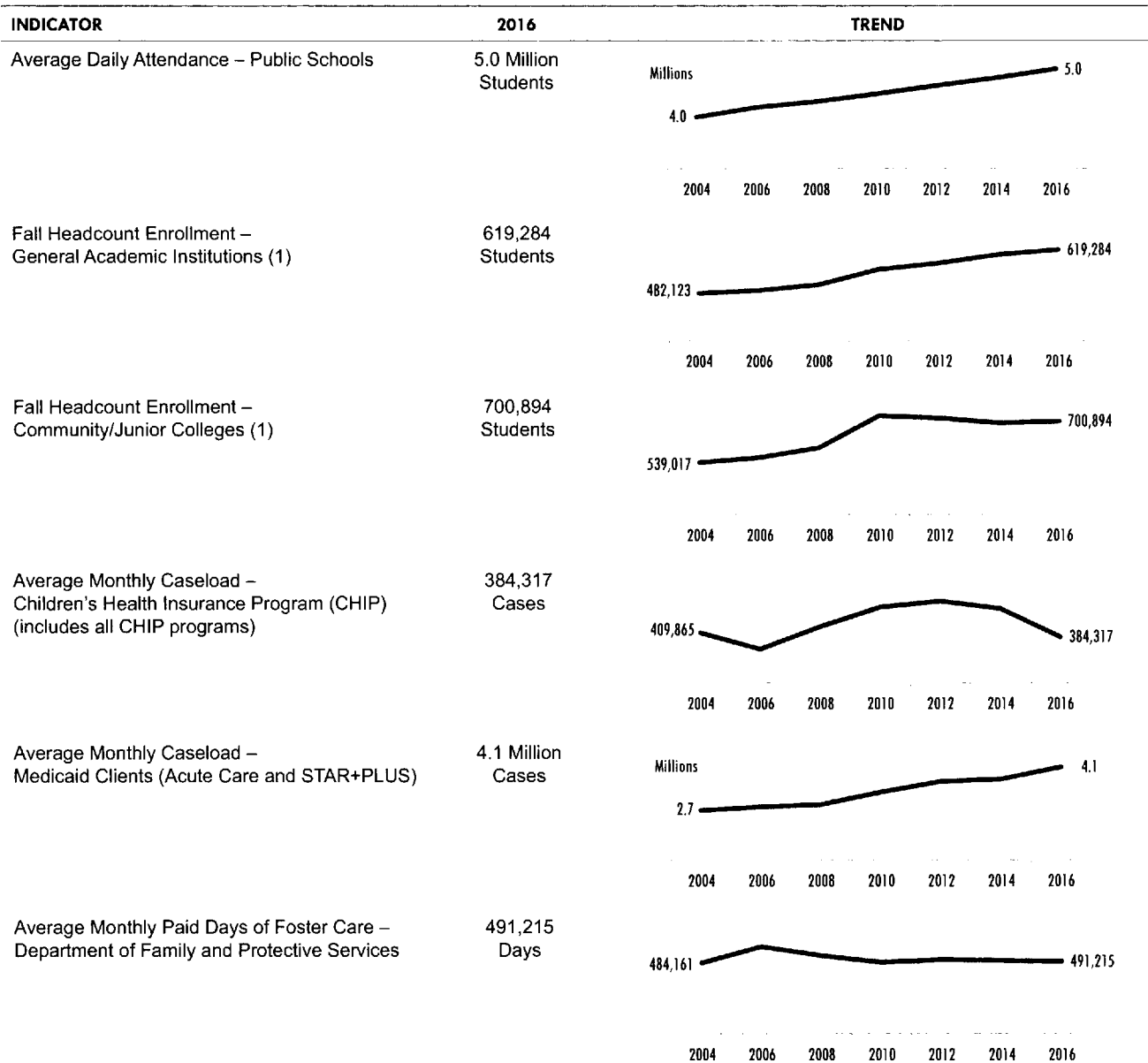
## FACTORS AFFECTING THE STATE BUDGET

Significant factors affecting the state budget can be divided into two categories: changes in the population served, and the cost of that service. Population-based budget drivers include Medicaid, Children’s Health Insurance Program (CHIP), and nursing home clients; public and higher education enrollment; adult and juvenile institutional and probation populations; and retirement system enrollment.

Population change is one element that helps explain the growth in the budget. Cost-related factors can have an equal or greater effect on growth. For example, medical inflation affects not only Medicaid, CHIP, and nursing facility costs, but also healthcare costs for inmates, state employees, and teachers. Statutory requirements also may affect cost.

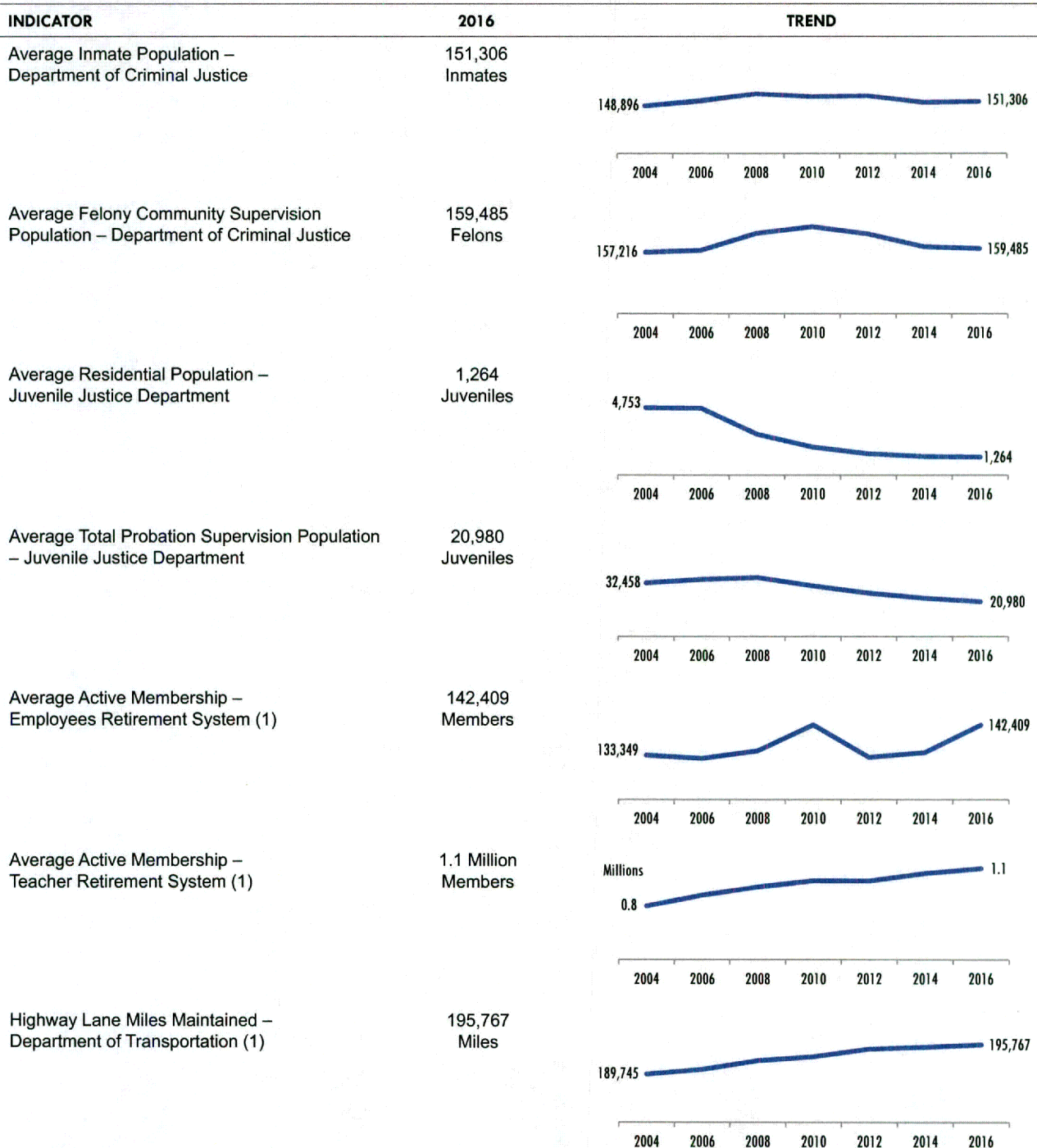
**Figure 21** shows the population-based indicators that affect a large portion of the state budget.

**FIGURE 21**  
**POPULATION-BASED INDICATORS, FISCAL YEARS 2004 TO 2016**





**FIGURE 21 (CONTINUED)**  
**POPULATION-BASED INDICATORS, FISCAL YEARS 2004 TO 2016**



NOTE: Fiscal year 2016 estimates for these indicators are not available; numbers shown for 2016 are actual data from fiscal year 2015.  
 SOURCE: Legislative Budget Board.

## TRENDS IN STATE GOVERNMENT EXPENDITURES

Figures 22 and 23 show biennial All Funds and General Revenue Fund expenditures and appropriations since the 2008–09 biennium. The figures also adjust current and historical expenditure and appropriation totals into 2008–09 biennial dollars based on compounded population and inflation growth. All Funds expenditures increased by 21.6 percent from the 2008–09 to 2016–17 biennia, but decreased 6.3 percent after adjusting for population and inflation. General Revenue Funds appropriations increased by 29.8 percent during the same period, and increased by 0.2 percent when adjusted.

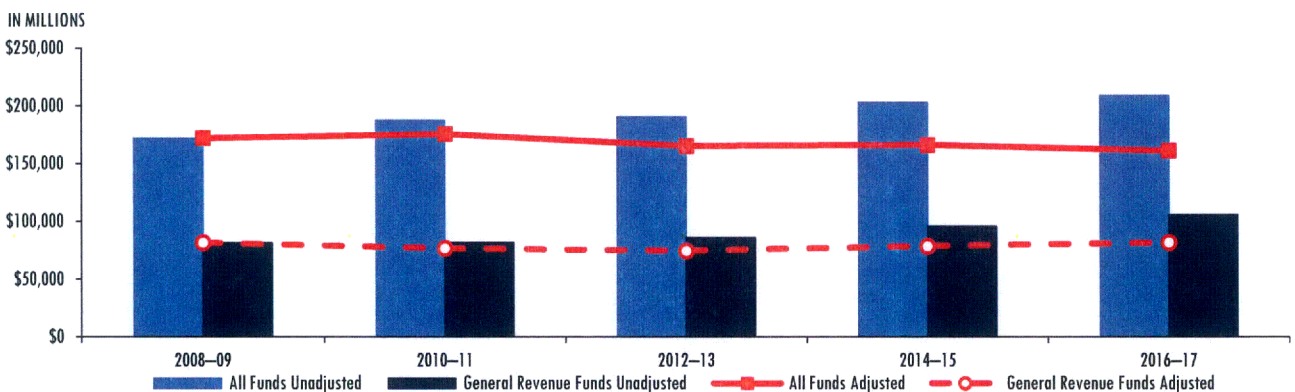
Population and inflation growth is one tool used to evaluate budget growth; however, it does not tie directly to government budget drivers. For example, inflation tracks the increased price of consumer goods such as groceries. Inflation of governmental services, such as education and healthcare, tend to grow faster than the price of consumer goods.

The compounded population and inflation growth in Figure 22 is based on data in the Comptroller’s Fall 2015 Economic Forecast as published in the 2016–17 Certification Revenue Estimate, which included a biennial growth rate of 6.0 percent from 2014–15 to 2016–17. Population and inflation growth estimates submitted to the Legislative Budget Board (LBB) in anticipation of the November 2014 LBB meeting ranged from 6.2 percent to 8.6 percent.

The 2014–15 and 2016–17 biennial expenditure and appropriation totals in Figures 22 and 23 include the net effect of the 2016–17 appropriations and 2014–15 supplemental budget adjustments. Several major fiscal changes, in addition to typical legislative budget action, have affected the growth in the All Funds and General Revenue Funds budgets from the 2008–09 to 2016–17 biennia. For example, Texas received approximately \$14.4 billion in onetime stimulus aid (Federal Funds) from the federal government during the 2008–09 and 2010–11 biennia through the American Recovery and Reinvestment

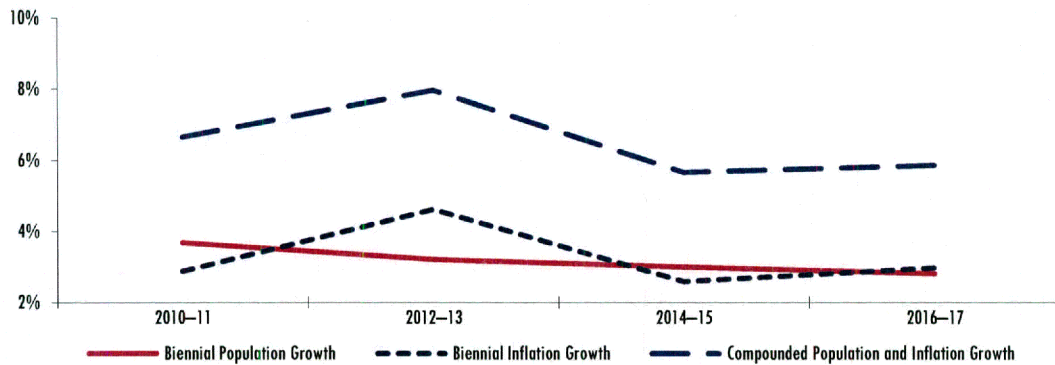
**FIGURE 22**  
**TRENDS IN STATE GOVERNMENT EXPENDITURES, 2016–17 BIENNIAL APPROPRIATIONS**

BIENNIUM	ALL FUNDS				GENERAL REVENUE FUNDS			
	UNADJUSTED		ADJUSTED FOR POPULATION AND INFLATION		UNADJUSTED		ADJUSTED FOR POPULATION AND INFLATION	
	AMOUNT	PERCENTAGE CHANGE	AMOUNT	PERCENTAGE CHANGE	AMOUNT	PERCENTAGE CHANGE	AMOUNT	PERCENTAGE CHANGE
2008–09	\$172,131	N/A	\$172,131	N/A	\$81,639	N/A	\$81,639	N/A
2010–11	\$187,517	8.9%	\$175,762	2.1%	\$81,931	0.4%	\$76,795	(5.9%)
2012–13	\$190,755	1.7%	\$165,421	(5.9%)	\$86,016	5.0%	\$74,593	(2.9%)
2014–15	\$203,301	6.6%	\$166,259	0.5%	\$96,073	11.7%	\$78,568	5.3%
2016–17	\$209,103	2.9%	\$161,329	(3.0%)	\$106,008	10.3%	\$81,788	4.1%



SOURCE: Legislative Budget Board.

**FIGURE 23**  
**BIENNIAL POPULATION AND INFLATION GROWTH FROM 2010–11 TO 2016–17**



SOURCE: Texas Comptroller of Public Accounts.

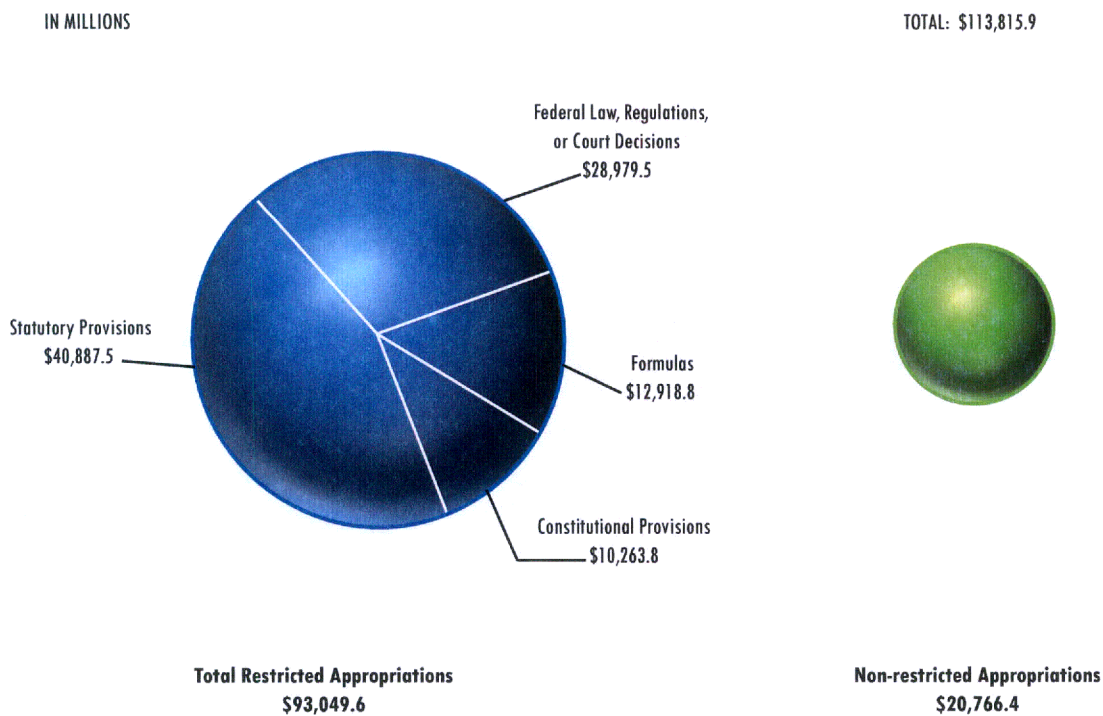
Act. Additionally, prior to the 2014–15 biennium, All Funds totals included expenditures for patient income (Other Funds) at health related institutions of higher education; 2012–13 biennial expenditures of patient income totaled \$6.1 billion. Because the receipt of patient income at these institutions is not limited by the Legislature and is not deposited into the state Treasury, beginning in the 2014–15 biennium the Legislature removed the appropriation authority from the budget, but still identified the patient income totals in informational riders. Also during the 2014–15 biennium, the All Funds total included the onetime appropriation of \$2.0 billion (Other Funds) for the State Water Plan. Lastly, in the 2016–17 biennium, the Legislature appropriated \$3.8 billion in General Revenue Funds to hold school districts harmless for lost tax revenue resulting from tax relief, \$2.6 billion of which will offset decreases in franchise tax revenue deposited to the Property Tax Relief Fund (Other Funds).

## RESTRICTED APPROPRIATIONS

The 2016–17 biennial appropriations from General Revenue Funds and General Revenue–Dedicated Funds total \$113.8 billion. **Figure 24** shows that only \$20.8 billion of that total, 18.2 percent, is appropriated by the Legislature without restriction. The remaining \$93.0 billion is restricted by pre-existing constitutional provisions, statutory provisions, federal law, federal regulations, court decisions, and funding

formulas. The Legislature maintains some discretion for a portion of the restricted budget, but it would need to revise statutes outside of the appropriations process to change the restrictions. **Figure 24** shows selected examples of the largest restrictions by category. The non-restricted portion of the budget is slightly larger than the 2014–15 biennial level of 17.2 percent. During the previous five biennia, this percentage has remained relatively constant.

**FIGURE 24**  
**RESTRICTED APPROPRIATIONS FROM GENERAL REVENUE FUNDS AND GENERAL REVENUE–DEDICATED FUNDS**  
**2016–17 BIENNIUM**



**TOTAL RESTRICTED APPROPRIATIONS VERSUS TOTAL NON-RESTRICTED APPROPRIATIONS, 2016–17 BIENNIUM**

(IN MILLIONS)	2016–17 APPROPRIATIONS	PERCENTAGE OF TOTAL
Appropriations Restricted by Constitutional Provisions	\$10,263.8	9.0%
Teacher Retirement System: \$3,581.4 million		
Foundation School Program (Available School Fund): \$2,777.5 million		
Public Education (Textbooks): \$1,054.9 million		
Appropriations Restricted by Statutory Provisions	\$40,887.5	35.9%
Public Education (Foundation School Program): \$32,763.4 million		
Programs at Department of State Health Services: \$890.0 million		
Appropriations Restricted by Federal Law, Regulations, or Court Decisions	\$28,979.5	25.5%
Medicaid Programs: \$25,128.3 million		
Social Security Match: \$1,311.7 million		

**FIGURE 24 (CONTINUED)**  
**RESTRICTED APPROPRIATIONS FROM GENERAL REVENUE FUNDS AND GENERAL REVENUE–DEDICATED FUNDS**  
**2016–17 BIENNIUM**

**TOTAL RESTRICTED APPROPRIATIONS VERSUS TOTAL NON-RESTRICTED APPROPRIATIONS, 2016–17 BIENNIUM**

(IN MILLIONS)	2016–17 APPROPRIATIONS	PERCENTAGE OF TOTAL
Appropriations Restricted by Formulas	\$12,918.8	11.4%
Higher Education Formulas: \$8,918.5 million		
Group Health Insurance (General State Employees): \$2,622.4 million		
Group Health Insurance (Higher Education Employees): \$1,377.9 million		
<b>Total Restricted Appropriations</b>	<b>\$93,049.6</b>	<b>81.8%</b>
Non-Restricted Appropriations	\$20,766.4	18.2%
Department of Criminal Justice: \$6,592.2 million		
Department of Public Safety: \$1,976.4 million		
<b>Total, General Revenue Funds and General Revenue–Dedicated Funds Appropriations</b>	<b>\$113,815.9</b>	<b>100.0%</b>

NOTES:

(1) Listed appropriations are selected examples and are not intended to total to specific restricted appropriation.

(2) Totals may not sum due to rounding.

SOURCE: Legislative Budget Board.

## LIMITS ON APPROPRIATIONS

Texas has four constitutional limits on spending: the balanced budget limit, which is commonly referred to as the pay-as-you-go limit; the limit on the rate of growth of appropriations from certain state taxes, commonly referred to as the spending limit; the limit on welfare spending; and the limit on tax-supported debt. The 2016–17 biennial budget is within all of these limits.

The pay-as-you-go limit and the spending limit both restrict appropriations, but in different ways. The pay-as-you-go limit prohibits the General Revenue Fund budget from exceeding available revenue. The spending limit prohibits appropriations funded with tax revenues not dedicated by the constitution from growing faster than the state's economy. The spending limit does not apply to appropriations funded with non-tax revenues or appropriations funded with tax revenues if the constitution requires the tax revenue to be spent on a specific purpose.

General Revenue Funds appropriations for the 2016–17 biennium total \$106.0 billion. This amount is \$4.1 billion less than the pay-as-you-go limit after adjusting for the Comptroller of Public Accounts' (CPA) costing adjustments (Figure 25). Furthermore, General Revenue Funds are \$2.1 billion less than the General Revenue capacity less than the spending limit. Because General Revenue spending authority pursuant to the spending limit is the lower of the two limits, the spending limit is the controlling limit.

**FIGURE 25**  
**REMAINING GENERAL REVENUE FUNDS SPENDING**  
**AUTHORITY, 2016–17 BIENNIUM**

IN BILLIONS	AMOUNT
Pay-as-you-go Limit	\$4.1
Spending Limit	\$2.1

SOURCE: Legislative Budget Board.

### ARTICLE III, §49A, PAY-AS-YOU-GO LIMIT

The Texas Constitution, Article III, Section 49a, establishes the pay-as-you-go limit. The constitution requires that bills making appropriations be sent to the CPA for certification that the appropriations are within estimates of available revenue.

The CPA identifies the pay-as-you-go limit for General Revenue Fund appropriations as \$110.3 billion in the 2016–17 Certification Revenue Estimate (CRE). This total includes estimated 2016–17 biennial General Revenue Fund

revenue collections, \$105.8 billion, less the amount of \$2.7 billion in General Revenue Fund deposits reserved for transfer to the Economic Stabilization Fund (ESF) and the State Highway Fund (SHF). This total also includes the beginning General Revenue Fund balance and Dedicated General Revenue account balances available for certification totaling \$7.2 billion (Figure 26).

### ARTICLE VIII, §22, LIMITATION ON THE GROWTH OF CERTAIN APPROPRIATIONS

The Texas Constitution, Article VIII, Section 22, prohibits appropriations funded with state tax revenues not dedicated by the constitution from growing faster than the estimated rate of growth of the state's economy. Consequently, the revenue source funding appropriations determines if the appropriations are subject to the spending limit. Appropriations funded with tax revenues are subject to the spending limit unless the constitution dedicates the tax revenue for a specific purpose.

The 2016–17 biennial spending limit equals 2014–15 biennial appropriations funded with state tax revenues not dedicated by the constitution, \$84.7 billion, grown by the adopted growth rate of 11.7 percent. The 2016–17 biennial spending limit totals \$94.6 billion after updating to account for supplemental appropriations passed by the Eighty-fourth Legislature, 2015, and final fiscal year 2015 appropriation and revenue data. Appropriations for the 2016–17 biennium that are subject to the spending limit total \$92.8 billion, \$1.7 billion less than the spending limit (Figure 27) after accounting for all legislation passed by the Eighty-fourth Legislature, 2015, and revenue estimates in the CPA's 2016–17 Certification Revenue Estimate.

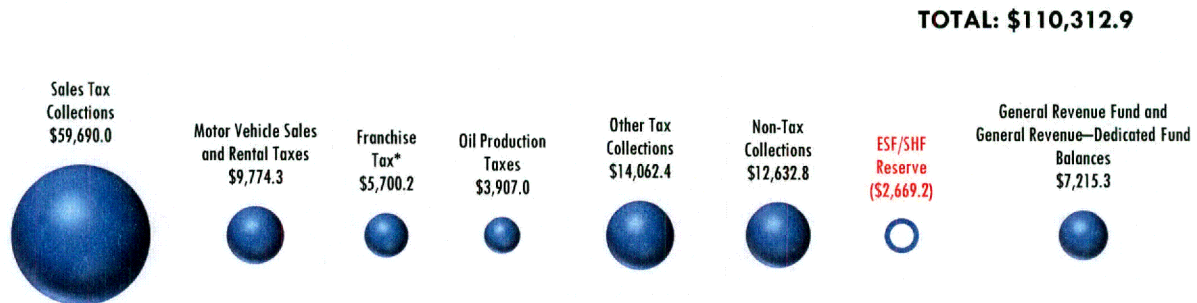
Because revenue deposits to the General Revenue Fund also include revenue not subject to the spending limit, the maximum 2016–17 biennial General Revenue Fund appropriations associated with the \$94.6 billion limit is \$108.1 billion, leaving \$2.1 billion in remaining General Revenue Fund spending capacity less than the spending limit (Figure 28).

### ARTICLE III, §49 (J), DEBT LIMIT

The Texas Constitution, Article III, Section 49(j), provides that the Legislature may not authorize additional state debt if in any fiscal year the resulting maximum annual debt service payable from the General Revenue Fund, excluding revenues constitutionally dedicated for purposes other than payment of state debt, exceeds 5.0 percent of the average annual

**FIGURE 26**  
**COMPONENTS OF THE PAY-AS-YOU-GO LIMIT, 2016–17 BIENNIUM**

IN MILLIONS



NOTES:

- (1) Franchise Tax shown includes the General Revenue Fund portion only.  
 (2) ESF=Economic Stabilization Fund; SHF=State Highway Fund.

SOURCE: Legislative Budget Board.

**FIGURE 27**  
**SPENDING LIMIT COMPARED TO THE SUMMARY OF APPROPRIATIONS, 2016–17 BIENNIUM**

IN MILLIONS	AMOUNT
Spending Limit	\$94,568.0
Appropriations Subject to the Spending Limit	(\$92,842.6)
Total Less Than the Spending Limit	\$1,725.4

SOURCE: Legislative Budget Board.

**FIGURE 28**  
**GENERAL REVENUE FUNDS PURSUANT TO THE SPENDING LIMIT COMPARED TO THE SUMMARY OF APPROPRIATIONS, 2016–17 BIENNIUM**

IN MILLIONS	AMOUNT
Maximum General Revenue Fund Appropriations Pursuant to the Spending Limit	\$108,132.0
General Revenue Fund Appropriations	(\$106,007.5)
Total Less Than the Maximum General Revenue Fund Appropriations	\$2,124.5

SOURCE: Legislative Budget Board.

unrestricted General Revenue funding for the previous three years. To monitor where the state stands in relation to the constitutional debt limit (CDL), the Bond Review Board (BRB) calculates two debt ratios. The first ratio is the debt service on outstanding or issued debt as a percentage of unrestricted General Revenue Funds. At the end of fiscal year 2014, the BRB reported that the issued debt ratio is 1.20 percent. The second debt ratio is the debt service on outstanding debt plus estimated debt service for authorized

but unissued bonds. For this ratio, the BRB has reported that the state is at 2.71 percent of unrestricted General Revenue Funds at the end of fiscal year 2014. The latter calculation represents a 10.9 percent decrease from the 3.04 percent calculated for outstanding and authorized but unissued debt for fiscal year 2013. The BRB expects the CDL ratio to continue to decrease with the issuance of authorized debt and as the state's unrestricted General Revenue Fund increases with the continued improvement in the state's economy. However, the CDL ratio could be affected by changes to any of the following factors: the three-year average of unrestricted General Revenue Funds, the amount of debt outstanding and unissued debt authorizations, and actual and assumed interest rates.

The Eighty-fourth Legislature, 2015, provided funding of \$6.0 million in General Revenue Funds for debt service on \$50.0 million in General Obligation Bond Proceeds for Economically Distressed Areas Program Bonds, and \$14.3 million in General Revenue Funds for debt service on \$767.7 million in Revenue Bond Proceeds to be issued by the Texas Public Finance Authority for new, state-owned buildings at the Facilities Commission. It is estimated that the effect of this debt service appropriation would increase the constitutional debt limit ratio from 2.71 percent to 2.91 percent of the three-year average of unrestricted general revenue.

**ARTICLE III, §51-A, WELFARE SPENDING LIMIT**

The Texas Constitution, Article III, Section 51-a, requires that the amount paid out of state funds for assistance grants to or on behalf of needy dependent children and their caretakers shall not exceed 1.0 percent of the state budget in any biennium.

The 2016–17 biennial budget defined in the Texas Human Resources Code, Section 31.053, is \$209.4 billion. Therefore the welfare spending limit is \$2.1 billion. The biennial amount appropriated in Eighty-fourth Legislature, General Appropriations Act, 2016–17 Biennium, that is subject to the limit on state dollars paid out in Temporary Assistance for Needy Families (cash assistance) grants is \$96.5 million, which is \$2.0 billion less than the 1.0 percent limit.



## 2. REVENUE SOURCES AND ECONOMIC OUTLOOK

This chapter examines Texas' state and local government revenue structure for the Eighty-fourth Legislature, General Appropriations Act (GAA), 2016–17 Biennium. This chapter discusses state revenue by examining the Comptroller of Public Accounts' (CPA) Certification Revenue Estimate, released in October 2015 for the 2016–17 biennium. Total All Funds net revenue in the 2016–17 biennium is estimated to be \$214.0 billion, a decrease of \$0.4 billion, or 0.2 percent from the 2014–15 biennial level. Growth in sales and motor vehicle sales taxes are projected to be offset by significant declines in oil and natural gas production tax revenues and franchise tax revenues.

### STATE REVENUE

According to CPA, state tax collections for the 2016–17 biennium are estimated to total \$101.9 billion, a decrease of \$0.8 billion, or 0.8 percent, from the 2014–15 biennial collection levels.

### SALES TAX

The sales and use tax continues to contribute most of the state's tax revenue (Figures 29, 30, and 31). CPA estimates that sales tax revenue for the 2016–17 biennium will be \$59.9 billion, a 6.4 percent increase from 2014–15 biennial collections of

**FIGURE 29**  
**STATE REVENUE BIENNIAL COMPARISON BY SOURCE, ALL FUNDS, 2014–15 AND 2016–17 BIENNIA**

IN MILLIONS

SOURCE	2014–15 BIENNium	2016–17 BIENNium	PERCENTAGE CHANGE	PERCENTAGE OF 2016–17 TOTAL REVENUE	PERCENTAGE OF 2016–17 TOTAL TAXES
Tax collections	\$102,675.6	\$101,884.2	(0.8%)	47.6%	100.0%
Federal receipts	\$70,967.0	\$72,798.7	2.6%	34.0%	N/A
Licenses, fees, fines, and penalties	\$18,146.7	\$16,579.3	(8.6%)	7.7%	N/A
Interest and investment income	\$2,856.7	\$2,784.9	(2.5%)	1.3%	N/A
Lottery	\$3,771.6	\$3,796.1	0.6%	1.8%	N/A
Land income	\$3,411.2	\$2,033.8	(40.4%)	1.0%	N/A
Other revenue sources	\$12,541.6	\$14,120.3	12.6%	6.6%	N/A
<b>TOTAL, NET REVENUE</b>	<b>\$214,370.5</b>	<b>\$213,997.3</b>	<b>(0.2%)</b>	<b>100.0%</b>	<b>N/A</b>
Sales tax	\$56,296.6	\$59,922.2	6.4%	28.0%	58.8%
Oil production taxes	\$6,753.1	\$3,907.0	(42.1%)	1.8%	3.8%
Natural gas production tax	\$3,180.0	\$1,915.4	(39.8%)	0.9%	1.9%
Motor fuel taxes	\$6,762.1	\$7,055.8	4.3%	3.3%	6.9%
Motor vehicle sales and rental taxes	\$8,724.1	\$9,854.2	13.0%	4.6%	9.7%
Franchise tax	\$9,388.5	\$7,076.3	(24.6%)	3.3%	6.9%
Cigarette and tobacco taxes	\$2,874.9	\$2,831.7	(1.5%)	1.3%	2.8%
Alcoholic beverage taxes	\$2,192.0	\$2,436.1	11.1%	1.1%	2.4%
Insurance occupation taxes	\$3,997.3	\$4,423.9	10.7%	2.1%	4.3%
Utility taxes	\$959.0	\$970.7	1.2%	0.5%	1.0%
Inheritance tax	(\$3.8)	\$0.0	(100.0%)	0.0%	0.0%
Hotel occupancy tax	\$1,011.2	\$1,133.0	12.0%	0.5%	1.1%
Other taxes	\$540.6	\$357.9	(33.8%)	0.2%	0.4%
<b>TOTAL, TAX COLLECTIONS</b>	<b>\$102,675.6</b>	<b>\$101,884.2</b>	<b>(0.8%)</b>	<b>47.6%</b>	<b>100.0%</b>

NOTES: Biennial change and percentage change have been calculated on actual amounts before rounding in all tables and graphics in this chapter. Totals may not sum due to rounding. 2016–17 totals are estimates from the CPA's October 13th, 2015, *Certification Revenue Estimate*. SOURCE: Comptroller of Public Accounts (CPA).

**FIGURE 30**  
**STATE REVENUE BY SOURCE, FISCAL YEARS 2013 TO 2017**

IN MILLIONS SOURCE	REVENUE					PERCENTAGE CHANGE				PERCENTAGE OF TOTAL	
	2013	2014	2015	2016	2017	2014	2015	2016	2017	2013	2017
Tax collections	\$47,781.0	\$50,992.6	\$51,683.1	\$49,722.5	\$52,161.7	6.7%	1.4%	(3.8%)	4.9%	48.2%	49.2%
Federal receipts	\$32,530.3	\$34,266.0	\$36,701.0	\$37,751.6	\$35,047.1	5.3%	7.1%	2.9%	(7.2%)	32.8%	33.1%
Licenses, fees, fines, and penalties	\$7,919.6	\$8,497.1	\$9,649.6	\$9,477.0	\$7,102.4	7.3%	13.6%	(1.8%)	(25.1%)	8.0%	6.7%
Interest and investment income	\$1,182.9	\$1,463.1	\$1,393.6	\$1,339.9	\$1,445.0	23.7%	(4.8%)	(3.9%)	7.8%	1.2%	1.4%
Lottery	\$1,893.3	\$1,878.1	\$1,893.5	\$1,896.3	\$1,899.9	(0.8%)	0.8%	0.1%	0.2%	1.9%	1.8%
Land income	\$1,325.7	\$1,863.3	\$1,547.8	\$977.9	\$1,055.9	40.6%	(16.9%)	(36.8%)	8.0%	1.3%	1.0%
Other revenue sources	\$6,403.5	\$5,982.1	\$6,559.7	\$6,888.2	\$7,232.2	(6.6%)	9.7%	5.0%	5.0%	6.5%	6.8%
<b>TOTAL, NET REVENUE</b>	<b>\$99,036.4</b>	<b>\$104,942.3</b>	<b>\$109,428.3</b>	<b>\$108,053.3</b>	<b>\$105,944.1</b>	<b>6.0%</b>	<b>4.3%</b>	<b>(1.3%)</b>	<b>(2.0%)</b>	<b>100.0%</b>	<b>100.0%</b>
Sales tax	\$25,943.8	\$27,385.7	\$28,910.9	\$29,258.7	\$30,663.5	5.6%	5.6%	1.2%	4.8%	54.3%	58.8%
Oil production taxes	\$2,990.9	\$3,874.1	\$2,879.1	\$1,844.9	\$2,062.1	29.5%	(25.7%)	(35.9%)	11.8%	6.3%	4.0%
Natural gas production tax	\$1,495.2	\$1,899.6	\$1,280.4	\$871.4	\$1,044.0	27.0%	(32.6%)	(31.9%)	19.8%	3.1%	2.0%
Motor fuel taxes	\$3,221.5	\$3,316.0	\$3,446.2	\$3,499.0	\$3,556.9	2.9%	3.9%	1.5%	1.7%	6.7%	6.8%
Motor vehicle sales and rental taxes	\$3,878.4	\$4,210.0	\$4,514.2	\$4,775.4	\$5,078.8	8.5%	7.2%	5.8%	6.4%	8.1%	9.7%
Franchise tax	\$4,798.7	\$4,732.3	\$4,656.3	\$3,528.5	\$3,547.8	(1.4%)	(1.6%)	(24.2%)	0.5%	10.0%	6.8%
Cigarette and tobacco taxes	\$1,598.1	\$1,342.5	\$1,532.4	\$1,360.9	\$1,470.8	(16.0%)	14.2%	(11.2%)	8.1%	3.3%	2.8%
Alcoholic beverage taxes	\$976.9	\$1,053.2	\$1,138.8	\$1,186.7	\$1,249.4	7.8%	8.1%	4.2%	5.3%	2.0%	2.4%
Insurance occupation taxes	\$1,764.2	\$1,947.9	\$2,049.4	\$2,185.6	\$2,238.3	10.4%	5.2%	6.6%	2.4%	3.7%	4.3%
Utility taxes	\$434.9	\$478.2	\$480.8	\$483.8	\$486.9	10.0%	0.5%	0.6%	0.6%	0.9%	0.9%
Inheritance tax	(\$10.3)	\$12.0	(\$3.8)	\$0.0	\$0.0	(100.1%)	(33,166.9%)	(100.0%)	0.0%	0.0%	0.0%
Hotel occupancy tax	\$441.1	\$485.4	\$525.8	\$550.3	\$582.7	10.0%	8.3%	4.7%	5.9%	0.9%	1.1%
Other taxes	\$247.7	\$267.9	\$272.7	\$177.5	\$180.5	8.1%	1.8%	(34.9%)	1.7%	0.5%	0.3%
<b>TOTAL, TAX COLLECTIONS</b>	<b>\$47,781.0</b>	<b>\$50,992.6</b>	<b>\$51,683.1</b>	<b>\$49,722.5</b>	<b>\$52,161.7</b>	<b>6.7%</b>	<b>1.4%</b>	<b>(3.8%)</b>	<b>4.9%</b>	<b>100.0%</b>	<b>100.0%</b>

SOURCE: Comptroller of Public Accounts (CPA). 2016–17 totals are estimates from the CPA's October 13th, 2015, Certification Revenue Estimate.

\$56.3 billion. Sales taxes are expected to contribute 58.8 percent of total tax collections for the 2016–17 biennium.

The state tax rate is 6.25 percent, which has been in place since 1990. Subject to certain exemptions, the state sales and use tax is imposed on retail sales, leases, and rentals of goods purchased within or brought into the state, and some taxable services. The largest exemptions include property used in manufacturing, food purchased for home consumption, agricultural items, gas and electricity, and water.

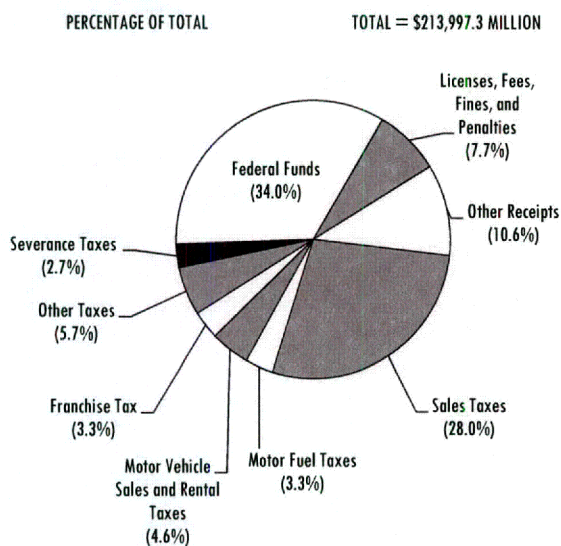
### OIL AND GAS PRODUCTION TAXES

The state levies an oil production tax at 4.6 percent of market value and a natural gas production tax at 7.5 percent of

market value, less certain deductions. During the 2014–15 biennium, annual oil production was approximately 903.0 million barrels in fiscal year 2014 and 1,085.9 million barrels in fiscal year 2015. Oil was taxed at a price of approximately \$96.56 per barrel in fiscal year 2014 and \$59.97 per barrel in fiscal year 2015. Annual natural gas production was 7.4 trillion cubic feet in each of fiscal years 2014 and 2015, while taxable natural gas prices were \$4.36 per 1,000 cubic feet (Mcf) in fiscal year 2014, and approximately \$3.06 per Mcf in fiscal year 2015.

Oil production taxes are expected to decrease during the 2016–17 biennium due to the substantial decrease in the price per barrel. Whereas 2014–15 biennial revenues from oil production and regulation taxes were \$6.8 billion, CPA

**FIGURE 31**  
**ESTIMATED STATE REVENUE COLLECTIONS**  
**2016–17 BIENNIUM**



SOURCE: Comptroller of Public Accounts.

estimates the 2016–17 biennial revenues will be \$3.9 billion, a decrease of 42.1 percent.

For the 2014–15 biennium, natural gas tax collections totaled \$3.2 billion. CPA estimates 2016–17 biennial revenues from natural gas will be about \$1.9 billion, a decrease of 39.8 percent.

### MOTOR FUEL TAXES

Texas taxes three major types of motor fuel: gasoline, diesel, and liquefied and compressed natural gas. Gasoline and diesel fuel are taxed \$0.20 per gallon; liquefied and compressed natural gas is taxed at a rate of \$0.15 per gasoline or diesel gallon equivalent. The 2014–15 biennial motor fuels tax collections totaled \$6.8 billion. CPA estimates that fuel tax collections will grow 4.3 percent, forecasting \$7.1 billion in revenue for the 2016–17 biennium.

Approximately 75.0 percent of motor fuel tax revenues are deposited to the State Highway Fund. Most of the remaining 25.0 percent of collections is dedicated to public education.

### MOTOR VEHICLE SALES AND RENTAL TAX

The motor vehicle sales tax is levied at a rate of 6.25 percent on the price of a vehicle, less the value of any trade-in. The rental tax rate is 10.0 percent for rentals of 30 days or fewer, and 6.25 percent for rentals exceeding 30 days. Also included in motor vehicle sales and rental taxes is the tax on

manufactured housing. This tax is levied at a rate of 5.0 percent of 65.0 percent of the manufacturer's selling price.

Motor vehicle sales and rental taxes increased during the 2014–15 biennium, generating \$8.7 billion in revenue, 17.3 percent more than the previous biennium. CPA estimates that revenue from motor vehicle sales and rental taxes will increase 13.0 percent to \$9.9 billion for the 2016–17 biennium.

### FRANCHISE TAX

In fiscal year 2008, the state converted from imposing a franchise tax that was based on taxable capital (net worth) and on earned surplus to a margins tax, which is based on taxable margin. A number of expected transitional issues occurred, which resulted in a revenue shortfall during the first year of implementation. In fiscal year 2009, the first year of full conformity with the margins tax, the actual revenue was \$4.3 billion, which was 2.5 percent less than the CPA's 2009 biennial revenue estimate of \$4.4 billion, and 29.7 percent less than originally forecast in 2006.

The margins tax was authorized by the Seventy-ninth Legislature, Third Called Session, 2006, to pursue two goals: (1) to make the tax on business activity in Texas more comprehensive, because many corporations and businesses could legally escape the previous franchise tax; and (2) to increase state tax revenues to partially offset the cost of providing property tax relief to Texas households and businesses.

The name franchise tax remains in the new statute, but it is more commonly called the margins tax because a business entity's taxable base is redefined as the taxable margin. The taxable margin is the lesser value of four methods of calculation: (1) 70.0 percent of total revenue; (2) total revenue minus costs of goods sold; (3) total revenue minus total compensation and benefits; or (4) total revenue minus \$1.0 million. Beginning in fiscal year 2016, most entities pay at a rate of 0.75 percent of their taxable margin. The exception is a lower tax rate of 0.375 percent applied to any taxable entity engaged primarily in retail or wholesale trade. These rates were originally 1.0 percent and 0.5 percent, respectively. The Eighty-third Legislature, Regular Session, 2013, temporarily lowered the rates by 2.5 percent in fiscal 2014, and 5.0 percent in fiscal year 2015. The Eighty-fourth Legislature, 2015, permanently lowered the rates by 25.0 percent.

After decreasing by 1.4 percent in fiscal year 2014 and 1.6 percent in fiscal 2015, CPA estimates indicate that the margins tax will decrease 24.2 percent in fiscal year 2016 and will generate \$3.5 billion; in fiscal year 2017, the tax is estimated to increase by 0.5 percent and generate \$3.6 billion. The companion legislation in 2006 (House Bill 2, Seventy-ninth Legislature, Third Called Session, 2006) established the Property Tax Relief Fund and stipulated that the amount that would have been collected in accordance with the previous franchise tax rate every fiscal year would be deposited to the General Revenue Fund, while the remainder of the margins tax would be dedicated to the Property Tax Relief Fund. Thus, of the \$4.7 billion collected in accordance with the margins tax in fiscal year 2015, \$2.9 billion was allocated to General Revenue Funds, and \$1.8 billion was allocated to the Property Tax Relief Fund.

### **CIGARETTE AND TOBACCO TAXES**

Cigarette, cigar, and tobacco excise tax revenue totaled \$2.9 billion for the 2014–15 biennium. Revenue for the 2016–17 biennium is estimated by CPA to total \$2.8 billion, a 1.5 percent decrease from the 2014–15 biennial level.

Legislation passed by the Seventy-ninth Legislature, Third Called Session, 2006, established the Property Tax Relief Fund. Revenue that would have been collected in accordance with the previous tax rates before January 1, 2007, is credited to the General Revenue Fund, and the excess greater than this amount that is generated by the increased tax rates is dedicated to the Property Tax Relief Fund. The 2014–15 biennial transfers to the Property Tax Relief Fund from cigarette tax revenue totaled \$1.6 billion. Transfers from cigarette tax revenue are estimated by CPA to be \$1.7 billion for the 2016–17 biennium.

The tobacco products tax is levied on cigars, snuff, chewing tobacco, and smoking tobacco. Legislation passed by the Eighty-first Legislature, Regular Session, 2009, modified the base used to calculate the tax imposed on tobacco products (other than cigars) from the manufacturer's listed price to the manufacturer's listed net weight. Beginning in fiscal year 2010, the rate per ounce was \$1.10 and increased \$0.03 per ounce each fiscal year until September 1, 2012. After December 1, 2013, the rate remains at \$1.22 per ounce. A portion of the revenue generated in excess of the previous tax rate is deposited to the Physician Education Loan Repayment Program; the remainder of the revenue increase is deposited to the Property Tax Relief Fund.

The 2014–15 biennial transfers to the Property Tax Relief Fund of cigarette and tobacco tax revenue totaled \$31.9 million. Transfers for the 2016–17 biennium are estimated by CPA to be \$32.9 million.

### **ALCOHOLIC BEVERAGE TAXES**

Alcoholic beverage taxes consist of the mixed beverage gross receipts tax; the mixed beverage sales tax; and volume-based excise taxes imposed on ale, beer, liquor, and wine. The 2014–15 biennial alcoholic beverage tax revenue totaled \$2.2 billion. Revenue for the 2016–17 biennium is estimated by CPA to increase to \$2.4 billion, or 11.1 percent, from the 2014–15 biennial level.

### **INSURANCE OCCUPATION TAXES**

Insurance occupation taxes include insurance premium taxes and insurance maintenance taxes. Insurance-related entities must remit a percentage of their gross premiums to pay insurance premium taxes. Insurers pay 1.75 percent of accident, health, and life insurance gross premiums; 1.6 percent of property and casualty insurance gross premiums; 1.35 percent of title insurance premiums; and 4.85 percent of independently procured insurance premiums. Insurance maintenance taxes are also based on premiums. Insurance maintenance taxes are levied on insurance-related entities to cover the state's cost of regulating the industry. These regulatory costs are incurred primarily by the Texas Department of Insurance. Maintenance tax rates are reviewed annually and are based on the funding needs of the regulatory agencies. In addition to these taxes, retaliatory taxes are imposed on insurers from outside Texas to assist Texas-based companies that are operating in other states. If a Texas-based company pays a higher proportion of taxes to another state than domestic companies pay to that state, the insurance companies from the other state that compete in Texas must pay a retaliatory tax.

Insurance taxes and fees are forecast by CPA to total \$4.4 billion for the 2016–17 biennium, an increase of 10.7 percent from the 2014–15 biennial level of \$4.0 billion.

### **UTILITY TAX**

Texas has three forms of utility gross receipts taxes: the gas, electric, and water tax; the public utility gross receipts assessment; and the gas utility pipeline tax. The largest revenue generator is the gas, electric, and water tax, which provides for more than 80.0 percent of the state's total utility tax revenues. This tax is imposed on utility gross receipts at

rates ranging from 0.581 percent to 1.997 percent, depending on city population. The public utility gross receipts tax is levied at a rate of 0.001667 percent of gross receipts. The gas utility pipeline tax is a levy of 0.5 percent on gas utility gross receipts, less the cost of gas sold.

During the 2014–15 biennium, utility taxes generated \$959.0 million in revenue. CPA estimates that utility taxes will generate \$970.7 million for the 2016–17 biennium, a 1.2 percent increase.

### **HOTEL OCCUPANCY TAX**

The hotel occupancy tax is estimated by CPA to generate \$1.1 billion for the 2016–17 biennium, which is 12.0 percent greater than the 2014–15 biennial collections of \$1.0 billion. Hotel tax revenues have increased since fiscal year 2011 as higher rates of tourism and business travel resumed after decreasing in previous years.

### **OTHER TAXES**

Other taxes are levied on a variety of items such as cement, sulphur, attorney services, coin-operated machines, and bingo rental receipts. CPA estimates these taxes will generate \$357.9 million during the 2016–17 biennium, a decrease of 33.8 percent from the 2014–15 biennial collections of \$540.6 million.

### **NONTAX REVENUES**

In addition to tax revenues, the state receives revenue from a variety of other sources.

#### **FEDERAL RECEIPTS**

Federal receipts constitute the state's largest source of nontax revenue. CPA estimates that collections for the 2016–17 biennium will total \$72.8 billion, 34.0 percent of all revenue for the biennium, which is an increase of 2.6 percent from 2014–15 biennial receipts.

#### **LICENSES, FEES, FINES, AND PENALTIES**

Licenses, fees, fines, and penalties contribute the state's second-largest source of nontax revenue. According to CPA, the state is projected to receive \$16.6 billion from this revenue category for the 2016–17 biennium. This amount represents a decrease of 8.6 percent from 2014–15 biennial collections of \$18.1 billion. This revenue category is expected to contribute 7.7 percent of all state revenue during the 2016–17 biennium.

### **INTEREST AND INVESTMENT INCOME**

Most interest on fund balances and investment revenue in General Revenue Funds is composed of income deposited to the Available School Fund (ASF) from Permanent School Fund (PSF) investments. Funds distributed from the PSF to the ASF during a 10-year period may not exceed the total return on all PSF investment assets during the same period. Transfers to the ASF totaled \$838.7 billion in fiscal years 2014 and 2015. CPA estimates that \$1,055.1 million will be transferred in fiscal years 2016 and 2017.

All Funds total interest and investment revenue for the 2016–17 biennium is expected to be \$2.78 billion, a decrease of 2.5 percent, from the 2014–15 biennial investment revenue of \$2.86 billion.

### **LOTTERY REVENUE**

Texas Lottery ticket sales totaled \$4.5 billion in fiscal year 2015, an increase of \$145.1 million or 3.3 percent greater than the fiscal year 2014 sales. Of the fiscal year total sales, \$2.9 billion was paid out to players; \$248.4 million was paid to retailers in the form of commissions, bonuses, and incentive payments; on a cash basis, \$1,153 million was transferred to the Foundation School Fund; \$11.7 million was transferred to the Texas Veterans Commission; and \$73.3 million of unclaimed prizes was transferred to the state. Of the remaining fiscal year 2015 sales, \$215.5 million was used to fund administrative expenses.

CPA estimates that \$1.2 billion in fiscal year 2016 and \$1.2 billion in fiscal year 2017 will be available for transfer to the Foundation School Account.

### **LAND INCOME**

Land income is derived from mineral royalties and leases, land sales, and the sale of timber and sand. CPA estimates that the state will collect \$2.0 billion in income from state lands for the 2016–17 biennium. This amount reflects a decrease of 40.4 percent from 2014–15 biennial collections of \$3.4 billion.

### **TOBACCO SETTLEMENT REVENUE**

In January 1998, Texas entered into a settlement agreement with the defendants in the state's action against tobacco manufacturers. One result of the agreement was the establishment of a series of payments to the state and a number of political subdivisions to be made by the defendants named in the agreement. The schedule of these payments is

outlined in the settlement agreement. Future payments are subject to price, sales volume, and tobacco company profitability adjustments. These adjustment factors may cause actual Tobacco Settlement revenue collections to deviate from the original payment schedule.

During the 2014–15 biennium, the state received \$986.0 million as a result of the federal Tobacco Settlement agreement. For the 2016–17 biennium, \$942.0 million is expected as the volume of domestic cigarette sales declines.

## OTHER REVENUE

The remaining \$12.2 billion, or 5.7 percent, of state revenue comes from a variety of sources: sales of goods and services, child support collections, revenue from unclaimed property, settlement of claims including tobacco settlement revenue mentioned previously, and various federal programs. CPA estimates that collections of other revenue during the 2016–17 biennium will be 13.5 percent more than the 2014–15 biennial collections of \$10.7 billion.

## STATE TAXES

Two measures are commonly used to compare tax burdens across state lines: state tax revenue per \$1,000 of personal income and per capita state tax revenues. Texas ranks low relative to other states on both measures. In 2014, Texans paid \$44.89 in state taxes for each \$1,000 of personal income, about 76.1 percent of the \$58.96 national average (Figure 32).

## POPULATION

The annual growth rate of Texas' population remained relatively constant during the last decade. Figure 33 shows that the state's population grew by 19.9 percent from 2004 to 2014, which was an average annual rate of 2.0 percent. Texas was the third-fastest growing state in the nation during this period, behind only Utah and Nevada. Moody's Analytics, a national econometric forecasting firm, estimates that Texas' population will increase about 1.6 percent per year from 2015 to 2025. During the same period, Moody's Analytics projects the total U.S. population will increase about 0.8 percent per year.

## PERSONAL INCOME

Personal income is a widely used measure of economic well-being. It consists of wages and salaries, other labor income, proprietors' income, dividends, interest, rent, and transfer

**FIGURE 32**  
**STATE TAX REVENUE PER \$1,000 OF PERSONAL INCOME**  
**CALENDAR YEAR 2014**

RANKING	STATE	TAX REVENUE PER \$1,000 OF PERSONAL INCOME
1	North Dakota	\$148.32
2	Vermont	\$101.84
3	Hawaii	\$92.33
4	Minnesota	\$86.50
5	Alaska	\$85.26
6	West Virginia	\$80.47
7	Arkansas	\$79.74
8	New Mexico	\$74.43
9	Mississippi	\$73.47
10	Delaware	\$73.20
11	California	\$71.19
12	Maine	\$70.99
13	Wyoming	\$70.99
14	New York	\$70.10
15	Connecticut	\$68.32
16	Kentucky	\$67.28
17	Montana	\$65.02
18	Indiana	\$64.52
19	Wisconsin	\$64.51
20	Illinois	\$63.85
21	Massachusetts	\$63.69
22	Nevada	\$61.75
23	Michigan	\$61.44
24	Idaho	\$61.15
25	North Carolina	\$60.07
26	Iowa	\$59.24
27	Oregon	\$59.17
28	Maryland	\$58.46
29	Rhode Island	\$58.13
30	New Jersey	\$57.63
31	Utah	\$56.95
32	Kansas	\$56.26
33	Pennsylvania	\$56.08
34	Washington	\$55.51
35	Ohio	\$55.18
36	Nebraska	\$54.51
37	Oklahoma	\$53.79
38	Arizona	\$51.29
39	Alabama	\$51.09
40	South Carolina	\$50.40
41	Louisiana	\$49.61
42	Georgia	\$47.33
43	Virginia	\$45.21
44	Colorado	\$44.91
45	<b>TEXAS</b>	<b>\$44.89</b>
46	Tennessee	\$44.56
47	Missouri	\$44.52
48	South Dakota	\$41.64
49	Florida	\$41.62
50	New Hampshire	\$32.60
	<b>U.S. Average</b>	<b>\$58.96</b>

SOURCES: U.S. Census Bureau; U.S. Department of Commerce, Bureau of Economic Analysis.

**FIGURE 33**  
**RESIDENT POPULATION RANKING, CALENDAR YEARS 2004 AND 2014**

50-STATE RANKING	STATE	POPULATION 2004 CENSUS (IN MILLIONS)	POPULATION 2014 CENSUS (IN MILLIONS)	POPULATION CHANGE (IN MILLIONS)	PERCENTAGE CHANGE
1	California	35.9	38.8	2.9	8.1%
<b>2</b>	<b>TEXAS</b>	<b>22.5</b>	<b>27.0</b>	<b>4.5</b>	<b>19.9%</b>
3	Florida	17.4	19.9	2.5	14.3%
4	New York	19.2	19.7	0.5	2.7%
5	Illinois	12.7	12.9	0.2	1.3%
6	Pennsylvania	12.4	12.8	0.4	3.1%
7	Ohio	11.5	11.6	0.1	1.2%
8	Georgia	8.8	10.1	1.3	14.4%
9	North Carolina	8.5	9.9	1.4	16.4%
10	Michigan	10.1	9.9	(0.2)	(2.0%)
11	New Jersey	8.7	8.9	0.2	2.8%
12	Virginia	7.5	8.3	0.9	11.6%
13	Washington	6.2	7.1	0.9	13.8%
14	Massachusetts	6.4	6.7	0.3	5.1%
15	Arizona	5.7	6.7	1.0	17.2%
	<b>U.S. TOTAL</b>	<b>293.7</b>	<b>318.9</b>	<b>25.2</b>	<b>8.6%</b>

SOURCE: U.S. Census Bureau.

payments (e.g., Social Security and unemployment insurance benefits). Per capita personal income (total personal income divided by resident population) is commonly used to compare the relative economic well-being of residents in the states. It is affected by growth or decrease in the wage-earning population (ages 18 to 64) relative to overall population. Texas' per capita personal income was \$45,669 in 2014, and ranked twenty-second among the states (**Figure 34**).

Texas' cost of living is also low, at 92.6 percent of the national average in 2015 (**Figure 35**). Texas ranked thirty-fourth among the states and ranked twelfth of the 15 most-populous states on this measure.

The ratio of Texas per capita income to U.S. per capita income is an important driver of the Texas state budget. Specifically, this ratio is the determining factor of the Texas Federal Medical Assistance Percentage (FMAP) and thus the state's share of the cost of the Medicaid program. In general, when this ratio increases, Texas' FMAP and the federal share of the cost decreases while the state share increases, and vice versa. During the past 20 years, per capita personal income in Texas has fluctuated, but it remained less than the U.S. total (**Figure 36**), although the trend of the ratio is increasing.

In 2014, the per capita personal income in Texas was approximately 99.2 percent of the U.S. total.

**FIGURE 34**  
**15 MOST-POPULOUS STATES PER CAPITA PERSONAL INCOME, CALENDAR YEAR 2014**

50-STATE RANKING	STATE	PER CAPITA PERSONAL INCOME
2	Massachusetts	\$58,737
3	New Jersey	\$57,620
5	New York	\$55,611
10	Virginia	\$50,345
11	California	\$49,985
12	Washington	\$49,610
16	Pennsylvania	\$47,679
17	Illinois	\$47,643
<b>22</b>	<b>TEXAS</b>	<b>\$45,669</b>
28	Florida	\$42,737
29	Ohio	\$42,236
35	Michigan	\$40,740
39	North Carolina	\$39,171
40	Georgia	\$38,980
41	Arizona	\$37,895
1	Highest: Connecticut	\$64,864
50	Lowest: Mississippi	\$34,431
	<b>U.S. TOTAL</b>	<b>\$46,049</b>

SOURCE: U.S. Bureau of Economic Analysis.

**FIGURE 35**  
**15 MOST-POPULOUS STATES COST OF LIVING AS PERCENTAGE OF NATIONAL AVERAGE CALENDAR YEAR 2015, 2ND QUARTER**

50-STATE RANKING	STATE	PERCENTAGE COST OF LIVING
3	Massachusetts	140.0%
4	New York	134.3%
5	California	133.7%
9	New Jersey	127.4%
16	Washington	107.1%
20	Pennsylvania	102.9%
24	Florida	100.6%
25	Arizona	98.6%
29	Illinois	96.6%
30	North Carolina	95.6%
31	Virginia	94.6%
<b>34</b>	<b>TEXAS</b>	<b>92.6%</b>
36	Ohio	92.1%
36	Georgia	91.8%
42	Michigan	91.2%
1	Highest: Hawaii	166.9%
50	Lowest: Mississippi	84.3%
	<b>U.S. AVERAGE</b>	<b>100.0%</b>

SOURCE: Missouri Economic Research and Information Center.

**FIGURE 36**  
**PER CAPITA PERSONAL INCOME IN TEXAS AND THE UNITED STATES, CALENDAR YEARS 1994 TO 2014**

CALENDAR YEAR	PER CAPITA		TEXAS AS PERCENTAGE OF U.S. PER CAPITA INCOME
	TEXAS	U.S.	
1994	\$20,206	\$22,538	89.7%
1995	\$21,177	\$23,568	89.9%
1996	\$22,319	\$24,728	90.3%
1997	\$23,825	\$25,950	91.8%
1998	\$25,500	\$27,510	92.7%
1999	\$26,447	\$28,627	92.4%
2000	\$28,365	\$30,602	92.7%
2001	\$29,717	\$31,540	94.2%
2002	\$29,327	\$31,815	92.2%
2003	\$30,010	\$32,692	91.8%
2004	\$31,077	\$34,316	90.6%
2005	\$33,330	\$35,904	92.8%
2006	\$35,554	\$38,144	93.2%
2007	\$36,992	\$39,821	92.9%
2008	\$39,892	\$41,082	97.1%
2009	\$37,037	\$39,376	94.1%
2010	\$38,282	\$40,277	95.0%
2011	\$41,235	\$42,453	97.1%
2012	\$43,505	\$44,266	98.3%
2013	\$43,807	\$44,438	98.6%
2014	\$45,669	\$46,049	99.2%

SOURCE: U.S. Bureau of Economic Analysis.



## MAJOR STATE FUNDS

Although more than 400 funds are held in the state Treasury, the General Revenue Fund and a few closely related special funds and accounts play key roles in state finance. Funds and accounts in the state Treasury are not directly equivalent to methods of finance in the GAA.

### GENERAL REVENUE FUND

The General Revenue Fund consists of non-dedicated General Revenue and General Revenue–Dedicated accounts. The non-dedicated portion of the General Revenue Fund serves as the state’s primary operating fund. Most state tax revenue, many state fees, and various other sources of revenue are deposited as non-dedicated General Revenue Funds. Among the taxes deposited initially to the non-dedicated General Revenue Fund are the state sales tax, the franchise tax, motor vehicle sales taxes, alcohol and tobacco taxes, the oil production tax, the natural gas tax, and motor fuel taxes. Expenditures may be made directly from non-dedicated General Revenue Funds, or in some cases, revenue may be transferred from non-dedicated General Revenue Funds to special funds or accounts.

Before 1991, most of the accounts that now compose dedicated General Revenue Funds existed as separate special funds outside the General Revenue Fund. A fund consolidation process initiated in 1991 brought almost 200 special funds into the General Revenue Fund as General Revenue–Dedicated accounts. An important distinction between special funds and General Revenue–Dedicated accounts is that cash balances in the General Revenue–Dedicated accounts are counted as part of the General Revenue Fund balance in determining the amount of cash available for certification of appropriations from the General Revenue Fund; special fund account balances do not affect the amount of cash available for certification for the General Revenue Fund.

### AVAILABLE SCHOOL FUND

The ASF receives a total distribution from the PSF and one-quarter of net motor fuel taxes. The distribution amount is based upon a total return methodology, or a percentage of the average market value of the PSF. The distribution rate cannot exceed 6.0 percent of the average market value. The distribution rate is established by the State Board of Education (SBOE), or by the Texas Legislature in biennia when the SBOE fails to establish a rate. Additionally, the

General Land Office has authority to make direct deposits into the ASF up to \$300.0 million per year.

A portion of ASF revenue is transferred to the State Instructional Materials Fund and used to provide free textbooks and technology to children attending Texas public schools. Remaining revenue in the ASF is allocated to school districts on a per-pupil basis.

### FOUNDATION SCHOOL FUND

One-quarter of occupation taxes, such as the oil production tax, the natural gas production tax, and the gas, water, and electric utility tax, are constitutionally dedicated to public education. The revenue from these taxes is initially deposited to the General Revenue Fund and then transferred to the Foundation School Fund. Enactment of legislation passed by the Seventy-fifth Legislature, 1997, statutorily dedicated net lottery proceeds to public education, and those proceeds are deposited to the Foundation School Fund. The Foundation School Fund also receives the revenue from attendance credits purchased by local school districts within the public school finance system. Revenue from the account is distributed to school districts using Foundation School Program formulas, and via multiple methods of finance in the GAA.

### STATE HIGHWAY FUND

The State Highway Fund may be used for highway construction and maintenance, acquisition of rights-of-way, and the policing of public roads. The major revenue sources deposited directly to the fund include motor vehicle registration fees, federal highway funds, and the sales tax on motor lubricants. Motor fuel tax revenue is deposited to the General Revenue Fund, and a significant portion of that is allocated to the State Highway Fund. Voter approval of changes to the Texas Constitution proposed by Senate Joint Resolution 1, Eighty-third Legislature, Third Called Session, 2013, directed additional General Revenue Fund allocations to the State Highway Fund based on the performance of oil and gas production taxes. Voter approval of changes to the Texas Constitution proposed by Senate Joint Resolution 5, Eighty-fourth Legislature, 2015, directed a portion of sales tax and motor vehicle sales tax to be deposited to the State Highway Fund beginning in fiscal years 2018 (sales tax) and 2020 (motor vehicle sales tax).

## TEXAS MOBILITY FUND

The Texas Constitution, Article III, Section 49-k, was added by amendment in November 2001, establishing the Texas Mobility Fund (TMF). The fund is a revolving fund in the state Treasury and is administered by the Texas Transportation Commission and the Texas Department of Transportation for the design, construction, reconstruction, acquisition, and expansion of state highways. The TMF can also be used in the construction of publicly owned toll roads and other public transportation projects. Subject to CPA's approval and the implementation of a strategic plan that outlines the use of TMF revenues, the Texas Transportation Commission was authorized to sell debt obligations of the state to construct highways, toll roads, or other transportation projects. The Eighty-fourth Legislature prohibited the issuance of new TMF obligations, with certain exceptions, after January 1, 2015. Bond obligations are guaranteed with a pledge of the state's full faith and credit if the TMF balance proves insufficient to pay outstanding obligations. In that circumstance, the Legislature must appropriate funds from the Treasury to pay any outstanding obligations. The Legislature may dedicate any taxes or other revenues to the TMF that otherwise are not dedicated by the constitution, namely, motor fuel taxes, lubricant sales taxes, title fees, and motor vehicle registration fees. Deposits include portions of fees for the registration, titling, and inspection of motor vehicles; driver record information; driver licenses; and for state traffic fines and penalties.

## PROPERTY TAX RELIEF FUND

A portion of all revenue collected through the motor vehicle sales and use tax, cigarette and tobacco products tax, and the franchise/business margins tax is deposited to the Property Tax Relief Fund. Fiscal year 2015 transfers to the Property Tax Relief Fund totaled \$2.7 billion. Amounts transferred to the fund for the 2016–17 biennium are estimated by CPA to total \$1.5 billion in fiscal year 2016 and \$1.6 billion in fiscal year 2017.

## ECONOMIC STABILIZATION FUND

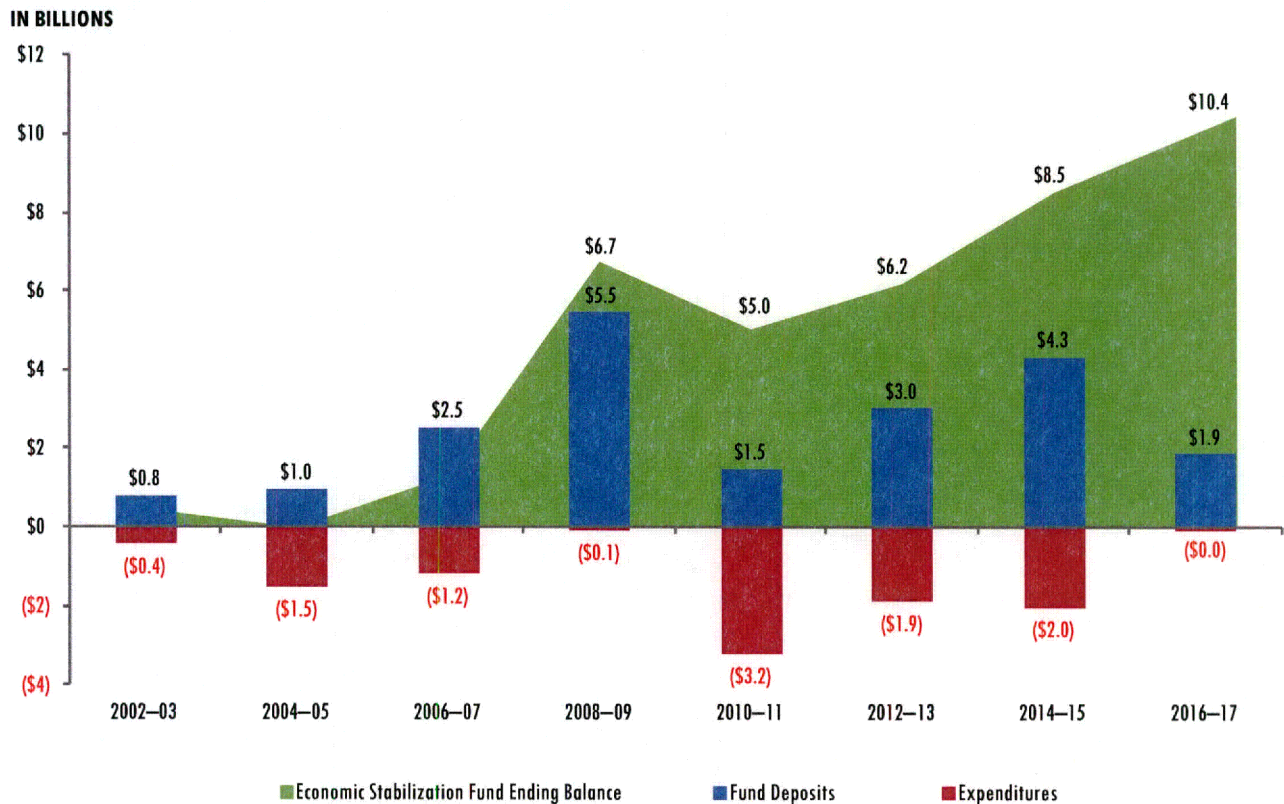
The Economic Stabilization Fund (ESF), or rainy day fund, is a constitutional fund approved by voters in 1988. Whenever collections are sufficient and the balance of the fund is greater than a sufficient balance amount set by the Legislature, the fund receives an amount of General Revenue Funds equal to 37.5 percent of the amount of oil production tax collections in excess of 1987 levels, and 37.5 percent of the amount of natural gas tax collections in excess of 1987

levels. If the fund balance is less than the sufficient balance, the fund can receive up to 75.0 percent of these excess tax collections. The fund also receives one-half of any unencumbered General Revenue Funds balance at the end of each biennium. The Legislature may also appropriate revenue to the fund.

Appropriations may be made from the ESF with a three-fifths vote of the members present in each house in certain circumstances, such as when a budget deficit develops in a biennium or when CPA estimates that revenue will decrease from one biennium to the next. Appropriations may be made from the ESF for any purpose at any time with a two-thirds vote of the members present in each house of the Legislature.

The ESF ended fiscal year 2015 with a balance of \$8.5 billion. No appropriations were made from the ESF by the Eighty-fourth Legislature. After transfers to the fund based on oil and natural gas production tax revenue, interest income, and investment earnings, the ESF is estimated by the CPA to end the 2016–17 biennium with a balance of \$10.4 billion. **Figure 37** shows the revenue, expenditure, and balance history of the ESF for the past 10 years, and projections for the upcoming biennium.

**FIGURE 37**  
**ECONOMIC STABILIZATION FUND BIENNIAL DEPOSITS, EXPENDITURES, AND FUND BALANCE**  
**2002–03 TO 2016–17 BIENNIA**



NOTE: Fiscal years 2016 to 2017 are projections based on the Comptroller of Public Accounts' 2015 *Certification Revenue Estimate*.  
 SOURCES: Legislative Budget Board; Texas Comptroller of Public Accounts.

## FEDERAL FUNDS APPROPRIATIONS

Appropriated Federal Funds for the 2016–17 biennium total \$68.0 billion, a 1.1 percent decrease from the 2014–15 biennial total of \$68.7 billion (**Figure 38**). The decrease is primarily due to Public Assistance Grants and the Community Development Block Grant federal funding expended in 2014–15 for recovery efforts related to natural disasters. The Natural Resources and Public Safety and Criminal Justice functions total decrease of \$1.3 billion is offset by the Education function increase of \$408.7 million. Federal Funds make up 32.5 percent of the 2016–17 biennial All Funds budget (**Figure 39**), less than the percentage share (33.9 percent) in the 2014–15 biennium.

Not all federal funding streams directed to Texas are included in these totals. For example, Earned Federal Funds are reimbursements to the state for expenditures already paid with state funds and are included in General Revenue Funds.

Most Federal Funds received by higher education institutions and a portion of Medicaid Disproportionate Share Hospital payments are not included in the Federal Funds totals, either. Supplemental Nutrition Assistance Program benefits are not appropriated, nor are in-kind federal contributions such as the vaccines the federal government distributes to Texas. Expenditures for federal government salaries and wages, procurement, and direct payments to entities and individuals are not received by the state and therefore also are not included in the Federal Funds total.

Most of the Federal Funds Texas receives (95.2 percent) are for services provided through the Health and Human Services, Business and Economic Development, and Education functions within the 2016–17 GAA. **Figure 38** shows the amount of Federal Funds received by each of the functions as a percentage of Federal Funds included in the 2016–17 GAA. **Figure 40** shows each function's Federal Funds as a percentage of the function's All Funds budget.

**FIGURE 38  
FUNDING BY METHOD OF FINANCE, FEDERAL FUNDS**

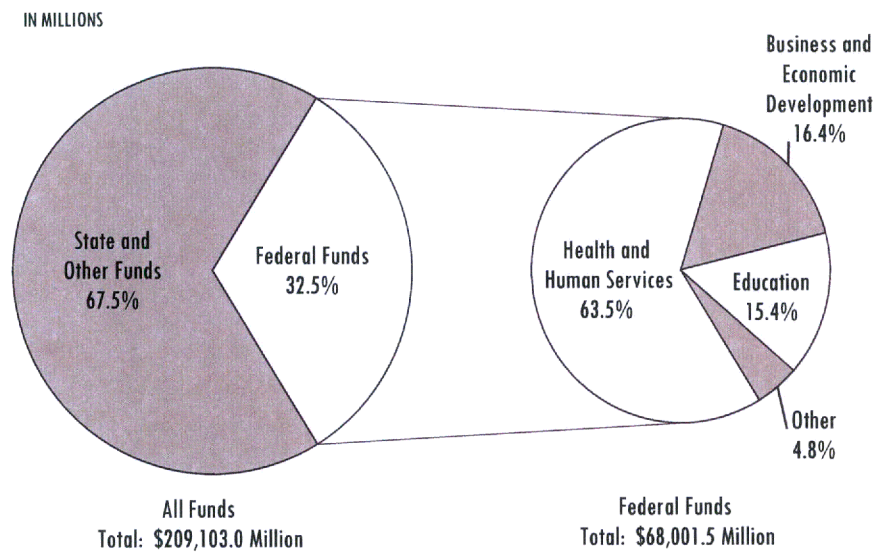
(IN MILLIONS)

ALL FUNCTIONS	EXPENDED/BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE
Article I – General Government	\$662.8	\$715.5	\$52.7	8.0%
Article II – Health and Human Services	\$43,134.7	\$43,156.3	\$21.6	0.1%
Article III – Agencies of Education	\$10,034.1	\$10,442.8	\$408.7	4.1%
<i>Public Education</i>	\$9,759.1	\$10,172.8	\$413.7	4.2%
<i>Higher Education</i>	\$275.0	\$270.0	(\$5.0)	(1.8%)
Article IV – Judiciary	\$3.8	\$3.4	(\$0.3)	(9.0%)
Article V – Public Safety and Criminal Justice	\$1,120.7	\$741.3	(\$379.4)	(33.9%)
Article VI – Natural Resources	\$2,656.2	\$1,744.7	(\$911.5)	(34.3%)
Article VII – Business and Economic Development	\$11,102.3	\$11,132.2	\$29.9	0.3%
Article VIII – Regulatory	\$13.2	\$9.6	(\$3.6)	(27.2%)
Article IX – General Provisions	\$0.0	\$55.7	\$55.7	N/A
Article X – Legislature	\$0.0	\$0.0	\$0.0	N/A
<b>Total, All Articles</b>	<b>\$68,727.7</b>	<b>\$68,001.5</b>	<b>(\$726.2)</b>	<b>(1.1%)</b>

NOTE: Biennial change and percentage change are calculated on actual amounts before rounding. Therefore, figure totals may not sum due to rounding.

SOURCE: Legislative Budget Board.

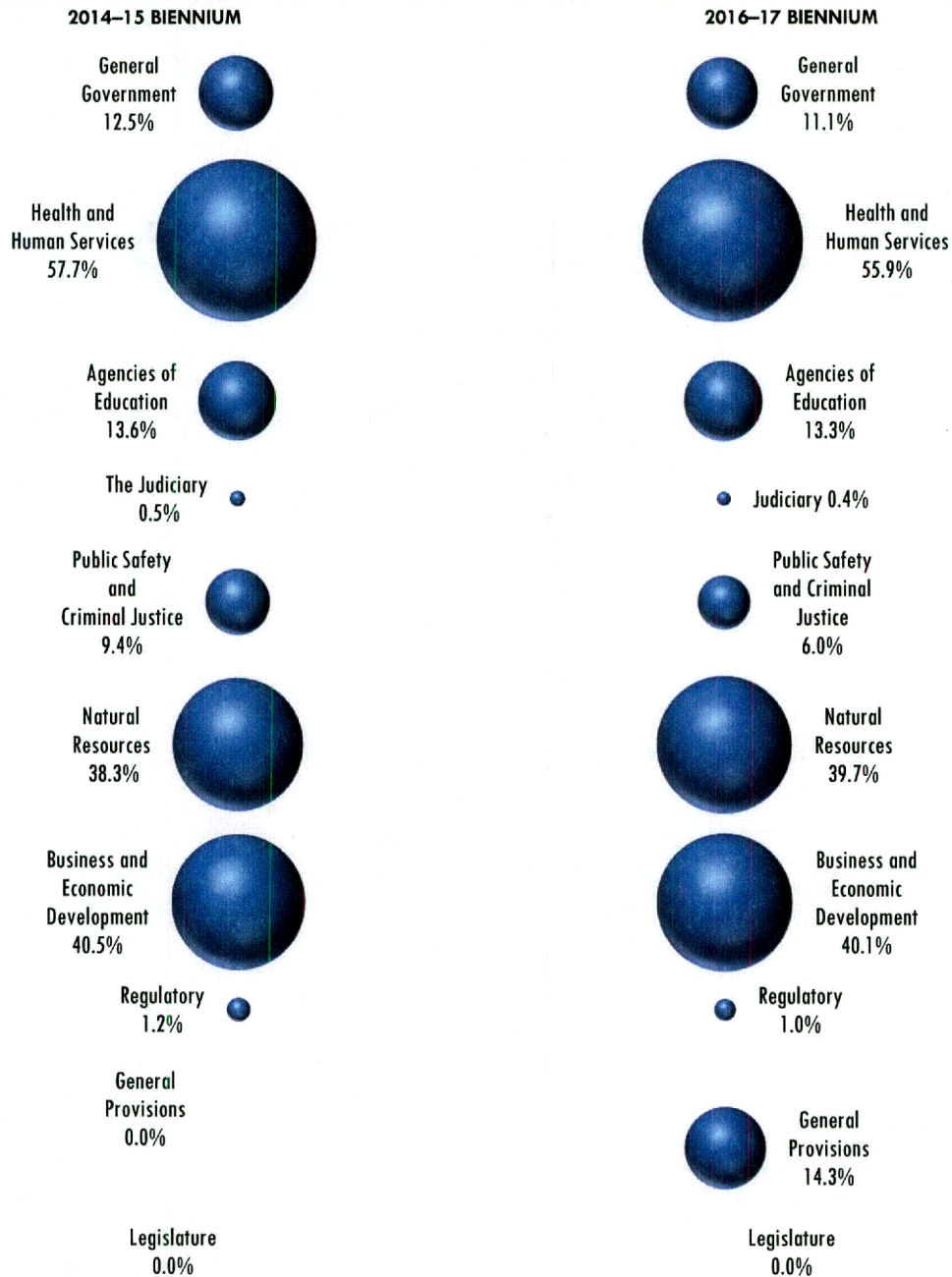
**FIGURE 39  
FEDERAL FUNDS AS PERCENTAGE OF ALL FUNDS, 2016–17 BIENNIUM**



NOTE: Other = Natural Resources 2.6%; General Government 1.1%; Public Safety and Criminal Justice 1.1%; General Provisions 0.1%; Judiciary <0.01%; Regulatory <0.01%.

SOURCE: Legislative Budget Board.

**FIGURE 40**  
**PERCENTAGE OF EACH FUNCTION'S ALL FUNDS BUDGET THAT IS FEDERAL FUNDS**  
**2014–15 BIENNIUM AND 2016–17 BIENNIUM**



SOURCE: Legislative Budget Board.

**HEALTH AND HUMAN SERVICES**

In the 2016–17 GAA, it is estimated that Health and Human Services agencies will receive \$43.2 billion in Federal Funds, which is 63.5 percent of the state’s total Federal Funds. Federal Funds for these agencies are expected to increase \$21.6 million

from the 2014–15 biennial levels. This increase is primarily attributable to the Medicaid program. The Health and Human Services Commission, which administers the state’s Medicaid program and Children’s Health Insurance Program, receives 76.1 percent of the function’s total Federal Funds.

## BUSINESS AND ECONOMIC DEVELOPMENT

It is estimated that Business and Economic Development agencies will receive \$11.1 billion in Federal Funds during the 2016–17 biennium, an increase of \$29.9 million from 2014–15 biennial levels. Federal transportation funds to support highway and construction planning account for most of the increase from the 2014–15 biennium. Approximately 40.1 percent of the total budget for the Business and Economic Development function is expected to come from federal sources. Two agencies, the Texas Department of Transportation and the Texas Workforce Commission, receive 94.7 percent of the function's Federal Funds.

## EDUCATION

The Education agencies account for the third-largest portion of Federal Funds in the state budget. LBB staff estimates that Education agencies are expected to receive \$10.4 billion in Federal Funds during the 2016–17 biennium (15.4 percent of the state's total Federal Funds), an increase of \$408.7 million from 2014–15 biennial levels. Most of the increase is attributable to school nutrition programs. One agency, the Texas Education Agency, receives 97.1 percent of the function's appropriated Federal Funds.

## OTHER FUNCTIONS

Federal Funds for the remaining functions (General Government, Judiciary, Public Safety and Criminal Justice, Natural Resources, Regulatory, and General Provisions), are estimated by the LBB to total \$3.3 billion (4.8 percent) of the state's federal receipts during the 2016–17 biennium. The General Provisions function is appropriated Federal Funds for 2016–17 biennium for an across-the-board pay raise for state employees.

## LOCAL REVENUE

Property taxes and local sales and use taxes levied by school districts, counties, cities, metropolitan transit authorities, and special districts. Although these revenues are not appropriated, these collections may affect state appropriations.

## PROPERTY TAXES

Property taxes are levied by school districts, counties, cities, and special districts. The variety of special districts include: junior colleges, hospitals, rural fire-fighting, municipal utilities, flood control, navigation, and economic development reinvestment zones.

## TAXABLE VALUES

Gross taxable property values, adjusted for productivity valuation, totaled \$697.0 billion for calendar year 1994. Productivity valuation is a measure of land value based on the land's ability to produce income from agriculture or timber operations. By calendar year 2014, adjusted gross property values were at \$2,295.9 billion, an increase of 229.4 percent from the 1994 level. In calendar year 2014, net taxable school district property values increased \$164.1 billion, or 8.8 percent from the 2013 amount (**Figure 41**). Net taxable school district property values have decreased in only one calendar year since 1994. (**Figure 42**).

In calendar year 2004, school district exemptions accounted for \$158.4 billion of reduced taxable value. By calendar year 2014, this amount grew to \$260.2 billion, a \$101.8 billion increase from 2004 levels. In calendar year 2014, approximately 72.7 percent of the total exemption amount was attributable to the state-mandated residential homestead exemptions, the 10.0 percent residential homestead appraisal valuation cap, and the property tax freeze for qualified homeowners age 65 or older (see **Figure 43**).

## PROPERTY TAX LEVIES

In calendar year 2013, the most recent year for which complete property tax data is available, 4,052 local taxing units levied \$45.3 billion in property taxes, an increase of \$2.5 billion, or 5.9 percent from the 2012 level. As shown in **Figure 44**, school districts levied the highest amount of property taxes in calendar year 2013 with \$24.9 billion, followed by counties at \$7.6 billion, cities at \$7.3 billion, and special districts with \$5.5 billion. The levy imposed by school districts in calendar year 2013 was 7.7 percent higher than in 2012.

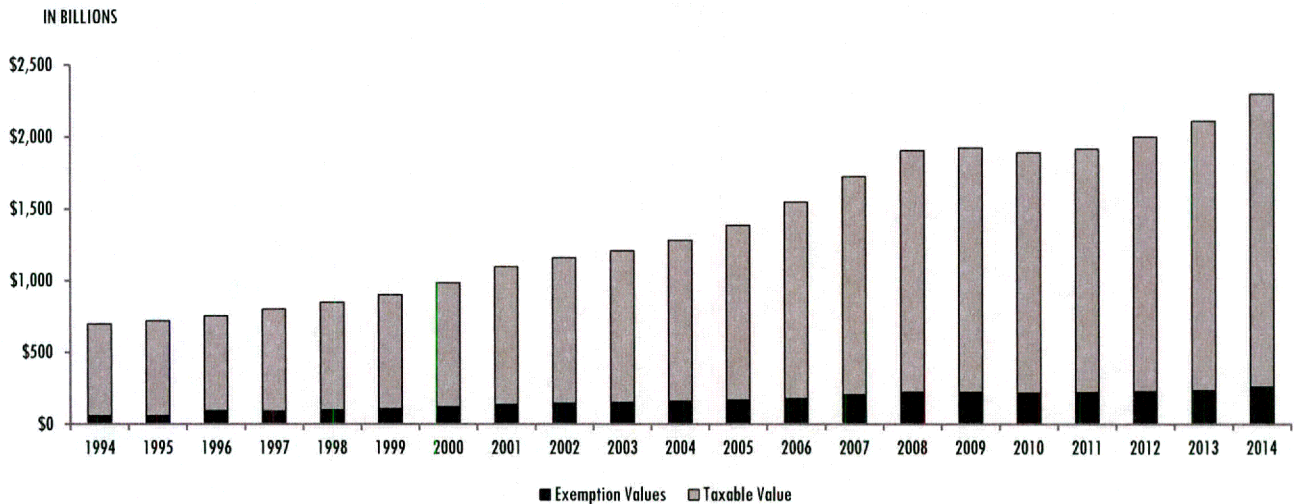
From calendar years 1993 to 2013, statewide property tax levies increased by \$30.5 billion, or 206.7 percent. School district levies increased by the largest amount, \$16.2 billion, accounting for 53.0 percent of the total increase. In calendar year 1993, school districts levied approximately \$8.7 billion in property taxes, 58.8 percent of all property taxes levied in the state. By calendar year 2013, school districts levied \$24.9 billion in property taxes, for a 54.9 percent share of total property taxes. From calendar years 1993 to 2013, school district levies increased at an average annual rate of 5.5 percent, which is 0.7 percent less than the 6.2 percent average annual increase in personal income in Texas (**Figure 45**).

**FIGURE 41**  
**SCHOOL DISTRICT NET TAXABLE PROPERTY VALUES, CALENDAR YEARS 2013 TO 2014, IN BILLIONS**

PROPERTY	2013 FINAL VALUE	2014 FINAL VALUE	PERCENTAGE CHANGE
A. Single-family Residences	\$993.0	\$1,085.6	9.3%
B. Multifamily Residences	\$104.1	\$119.3	14.5%
C. Vacant Platted Lots and Tracts	\$39.9	\$42.7	7.2%
D. Rural Real (Taxable)	\$84.0	\$88.0	4.9%
F1. Commercial Real	\$317.6	\$342.7	7.9%
F2. Industrial Real	\$104.6	\$110.0	5.2%
G. Oil, Gas, Minerals	\$133.5	\$158.0	18.4%
J. Utilities	\$58.2	\$64.1	10.1%
L1. Commercial Personal	\$135.5	\$142.2	4.9%
L2. Industrial Personal	\$119.0	\$123.9	4.1%
M. Other Personal	\$5.8	\$6.0	4.3%
N. Intangible Personal	\$0.0	\$0.0	N/A
O. Residential Inventory	\$7.2	\$7.1	(0.4%)
S. Special Inventory	\$5.5	\$6.1	11.5%
<b>Total Market Value</b>	<b>\$2,107.8</b>	<b>\$2,295.9</b>	<b>8.9%</b>
Less Exemptions	(\$236.2)	(\$260.2)	10.1%
<b>NET TAXABLE VALUE</b>	<b>\$1,871.5</b>	<b>\$2,035.7</b>	<b>8.8%</b>

SOURCE: Comptroller of Public Accounts.

**FIGURE 42**  
**SCHOOL DISTRICT PROPERTY VALUES, CALENDAR YEARS 1994 TO 2014**



SOURCE: Comptroller of Public Accounts.

**FIGURE 43**  
**SCHOOL PROPERTY TAX EXEMPTIONS, CALENDAR YEARS 2013 AND 2014**

IN MILLIONS				
EXEMPTION TYPE	2013 AMOUNT	PERCENTAGE OF TOTAL	2014 AMOUNT	PERCENTAGE OF TOTAL
State Homestead and Disabled Veterans	\$97,138	41.1%	\$98,951	38.0%
Homestead Cap Value Loss	\$7,373	3.1%	\$22,599	8.7%
Tax Limit on Over-65 Homesteads	\$61,588	26.1%	\$67,607	26.0%
<b>Subtotal, Homestead Exemption Value</b>	<b>\$166,098</b>	<b>70.3%</b>	<b>\$189,157</b>	<b>72.7%</b>
Other	\$70,148	29.7%	\$71,048	27.3%
<b>TOTAL EXEMPTIONS</b>	<b>\$236,246</b>	<b>100.0%</b>	<b>\$260,205</b>	<b>100.0%</b>

SOURCE: Comptroller of Public Accounts.

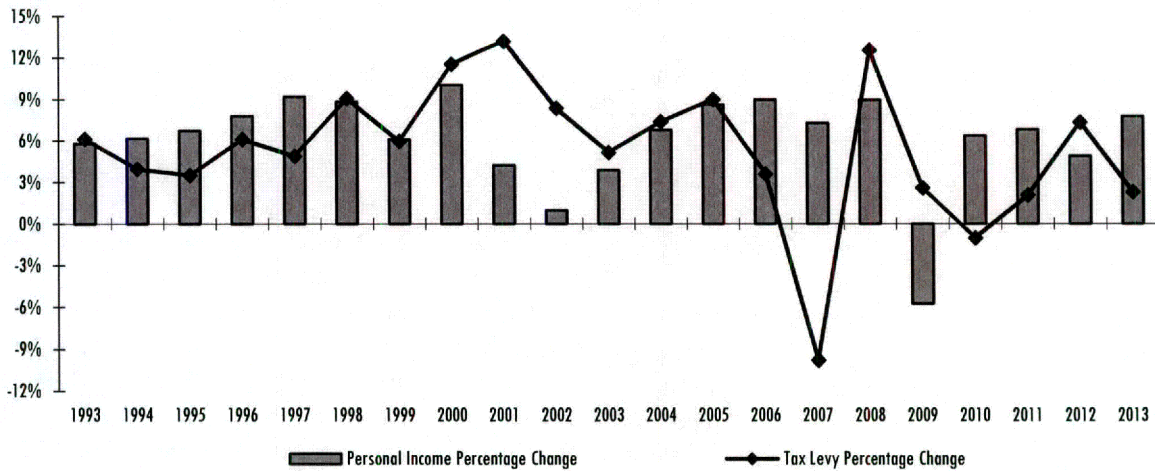
**FIGURE 44**  
**PROPERTY TAX LEVIES, CALENDAR YEARS 1993 TO 2013**

IN MILLIONS						
TAX YEAR	SCHOOL DISTRICT	CITY	COUNTY	SPECIAL DISTRICT	TOTAL PROPERTY TAXES	PERCENTAGE CHANGE
1993	\$8,681.9	\$2,362.4	\$2,177.0	\$1,535.8	\$14,757.0	5.5%
1994	\$9,024.9	\$2,493.6	\$2,311.4	\$1,620.5	\$15,450.3	4.7%
1995	\$9,341.0	\$2,596.7	\$2,392.0	\$1,628.2	\$15,957.9	3.3%
1996	\$9,910.2	\$2,701.2	\$2,537.2	\$1,698.6	\$16,847.2	5.6%
1997	\$10,394.5	\$2,847.1	\$2,658.3	\$1,759.6	\$17,659.5	4.8%
1998	\$11,334.6	\$3,006.0	\$2,828.3	\$1,889.1	\$19,058.0	7.9%
1999	\$12,009.9	\$3,248.0	\$2,979.3	\$2,041.0	\$20,278.2	6.4%
2000	\$13,392.3	\$3,530.9	\$3,200.9	\$2,389.1	\$22,513.2	11.0%
2001	\$15,155.2	\$3,884.8	\$3,566.9	\$2,703.5	\$25,310.4	12.4%
2002	\$16,418.8	\$4,186.8	\$3,849.7	\$2,864.5	\$27,319.8	7.9%
2003	\$17,264.2	\$4,415.2	\$4,121.8	\$3,092.3	\$28,893.4	5.8%
2004	\$18,534.0	\$4,607.8	\$4,462.8	\$3,369.1	\$30,973.6	7.2%
2005	\$20,194.9	\$4,901.8	\$4,772.7	\$3,609.6	\$33,479.0	8.1%
2006	\$20,918.1	\$5,323.0	\$5,339.6	\$3,972.2	\$35,552.9	6.2%
2007	\$18,874.2	\$5,890.3	\$5,837.0	\$4,513.1	\$35,114.6	(1.2%)
2008	\$21,233.5	\$6,451.0	\$6,342.7	\$4,952.7	\$38,980.0	11.0%
2009	\$21,780.1	\$6,593.8	\$6,526.7	\$5,133.8	\$40,034.4	2.7%
2010	\$21,558.3	\$6,755.4	\$6,567.1	\$5,392.5	\$40,273.3	0.6%
2011	\$22,001.6	\$6,810.0	\$6,742.9	\$4,926.1	\$40,480.6	0.5%
2012	\$23,072.8	\$7,069.5	\$7,064.7	\$5,543.4	\$42,750.4	5.6%
2013	\$24,854.7	\$7,324.4	\$7,558.4	\$5,529.4	\$45,266.9	5.9%

SOURCE: Comptroller of Public Accounts.



**FIGURE 45**  
**ANNUAL SCHOOL DISTRICT TAX LEVY AND ANNUAL PERSONAL INCOME PERCENTAGE CHANGES**  
**CALENDAR YEARS 1993 TO 2013**



SOURCE: Comptroller of Public Accounts.

**LOCAL SALES TAX**

Local governmental entities, such as cities, counties, metropolitan transit authorities, and special districts, may impose local sales and use taxes. State law caps the combined rate set by local jurisdictions at 2.0 percent. The taxes are administered and collected by the CPA and then remitted back to the local jurisdiction. **Figure 46** shows the remittances

for fiscal years 2013 to 2015. Sales tax remittances to local government entities for the 2014–15 biennium increased from the preceding biennium by 13.2 percent.

**FIGURE 46**  
**LOCAL SALES TAX REMITTANCES, FISCAL YEARS 2013 TO 2015**

IN MILLIONS TAXING UNIT	2013 REMITTED	PERCENTAGE OF TOTAL	2014 REMITTED	PERCENTAGE OF TOTAL	PERCENTAGE INCREASE	2015 REMITTED	PERCENTAGE OF TOTAL	PERCENTAGE INCREASE
Cities	\$4,726.0	65.7%	\$5,058.6	65.3%	7.0%	\$5,238.2	65.2%	3.6%
Transit authorities	\$1,618.0	22.5%	\$1,740.2	22.5%	7.6%	\$1,814.3	22.6%	4.3%
Counties	\$469.6	6.5%	\$499.3	6.4%	6.3%	\$496.7	6.2%	(0.5%)
Special districts	\$374.9	5.2%	\$450.2	5.8%	20.1%	\$479.9	6.0%	6.6%
<b>TOTAL</b>	<b>\$7,188.5</b>		<b>\$7,748.3</b>		<b>7.8%</b>	<b>\$8,029.1</b>		<b>3.6%</b>

SOURCE: Comptroller of Public Accounts.

## ECONOMIC OUTLOOK

### U.S. ECONOMIC INDICATORS

The U.S. economy grew at an uneven pace throughout the 2014–15 biennium, experiencing quarters of strong expansion interspersed with periods of both less than average growth and contraction. On net, U.S. real Gross Domestic Product (GDP) increased by 2.4 percent in fiscal year 2014 and 2.5 percent in fiscal year 2015, less than the 2.6 percent average pace during the previous three decades. Personal consumption expenditures (PCE) accounted for approximately three-quarters of output growth during the biennium. As has been the case for many of the last several years, expenditures on services, in particular on healthcare, continued to provide a majority of the increase in PCE. Other large contributors to biennial gains were fixed investments on equipment and software, while contributions from residential investment continued to remain muted. Federal government expenditures continued to subtract from GDP for the fifth consecutive year, after the large expansion in response to the 2008 recession. Net exports also weighed on growth, particularly during the latter half of the biennium, as the value of the U.S. dollar appreciated by 18.3 percent during the 2014–15 biennium, making U.S. exports more expensive to trading partners. The outlook for growth remains positive for the upcoming biennium, with U.S. real GDP forecasted to increase 2.7 percent in fiscal year 2016 and 3.0 percent in fiscal year 2017. Despite the growth of the U.S. economy, inflation remained relatively low, with the Consumer Price Index (CPI) growing by 1.6 percent in fiscal year 2014 and 0.5 percent in fiscal year 2015, less than the Federal Reserve Bank's stated target of 2.0 percent per year. Much of the low inflation was due to rapidly decreasing oil prices in fiscal year 2015; the core CPI, with food and energy prices removed, grew at a healthier pace of 1.7 percent in fiscal years 2014 and 2015. Inflation is estimated to increase in the second half of the upcoming biennium as the effects of the oil price collapse diminish, with forecasted CPI growth averaging 1.1 percent in fiscal year 2016 and 2.4 percent in fiscal year 2017.

The U.S. finally regained all of the 8.7 million jobs lost during the most recent recession, passing the pre-recession peak of non-farm payroll employment in April 2014. A total of 5.6 million jobs were established in the U.S. during the 2014–15 biennium, representing growth rates of 2.0 percent in fiscal year 2014 and 2.1 percent in fiscal year 2015. The fastest-growing sectors in terms of job growth were construction (4.1 percent annual growth rate), arts,

entertainment, and recreation (3.2 percent annual growth rate), and professional and business services (3.1 percent annual growth rate). On the other hand, the only two sectors to lose jobs during the biennium were mining and logging (which includes oil and gas extraction) and the federal government. Biennial job gains, combined with a gradual decrease in the labor force beginning in January 2015, led to a further decrease in the U.S. unemployment rate. The number of unemployed as a percentage of the civilian labor force was 5.1 percent in August 2015, decreased from 7.2 percent at the beginning of the 2014–15 biennium and the recent recession peak of 10.0 percent reached in October 2009. The unemployment rate is forecast to remain very stable during the 2016–17 biennium, averaging 5.1 percent in fiscal year 2016 and 5.0 percent in fiscal year 2017. Despite both major job market measures indicating a strengthening U.S. labor market, growth in average hourly earnings remained weak relative to historical levels, averaging 2.1 percent year-over-year increase during the biennium. Further employment gains combined with a falling unemployment rate should lead to a pickup in this measure during the next two fiscal years.

For the second consecutive biennium, the U.S. housing sector was a contributor to growth in the economy. National housing prices (as measured by the S&P Case-Shiller 20-City Composite Home Price Index) increased at a steady rate of more than 5.0 percent per fiscal year during the 2014–15 biennium. However, prices still remain 11.9 percent less than the pre-recession peak level reached in the summer of 2006. A popular measure of U.S. housing supply, the Monthly Supply of Houses, averaged 5.3 months during the biennium. The monthly supply measures how long the existing stock of homes for sale would satisfy demand if no new housing were built. A level of six months is indicative of a well-balanced market. Steadily increasing prices, slightly less than normal inventory, and continued low borrowing rates (the 30-year conventional mortgage fixed rate averaged 4.3 percent in fiscal year 2014 and 3.9 percent in fiscal year 2015) all combined to result in favorable conditions for new residential construction during the 2014–15 biennium. Annualized rates of U.S. housing starts continued to increase from their 2009 trough, averaging 0.975 million in fiscal year 2014 and 1.1 million in fiscal year 2015. This measure is predicted to pick up further in the upcoming biennium, reaching 1.3 million units in 2016 and 1.4 million units in 2017. Although these levels will continue to be less than construction levels reached in the early to middle of the first

decade of the century, they will be sufficient to contribute positively to economic output in the coming years.

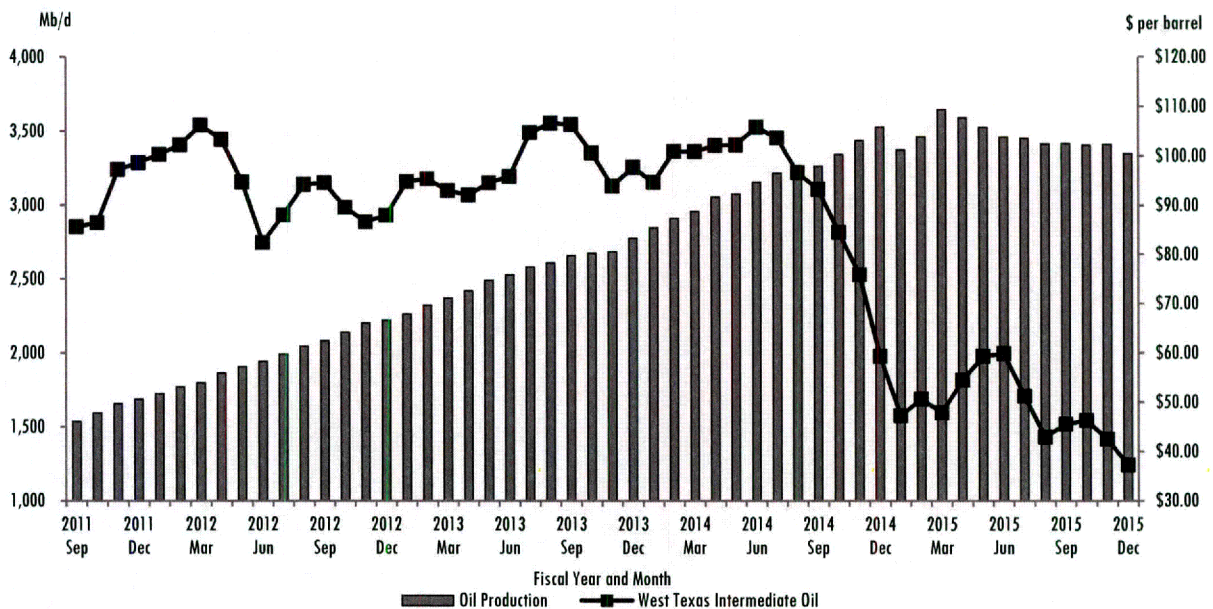
U.S. equity markets recorded the third consecutive biennium of strong gains leading to large increases in consumer wealth, and, consequentially, consumption expenditures. The S&P 500, Dow Jones Industrial Average, and NASDAQ Composite indices gained 20.8 percent, 11.6 percent, and 33.1 percent, respectively during the 2014–15 biennium. Strong U.S. corporate earnings contributed much of the gains, along with a strengthening outlook for the U.S. and global economies. Also contributing were the continued quantitative easing policies of the Federal Reserve Bank, which resulted in less than normal interest rates throughout the biennium and made stocks relatively more attractive for investors. Constant maturity rates on U.S. 10-year Treasury securities averaged 2.4 percent during the 2014–15 biennium, while corresponding rates on the highest-rated U.S. corporate debt averaged 4.1 percent during the same period. The Federal Reserve Bank did begin its slow withdrawal of accommodative monetary policy by gradually reducing and then ending its monthly purchases of long-term treasury securities and agency mortgage-backed securities. Because of improving U.S. economic conditions, the Bank has begun to slowly raise the federal funds target rate (from the near-zero level the rate has had since late 2008)

beginning in December 2016. These actions should lead to gradually increasing interest rates during the 2016–17 biennium.

**TEXAS ECONOMIC INDICATORS**

The principal factors affecting the Texas economy during the 2014–15 biennium was the price collapse of crude oil, natural gas, and natural gas liquid (collectively referred to as hydrocarbon) prices, which began near the end of fiscal year 2014, lasted through the two-year period, and had ripple effects on the oil and gas production market and nearly every sector of the Texas economy. Crude oil prices traded in a tight range of \$90 to \$100 per barrel for much of fiscal year 2014, before beginning a rapid descent in mid-2014, which culminated with a fiscal year 2015 ending value for the West Texas Intermediate (WTI) grade of \$49.20, a decrease of 54.2 percent from the June 2014 peak (Figure 47). Prices have continued to decrease to less than \$40 per barrel at the end of the first quarter in fiscal year 2016. The price collapse was rooted in a growing imbalance between the global supply of and demand for petroleum and other liquid hydrocarbon products. During 2012 and 2013 total worldwide liquids production averaged 90.55 million barrels per day (MM b/d), approximately equal to total worldwide consumption of 90.81 MM b/d. Accelerating supply growth, particularly

**FIGURE 47**  
**TEXAS OIL PRODUCTION, FISCAL YEARS 2012 TO 2016**



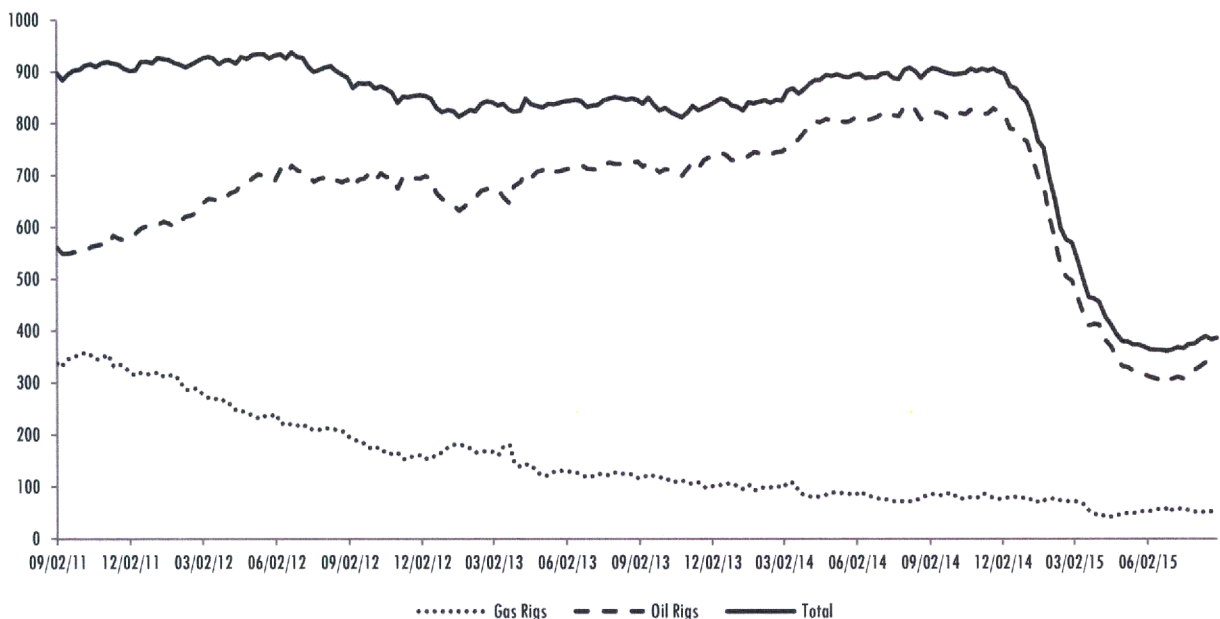
NOTE: Mb/d = thousands barrels per day.  
SOURCE: Energy Information Administration.

in the U.S., Canada, and several Organization for Petroleum Exporting Countries (OPEC), combined with slowing rates of consumption increases in Europe, China, and Japan, led to total worldwide supply outstripping total worldwide consumption by 0.9 MM b/d in 2014 and 1.8 MM b/d in 2015. In such an oversupplied market, price decreases become inevitable and necessary to either reduce supply, increase demand, or some combination of both; however, this market reaction has been slower than anticipated for a variety of reasons, thus continuing and increasing the price slump. First, many of these countries are experiencing slowing economic growth or economic contractions, which have muted the demand for oil that would normally be induced by lower prices. In addition, supply growth has been slow to react to decreasing prices. Producers in Texas (and the rest of the U.S.) have sharply curtailed drilling activity in response to decreasing prices, with the number of active drilling rigs in the state decreasing to 386 by the end of the 2014–15 biennium, down 57.5 percent from a biennial peak of 908 rigs (Figure 48). However, of the rigs remaining, most have drilled in the highest-producing areas of various underground formations, a process known as high-grading. Additionally, drilling technology and process improvements have increased productivity (defined as the initial b/d production rate of a drilling rig) by 53.8 percent in the Eagle Ford region in south central Texas and by 103.4 percent in the Permian Basin region in west Texas. Because of these

factors, Texas and total U.S. production did not peak until spring 2015, eight months after price decreases began, and has remained relatively steady since, averaging 2.9 MM b/d in fiscal year 2014 and 3.5 MM b/d in fiscal year 2015 (Figure 47). Gradually slowing supply is expected to bring balance to global oil markets in 2016 and allow for a modest increase in prices. WTI prices are expected to average \$46.80 in fiscal year 2016 and \$59.85 in fiscal year 2017.

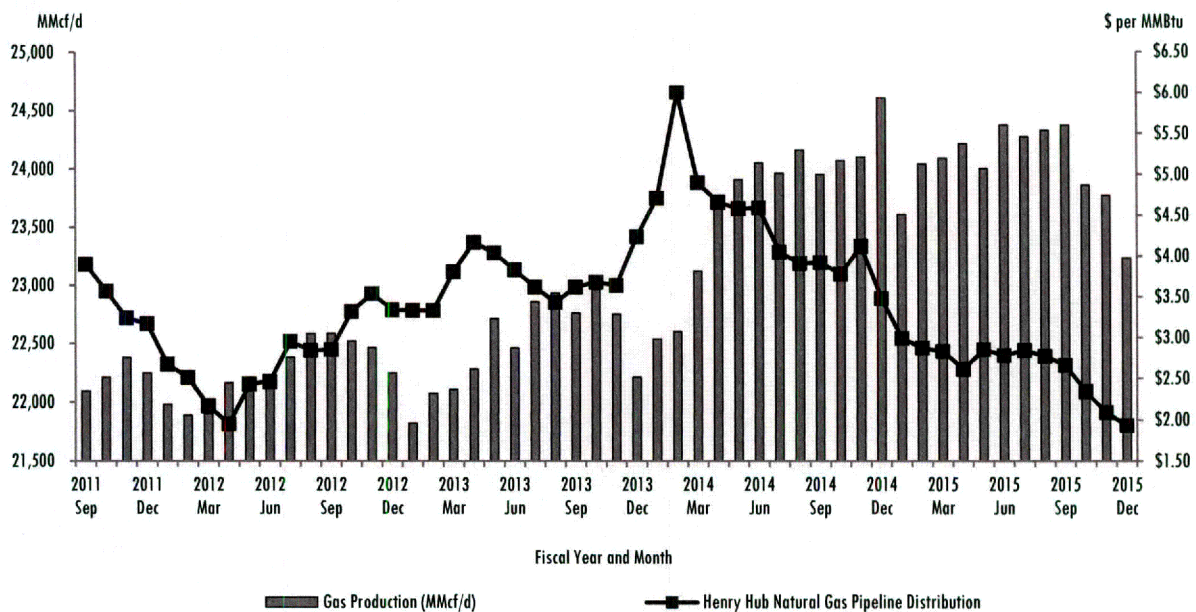
Natural gas markets recorded many of the same oversupply fundamentals and price decreases during the 2014–15 biennium, although much of the supply gains were not in Texas, but rather in the northeast states of Pennsylvania, West Virginia, and Ohio. Prices peaked at \$6.00 per Million British Thermal Units (MMBtu) during winter 2014 in response to greater-than average demand for heating induced by cold weather conditions. Texas production of natural gas, much of which was produced from oil wells, increased by 3.6 percent in fiscal year 2014 to 23.2 billion cubic feet per day (Bcf/d) and increased an additional 4.3 percent to 24.2 Bcf/d in fiscal year 2015. For the remainder of the biennium, these supply gains and normalized levels of demand led to steadily decreasing prices, which ended the biennium at \$2.77 per MMBtu (Figure 49). Prices are forecast to remain relatively steady during the biennium, averaging \$2.88 per MMBtu in fiscal year 2016 and \$3.05 per MMBtu in fiscal year 2017.

**FIGURE 48**  
**TEXAS ACTIVE ROTARY RIGS, FISCAL YEARS 2012 TO 2015**



SOURCE: Baker Hughes.

**FIGURE 49**  
**TEXAS NATURAL GAS PRODUCTION, FISCAL YEARS 2012 TO 2016**



NOTE: MMcf/d = million cubic feet per day; MMBtu = million British Thermal Units.  
 SOURCE: Energy Information Administration.

Texas real gross state product (GSP) grew by 5.2 percent in calendar year 2014, which was slightly slower than the previous two calendar year gains of 5.5 and 6.2 percent, but more than the corresponding national growth rate of 2.4 percent during the same period. Sectors with the fastest pace of GSP growth in 2014 included non-durable goods manufacturing (10.2 percent), mining (9.3 percent), and professional and business services (8.9 percent). On the other hand, industries that registered growth less than the statewide average included transportation and warehousing (1.2 percent), information (1.7 percent), government (0.4 percent), and agriculture (-0.1 percent). The large decrease in hydrocarbon prices during 2015 is expected to slow output growth in Texas. Large capital expenditure reductions by oil and gas exploration and production companies will have the greatest effect on the mining industry; however, industries that supply that industry with either products used to recover oil and gas, such as steel product or machinery manufacturing, or services, such as accommodations and food services, will also be negatively affected. Output growth in other industries not directly tied to hydrocarbon production, such as healthcare, technology, and education, is expected to offset the decreases to some extent, and keep the Texas economy from contracting during the next biennium. GSP growth is forecast to be 3.9 percent in calendar year 2015, 2.9 percent

in calendar year 2016, and 3.9 percent in calendar year 2017. If the forecasts are accurate, 2016 would be the first year that Texas GSP growth has not exceeded the U.S. growth level since 2005. Also in calendar year 2014, Texas per capita personal income increased by 4.3 percent to \$45,669 per Texas resident. This amount ranked Texas as the 22nd highest state in the country and just less than the national average per capita personal income of \$46,049. Texas per capita personal income is forecast to increase by 3.2 percent in calendar year 2016 and 4.7 percent in calendar year 2017.

Job growth remained strong in Texas during the 2014–15 biennium; however, the rate of growth slowed during the final half of fiscal year 2015, as mounting job losses in the Mining and Manufacturing sectors began to offset gains in other industries. Texas non-farm employment grew by 325 million jobs in fiscal year 2014 and 324 million jobs in fiscal year 2015. Job gains by sector are shown in **Figure 50** for the previous decade. As shown, job gains during the second half of the 2014–15 biennium were led by construction (5.4 percent), leisure hospitality (5.0 percent), and professional business services (3.5 percent). Similar to economic output mining and manufacturing job growth slowed in fiscal year 2015, and both sectors reduced the number of jobs by the end of the biennium in response to decreasing prices and

**FIGURE 50**  
**TEXAS NONFARM EMPLOYMENT BY SECTOR, FISCAL YEARS 2007 TO 2015**

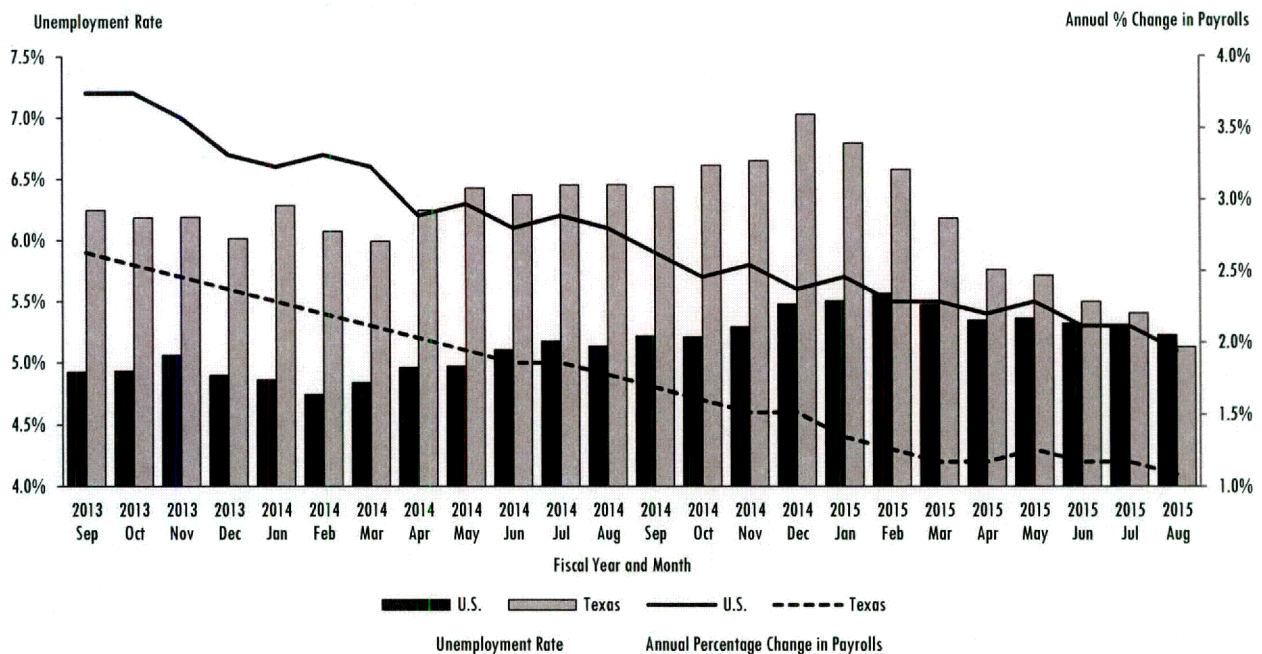
SECTOR	2007	2008	2009	2010	2011	2012	2013	2014	2015
Total Nonfarm	10,285,083	10,569,508	10,435,667	10,275,733	10,488,425	10,761,958	11,102,208	11,426,933	11,751,158
Percentage Change		2.8%	(1.3%)	(1.5%)	2.1%	2.6%	3.2%	2.9%	2.8%
<b>Goods</b>									
Mining and Logging	198,967	219,692	213,767	195,192	221,242	258,467	280,492	298,642	306,067
Percentage change		10.4%	(2.7%)	(8.7%)	13.3%	16.8%	8.5%	6.5%	2.5%
Construction	632,342	671,292	630,608	566,825	561,983	575,542	604,633	635,292	669,300
Percentage change		6.2%	(6.1%)	(10.1%)	(0.9%)	2.4%	5.1%	5.1%	5.4%
Manufacturing	938,058	935,350	876,992	815,392	831,400	862,300	875,517	880,158	878,467
Percentage change		(0.3%)	(6.2%)	(7.0%)	2.0%	3.7%	1.5%	0.5%	(0.2%)
Trade, Transportation, and Utilities	2,085,975	2,136,450	2,087,933	2,037,058	2,083,250	2,149,283	2,215,492	2,286,183	2,358,542
Percentage change		2.4%	(2.3%)	(2.4%)	2.3%	3.2%	3.1%	3.2%	3.2%
<b>Services</b>									
Information	220,933	219,308	209,283	197,300	195,250	196,758	199,258	202,875	205,400
Percentage change		(0.7%)	(4.6%)	(5.7%)	(1.0%)	0.8%	1.3%	1.8%	1.2%
Financial Activities	640,025	647,858	634,917	623,442	634,858	653,767	676,800	694,375	710,958
Percentage change		1.2%	(2.0%)	(1.8%)	1.8%	3.0%	3.5%	2.6%	2.4%
Professional and Business Services	1,286,392	1,338,058	1,288,733	1,261,167	1,324,525	1,392,292	1,456,133	1,521,500	1,575,100
Percentage change		4.0%	(3.7%)	(2.1%)	5.0%	5.1%	4.6%	4.5%	3.5%
Education and Health Services	1,242,858	1,277,625	1,319,000	1,368,742	1,401,892	1,435,133	1,475,033	1,510,575	1,563,717
Percentage change		2.8%	3.2%	3.8%	2.4%	2.4%	2.8%	2.4%	3.5%
Leisure and Hospitality	966,425	1,001,158	1,008,200	1,001,250	1,030,350	1,069,050	1,123,708	1,170,100	1,228,292
Percentage change		3.6%	0.7%	(0.7%)	2.9%	3.8%	5.1%	4.1%	5.0%
Other Services	352,117	361,200	362,775	359,700	364,200	376,633	392,642	405,550	413,875
Percentage change		2.6%	0.4%	(0.8%)	1.3%	3.4%	4.3%	3.3%	2.1%
<b>Government</b>									
Federal Government	186,050	189,058	195,992	208,475	201,583	199,808	198,708	193,967	193,867
Percentage change		1.6%	3.7%	6.4%	(3.3%)	(0.9%)	(0.6%)	(2.4%)	(0.1%)
State Government	354,167	358,775	365,792	373,742	371,308	360,342	363,258	362,517	364,392
Percentage change		1.3%	2.0%	2.2%	(0.7%)	(3.0%)	0.8%	(0.2%)	0.5%
Local Government	1,180,775	1,213,683	1,241,675	1,267,450	1,266,583	1,232,583	1,240,533	1,265,200	1,283,183
Percentage change		2.8%	2.3%	2.1%	(0.1%)	(2.7%)	0.6%	2.0%	1.4%

SOURCE: Texas Workforce Commission.

demand for their products. Job gains and a decreasing labor force participation rate led to a steadily decreasing statewide unemployment rate, which was 5.9 percent entering the 2014–15 biennium and decreased to 4.1 percent by the end of the two-year period. The Texas unemployment rate has now been less than the corresponding U.S. rate for 108 consecutive months. **Figure 51** shows a comparison of the

monthly unemployment rate and annualized monthly job gains for Texas and the U.S. during the 2014–15 biennium. As shown in the figure, Texas job growth was less than the U.S. level during the final month of the biennium. The rate of job growth is predicted to decrease from recent levels during the upcoming biennium but remain positive, averaging 1.4 percent in fiscal year 2016 and 1.8 percent in

**FIGURE 51**  
**UNEMPLOYMENT RATE AND NONFARM PAYROLL GROWTH, 2014–15 BIENNIUM**



SOURCE: U.S. Bureau of Labor Statistics.

fiscal year 2017, while the unemployment rate is expected to average 4.3 percent during the 2016–17 biennium.

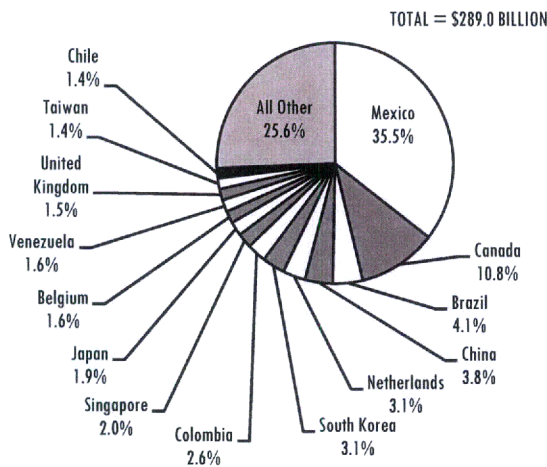
Texas remained the largest exporting state in the country for the thirteenth consecutive year during calendar year 2014, with \$289.0 billion of goods and services from Texas businesses sold to foreign countries (Figure 52). Texas exports increased by 3.4 percent during the previous year, slightly more than the U.S. growth rate of 2.8 percent, but less than rapid gains experienced during the past few years. Calendar 2014 marked the smallest annual export increase in a nonrecession year for the last two decades, and gains were depressed for two main reasons. First, during the 2014–15 biennium, the value of the U.S. dollar rose to levels not registered since 2004. A higher value of the dollar makes Texas goods and services relatively more expensive for foreign purchasers using their local currency, and thus, indirectly depressing their demand for Texas products. Second, in addition to currency issues, many of Texas' largest foreign trading partners (Figures 53 and 54) registered either a slowing pace or contraction of economic output during the 2014–15 biennium, which directly lessens their demand for imports from Texas. Specifically, the four largest purchasers of Texas exports—Mexico, Canada, Brazil, and China—have had the rate of change in annual GDP slow during the last three years by 1.9, 0.5, 3.9, and 2.1 percent, respectively.

**FIGURE 52**  
**EXPORTS OF 15 LARGEST EXPORTING STATES**  
**CALENDAR YEARS 2013 AND 2014**

IN BILLIONS			
STATE	EXPORTS 2013	EXPORTS 2014	PERCENTAGE CHANGE
<b>TEXAS</b>	<b>\$279.49</b>	<b>\$289.02</b>	<b>3.4%</b>
California	\$168.04	\$174.13	3.6%
Washington	\$81.64	\$90.65	11.0%
New York	\$86.52	\$86.01	(0.6%)
Illinois	\$66.09	\$68.18	3.2%
Louisiana	\$63.34	\$65.09	2.8%
Florida	\$61.34	\$58.64	(4.4%)
Michigan	\$58.65	\$55.75	(4.9%)
Ohio	\$50.80	\$52.13	2.6%
Pennsylvania	\$41.16	\$40.23	(2.3%)
Georgia	\$37.52	\$39.37	4.9%
New Jersey	\$36.73	\$36.84	0.3%
Indiana	\$34.16	\$35.45	3.8%
Tennessee	\$32.31	\$32.96	2.0%
North Carolina	\$29.34	\$31.29	6.6%
<b>50-State Average</b>	<b>\$30.16</b>	<b>\$30.96</b>	<b>2.6%</b>

SOURCE: World Institute for Strategic Economic Research.

**FIGURE 53**  
**TEXAS' EXPORT MARKET SHARES, CALENDAR YEAR 2014**



SOURCE: World Institute for Strategic Economic Research.

**FIGURE 54**  
**TEXAS' EXPORT MARKETS BY COUNTRY**  
**CALENDAR YEARS 2013 AND 2014**

IN BILLIONS

MARKET	EXPORTS 2013	EXPORTS 2014	PERCENTAGE CHANGE
Mexico	\$100.9	\$102.6	1.7%
Canada	\$26.1	\$31.1	19.3%
Brazil	\$10.9	\$11.8	8.3%
China	\$10.8	\$11.0	1.3%
Netherlands	\$9.5	\$8.9	(6.7%)
South Korea	\$7.9	\$8.9	12.5%
Colombia	\$7.1	\$7.5	6.0%
Singapore	\$5.7	\$5.8	0.5%
Japan	\$5.1	\$5.5	8.4%
Belgium	\$4.7	\$4.7	0.6%
Venezuela	\$5.4	\$4.6	(14.0%)
United Kingdom	\$3.7	\$4.5	19.6%
Taiwan	\$4.1	\$4.1	1.4%
Chile	\$4.6	\$4.0	(13.0%)
All Others	\$72.97	\$74.01	1.4%
<b>Total</b>	<b>\$279.5</b>	<b>\$289.0</b>	<b>3.4%</b>

SOURCE: World Institute for Strategic Economic Research.

Finally, on a commodity basis, the three largest types of exports from Texas, petroleum and coal products (-2.5 percent), computers and electronic products (-3.3 percent), and chemicals (-3.7 percent) all decreased in value during calendar year 2014. These losses were outweighed by gains from other commodities, in particular, oil and gas (102.1 percent), electrical equipment, appliances, and component parts (31.3 percent), and wood products (17.3 percent).



### 3. SUMMARY OF SIGNIFICANT FISCAL LEGISLATION

This chapter provides brief summaries of those bills and joint resolutions passed by the Eighty-fourth Legislature, 2015, that will significantly affect the fiscal condition of the state. The chapter is divided into two broad sections: (1) legislation with significant implications for the state budget; and (2) legislation that materially affects state fiscal policy and taxation. Bills and joint resolutions are presented in alphanumeric order within each of the two sections.

#### BILLS WITH SIGNIFICANT BUDGETARY IMPLICATIONS

##### HOUSE BILL 2

The Texas Constitution authorizes the Legislature to consider and adopt budget bills, or General Appropriations Bills, during a regular or special legislative sessions. To maintain the operation of state government, the Legislature passes the bill to provide funding to state agencies and institutions of higher education for the upcoming biennium. As discussed in the preceding State Budget Overview chapter, House Bill 1 provides funding for the 2016–17 biennium. However, the Legislature may consider additional bills that modify existing spending levels and authority for the current and upcoming fiscal periods. Such bills are commonly referred to as supplemental appropriations bills and include appropriations and provisions that can be effective for up to a two-year period. As deemed necessary by the Legislature or Governor, one or more items in a supplemental bill may be designated as an emergency as authorized by the Texas Constitution Article III, Section 5.

Figure 55 shows the 10 supplemental bills enacted since 2003.

The Eighty-fourth Legislature, 2015, passed House Bill 2, which appropriates a total of \$564.3 million in All Funds, representing \$299.5 million in General Revenue Funds and \$264.8 million in Federal Funds beginning in fiscal year 2015 as shown in Figure 56.

Some of the significant appropriation changes made by House Bill 2 include:

- \$87.7 million in additional General Revenue Funds to the Texas Tomorrow Fund (Texas Guaranteed Tuition Plan) to address a projected shortfall;

**FIGURE 55**  
**SUPPLEMENTAL APPROPRIATIONS BILLS**  
**2002–03 TO 2014–15 BIENNIA**

LEGISLATIVE SESSION	BILL NUMBER
Eighty-fourth Regular, 2015	House Bill 2
Eighty-third Regular, 2013	House Bill 1025
Eighty-third Regular, 2013	House Bill 10
Eighty-second Regular, 2011	House Bill 4
Eighty-second Regular, 2011	House Bill 275
Eighty-first Regular, 2009	House Bill 4586
Eightieth Regular, 2007	House Bill 15
Seventy-ninth 3rd Called, 2006	House Bill 63
Seventy-ninth Regular, 2005	House Bill 10
Seventy-eighth Regular, 2003	House Bill 7

SOURCE: Legislative Budget Board.

**FIGURE 56**  
**HOUSE BILL 2 APPROPRIATIONS, FISCAL YEAR 2015**

FUNCTION	GENERAL REVENUE AND GENERAL REVENUE—	
	DEDICATED FUNDS	ALL FUNDS
General Government	\$83.7	\$83.7
Health and Human Services	\$71.8	\$336.6
Public Education	\$58.1	\$58.1
Higher Education	\$14.5	\$14.5
Judiciary	\$0.5	\$0.5
Public Safety and Criminal Justice	\$80.8	\$80.8
Natural Resources	\$7.0	\$7.0
Business and Economic Development	(\$22.1)	(\$22.1)
Regulatory	\$5.3	\$5.3
<b>Total</b>	<b>\$299.5</b>	<b>\$564.3</b>

NOTE: Totals may not sum due to rounding.

SOURCE: Legislative Budget Board.

- \$75.5 million in additional appropriations and \$244.1 million in transfers from selected programs to address a \$319.6 million General Revenue Funds shortfall in acute care Medicaid funding; an additional \$104.5 million in matching Federal Funds were appropriated for this purpose;

- \$768.1 million in additional General Revenue Funds to TRS-Care for a projected shortfall;
- \$710.0 million reduction in General Revenue Funds from the Foundation School Program resulting from lower than anticipated enrollment and collections and adjustments and payments;
- \$42.5 million in additional General Revenue Funds to the Department of Criminal Justice for correctional managed healthcare; and
- \$38.3 million in additional General Revenue Funds to the Texas Military Department (\$9.0 million) and the Department of Public Safety (\$29.3 million) to maintain border security operations.

HB 2 also amends spending authority and limitations for selected agencies as follows:

- increases the number of full-time-equivalent (FTE) positions at the Texas Veterans Commission by 19.5 for fiscal year 2015;
- establishes limitations and requirements relating to the transfer of certain appropriations without Legislative Budget Board (LBB) approval; use of funds for recruit schools; and prioritization of Homeland Security Grant Program funds along the international border at the Department of Public Safety; and
- authorizes the carrying forward of any remaining unexpended balances for road repairs in energy sectors and grants to counties for transportation infrastructure as previously authorized by House Bill 1025, Eighty-third Legislature, Regular Session, 2013, at the Department of Transportation.

#### **HOUSE BILL 4**

House Bill 4 establishes a grant program from which funds are awarded to school districts and open-enrollment charter schools to implement high-quality prekindergarten programs. A total of \$118.0 million was appropriated in the General Appropriations Act for the 2016–17 biennium for this program. In addition to establishing a grant program, HB 4 also requires any school district that offers prekindergarten to report certain information to the Public Education Information Management System. The bill requires the Texas Education Agency (TEA) to produce and make available annual district- and campus-level reports on early education and work with the Department of Family and Protective Services (DFPS) to conduct a study to develop

recommendations regarding class size options and student-to-teacher ratios for prekindergarten classes.

#### **HOUSE BILL 9**

House Bill 9 eliminates the 90-day Employees Retirement System membership waiting period, which will allow for retirement contributions by the state and members to the Employees Retirement System Retirement Program (ERS Retirement) to begin on the first day of employment. This abolishment results in an increase to the state contribution to ERS Retirement totaling \$32.0 million in All Funds for the 2016–17 biennium.

The legislation also increases the member contribution rate to the ERS Retirement from 7.2 percent in fiscal year 2016 and 7.5 percent in fiscal year 2017 to 9.5 percent in each fiscal year of the 2016–17 biennium and subsequently. The member contribution rate would be reduced proportionally after fiscal year 2017 if the state contribution rate is less than 9.5 percent. The legislation also increases the contribution rate for members of the Legislature from 8.0 percent to 9.5 percent in fiscal year 2016 and beyond.

#### **HOUSE BILL 10**

House Bill 10 revises certain criminal and civil consequences of trafficking of persons, compelling prostitution, and certain other related criminal offenses. The bill requires the Office of the Governor to establish the Child Sex Trafficking Prevention Unit within the Office of the Governor's Criminal Justice Division. The Legislature appropriated \$1.8 million in General Revenue Funds each fiscal year of the 2016–17 biennium and \$2.0 million in General Revenue–Dedicated Sexual Assault Program Account No. 5010 in fiscal year 2016 for the purposes of establishing the unit. The unit contains 11.0 FTE positions and will provide grants and services to support victims of child sex trafficking. In addition, the bill requires TEA to develop a policy in addition to its current child abuse and neglect reporting policy to include mandatory reporting related to trafficking of a child. Each school district and open-enrollment charter school will be required to report in accordance with the adopted policy.

#### **HOUSE BILL 11**

House Bill 11 expands and codifies the state's long-term capacity to enhance security in the Texas–Mexico border region. The major provisions contained in HB 11 include the following:

- 50-Hour Workweek for Commissioned Law Enforcement Officers. The bill authorizes the

Department of Public Safety (DPS) to define a 10-hour workday/50-hour workweek for all DPS commissioned officers to increase law enforcement presence (\$142.6 million in the 2016–17 biennium);

- Assistance at International Border Checkpoints. The bill requires DPS to implement a strategy for providing federal authorities at international border checkpoints with assistance in the interdiction of weapons, bulk currency, stolen vehicles, and other contraband, and of fugitives smuggled from Texas into Mexico;
- National Incident Based Reporting System. The bill requires DPS to establish a goal that each local law enforcement agency implements an incident-based crime reporting system that meets the reporting requirements of the National Incident Based Reporting System by September 1, 2019 (\$17.3 million in the 2016–17 biennium);
- Texas Transnational Intelligence Center. The bill establishes the center, to be operated jointly with certain law enforcement agencies (\$2.1 million in the 2016–17 biennium);
- Multiuse Training Facility. The bill requires the Texas Facilities Commission to construct a multiuse training facility, designed in collaboration with DPS and managed by DPS, for use as a training center by military and law enforcement agencies, including agencies of the federal government (\$2.0 million in the 2016–17 biennium);
- Transnational and Organized Crime Division. The bill requires the Office of the Attorney General (OAG) to establish a transnational and organized crime division, to include a prosecution unit and a human trafficking unit not later than December 1, 2015;
- Anti-Gang Grant Program. The bill reestablished the anti-gang grant program within the Office of the Governor to support regional, multidisciplinary approaches to combat gang violence through the coordination of gang prevention, intervention, and suppression activities (\$10.2 million in the 2016–17 biennium); and
- Enhanced Penalties for Smuggling. The bill requires more stringent penalties for the smuggling of humans and illegal contraband through the border region.

#### **HOUSE BILL 26/SENATE BILL 632**

House Bill 26/Senate Bill 632 establishes the Governor's University Research Initiative administered by the Economic Development and Tourism Division within the Office of the Governor to award matching grants to eligible institutions to recruit distinguished researchers. The legislation also directs the abolishment of the Emerging Technology Fund (ETF) and the disbursement of unexpended balances and revenues.

The unencumbered balances in General Revenue–Dedicated Emerging Technology Fund Account No. 5124 were estimated to be \$102.0 million at the end of fiscal year 2015. Effective September 1, 2015, the legislature appropriated available fund balances as follows: \$45.0 million to the Texas Enterprise Fund at the Trusteed Programs Within the Office of the Governor; \$9.0 million to the Texas Research Incentive Program at the Higher Education Coordinating Board; \$8.0 million to the Texas Research University Fund at The University of Texas at Austin and Texas A&M University; and \$40.0 million to the Governor's University Research Initiative at the Trusteed Programs Within the Office of the Governor.

The legislation directs TTSTC to manage and wind down the ETF investment portfolio in a manner that provides for the maximum return on the state's investment. All realized proceeds and other earnings from the sale of investments and associated assets, and any balance remaining at final liquidation of the ETF will be deposited to the General Revenue Fund, less the amount permitted to be retained by TTSTC for costs for managing the portfolio.

#### **HOUSE BILL 100**

House Bill 100 authorizes the issuance of \$3.1 billion in tuition revenue bonds for institutions of higher education to finance construction and improvement of infrastructure and related facilities. The bill includes the following authorizations:

- \$800.8 million for the Texas A&M System;
- \$922.6 million for The University of Texas System;
- \$362.5 million for the University of Houston System;
- \$256.4 million for the Texas State University System;
- \$269.0 million for the University of North Texas System;
- \$247.1 million for the Texas Tech University System;
- \$38.0 million for Texas Woman's University;

- \$58.4 million for Midwestern State University;
- \$46.4 million for Stephen F. Austin University;
- \$60.0 million for Texas Southern University; and
- \$41.7 million for the Texas State Technical System.

The Eighty-fourth Legislature, 2015, appropriated \$240.0 million in General Revenue Funds in fiscal year 2017 to the Higher Education Coordinating Board for distribution to institutions of higher education for debt service on the authorized tuition revenue bonds. The Texas Higher Education Coordinating Board submitted a plan for allocation of this appropriation to the LBB.

#### **HOUSE BILL 700**

House Bill 700 phases out the B-On-Time Student Loan Program during a five-year period and abolishes General Revenue–Dedicated Texas B-On-Time Account 5103 effective September 1, 2020. On that date, the remaining B-On-Time balances will be allocated to institutions of higher education based on a formula adopted by the Texas Higher Education Coordinating Board. For the 2016–17 biennium, B-On-Time loans will only be provided to students who received an initial loan before the 2015–16 academic year. The bill also eliminates the requirement that institutions of higher education set aside 5.0 percent of designated tuition to support the program. The Eighty-fourth Legislature, 2015, appropriated \$65.3 million in balances from the B-On-Time Account as of August 31, 2015, to institutions of higher education.

#### **HOUSE BILL 1474**

House Bill 1474 changes the transfer from the Available School Fund (ASF) to the Instructional Materials Fund (IMF) to be biennial rather than annual. The legislation has no net biennial fiscal impact, but shifts the entire instructional materials appropriation of \$1,054.9 million into fiscal year 2016, instead of being split evenly between the fiscal years of the biennium. This change also has the effect of redistributing the amount of ASF available to fund the Foundation School Program from fiscal years 2016 to 2017.

House Bill 1474 also requires the Commissioner of Education to establish instructional materials allotment (IMA) amounts based on enrollment in the previous biennium and to deposit the full biennial amounts in district accounts in the first year of the biennium. Additionally, HB 1474 gives authority to the Texas Education Agency, to the extent authorized by the General Appropriations Act, to make temporary transfers

from the Foundation School Fund No. 193 for payment of the IMA.

#### **HOUSE BILL 1690**

House Bill 1690 requires the Department of Public Safety to establish a Public Integrity Unit within the Texas Ranger Division. The unit would be required to investigate complaints alleging offenses against public administration, including:

- certain Texas Penal Code offenses, such as bribery or coercion when committed by a state officer or employ in the course of the exercise of the alleged offender's official duties;
- conduct in violation of the Texas Government Code provisions for the Legislature, Speaker of the House, and lobbyists, including campaign finance and financial disclosure requirements; and
- violations of the Texas Election Code provisions by state office holders or candidates for office.

In the event that unit investigations reveal conduct that would rise to the level of a credible prosecution, the unit must refer investigation results to the local prosecutor where the defendant resides, or the local prosecutor of the county where the defendant resided when the alleged offender assumed office. Local prosecutors may recuse themselves in the event that a referral from the unit would result in a conflict of interest. Bill provisions direct the presiding judges of the state's nine administrative judicial regions to select an alternative prosecutor to handle such cases. The Eighty-fourth Legislature, 2015, provided the Comptroller of Public Accounts, Judiciary Section, with \$0.5 million from General Revenue Funds in the 2016–17 biennium to reimburse prosecutors for reasonable costs, including prosecutor and witness travel expenses.

#### **HOUSE BILL 2463**

House Bill 2463 transfers all functions not related to the transfers required by Senate Bill 208 at the Department of Assistive and Rehabilitative Services (DARS) to the Health and Human Services Commission by September 1, 2016, and the agency is abolished on that date. This provision is also included in Senate Bill 200, the health and human services agencies' Sunset legislation.

The legislation also requires that independent living services for persons who are blind or visually impaired and for persons with disabilities other than blindness are integrated into a

single program by the start of fiscal year 2017. The legislation further requires that independent living services are provided through centers for independent living (CILs) and no longer directly through DARS, except in certain cases. DARS is required to provide technical assistance to the CILs and to monitor their performance.

The legislation also provides statutory authority for DARS to operate the comprehensive rehabilitation and autism programs and provides guidelines related to caseworkers and case review procedures in direct services programs.

#### **SENATE BILL 18**

Senate Bill 18 modifies and establishes several new graduate medical education (GME) programs administered by THECB. It also establishes the Permanent Fund Supporting Graduate Medical Education. Pursuant to the legislation, THECB can award grants for residency positions that were unfilled as of July 1, 2013, grants for new or existing GME programs, continuation awards for grants awarded in fiscal year 2015, and planning and partnership grants to hospitals, medical schools, and community-based ambulatory patient care centers. The bill requires THECB to prioritize grants in medical specialties that are at critical shortage levels. The Permanent Fund Supporting Graduate Medical Education resides in a special fund in the Treasury outside the General Revenue Fund. The bill requires the Texas Department of Insurance to conduct a study of the Texas Medical Liability Insurance Joint Underwriting Association to determine the amount of assets necessary for the operation of the association. The association would transfer any excess amounts to the Permanent Fund Supporting Graduate Medical Education.

#### **SENATE BILL 200**

Senate Bill 200, the health and human services agencies' Sunset bill, consolidates the five health and human services agencies into three agencies, the Health and Human Services Commission (HHSC), the Department of Family and Protective Services (DFPS), and the Department of State Health Services (DSHS). SB 200 continues HHSC until 2027 and DFPS and DSHS until 2023.

The legislation establishes a Transition Legislative Oversight Committee (TLOC), composed of 11 voting members: four senators appointed by the Lieutenant Governor; four representatives appointed by the Speaker of the House; and three members of the public appointed by the Governor, to oversee the reorganization. The Health and Human Services

Executive Commissioner serves as an ex officio nonvoting member of the committee. The legislation requires:

- the Executive Commissioner to submit a transition plan by March 1, 2016, to the TLOC, the Governor, and the LBB;
- consolidation of client services at HHSC and prevention programs at DFPS by September 1, 2016;
- consolidation of institutions and regulatory functions across the system to HHSC and the consolidation of all administrative functions that are feasible to be consolidated by September 1, 2017;
- continuation of the consolidated agency, HHSC, until September 1, 2027;
- functions of DARS to be transferred or abolished by September 1, 2016;
- functions of the Department of Aging and Disability Services to be transferred or abolished by September 1, 2017;
- continuation of DFPS and DSHS as independent agencies with Sunset dates of September 1, 2023; and
- requires the Executive Commissioner to study and make recommendations to the TLOC if DFPS and DSHS should continue independently or be merged into HHSC by September 1, 2018. TLOC is required to review the study and submit a recommendation to the Legislature by December 1, 2018, regarding the need to continue DFPS and DSHS as independent state agencies.

#### **SENATE BILL 202**

Senate Bill 202 discontinues eight former Department of State Health Services (DSHS) regulatory programs, transfers 13 occupational licensing programs from DSHS to the Texas Department of Licensing and Regulation (TDLR), and transfers four occupational licensing programs from DSHS to the Texas Medical Board (TMB). The agencies are required to complete the transfer of 11 of the programs as soon as practicable after September 1, 2015, while the remaining six programs transfer to TDLR on September 1, 2017. The legislation reconstitutes the existing advisory boards for each program at DSHS as advisory committees at TDLR, and establishes necessary advisory boards and committees at TMB. The legislation also discontinues state involvement in the licensing, registration, and permitting of indoor air

quality in government buildings, rendering, sale of bedding, tanning facilities, bottled or vended drinking water operators, personal emergency response systems, opticians, and contact lens dispensers.

#### **SENATE BILL 208**

Senate Bill 208 continues the functions of the Texas Workforce Commission (TWC) and extends the agency's Sunset date for another 12 years. This legislation also transfers the administration of the Vocational Rehabilitation, Business Enterprises of Texas, Older Blind Independent Living Services, and Criss Cole Rehabilitation Center programs from DARS to TWC effective September 1, 2016. To support these programs, the Eighty-fourth Legislature, 2015, appropriated \$309.1 million in All Funds and 1,860.9 FTE positions to TWC in fiscal year 2017 that had previously been appropriated to DARS. Appropriations consist of \$56.4 million in General Revenue Funds, \$1.1 million in General Revenue–Dedicated Funds, \$249.1 million in Federal Funds, and \$2.5 million in Other Funds. TWC's Sunset legislation also authorizes the agency to participate in the federal Treasury Offset Program beginning in fiscal year 2017 to increase collected revenue from certain unemployment compensation debt for deposit in the General Revenue–Dedicated Unemployment Compensation Special Administration Account and the Unemployment Trust Fund.

#### **SENATE BILL 633**

Senate Bill 633 transfers the administration of certain General Revenue–Dedicated Funds including the Pan American Games Trust Fund, Olympic Games Trust Fund, Major Events Trust Fund, Motor Sports Racing Trust Fund, and Events Trust Fund from the Comptroller of Public Accounts to the Economic Development and Tourism Division of the Office of the Governor. The legislation expands eligibility for the Major Events Trust Fund to include certain events and site selection organizations. The legislation also repeals the Special Event Trust Fund.

#### **SENATE BILL 746**

Senate Bill 746 reforms the system of civilly committing sexually violent predators (SVP) who have completed stays of incarceration related to the punishment of the original criminal offenses. The bill changes the name of the Office of Violent Sex Offender Management to the Texas Civil Commitment Office (TCCO). The Eighty-fourth Legislature, 2015, appropriated the TCCO an increase of \$7.1 million in General Revenue Funds to provide enhanced

treatment services with the goal of the SVP's eventual release from the program. The bill requires DSHS and DADS to provide psychiatric services, disability services, and housing for committed individuals with mental illness, intellectual or developmental disabilities, or physical disabilities that prevent the person from effectively participating in the civil commitment program. The bill also provides judicial causes of action for committed persons to seek less restrictive tiers or to challenge transfers to higher tiers, and establishes new classes of litigation at the Office of the Attorney General. The bill changes the jurisdiction over civil commitment cases from the 435th Judicial District in Montgomery County to a district court in the county of the SVP's most recent conviction for a sexually violent offense, resulting in a savings of \$0.4 million in court staff and operating costs. The responsibility for initiating civil commitments would change from the Special Prosecution Unit (SPU), headquartered in Walker County, to the local prosecutor serving the court of original conviction. Appropriations for the SPU division formerly handling civil commitments were continued at \$5.1 million from General Revenue Funds for the 2016–17 biennium so that the SPU may provide technical assistance and funds for expert witnesses to local prosecutors statewide now charged with initiating commitments.

#### **SENATE BILL 1366/HOUSE BILL 158**

Together, House Bill 158 and Senate Bill 1366 amend the process for allocating 94.0 percent of Sporting Goods Sales Tax (SGST) revenue, or the proceeds from taxes imposed on the sale, storage, or use of sporting goods, that the Texas Parks and Wildlife Department (TPWD) is eligible to receive. The bills grant the Legislature discretion over the distribution of SGST to the four General Revenue–Dedicated accounts that receive SGST transfers, rather than the predetermined percentage to each under prior law. The legislation also places limits on the possible uses for the revenue transferred to TPWD beyond the limitations that exist on the General Revenue–Dedicated accounts themselves. The Texas Historical Commission receives up to 6.0 percent of the SGST revenue, which is unaffected by the legislation.

HB 158 specifies eligible uses of the SGST transfers, including activities related to operation and maintenance of state parks, grants to local governments or other entities, and contributions to employee benefits. These limitations resulted in the end of an Interagency Contract with the General Land Office, which previously had provided SGST funds for coastal erosion projects.

SB 1366 removes provisions in the Texas Parks and Wildlife Code that specify the maximum allocation of SGST revenue to each of the four General Revenue–Dedicated accounts in the TPWD budget based on a percentage of the total amount estimated to be available to TPWD by the Comptroller of Public Accounts. The bill removes the statutory allocations and leaves the distribution of SGST revenue within the TPWD budget to the discretion of the Legislature through the appropriations process. Pursuant to a provision of the bill, any unappropriated SGST revenue would remain in the General Revenue Fund.

#### **SENATE BILL 1630**

Senate Bill 1630 requires the establishment of a regionalization plan between the Texas Juvenile Justice Department (TJJD) and juvenile probation departments divided into regions established by TJJD. The projected performance of the regionalization initiative is diversion of 30 juveniles from TJJD commitment in fiscal year 2016 and 150 juveniles from TJJD commitment in fiscal year 2017. The bill requires TJJD to establish a new division to administer the regionalization plan and monitor program quality and accountability. The bill also expands the responsibilities of the Office of the Independent Ombudsman (OIO) by requiring the OIO to assess the rights of youth at local post-adjudication facilities and any other facilities where youth adjudicated for conduct indicating a need for supervision or delinquent conduct are placed by court order. As the result of enactment, \$9.6 million was appropriated to TJJD to establish the regionalization program, and \$1.0 million was appropriated to expand the OIO.

#### **SENATE BILL 2004**

Senate Bill 2004 relates to deferred maintenance funding for state-owned facilities. The bill has two purposes: (1) the establishment of a Joint Oversight Committee on Government Facilities; and (2) the establishment of the General Revenue–Dedicated Deferred Maintenance Fund No. 5166.

The bill calls on the Joint Oversight Committee on Government Facilities, consisting of three members of the Senate and three members of the House of Representatives, to review and receive implementation updates on deferred maintenance actions by state agencies. Furthermore, the bill calls for the committee to biannually provide a report to the legislatures that includes (1) the amount of money expended from the deferred maintenance fund, (2) the maintenance

projects to be completed through expenditures from the fund, and (3) the status of ongoing and completed projects.

The Deferred Maintenance Fund is established as an account in the General Revenue Fund for the purpose of receiving appropriations and transfers to address deferred maintenance needs. SB 2004 does not provide for any direct appropriations to the Deferred Maintenance Fund.

## **FISCAL POLICY AND TAXATION**

### **FISCAL MATTERS AND FUND ACCOUNTING**

#### **HOUSE BILL 6**

Each session starting with the Seventy-fourth Legislature, 1995, the Legislature has passed a fund consolidation bill.

Like previous fund consolidation bills, House Bill 6 by the Eighty-fourth Legislature, 2015, abolishes all funds, accounts, and revenue dedications established or reestablished by the Eighty-fourth Legislature, except those specifically exempted by the bill's provisions. The bill continues the provision making unappropriated revenue and balances in General Revenue–Dedicated accounts available for general governmental purposes and certification of General Revenue Fund appropriations by the Comptroller of Public Accounts.

House Bill 6 reduces the use of General Revenue–Dedicated Fund balances for General Revenue Fund certification by specifying that the Texas Government Code, Section 403.095, does not apply to nine General Revenue–Dedicated Accounts and the account of each institution of higher education in the General Revenue Fund that includes tuition and other fees. The estimated balances in these accounts that would otherwise be counted as available for certification of the General Appropriations Act for the 2016–17 biennium total \$579.6 million.

House Bill 6 also authorizes the establishment of 22 new accounts, including eight General Revenue–Dedicated Accounts, eight special funds (Other Funds) in the state Treasury, and five funds outside the Treasury. **Figure 57** shows the funds and accounts established by the Eighty-fourth Legislature.

#### **HOUSE BILL 7**

House Bill 7 includes provisions covering a wide range of fiscal matters. Broadly, the bill reduces or reallocates certain taxes, assessments, surcharges, and fees, establishes or modifies the dedication of revenue or accounts for certain purposes, and makes other changes relating to fiscal matters.

**FIGURE 57  
FUNDS, ACCOUNTS, AND DEDICATIONS ESTABLISHED BY THE EIGHTY-FOURTH LEGISLATURE, 2015**

FUND/ACCOUNT	AGENCY	ESTABLISHING BILL
<b>General Revenue Fund</b>		
Tax Rate Conversion No. 5159	Texas Education Agency	HB 7
<b>General Revenue–Dedicated Account</b>		
Environmental Radiation and Perpetual Care No. 5158	Texas Commission on Environmental Quality	HB 6
Disabled Veterans Local Government Assistance No. 5160	Comptroller of Public Accounts	HB 7
Governor's University Research Initiative No. 5161	Office of the Governor	HB 7
Texas Farm and Ranch Lands Conservation No. 5162	Texas Parks and Wildlife Department	HB 1925
Mathematics and Science Teacher Investment No. 5163	Higher Education Coordinating Board	SB 686
Truancy Prevention and Diversion No. 5164	Office of the Governor	SB 1296
Wine Industry Development No. 5165	Texas Department of Agriculture	SB 880 and SB 881
Deferred Maintenance No. 5166	Texas Facilities Commission	SB 2004
<b>Other Funds</b>		
TexasSure Fund No. 161	Texas Department of Insurance	HB 6
Floodplain Management Fund No. 330	Water Development Board	HB 6
Children of Deceased Peace Officers Scholarship Fund No. 178	Department of Public Safety	HB 530
Texas Research University Fund No. 180	Higher Education Coordinating Board	HB 1000
Texas Comprehensive Research Fund No. 181	Higher Education Coordinating Board	HB 1000
Core Research Support Fund No. 182	Higher Education Coordinating Board	HB 1000
Permanent Fund Supporting Graduate Education No. 179	Higher Education Coordinating Board	SB 18
Texas Department of Motor Vehicles Fund No. 10	Texas Department of Motor Vehicles	SB 1512
<b>Outside the State Treasury</b>		
County Road Oil and Gas Trust Fund No. 808	Comptroller of Public Accounts	HB 2521
Success Contract Payments Trust Fund No. 809	Comptroller of Public Accounts	HB 3014
Special Olympics Texas Trust Fund No. 847	Department of Aging and Disability Services	SB 272
State Cemetery Preservation Trust Fund No. 902	State Preservation Board	SB 574
Texas ABLE Savings Plan Trust Fund	Comptroller of Public Accounts	SB 1664

NOTE: Four of the new accounts have deferred implementation dates: the Truancy Prevention and Diversion Account and Special Olympics Texas Trust Fund on January 1, 2016; the Texas Department of Motor Vehicles Fund on September 1, 2016 (fiscal year 2016); and the County Road Oil and Gas Trust Fund on September 1, 2017 (fiscal year 2018). All other newly established accounts, funds, and related revenue dedications had either an immediate effective date or took effect on September 1, 2015.

SOURCE: Comptroller of Public Accounts

House Bill 7, Eighty-fourth Legislature, 2015, is consistent with the approach that began with the enactment of House Bill 7, Eighty-third Legislature, Regular Session, 2013. HB 7, 2015, takes steps to further reduce reliance on General Revenue–Dedicated accounts for certification. Major provisions relating to this effort include:

- reducing the diesel surcharge tax deposited to Texas Emissions Reduction Plan Account No. 5071 and the petroleum product delivery fee deposited to Petroleum Storage Tank Remediation Account No. 655, respectively;

- redirecting the allocation of smokeless tobacco tax revenue from the Physician Education Loan Repayment Program Account No. 5144 to the General Revenue Fund;
- consolidating two of the state's dedicated accounts for trauma care by abolishing the Regional Trauma Account No. 5137 and transferring the account balance and redirecting account revenue sources to Designated Trauma Facility and EMS Account No. 5111;



- authorizing the Public Utility Commission to set discount rates for the low-income utility rate relief program sufficient to exhaust the balance in the System Benefit Fund and end the program by the expiration date in current statute; and
- expanding the allowable uses of the Sexual Assault Program Fund No. 5010 and the Texas Commission on Law Enforcement Account No. 116 to include human trafficking enforcement and training for local law enforcement agencies on incident-based reporting.

According to the Comptroller of Public Accounts, the net reduction in General Revenue–Dedicated account balances counted toward certification of General Revenue Appropriations for the 2016–17 biennium due to House Bill 7 is \$142.1 million. This reduction does not include the \$365.6 million estimated reduction in General Revenue–Dedicated Funds account balances counted toward certification that was contingent on enactment of certain provisions in House Bill 7, but accounted for in the \$407.0 million net reduction due to House Bill 1. For more information on actions to reduce reliance on General Revenue–Dedicated Funds account balances, see the related discussion in Chapter 1.

House Bill 7 also includes other significant provisions affecting General Revenue Funds, such as:

- repealing the \$200 annual occupation tax on certain professions, reducing revenues to the General Revenue Fund and Foundation School Fund No. 193 by \$251.5 million in the 2016–17 and subsequent biennia;
- abolishing the Emerging Technology Fund (ETF) and transferring management of the portfolio to the Comptroller’s Texas Treasury Safekeeping Trust Company (TTSTC), which would be required to wind down the ETF investment portfolio, including existing ETF agreements and awards. The unencumbered balances in the ETF may only be appropriated to the Comptroller of Public Accounts for expenses incurred in managing the investment portfolio and for certain programs, including Texas Research Incentive Program; the Texas Research University Fund; and the Governor’s University Research Initiative Fund; and
- establishing the Tax Rate Conversion Account within the General Revenue Fund to provide additional state

aid to school districts that have compressed tax rates of less than \$1.00 that are assessing rates eligible for tax rate conversion.

For more on the fiscal impact of the more significant measures initiated by House Bill 7, see **Figure 58**.

#### **HOUSE BILL 903**

House Bill 903 requires the Comptroller of Public Accounts (CPA) to invest a portion of the balance in the Economic Stabilization Fund (ESF) in accordance with the prudent investor standard outlined in the Texas Government Code, Section 404.024 (j), beginning in fiscal year 2016. The practical effect of HB 903 is for this portion of the ESF balance to be invested in assets with some level of higher risk and some level of higher expected return than the Treasury Pool (managed by TTSTC), where the entire balance of the ESF is currently invested. HB 903 sets the amount to be invested with the prudent investor standard at a percentage (chosen by the CPA) of the ESF balance that exceeds the sufficient balance in the ESF necessary to reallocate a portion of the ESF transfer to the State Highway Fund (SHF) that is adopted by the Joint Select Committee to Study the Balance of the Economic Stabilization Fund. The adopted sufficient balance for the 2016–17 biennium is \$7.0 billion. The provisions of HB 903 expire December 31, 2024.

#### **SENATE BILL 20**

Senate Bill 20 amends certain contract administration requirements for state agencies and institutions of higher education and consolidates certain other current law provisions.

The bill requires agencies to retain records related to contracts for at least seven years after the expiration of the contract. It also prohibits the employment of former state employees and officers within the first two years after state employment if those employees participated in a procurement related to the hiring entity.

Senate Bill 20 specifies that purchasing information reported by state agencies in the statewide uniform accounting system, the Centralized Accounting and Payroll/Personnel System (CAPPS), should include solicitation and contracting information, as defined by the CPA. It requires institutions of higher education to participate in the training and certification process offered by CPA to state agencies and allows CPA to contract with entities that administer cooperative purchasing programs and agreements.

**FIGURE 58**  
**HOUSE BILL 7, EIGHTY-FOURTH LEGISLATURE, 2015: FISCAL IMPACT OF SELECTED SIGNIFICANT MEASURES**

IN MILLIONS

ACCOUNT/FUND	MEASURE	NET IMPACT TO GENERAL REVENUE FUNDS AND GENERAL REVENUE- DEDICATED FUNDS
<b>Tax/Fee Reduction</b>		
General Revenue Fund, Foundation School Fund No. 193	Repeal \$200 annual occupation tax on variety of professions (physicians, dentists, chiropractors, architects, real estate brokers, attorneys, etc.)	(\$251.5)
General Revenue Fund, Petroleum Storage Tank Remediation Account No. 655	Reduce petroleum product delivery fee	(\$22.0)
Texas Emissions Reduction Plan No. 5071	Reduce 2.0% percent diesel surcharge to 1.5%	(\$32.5)
Physician Education Loan Repayment Account No. 5144	Repeal Medical School Tuition Set-aside	(\$0.9)
Designated Trauma Facility and EMS Account No. 5111	Reduce certain Driver Responsibility Program surcharge amounts by 50.0% for offenders that come into compliance with applicable laws	CBD
<b>Tax/Fee Reallocation</b>		
Physician Education Loan Repayment Account (PELRP) No. 5144	Smokeless Tobacco Products Tax - from PELRP to General Revenue Fund for appropriation for healthcare purposes only if beginning balance is sufficient to fund appropriations and other direct and indirect costs	(\$65.3)
Designated Trauma Facility and EMS Account No. 5111	Portion of Red Light Camera receipts from abolished Regional Trauma Account No. 5137 to Designated Trauma Facility and EMS Account No. 5111 (biennial revenue: \$32.2 million)	N/A
Clean Air Account No. 151	Clarify that \$2 of two-year vehicle inspection fee is allocated to Texas Mobility Fund No. 365 instead of Clean Air Account No. 151	(\$5.9)
Various General Revenue- Dedicated License Plate Accounts	Balances and receipts from remaining General Revenue-Dedicated license plate accounts to License Plate Trust Fund No. 802	(\$1.8)
<b>New Dedicated Accounts</b>		
Tax Rate Conversion Account No. 5159	New account in the General Revenue Fund would fund additional Foundation School Program state aid for tax rate conversion. Funds for the new account would be provided by a transfer from the Foundation School Program Fund No. 193 (estimated additional state aid for the 2016-17 biennium: \$200.0 million)	N/A
<b>Abolished General Revenue-Dedicated Accounts and Balance Transfers</b>		
Designated Trauma Facility and EMS Account No. 5111	Abolish Regional Trauma Account No. 5137; transfer balance to Designated Trauma Facility and EMS Account No. 5111 (estimated balance: \$96.5 million)	N/A
<b>House Bill 1 Appropriations Contingent on House Bill 7</b>		
System Benefit Fund No. 5100	Set discounts for low-income utility rate relief at rates sufficient to exhaust balance and end the low-income utility rate discount program by August 31, 2016, as required by current law	(\$227.0)
Texas Commission on Law Enforcement Account No. 116	Appropriate funds for grants administered by the Texas Department of Public Safety for training on incident-based crime reporting	(\$1.0)
Sexual Assault Program Fund No. 5010	Appropriate funds for human trafficking enforcement programs and child sex trafficking prevention unit	(\$11.9)
Volunteer Fire Department Assistance Fund No. 5064	Appropriate portion of balance for (1) state contribution to the Texas Emergency Services Retirement System (TESR); and (2) grants to volunteer fire departments	(\$23.0)
Designated Trauma Facility and EMS Account No. 5111	Appropriate all available dedicated funds (including amounts transferred from abolished Regional Trauma Account No. 5137) for uncompensated trauma care and eligible Medicaid expenses	(\$195.8)

NOTE: Cannot be determined (CBD).

SOURCES: Legislative Budget Board, Comptroller of Public Accounts.

The bill requires agencies to submit a certain number of requests for pricing on purchases made through multiple award contract schedules at the Texas Department of Information Resources (DIR) depending on the value of the goods, services, and contracts. Agencies are prohibited from making purchases for commodities in a single fiscal year in excess of \$1.0 million within a single contract in a multiple award schedule. Agencies are required to receive approval for statements of work on DIR information technology commodity contracts worth more than \$50,000.

Senate Bill 20 requires agencies and institutions of higher education to comply with certain reporting requirements for each contract with a value exceeding \$1.0 million, and to comply with certain additional requirements for each contract with a value exceeding \$5.0 million. Agencies are required to develop a risk analysis procedure and identify certain types of contracts for enhanced contract or performance monitoring. These procedures are required to be posted on agencies' websites and on the CPA website. SB 20 also requires agencies to post their contracts and requests for proposals associated with the procurements on their websites along with the statutory authorization for sole-sourced procurements.

Senate Bill 20 requires agencies to use the CPA's vendor performance tracking system to determine whether to award a contract to a vendor reviewed in the system. CPA is required to develop an evaluation process to rate vendors on an A to F scale. CPA is required to establish in rule how these ratings affect a vendor's eligibility for state contracts and the grades that may disqualify a vendor from state contracting. The tracking system is to be accessible to the public on CPA's website. It requires agencies to consider prior vendor performance when renewing a contract or considering a rebid for a contract. Additionally, CPA can bar vendors from participating in state contracts if more than two contracts between the vendor and the state have been terminated by the state within the last three years.

Senate Bill 20 makes the procurement authority of institutions of higher education contingent on implementation of policies and procedures described in the bill. If the State Auditor's Office (SAO) determines that an institution of higher education has failed to adopt the required rules and policies, the auditor is required to adopt a remediation plan in consultation with the institution. If the auditor finds that the institution fails to comply with the remediation plan, the purchasing authority of the institution would be subject to standard agency procurement oversight and procedures. SB 20

also amends statute to require the disclosure of research sponsors in certain public communications.

Senate Bill 20 requires SAO to consider auditing contracts entered by the Health and Human Services Commission that exceed \$100.0 million in annual value and requires CPA to study the feasibility of consolidating state purchasing functions and reducing the number of vendors authorized to contract with the state.

#### **SENATE BILL 1512**

The enactment of Senate Bill 1512 reestablishes the Texas Department of Motor Vehicles Fund (TxDMV Fund) as a fund inside the state Treasury outside the General Revenue Fund. The bill requires revenue from certain fees collected by or on behalf of the Texas Department of Motor Vehicles (DMV) that were previously deposited to the General Revenue Fund to be deposited to the TxDMV Fund beginning in fiscal year 2017. The legislation also requires CPA to transfer \$23.0 million to the TxDMV Fund from the General Revenue Fund at the beginning of fiscal year 2017. The TxDMV Fund and revenue dedications to the fund were previously established by the enactment of House Bill 2202, Eighty-third Legislature, Regular Session, 2013. Prior to the enactment of HB 2202, the affected fee revenues were deposited to the State Highway Fund. However, due to the enactment of House Bill 6, Eighty-third Legislature, Regular Session, 2013, the TxDMV Fund established by HB 2202 was abolished, and all revenues dedicated to that fund pursuant to HB 2202 were instead deposited to the General Revenue Fund beginning in fiscal year 2014.

#### **SENATE JOINT RESOLUTION 5**

Senate Joint Resolution 5 proposed several amendments to the Texas Constitution, Article VIII, that were approved by voters on November 3, 2015. Beginning in fiscal year 2018, the first \$2.5 billion of state sales tax collected in excess of \$28.0 billion in a fiscal year will be constitutionally dedicated to the State Highway Fund (SHF). Beginning in fiscal year 2020, 35.0 percent of motor vehicle sales and rental taxes collected in excess of \$5.0 billion in a fiscal year will be constitutionally dedicated to the SHF. Prior to the constitutional amendments, both of these amounts were deposited into the General Revenue Fund. Deposits to the SHF pursuant to the new provisions may only be appropriated to construct, maintain, or acquire rights-of-way for public roadways, other than a toll road, or to repay principal and interest on certain General Obligation debt issued by the Texas Department of Transportation.

The Legislature may reduce these allocations to the SHF by up to 50.0 percent with a resolution approved by a two-thirds vote of the members of each house. The allocation of sales tax revenue expires at the end of fiscal year 2032, and the allocation of motor vehicle sales and rental taxes expires at the end of fiscal year 2029. The Legislature may extend, in 10-year increments, either allocation with a resolution approved by a majority vote of the members of each house.

### TAX AND REVENUE BILLS

#### HOUSE BILL 32

House Bill 32 makes several changes to the calculation of a taxable entities Texas franchise tax liability, beginning for reports due in fiscal year 2016. HB 32 decreases the franchise tax rate for all entities not primarily engaged in wholesale or retail trade from 1.0 percent to 0.75 percent. The rate for entities primarily engaged in wholesale or retail trade is decreased from 0.5 percent to 0.375 percent. HB 32 increases the total revenue threshold at which an entity may elect to compute to its franchise tax liability using the E-Z Computation and Rate (a potentially more beneficial franchise tax liability calculation only available to businesses with total revenue less than the threshold) from \$10.0 million to \$20.0 million. HB 32 decreases the E-Z Rate from 0.575 percent to 0.331 percent.

HB 32 requires the Comptroller of Public Accounts to conduct a study by September 30, 2016, to identify the effects of economic growth on future state revenues.

Enactment of HB 32 reduces franchise tax liability by \$2.6 billion for the 2016–17 biennium with a commensurate reduction in state revenues.

#### SENATE BILL 1/SENATE JOINT RESOLUTION 1

Senate Joint Resolution 1 proposed several amendments to the Texas Constitution, Article VIII, that were approved by voters on November 3, 2015. SJR 1 raised the state-mandated school district residence homestead exemption from \$15,000 to \$25,000. SJR 1 also adjusted the school district tax ceiling on residence homesteads of elderly and disabled homeowners to reflect the increased homestead exemption. Finally, SJR 1 added a new section to Article VIII that prohibits the enactment of any law that imposes a transfer tax on the conveyance of real property.

Senate Bill 1 is the enabling legislation for SJR 1 and makes several statutory changes to the Texas Tax and Education Codes necessary to implement the provisions of SJR 1. SB 1 adjusts the Foundation School Program formulas so that school districts are reimbursed by the state for the property tax revenue loss resulting from the increased homestead exemption. SB 1 provides a mechanism for the increased homestead exemption to apply retroactively to calendar year 2014 taxable values, which will provide for a reduction in assessed property taxes in tax year 2015. Finally, SB 1 prohibits a school district, municipality, or county that had adopted an optional percentage residence homestead exemption for tax year 2014 from reducing or repealing that exemption for the next five years.

Passage, enactment and voter approval of SB1/SJR1 results in a reduction to homeowner property tax liability of an estimated \$1.2 billion for the 2016–17 biennium.

**Figure 59** lists those bills enacted by the Eighty-fourth Legislature, 2015, that significantly reduce state and local revenue.

**FIGURE 59**  
**REVENUE REDUCTIONS ENACTED BY THE EIGHTY-FOURTH LEGISLATURE, 2016–17 BIENNIAL ESTIMATES**

BILL NUMBER	AFFECTED TAX OR FEE	REDUCTION (IN MILLIONS)
House Bill 32	Franchise Tax Rate Reduction of 25 Percent and EZ Computation Modification	\$2,559.9
Senate Bill 1/Senate Joint Resolution 1	School Property Tax Homestead Exemption Increase of \$10,000	\$1,244.5
House Bill 7	Repeal of Certain Occupation Taxes and Professional Fees	\$251.5
	Reduce Petroleum Product Delivery Fee	\$21.6
	Reduce Diesel Surcharge by 0.5 Percent	\$32.5
All Other Bills	Various Tax and Fee Reductions Under \$10 Million	\$45.6
<b>Total</b>		<b>\$4,155.6</b>

SOURCE: Legislative Budget Board.

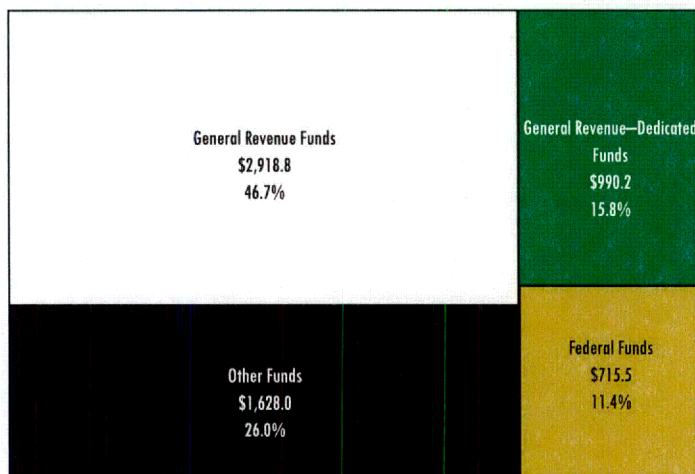
## 4. GENERAL GOVERNMENT

General Government agencies provide an array of public and state administrative support services. Included in the functional area are executive branch elective offices established by the Texas Constitution such as the Governor, Comptroller of Public Accounts, and the Attorney General. In addition to the elective offices, other agencies are responsible for various functions, including: oversight and management of state debt; administration of employee healthcare and retirement benefits; oversight of state and federal election laws; preservation of the state's cultural and historic resources; veterans' education and job training programs; management of information technology and telecommunications services; oversight of building construction and maintenance programs; and administration of cancer prevention and research programs.

**FIGURE 60**  
**ARTICLE I – GENERAL GOVERNMENT, BY METHOD OF FINANCE**

METHOD OF FINANCE	IN MILLIONS			
	EXPENDED/BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	\$2,834.3	\$2,918.8	\$84.5	3.0%
General Revenue–Dedicated Funds	\$865.7	\$990.2	\$124.5	14.4%
Federal Funds	\$662.8	\$715.5	\$52.7	8.0%
Other Funds	\$958.7	\$1,628.0	\$669.3	69.8%
<b>Total, All Methods of Finance</b>	<b>\$5,321.5</b>	<b>\$6,252.6</b>	<b>\$931.1</b>	<b>17.5%</b>

### SHARE OF FUNDING BY METHOD OF FINANCE (IN MILLIONS)



### SIGNIFICANT DEVELOPMENTS

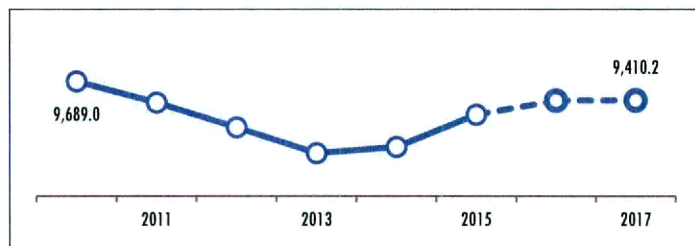
Appropriations include **\$767.7 million in Revenue Bond Proceeds** for new construction projects and **\$217.2 million in General Revenue Funds** for deferred maintenance projects, emergency repairs, and facilities planning by the Texas Facilities Commission.

The Comptroller of Public Accounts is appropriated **\$95.6 million in All Funds** for the **Centralized Accounting and Payroll/Personnel System (CAPPS)**.

The Office of the Attorney General is appropriated **\$20.4 million in General Revenue–Dedicated Funds from Sexual Assault Program Account No. 5010** for grant programs related to sexual assault prevention training.

The **Hazlewood Exemption Legacy Program** of the Texas Veterans Commission is appropriated **\$30.0 million in General Revenue Funds** to reimburse institutions of Higher Education.

### FULL-TIME-EQUIVALENT POSITIONS



NOTES: Excludes Interagency Contracts. Full-time-equivalent positions show actual positions for fiscal years 2010 to 2015 and appropriated positions for fiscal years 2016 and 2017.

SOURCES: Legislative Budget Board; State Auditor's Office.

## TEXAS COMMISSION ON THE ARTS

**PURPOSE:** To advance the state of Texas economically and culturally by supporting a diverse and innovative arts community through resources that enhance economic development, arts education, cultural tourism, and artist sustainability initiatives.

**ESTABLISHED:** 1965

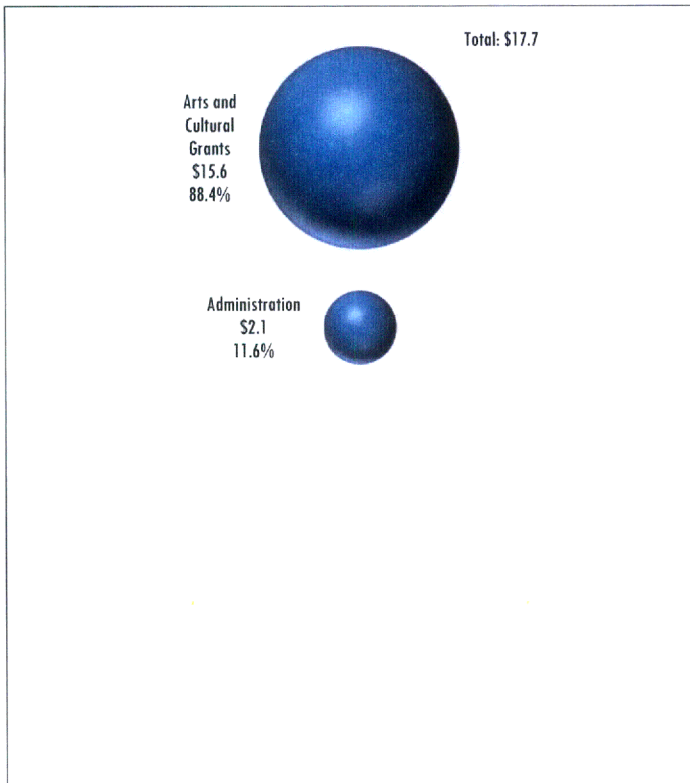
**AUTHORIZING STATUTE:** The Texas Government Code, §444.001

**GOVERNANCE:** Commission—nine members appointed by the Governor with advice and consent of the Senate

**FIGURE 61**  
**TEXAS COMMISSION ON THE ARTS BY METHOD OF FINANCE**

METHOD OF FINANCE	IN MILLIONS				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$10.7	\$14.3	\$3.6	33.8%	2016	14.0
General Revenue—Dedicated Funds	\$0.0	\$0.8	\$0.8	N/A		
Federal Funds	\$1.8	\$1.8	\$0.0	2.4%	2017	14.0
Other Funds	\$0.8	\$0.8	\$0.0	0.8%		
<b>Total, All Methods of Finance</b>	<b>\$13.3</b>	<b>\$17.7</b>	<b>\$4.4</b>	<b>33.3%</b>		

### AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



### SIGNIFICANT DEVELOPMENTS

**Grant applications are expected to exceed 1,600 in fiscal year 2016, with grant awards totaling an estimated \$7.6 million.**

**Cultural Tourism Grant** appropriations increased by **\$10.0 million** in grant funding for the **Cultural Districts Program**.

**State of the Arts license plate revenues** are expected to generate more than **\$200,000** each fiscal year of the 2016–17 biennium. All revenues will be used to make grants.

SOURCE: Legislative Budget Board.

## OFFICE OF THE ATTORNEY GENERAL

**PURPOSE:** To defend the constitution and laws of the state of Texas and serve as the legal counsel to the Governor, the Legislature, and the more than 250 state agencies, commissions, and institutions of higher education. The Attorney General represents the state in civil and criminal cases, assists and coordinates with local jurisdictions for the prosecution of certain criminal cases, enforces the state’s consumer protection laws, investigates and prosecutes Medicaid fraud and Internet crimes, and administers the state’s child support program and victims’ compensation program.

**ESTABLISHED:** 1876

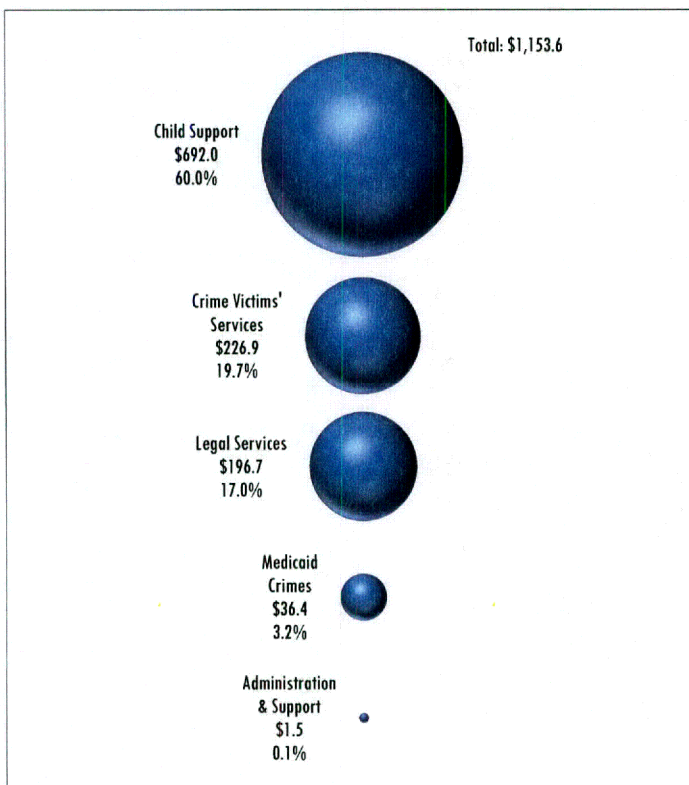
**AUTHORIZING STATUTE:** The Texas Constitution, Article IV, §22

**GOVERNANCE:** Statewide elected official

**FIGURE 62**  
**OFFICE OF THE ATTORNEY GENERAL BY METHOD OF FINANCE**

METHOD OF FINANCE	IN MILLIONS				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS
	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE	
General Revenue Funds	\$445.5	\$445.4	(\$0.1)	(0.0%)	
General Revenue–Dedicated Funds	\$149.8	\$155.2	\$5.4	3.6%	
Federal Funds	\$406.5	\$445.0	\$38.5	9.5%	2016 4,195.4
Other Funds	\$126.3	\$107.9	(\$18.4)	(14.6%)	2017 4,195.4
<b>Total, All Methods of Finance</b>	<b>\$1,128.1</b>	<b>\$1,153.6</b>	<b>\$25.4</b>	<b>2.3%</b>	

### AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



### SIGNIFICANT DEVELOPMENTS

The Office of the Attorney General (OAG) collected **\$7.7 billion in child support payments** during the 2014–15 biennium and expects to collect more than **\$8.0 billion** in the 2016–17 biennium.

OAG's new child support system, known as the **Texas Child Support Enforcement System 2.0**, has been in development since 2009 with an estimated **cost of approximately \$378.5 million** and a completion date expected in 2018.

From 2009 to 2012, **Texas ranked first nationally** for the amount of incentive payments awarded by the federal government to the **most efficient and effective child support programs** in the country.

The OAG awarded **\$88.1 million** during the 2014–15 biennium for **victim services and victim assistance programs**. The agency estimates awarding **\$86.0 million** in the 2016–17 biennium.

SOURCE: Legislative Budget Board.

## BOND REVIEW BOARD

**PURPOSE:** To ensure that debt financing is used prudently to meet Texas' infrastructure needs and other public purposes, to support and enhance the debt issuance and debt management functions of state and local entities, and to administer the state's private activity bond allocation.

**ESTABLISHED:** 1987

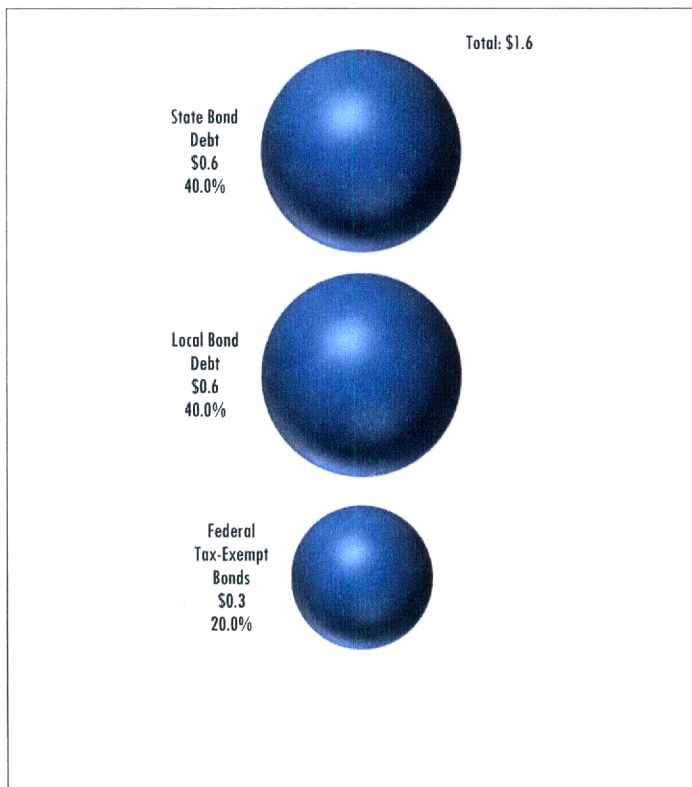
**AUTHORIZING STATUTE:** The Texas Government Code, §§1231 and 1372

**GOVERNANCE:** Board—Governor, Lieutenant Governor, Speaker of the House of Representatives, who serves as a nonvoting member, and Comptroller of Public Accounts, or their respective designees

**FIGURE 63**  
**BOND REVIEW BOARD BY METHOD OF FINANCE**

METHOD OF FINANCE	IN MILLIONS				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$1.9	\$1.6	(\$0.3)	(16.2%)	2016	10.0
General Revenue—Dedicated Funds	\$0.0	\$0.0	\$0.0	N/A		
Federal Funds	\$0.0	\$0.0	\$0.0	N/A		
Other Funds	\$0.0	\$0.0	\$0.0	N/A	2017	10.0
<b>Total, All Methods of Finance</b>	<b>\$1.9</b>	<b>\$1.6</b>	<b>(\$0.3)</b>	<b>(16.2%)</b>		

### AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



### SIGNIFICANT DEVELOPMENTS

- Outstanding debt totaled \$41.0 billion** in fiscal year 2015 for all state agencies and universities, excluding conduit debt.
- The agency **reviewed 26 bond documents**, including proposed bond applications and lease-purchase agreements for state issuers, during fiscal year 2015.
- The agency **analyzed 1,685 local government financings** during fiscal year 2015.

SOURCE: Legislative Budget Board.



## CANCER PREVENTION AND RESEARCH INSTITUTE OF TEXAS

**PURPOSE:** Through awarding of grants for cancer research and prevention: (1) to create and expedite innovation in the area of cancer research and enhance the potential for a medical or scientific breakthrough in the prevention of cancer and cures for cancer; and (2) to attract, create, or expand research capabilities of public or private institutions of higher education and other public or private entities that will promote a substantial increase in cancer research and in the creation of high-quality new jobs in this state.

**ESTABLISHED:** 2007

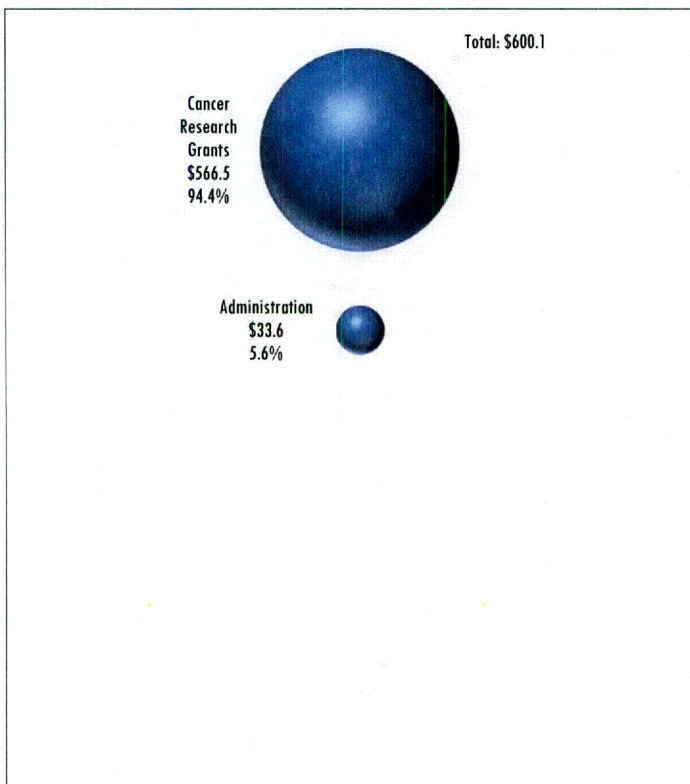
**AUTHORIZING STATUTE:** The Texas Health and Safety Code, §102.003

**GOVERNANCE:** Cancer Prevention and Research Institute of Texas Oversight Committee—nine members with three members each appointed by the Governor, the Lieutenant Governor, and the Speaker of the House of Representatives

**FIGURE 64**  
**CANCER PREVENTION AND RESEARCH INSTITUTE BY METHOD OF FINANCE**

METHOD OF FINANCE	IN MILLIONS				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$0.0	\$0.0	\$0.0	N/A	2016	32.0
General Revenue–Dedicated Funds	\$0.0	\$0.0	\$0.0	N/A		
Federal Funds	\$0.0	\$0.0	\$0.0	N/A		
Other Funds	\$596.2	\$600.1	\$3.9	0.7%	2017	32.0
<b>Total, All Methods of Finance</b>	<b>\$596.2</b>	<b>\$600.1</b>	<b>\$3.9</b>	<b>0.7%</b>		

### AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



### SIGNIFICANT DEVELOPMENTS

- The Cancer Prevention and Research Institute of Texas (CPRIT) has awarded **914 grants** totaling **\$1.34 billion** through the end of fiscal year 2015.
- During the 2016–17 biennium, CPRIT will offer **13 types of grant awards** for Academic Research Grants, **3 types of grant awards** for Product Development Research Grants, and **6 types of grant awards** for Prevention Grants.
- Of the \$3.0 billion bond authorization that funds CPRIT grants and agency functions, **\$750.0 million** in General Obligation bond authority will remain available for legislative appropriation following the 2016–17 biennium.

SOURCE: Legislative Budget Board.

## COMPTROLLER OF PUBLIC ACCOUNTS

**PURPOSE:** To serve as the state’s chief tax collector, accountant, revenue estimator, treasurer, and purchasing manager. To interpret and apply tax laws and collect taxes and fees; monitor the financial status of state agencies; report on the state’s financial condition to the Legislature; oversee the cash management functions of the state; and manage statewide contracts.

**ESTABLISHED:** 1850

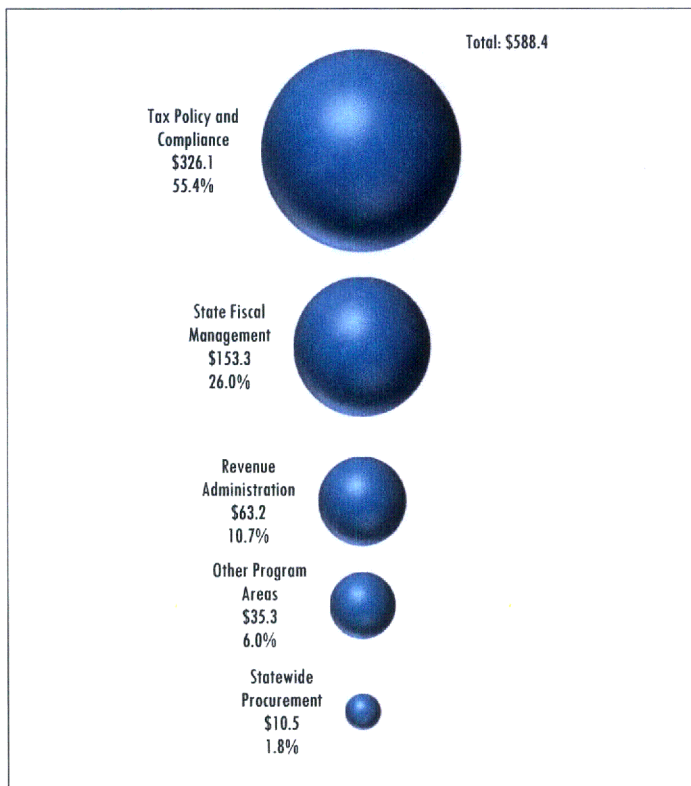
**AUTHORIZING STATUTE:** The Texas Constitution, Article IV, §23

**GOVERNANCE:** Statewide elected official

**FIGURE 65**  
**COMPTROLLER OF PUBLIC ACCOUNTS BY METHOD OF FINANCE**

METHOD OF FINANCE	IN MILLIONS				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS
	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE	
General Revenue Funds	\$473.0	\$556.3	\$83.3	17.6%	2016 2,819.3
General Revenue–Dedicated Funds	\$0.0	\$0.3	\$0.3	N/A	
Federal Funds	\$0.0	\$0.0	\$0.0	N/A	2017 2,823.3
Other Funds	\$49.2	\$31.9	(\$17.3)	(35.1%)	
<b>Total, All Methods of Finance</b>	<b>\$522.2</b>	<b>\$588.4</b>	<b>\$66.3</b>	<b>12.7%</b>	

### AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



### SIGNIFICANT DEVELOPMENTS

Appropriations include **\$32.0 million** provided for **improvement and modernization** of taxpayer services and systems.

**Centralized Accounting and Payroll/Personnel System (CAPPS)** appropriations total **\$95.6 million** and include an increase of **\$40.4 million** in General Revenue Funds to maintain and deploy several state agencies onto the system during the biennium.

**The Unclaimed Property Administration** program is appropriated an additional **\$4.1 million** to replace information resources systems.

Appropriations include **\$3.0 million** for **office furnishings** provided for central and field offices, and **\$8.4 million** provided to the **Facilities Commission** for **renovations to the Lyndon B. Johnson Building**, which offices Comptroller staff.

SOURCE: Legislative Budget Board.

## FISCAL PROGRAMS WITHIN THE OFFICE OF THE COMPTROLLER OF PUBLIC ACCOUNTS

**PURPOSE:** Statewide programs that are subject to the oversight of the Comptroller of Public Accounts, including disbursements to local governments, payment of unclaimed property claims, energy conservation programs, and payment of claims, settlements and judgments against the state.

**ESTABLISHED:** 1850

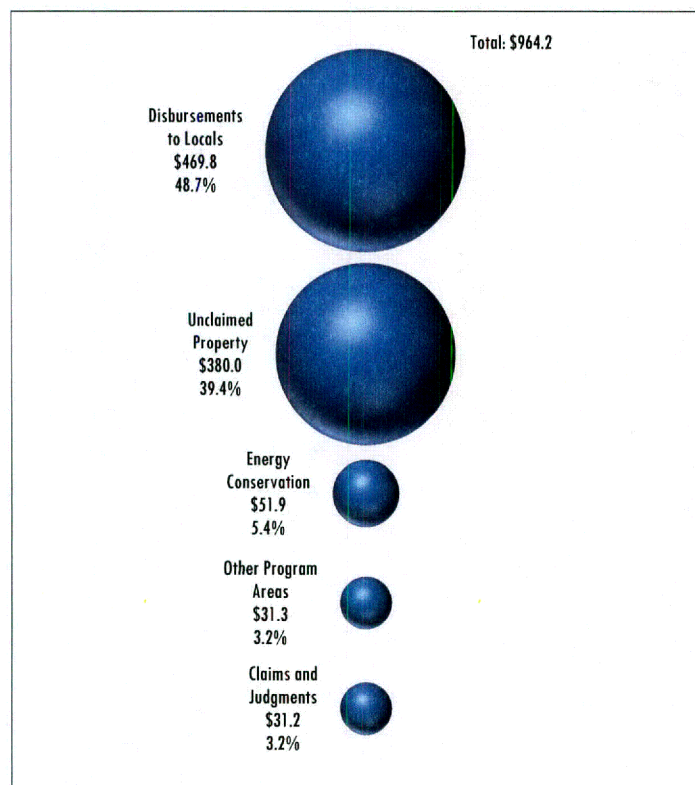
**AUTHORIZING STATUTE:** The Texas Constitution, Article IV, §23

**GOVERNANCE:** Comptroller of Public Accounts, statewide elected official

**FIGURE 66**  
**FISCAL PROGRAMS WITHIN THE OFFICE OF THE COMPTROLLER OF PUBLIC ACCOUNTS**  
**BY METHOD OF FINANCE**

METHOD OF FINANCE	IN MILLIONS				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2014-15	APPROPRIATED 2016-17	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$914.4	\$886.8	(\$27.7)	(3.0%)		
General Revenue-Dedicated Funds	\$66.6	\$35.1	(\$31.5)	(47.3%)		
Federal Funds	\$13.7	\$27.7	\$14.0	102.8%	<b>2016</b>	15.0
Other Funds	\$15.1	\$14.6	(\$0.5)	(3.5%)	<b>2017</b>	15.0
<b>Total, All Methods of Finance</b>	<b>\$1,009.8</b>	<b>\$964.2</b>	<b>(\$45.6)</b>	<b>(4.5%)</b>		

### AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

### SIGNIFICANT DEVELOPMENTS

Appropriations of **\$87.7 million** are provided to **reduce the unfunded liability** of the **Texas Guaranteed Tuition Plan**. This supplemental appropriation was made in House Bill 2, Eighty-fourth Legislature, 2015, for fiscal year 2015.

**Disbursements of mixed beverage tax revenues to cities and counties** increased by **\$42.9 million**, due to a projected increase in mixed beverage sales. These disbursements are statutorily required.

The **Jobs and Education for Texans** program, including a **\$10.0 million** appropriation, is **transferred** to the Texas Workforce Commission.

Appropriations of **\$17.0 million** are provided for new programs established pursuant to House Bill 7, Eighty-fourth Legislature, 2015, including **disabled veteran assistance payments** to cities and counties and for management of the General Revenue-Dedicated **Emerging Technology Fund investment portfolio**.

## SOCIAL SECURITY AND BENEFIT REPLACEMENT PAY

**PURPOSE:** To administer payment of state and employee Social Security and Medicare taxes to the federal government.

**ESTABLISHED:** 1935

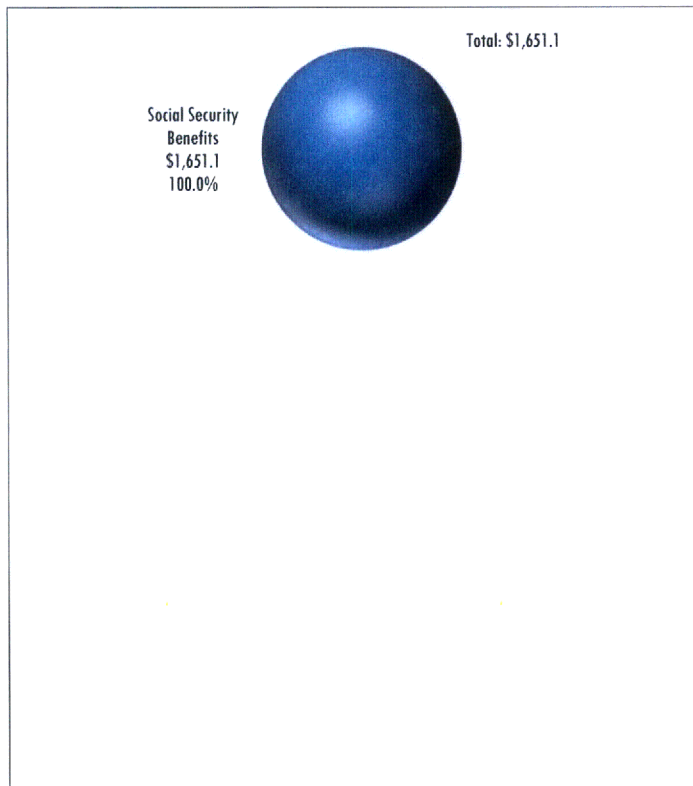
**AUTHORIZING STATUTE:** The Texas Government Code, §606.063

**GOVERNANCE:** N/A

**FIGURE 67**  
**SOCIAL SECURITY AND BENEFIT REPLACEMENT PAY BY METHOD OF FINANCE**

METHOD OF FINANCE	IN MILLIONS				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$1,047.3	\$1,179.2	\$131.9	12.6%	<b>2016</b> 0.0	
General Revenue–Dedicated Funds	\$153.8	\$158.8	\$5.0	3.3%		
Federal Funds	\$182.9	\$179.1	(\$3.8)	(2.1%)		
Other Funds	\$193.2	\$134.0	(\$59.2)	(30.6%)		
<b>Total, All Methods of Finance</b>	<b>\$1,577.2</b>	<b>\$1,651.1</b>	<b>\$73.9</b>	<b>4.7%</b>	<b>2017</b> 0.0	

### AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



### SIGNIFICANT DEVELOPMENTS

State contributions for Social Security fund the 6.2 percent employer payroll tax and the 1.45 percent Medicare payroll tax.

Funding reflects increased appropriations from the General Revenue Fund to offset the discontinuation of appropriations from the State Highway Fund (Other Funds) for certain state agencies.

SOURCE: Legislative Budget Board.

## COMMISSION ON STATE EMERGENCY COMMUNICATIONS

**PURPOSE:** To preserve and enhance public safety and health in Texas through reliable access to emergency communications services. Agency functions are organized to support the standardized 9-1-1 emergency communications services statewide and to maintain the state's poison control network.

**ESTABLISHED:** 1987

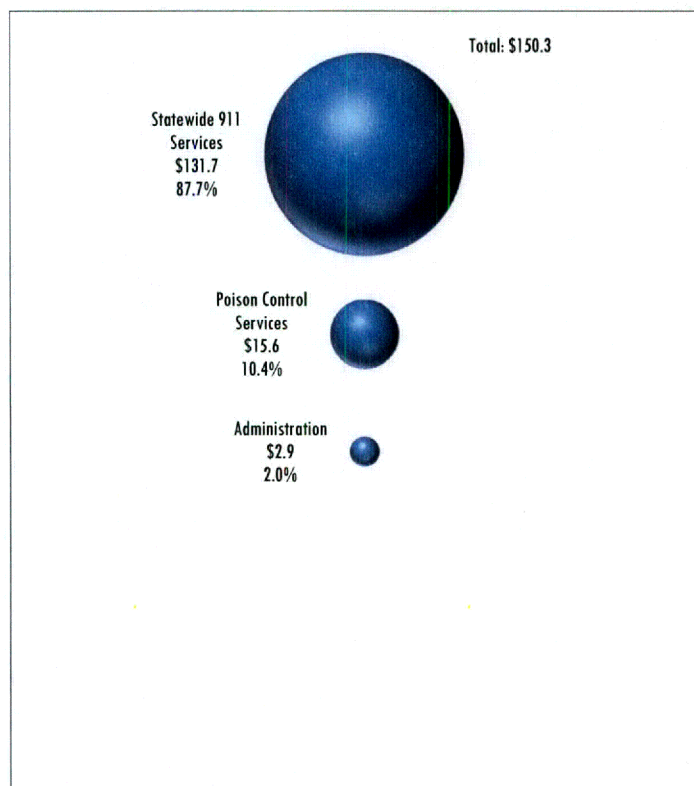
**AUTHORIZING STATUTE:** The Texas Health and Safety Code, Chapter 771

**GOVERNANCE:** Commission—12 members: nine appointed members and three ex officio members

**FIGURE 68**  
**COMMISSION ON STATE EMERGENCY COMMUNICATIONS BY METHOD OF FINANCE**

METHOD OF FINANCE	IN MILLIONS				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$0.0	\$0.0	\$0.0	N/A	2016	25.0
General Revenue—Dedicated Funds	\$145.9	\$150.3	\$4.4	3.0%		
Federal Funds	\$0.0	\$0.0	\$0.0	N/A	2017	25.0
Other Funds	\$0.0	\$0.0	\$0.0	N/A		
<b>Total, All Methods of Finance</b>	<b>\$145.9</b>	<b>\$150.3</b>	<b>\$4.4</b>	<b>3.0%</b>		

### AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



### SIGNIFICANT DEVELOPMENTS

Appropriations include **\$2.0 million provided for improved regional 9-1-1 network availability**, increasing appropriations for statewide 9-1-1 services to \$131.1 million.

**A \$1.2 million increase was provided for the poison control center program**, primarily due to salary increases for medical directors and specialists at the six regional poison control centers.

**The agency's 9-1-1 program serves more than 8.0 million Texans**, or about one-third of the state's population. The poison control program serves all residents of the state.

**Senate Bill 1108** Eighty-fourth Legislature, 2015, authorizes certain state planning regions that operate a 9-1-1 system through a Regional Planning Commission to establish a regional emergency communication district.

SOURCE: Legislative Budget Board.

## TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM

**PURPOSE:** The Texas Emergency Services Retirement System (TESRS) is a statewide retirement system with a pooled investment fund established to finance pension, death, and disability benefits for volunteer firefighters and volunteer emergency medical personnel.

**ESTABLISHED:** 1977

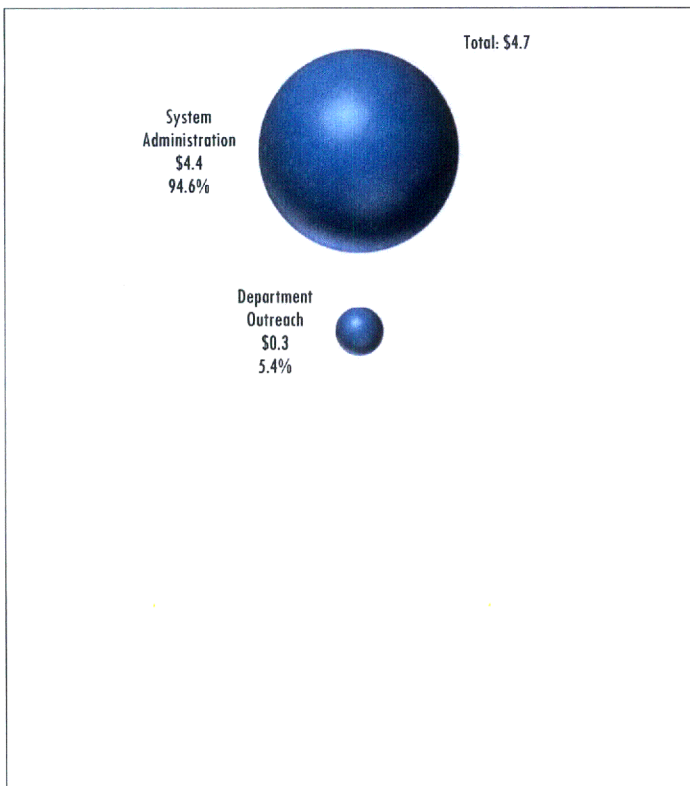
**AUTHORIZING STATUTE:** The Texas Government Code, §865.001

**GOVERNANCE:** Board of Trustees—nine members appointed by the Governor, subject to Senate confirmation

**FIGURE 69**  
**TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM BY METHOD OF FINANCE**

METHOD OF FINANCE	IN MILLIONS				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$4.4	\$1.5	(\$2.9)	(66.0%)	<b>2016</b> 10.0	
General Revenue—Dedicated Funds	\$0.0	\$3.2	\$3.2	N/A		
Federal Funds	\$0.0	\$0.0	\$0.0	N/A		
Other Funds	\$0.0	\$0.0	\$0.0	N/A		
<b>Total, All Methods of Finance</b>	<b>\$4.4</b>	<b>\$4.7</b>	<b>\$0.3</b>	<b>5.8%</b>	<b>2017</b> 10.0	

### AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



### SIGNIFICANT DEVELOPMENTS

The state's contribution to the retirement system of **\$3.2 million came from the Volunteer Fire Department Assistance Account (General Revenue—Dedicated Fund)**, instead of from General Revenue Funds.

**Department outreach funding totals \$252,000**, a new strategy at the agency, which allows the agency to enroll more departments and monitor current member departments.

**TESRS funding provides for 10.0 full-time-equivalent (FTE) positions**, an increase of 4.0 positions each fiscal year. The increase includes two outreach specialists, a chief financial officer, and a receptionist.

SOURCE: Legislative Budget Board.

## EMPLOYEES RETIREMENT SYSTEM

**PURPOSE:** To provide retirement, insurance, and death and survivor benefits to State of Texas employees, retirees, and eligible family members; and manage assets held in a trust.

**ESTABLISHED:** 1947

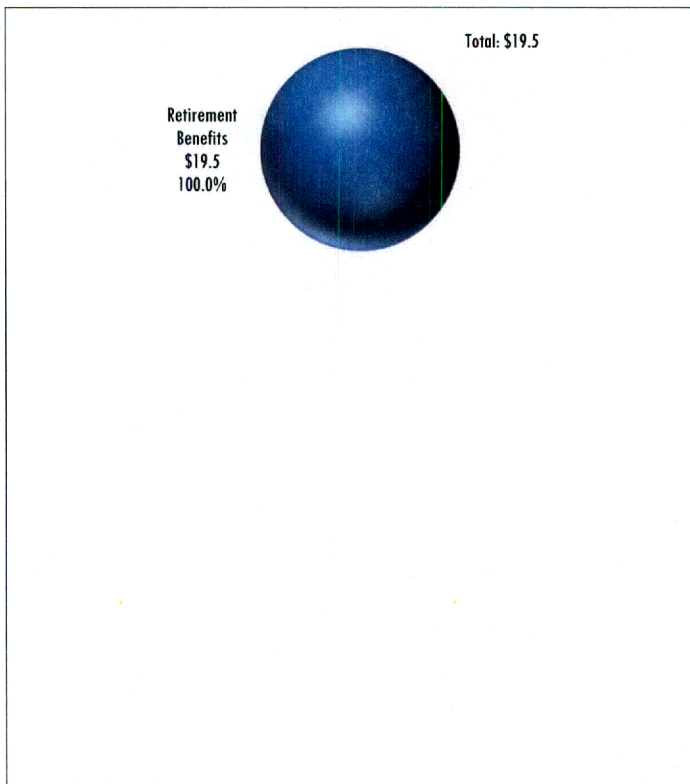
**AUTHORIZING STATUTE:** The Texas Constitution, Article XVI, §67(a)

**GOVERNANCE:** Board of Trustees—one member appointed by Governor, one appointed by the chief justice of the Supreme Court, and one appointed by the Speaker of the House of Representatives, all with advice and consent of the Senate, and three elected members

**FIGURE 70**  
**EMPLOYEES RETIREMENT SYSTEM BY METHOD OF FINANCE**

METHOD OF FINANCE	IN MILLIONS				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$2,551.1	\$3,419.6	\$868.5	34.0%	<b>2016</b> 356.0	
General Revenue–Dedicated Funds	\$170.3	\$211.1	\$40.8	23.9%		
Federal Funds	\$687.7	\$829.5	\$141.7	20.6%		
Other Funds	\$665.1	\$567.6	(\$97.5)	(14.7%)		
<b>Total, All Methods of Finance</b>	<b>\$4,074.2</b>	<b>\$5,027.8</b>	<b>\$953.6</b>	<b>23.4%</b>	<b>2017</b> 360.0	

### AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



### SIGNIFICANT DEVELOPMENTS

As of the August 31, 2015, actuarial valuation, the **funding period for the Employees Retirement System (ERS) retirement plan was reduced from infinite to 33 years.**

Appropriations include **\$332.0 million for an across-the-board pay raise of 2.5 percent** in fiscal year 2016 for employees that contribute to the ERS retirement plan associated with the **increased member contribution, pursuant to House Bill 9, Eighty-fourth Legislature, 2015.**

Funding for the **Group Benefits Program**, which increased by **\$616.6 million**, is sufficient to cover the projected benefit cost trend and ensure **no benefit changes** through fiscal year 2017.

Appropriations include **\$233.4 million** in General Revenue Funds to offset the discontinuation of appropriations from the State Highway Fund (Other Funds) for certain state agencies.

SOURCE: Legislative Budget Board.

## TEXAS ETHICS COMMISSION

**PURPOSE:** To promote individual participation and confidence in electoral and governmental processes by enforcing and administering ethics laws and by providing information that enables the public to oversee the conduct of public officials and those attempting to influence public officials.

**ESTABLISHED:** 1991

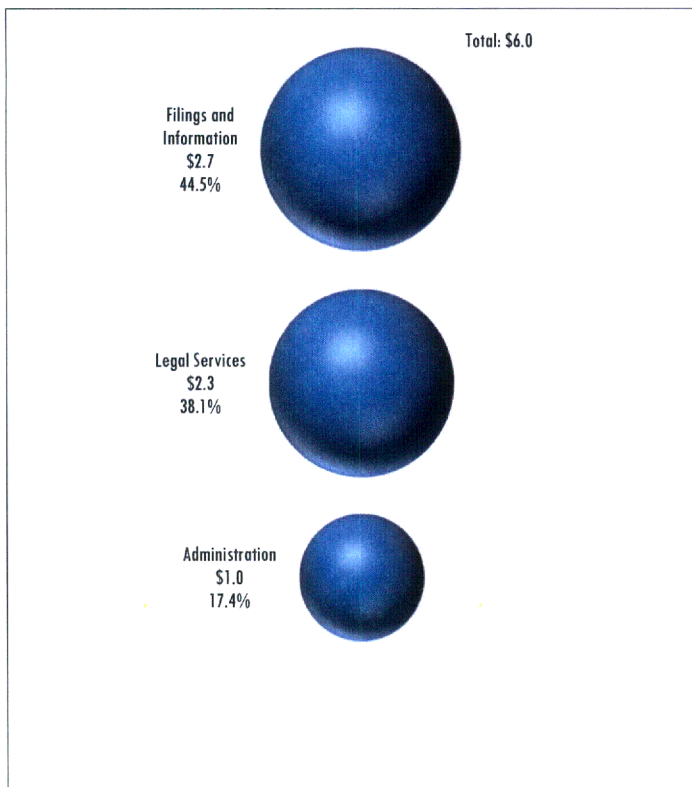
**AUTHORIZING STATUTE:** The Texas Constitution, Article III, §24a

**GOVERNANCE:** Commission—four members appointed by the Governor, two members appointed by the Lieutenant Governor, two members appointed by the Speaker of the House of Representatives, with no more than four commissioners from the same political party

**FIGURE 71**  
**TEXAS ETHICS COMMISSION BY METHOD OF FINANCE**

METHOD OF FINANCE	IN MILLIONS				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$7.5	\$6.0	(\$1.5)	(19.4%)	<b>2016</b> 33.4	
General Revenue—Dedicated Funds	\$0.0	\$0.0	\$0.0	N/A		
Federal Funds	\$0.0	\$0.0	\$0.0	N/A		
Other Funds	\$0.0	\$0.0	(\$0.0)	(37.9%)		
<b>Total, All Methods of Finance</b>	<b>\$7.5</b>	<b>\$6.0</b>	<b>(\$1.5)</b>	<b>(19.5%)</b>	<b>2017</b> 33.4	

### AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



### SIGNIFICANT DEVELOPMENTS

The agency received more than 32,000 reports in fiscal year 2015, which were filed by approximately 6,060 candidates, officeholders, and political committees, and approximately 2,000 lobbyists.

The agency collected \$324,300 in fines in fiscal year 2015, on assessed penalties for late or corrected reports, which were deposited into the General Revenue Fund.

SOURCE: Legislative Budget Board.



## TEXAS FACILITIES COMMISSION

**PURPOSE:** To support state government through strategic planning, asset management, design, construction, maintenance, and leasing of state facilities and the reallocation or disposal of state and federal surplus.

**ESTABLISHED:** 2007

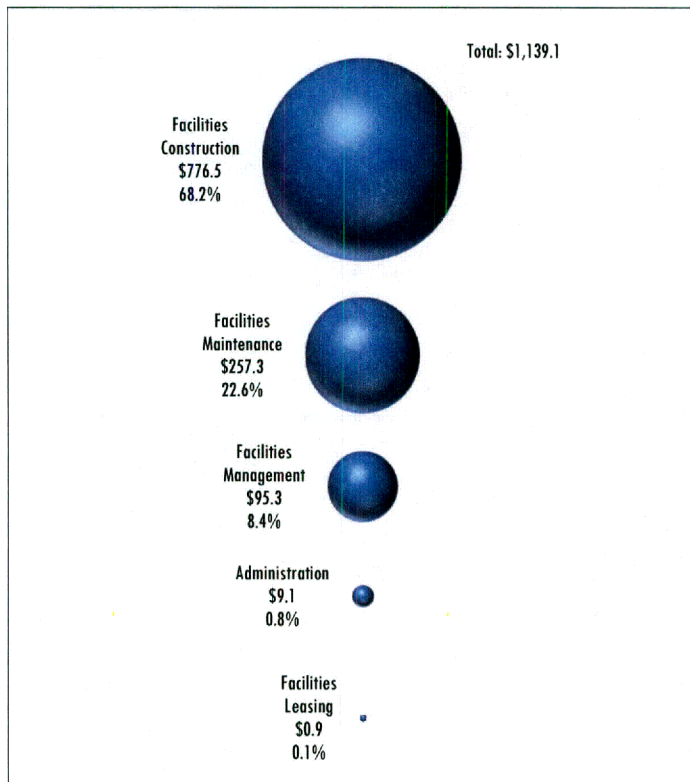
**AUTHORIZING STATUTE:** The Texas Government Code, Chapter 2152

**GOVERNANCE:** Commission—five members appointed by the Governor, and two members appointed by the Lieutenant Governor

**FIGURE 72**  
**TEXAS FACILITIES COMMISSION BY METHOD OF FINANCE**

METHOD OF FINANCE	IN MILLIONS				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS
	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE	
General Revenue Funds	\$110.6	\$107.0	(\$3.6)	(3.2%)	2016 498.4
General Revenue—Dedicated Funds	\$5.6	\$224.3	\$218.8	3,924.0%	
Federal Funds	\$0.0	\$0.0	\$0.0	N/A	2017 498.4
Other Funds	\$92.7	\$807.8	\$715.0	771.0%	
<b>Total, All Methods of Finance</b>	<b>\$208.9</b>	<b>\$1,139.1</b>	<b>\$930.2</b>	<b>445.3%</b>	

### AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

### SIGNIFICANT DEVELOPMENTS

Revenue Bond Proceeds funding of **\$767.7 million** appropriated for construction and infrastructure projects related to the Capitol Complex and the North Austin Complex.

Appropriations include **\$217.2 million for deferred maintenance projects**, including funding for deferred maintenance repairs at the Texas School for the Deaf.

A **\$4.4 million** funding increase is due to the **transfer of facility operations** at the Texas School for the Deaf and the Texas School for the Blind and Visually Impaired.

## PUBLIC FINANCE AUTHORITY

**PURPOSE:** To issue General Obligation and revenue bonds for designated state agencies, maintain the Master Lease Purchase Program, and act as the exclusive issuer in other statutes when designated by the Legislature.

**ESTABLISHED:** 1983

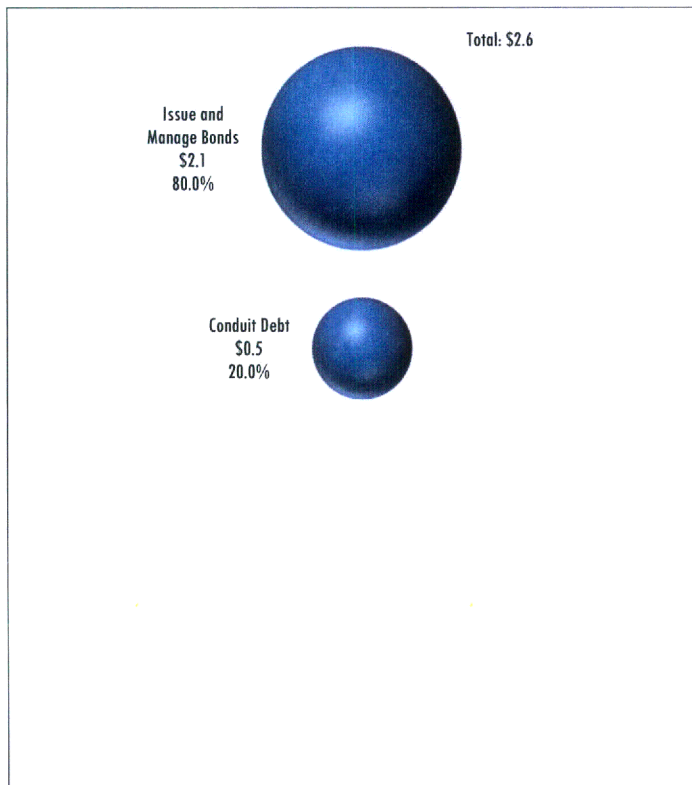
**AUTHORIZING STATUTE:** The Texas Government Code, §1232

**GOVERNANCE:** Board of Directors—seven members appointed by the Governor with advice and consent of the Senate

**FIGURE 73**  
**PUBLIC FINANCE AUTHORITY BY METHOD OF FINANCE**

METHOD OF FINANCE	IN MILLIONS				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$2.5	\$2.6	\$0.1	4.5%	2016	14.0
General Revenue–Dedicated Funds	\$0.0	\$0.0	\$0.0	N/A		
Federal Funds	\$0.0	\$0.0	\$0.0	N/A	2017	14.0
Other Funds	\$0.0	\$0.0	(\$0.0)	(100.0%)		
<b>Total, All Methods of Finance</b>	<b>\$2.5</b>	<b>\$2.6</b>	<b>\$0.1</b>	<b>4.3%</b>		

### AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

### SIGNIFICANT DEVELOPMENTS

**General Obligation (GO) bond debt totaled \$2.3 billion, with debt service payments totaling \$662.4 million for the 2016–17 biennium.**

The agency approved **six requests for financings, refundings, and cash defeasances** in fiscal year 2015.

Of **\$2.3 billion in outstanding GO bonds, \$488.2 million**, or 21.8 percent, is for bonds for construction, repair, and renovation of Texas Department of Criminal Justice facilities.

The agency issued **\$583.3 million in conduit transactions** in fiscal year 2015.

## OFFICE OF THE GOVERNOR

**PURPOSE:** As the chief executive officer of Texas, the Governor is responsible for carrying out various constitutional and statutory responsibilities, including serving as the commander in chief of the state's military forces, serving as the chief budget officer, and appointing members of state boards and commissions.

**ESTABLISHED:** 1845

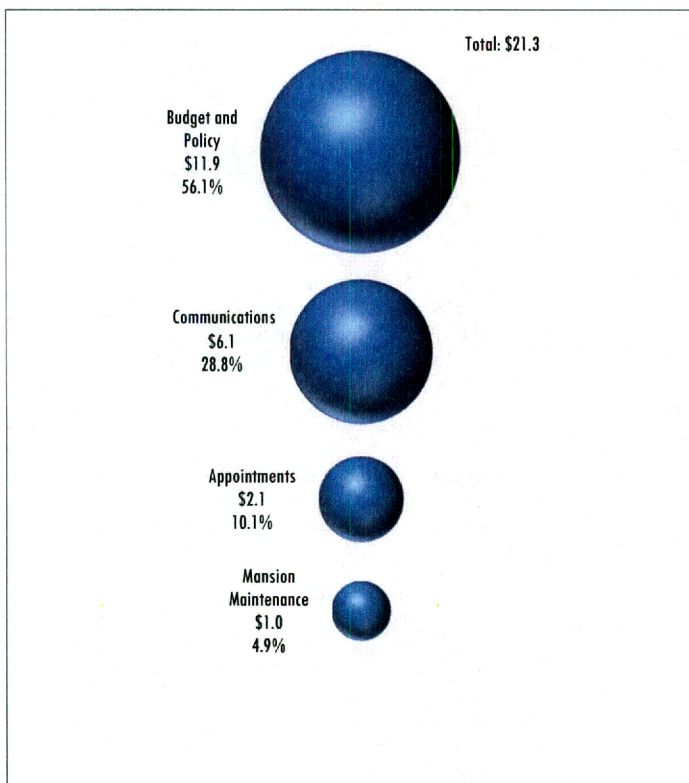
**AUTHORIZING STATUTE:** The Texas Constitution, Article IV

**GOVERNANCE:** Statewide elected official

**FIGURE 74**  
**OFFICE OF THE GOVERNOR BY METHOD OF FINANCE**

METHOD OF FINANCE	IN MILLIONS				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2014-15	APPROPRIATED 2016-17	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$24.0	\$20.7	(\$3.2)	(13.5%)	2016	120.1
General Revenue-Dedicated Funds	\$0.0	\$0.0	\$0.0	N/A		
Federal Funds	\$0.0	\$0.0	\$0.0	N/A		
Other Funds	\$0.5	\$0.5	\$0.0	0.0%		
<b>Total, All Methods of Finance</b>	<b>\$24.5</b>	<b>\$21.3</b>	<b>(\$3.2)</b>	<b>(13.2%)</b>	2017	120.1

### AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

### SIGNIFICANT DEVELOPMENTS

Budget and Policy Division funding includes **\$0.5 million** related to the **Texas Workforce Commission Investment Council** (funded via interagency contract).

**Funding for the Office of the First Lady is \$0.5 million**, or 8.5 percent of the communications program area.

**The Governor made 415 appointments** to various boards, commissions, and committees across the state in fiscal year 2015.

## TRUSTEED PROGRAMS WITHIN THE OFFICE OF THE GOVERNOR

**PURPOSE:** The Trusted Programs within the Office of the Governor are statewide programs within the direct oversight of the chief executive. Programs include the Disaster Assistance Grants for state agencies and local governments, the Film and Music Marketing Program, the Criminal Justice Division, the Economic Development and Tourism Division, the Texas Military Preparedness Commission, the Homeland Security Division, the Committee on People with Disabilities, the Commission for Women, and the Office of State-Federal Relations.

**ESTABLISHED:** 1845

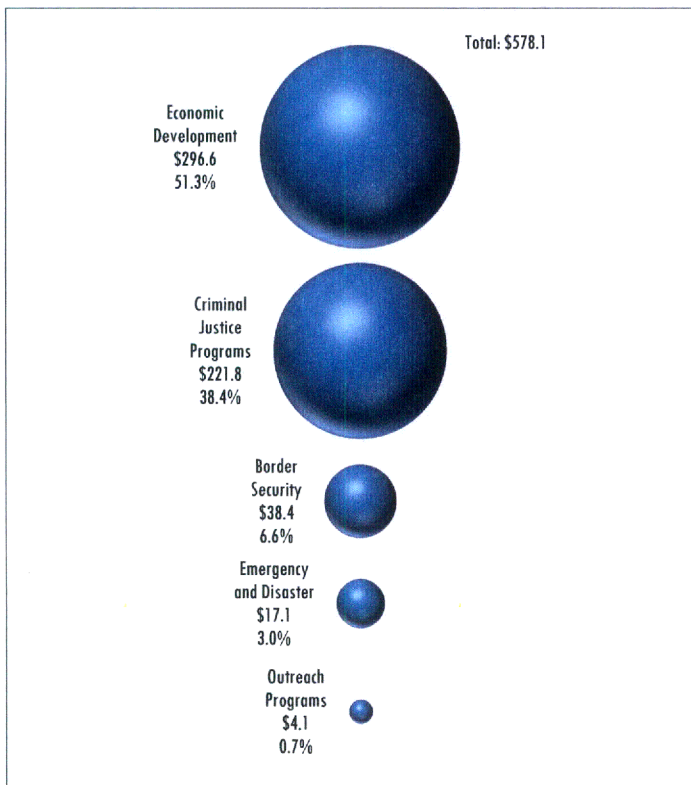
**AUTHORIZING STATUTE:** The Texas Constitution, Article IV

**GOVERNANCE:** Governor, statewide elected official

**FIGURE 75**  
**TRUSTEED PROGRAMS WITHIN THE OFFICE OF THE GOVERNOR BY METHOD OF FINANCE**

METHOD OF FINANCE	IN MILLIONS				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$352.6	\$232.9	(\$119.8)	(34.0%)	2016	168.3
General Revenue–Dedicated Funds	\$343.3	\$217.3	(\$126.0)	(36.7%)		
Federal Funds	\$124.6	\$124.6	\$0.0	0.0%		
Other Funds	\$57.4	\$3.3	(\$54.1)	(94.3%)		
<b>Total, All Methods of Finance</b>	<b>\$878.0</b>	<b>\$578.1</b>	<b>(\$299.9)</b>	<b>(34.2%)</b>	2017	168.3

### AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



### SIGNIFICANT DEVELOPMENTS

The General Revenue–Dedicated Emerging Technology Fund was abolished, and its \$85.0 million balance was transferred to the General Revenue–Dedicated Texas Enterprise Fund (\$45.0 million) and the General Revenue–Dedicated Governor’s University Research Initiative (\$40.0 million).

The Texas Military Preparedness Commission funding includes \$30.0 million for grants to defense communities in Texas.

The Criminal Justice Division awarded \$186.3 million in grants to local, regional, and statewide projects during the 2014–15 biennium.

The newly established Child Sex Trafficking Prevention Unit is appropriated \$5.7 million, with \$3.7 million in General Revenue Funds and \$2.0 million in General Revenue–Dedicated Funds from the Sexual Assault Program Account No. 5010.

SOURCE: Legislative Budget Board.

## HISTORICAL COMMISSION

**PURPOSE:** To protect and preserve the state’s historic and prehistoric resources for the use, education, economic benefit, and enjoyment of present and future generations.

**ESTABLISHED:** 1953

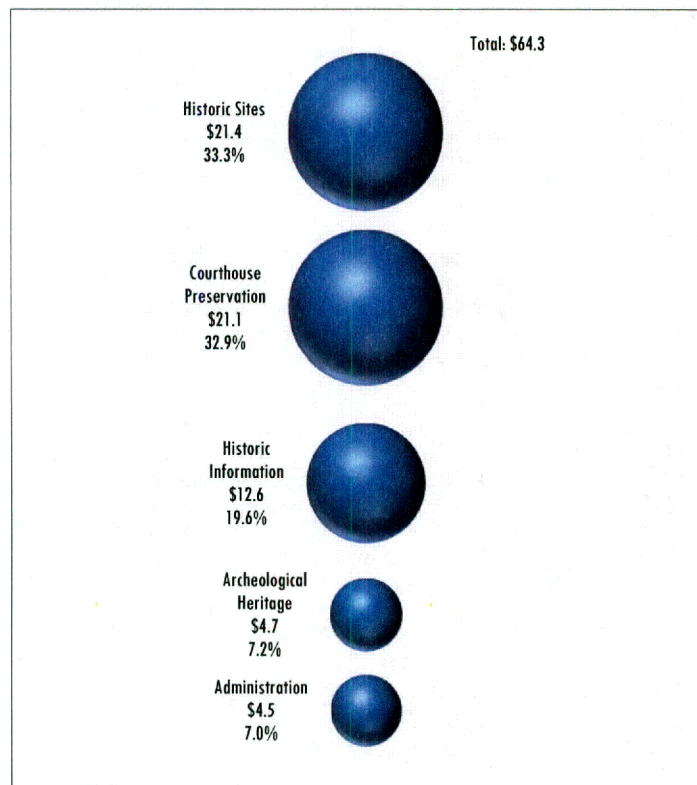
**AUTHORIZING STATUTE:** The Texas Government Code, Chapter 442

**GOVERNANCE:** Commission—nine members appointed by the Governor, with the advice and consent of the Senate

**FIGURE 76**  
**HISTORICAL COMMISSION BY METHOD OF FINANCE**

METHOD OF FINANCE	IN MILLIONS				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$32.4	\$59.8	\$27.4	84.4%	2016	217.7
General Revenue–Dedicated Funds	\$0.5	\$0.5	\$0.0	0.0%		
Federal Funds	\$2.2	\$2.2	(\$0.0)	(1.0%)	2017	217.7
Other Funds	\$27.6	\$1.8	(\$25.8)	(93.4%)		
<b>Total, All Methods of Finance</b>	<b>\$62.8</b>	<b>\$64.3</b>	<b>\$1.5</b>	<b>2.5%</b>		

### AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



### SIGNIFICANT DEVELOPMENTS

The **courthouse grant program** is funded with **\$20.0 million** in General Revenue Funds.

Appropriations include **\$4.0 million** for the repair and renovation of the **National Museum of the Pacific War** and construction of buildings and facilities at the **San Felipe de Austin State Historic Site**.

Appropriations of **\$1.1 million** were made for **deferred maintenance** and **safety renovations** at historic sites throughout the state.

**Agency staffing was increased by 23.0 full-time-equivalent positions**, supported by additional appropriation of **\$3.7 million** in General Revenue Funds for various agency programs.

SOURCE: Legislative Budget Board.

## DEPARTMENT OF INFORMATION RESOURCES

**PURPOSE:** To provide information technology (IT) services to state and local government entities, including consolidated data centers, telecommunication services, IT security services, statewide IT procurement, oversight of the Texas.gov web portal, and technology planning and policy.

**ESTABLISHED:** 1989

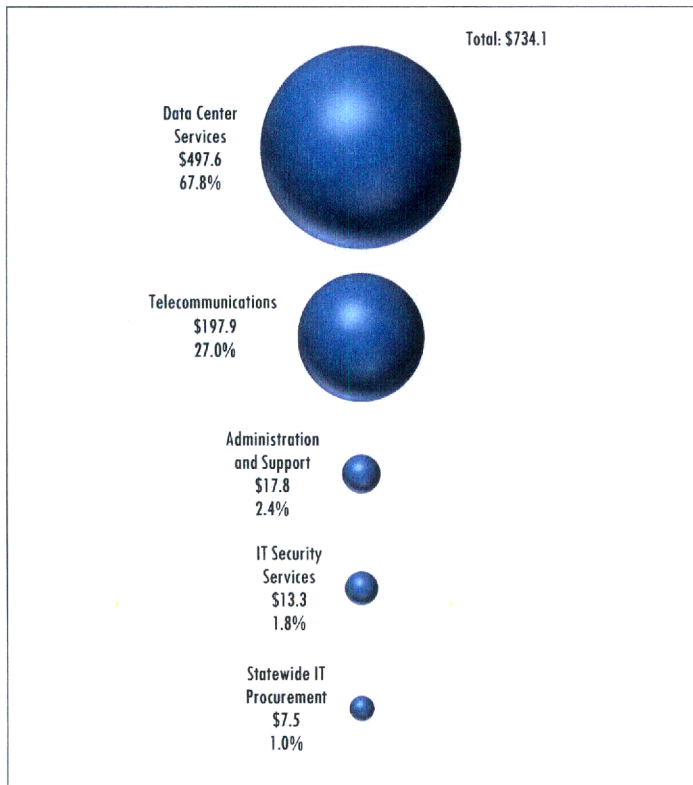
**AUTHORIZING STATUTE:** The Texas Government Code, §2054.004

**GOVERNANCE:** Board of Directors—seven voting members appointed by the Governor with the advice and consent of the Senate and three ex officio nonvoting members specified in the Government Code, §2054.021(c)

**FIGURE 77**  
**DEPARTMENT OF INFORMATION RESOURCES BY METHOD OF FINANCE**

METHOD OF FINANCE	IN MILLIONS				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$0.0	\$0.0	\$0.0	N/A	2016	198.0
General Revenue–Dedicated Funds	\$0.0	\$0.0	\$0.0	N/A		
Federal Funds	\$0.0	\$0.0	\$0.0	N/A		
Other Funds	\$582.2	\$734.1	\$151.9	26.1%	2017	198.0
<b>Total, All Methods of Finance</b>	<b>\$582.2</b>	<b>\$734.1</b>	<b>\$151.9</b>	<b>26.1%</b>		

### AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



### SIGNIFICANT DEVELOPMENTS

**Data Center Services (DCS)** appropriations increased by **\$118.3 million** in payments to DCS service providers from 2014–15 biennial levels due to an increase in service usage by state agencies.

**Telecommunications program funding is increased by \$26.5 million**, reflecting an increase in usage of TEX-AN data services by local government customers and an expansion of voice over Internet protocol phone service in the Capital Complex.

**Senate Bill 20, Eighty-fourth Legislature, 2015**, makes significant changes to the **Statewide IT Procurement** program, including prohibition of agency purchases **greater than \$1.0 million** through Cooperative Contracts.

Services provided through the **Texas.gov** online portal generated **\$65.1 million in General Revenue Funds** during the 2014–15 biennium.

SOURCE: Legislative Budget Board.

## LIBRARY AND ARCHIVES COMMISSION

**PURPOSE:** To safeguard significant resources; provide information services that inspire and support research, education, and reading; and enhance the capacity for achievement of current and future generations.

**ESTABLISHED:** 1909

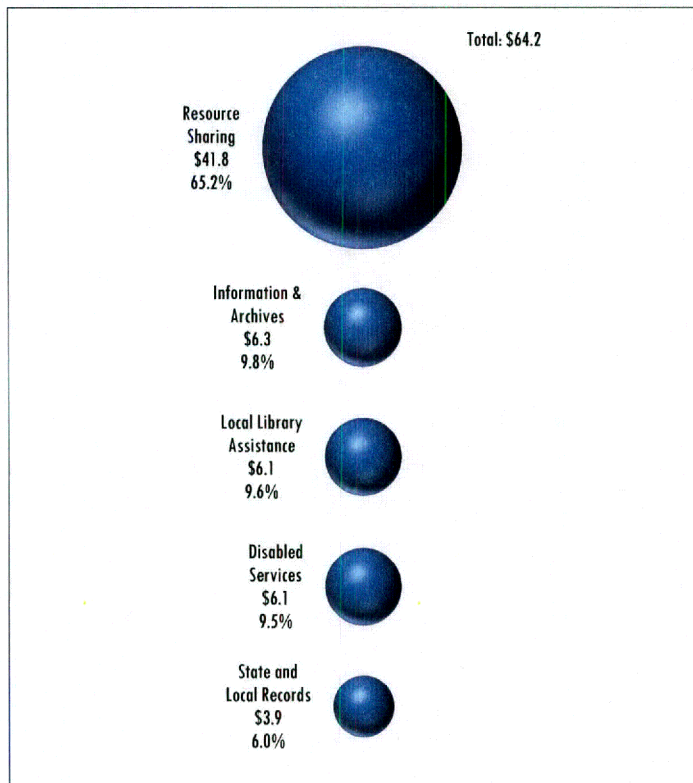
**AUTHORIZING STATUTE:** The Texas Government Code, Chapter 441

**GOVERNANCE:** Commission—seven members appointed by the Governor with advice and consent of the Senate

**FIGURE 78**  
**LIBRARY AND ARCHIVES COMMISSION BY METHOD OF FINANCE**

METHOD OF FINANCE	IN MILLIONS				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS				
	EXPENDED/ BUDGETED 2014-15	APPROPRIATED 2016-17	BIENNIAL CHANGE	PERCENTAGE CHANGE					
General Revenue Funds	\$23.7	\$31.5	\$7.7	32.6%	<table border="1"> <tr> <td>2016</td> <td>168.5</td> </tr> <tr> <td>2017</td> <td>168.5</td> </tr> </table>	2016	168.5	2017	168.5
2016	168.5								
2017	168.5								
General Revenue—Dedicated Funds	\$0.0	\$0.0	\$0.0	N/A					
Federal Funds	\$19.9	\$20.1	\$0.2	1.1%					
Other Funds	\$10.8	\$12.6	\$1.8	16.8%					
<b>Total, All Methods of Finance</b>	<b>\$54.4</b>	<b>\$64.2</b>	<b>\$9.8</b>	<b>18.0%</b>					

### AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

### SIGNIFICANT DEVELOPMENTS

**TexShare**, a resource-sharing consortium for higher education institutions, increased by **\$4.7 million** or **26.9 percent**. Increases include **\$3.3 million** in General Revenue Funds, and the remainder is appropriated from Federal Funds and Other Funds.

**TexQuest**, a resource-sharing database at public schools for kindergarten to grade 12, increased by **\$3.9 million** or **83.5 percent**. Increases include **\$2.5 million** in General Revenue Funds; the remainder is appropriated from Federal Funds and Appropriated Receipts.

The new **Texas Digital Archive**, which will contain files from former Governor Rick Perry and former Lieutenant Governor David Dewhurst, is appropriated **\$706,593** in General Revenue Funds and **3.0 full-time-equivalent positions**.

Funding increased by **\$500,000** in General Revenue Funds for implementing the **Centralized Accounting and Payroll/Personnel System (CAPPs)**.

## PENSION REVIEW BOARD

**PURPOSE:** To provide the necessary information and recommendations to ensure that Texas public retirement systems are financially sound, benefits are equitable, the systems are properly managed, tax expenditures for employee benefits are kept to a minimum while still providing for those employees, and to expand the knowledge and education of administrators, trustees, and members of Texas public pension funds.

**ESTABLISHED:** 1979

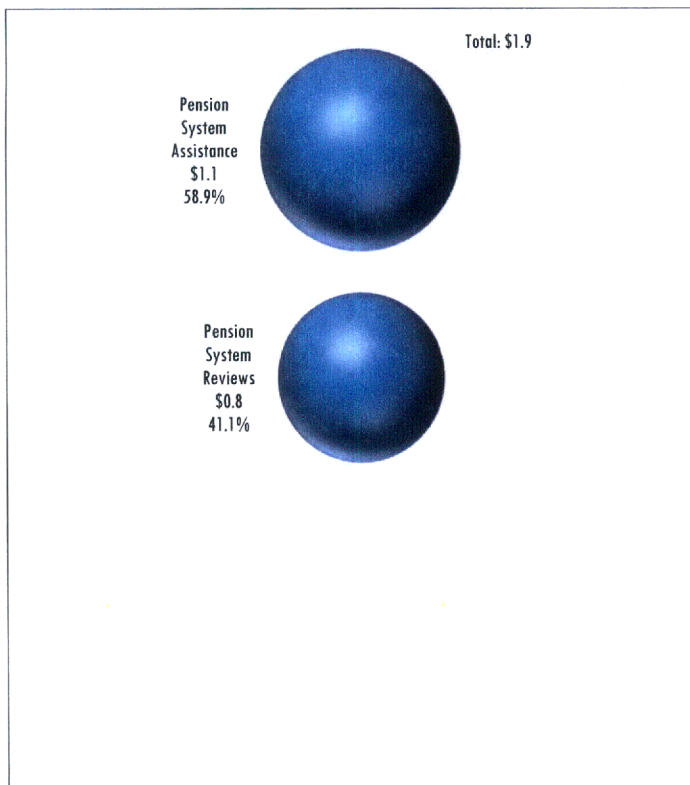
**AUTHORIZING STATUTE:** The Texas Government Code, §801.101

**GOVERNANCE:** Board—seven board members appointed by the Governor with advice and consent of the Senate

**FIGURE 79**  
**PENSION REVIEW BOARD BY METHOD OF FINANCE**

METHOD OF FINANCE	IN MILLIONS				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$1.7	\$1.8	\$0.1	6.5%	2016	15.0
General Revenue—Dedicated Funds	\$0.0	\$0.0	\$0.0	N/A		
Federal Funds	\$0.0	\$0.0	\$0.0	N/A	2017	15.0
Other Funds	\$0.0	\$0.0	\$0.0	N/A		
<b>Total, All Methods of Finance</b>	<b>\$1.7</b>	<b>\$1.9</b>	<b>\$0.1</b>	<b>7.6%</b>		

### AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

### SIGNIFICANT DEVELOPMENTS

The agency has oversight responsibility for 331 public retirement systems in Texas: 93 actuarially funded defined benefit plans; 157 defined contribution plans; and 81 pay-as-you-go, volunteer firefighter plans.

The 93 defined benefit plans in Texas had approximately \$243.0 billion in total net assets, as of September 2015.

In defined benefit plans, benefits are determined by a formula that considers compensation and years of service. Defined contribution plans provide benefits equal to contributions and interest earned, minus administrative expenses.

Paid, part-paid, and volunteer firefighter plans are entirely developed, funded, and administered at the local level. They were previously overseen by the Fire Fighters' Pension Commissioner.



## PRESERVATION BOARD

**PURPOSE:** To preserve and maintain the Texas Capitol, the Capitol Extension, the Capitol Visitors Center (1857 General Land Office Building), other designated buildings, their contents, and their grounds; preserve and maintain the Texas Governor’s Mansion; and operate the Bullock Texas State History Museum. Provide educational programs centered on Texas history, government, and culture.

**ESTABLISHED:** 1983

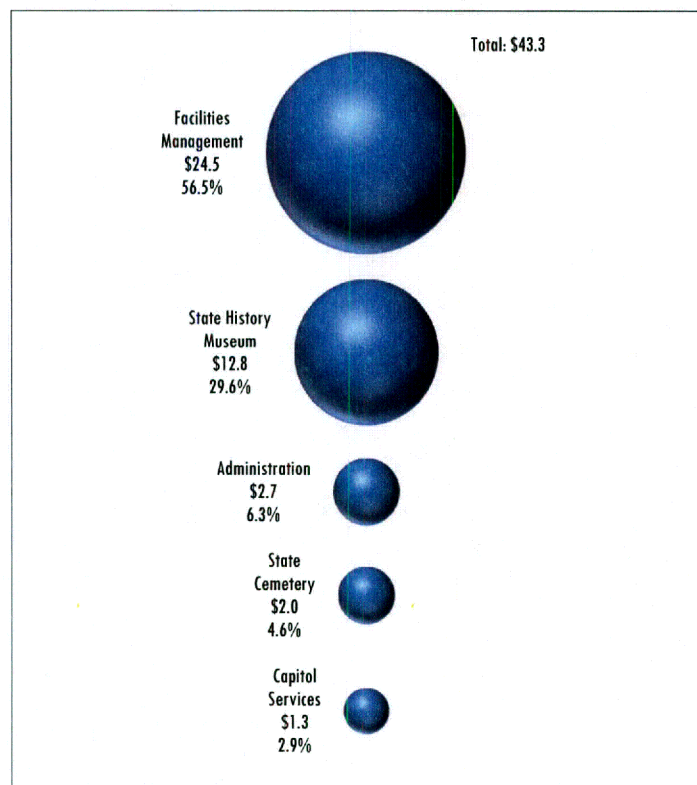
**AUTHORIZING STATUTE:** The Texas Government Code, Section 443.001

**GOVERNANCE:** Board—six members including the Governor, Lieutenant Governor, Speaker of the House of Representatives, one senator, one representative, and one public representative

**FIGURE 80  
PRESERVATION BOARD BY METHOD OF FINANCE**

METHOD OF FINANCE	IN MILLIONS				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$31.9	\$43.2	\$11.3	35.4%	2016	120.0
General Revenue–Dedicated Funds	\$0.0	\$0.0	\$0.0	N/A		
Federal Funds	\$0.0	\$0.0	\$0.0	N/A	2017	120.0
Other Funds	\$0.3	\$0.0	(\$0.3)	(87.6%)		
<b>Total, All Methods of Finance</b>	<b>\$32.3</b>	<b>\$43.3</b>	<b>\$11.0</b>	<b>34.0%</b>		

### AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

### SIGNIFICANT DEVELOPMENTS

- Repair and preservation projects** for the Capitol, Capitol Visitors Center, and Texas State History Museum are appropriated **\$15.0 million**.
- The Texas State History Museum’s IMAX Theatre is provided \$1.5 million** for the conversion of the film projectors from a film to digital format and other theater improvements.
- The Texas State Cemetery is now administered by the board**, with supporting appropriations of \$2.0 million, through a transfer from the Facilities Commission, pursuant to **House Bill 2206, Eighty-fourth Legislature, 2015**.

## STATE OFFICE OF RISK MANAGEMENT

**PURPOSE:** To assist state agencies in developing risk management programs and administer the state’s self-insured government employees workers’ compensation program and the state risk management programs.

**ESTABLISHED:** 1997

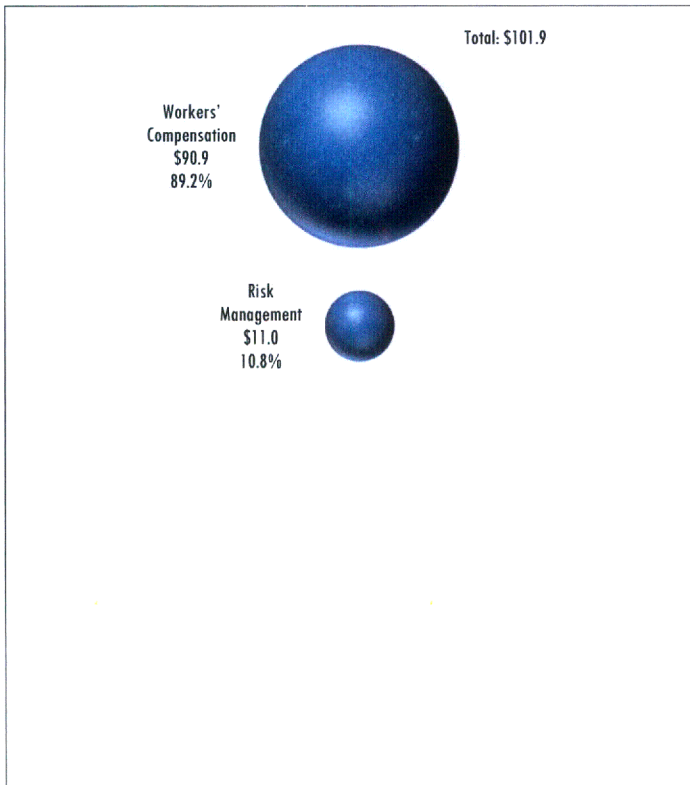
**AUTHORIZING STATUTE:** The Texas Labor Code, §412.011

**GOVERNANCE:** Risk Management Board—five members appointed by the Governor with staggered six-year terms

**FIGURE 81**  
**STATE OFFICE OF RISK MANAGEMENT BY METHOD OF FINANCE**

METHOD OF FINANCE	IN MILLIONS				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$0.0	\$0.0	\$0.0	N/A	2016	121.6
General Revenue–Dedicated Funds	\$0.0	\$0.0	\$0.0	N/A		
Federal Funds	\$0.0	\$0.0	\$0.0	N/A		
Other Funds	\$102.2	\$101.9	(\$0.3)	(0.3%)	2017	121.6
<b>Total, All Methods of Finance</b>	<b>\$102.2</b>	<b>\$101.9</b>	<b>(\$0.3)</b>	<b>(0.3%)</b>		

### AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



### SIGNIFICANT DEVELOPMENTS

The agency expects to process approximately **104,000 medical bills** and another **26,000 indemnity bills** during each year of the 2016–17 biennium.

The agency has paid approximately **\$371.7 million** in **medical and income benefits** since 2007. For the 2016–17 biennium, the agency estimates that it will pay approximately **\$40.5 million** each fiscal year.

The **number of injuries sustained** by state employees per 100.0 full-time-equivalent (FTE) positions has **decreased from 4.0 positions to 3.4 positions** from fiscal years 2004 to 2015.

SOURCE: Legislative Budget Board.

## SECRETARY OF STATE

**PURPOSE:** The Secretary of State serves as chief election officer for Texas, assisting county election officials and ensuring the uniform application and interpretation of election laws throughout Texas. The office also provides a repository for required official and business and commercial records, publishes government rules and regulations, commissions notaries public, and serves as keeper of the state seal and attestor to the Governor’s signature on official documents.

**ESTABLISHED:** 1845

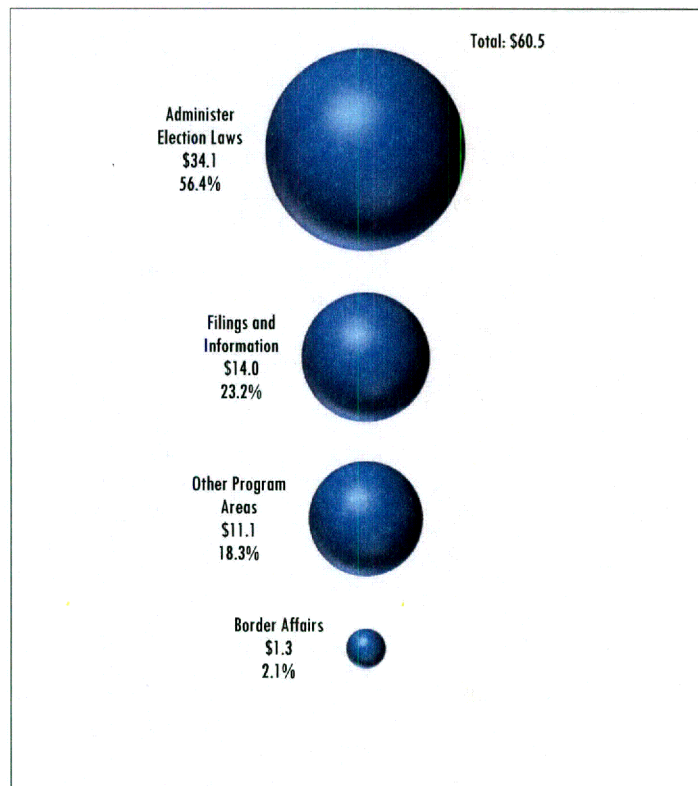
**AUTHORIZING STATUTE:** The Texas Constitution, Article IV, §21

**GOVERNANCE:** Constitutional office appointed by the Governor with advice and consent of the Senate

**FIGURE 82  
SECRETARY OF STATE BY METHOD OF FINANCE**

METHOD OF FINANCE	IN MILLIONS				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$39.4	\$42.9	\$3.4	8.7%	<b>2016</b> 203.0	
General Revenue–Dedicated Funds	\$0.0	\$0.0	(\$0.0)	(52.2%)		
Federal Funds	\$16.6	\$4.5	(\$12.1)	(73.0%)		
Other Funds	\$13.5	\$13.1	(\$0.4)	(3.1%)		
<b>Total, All Methods of Finance</b>	<b>\$69.6</b>	<b>\$60.5</b>	<b>(\$9.1)</b>	<b>(13.1%)</b>	<b>2017</b> 203.0	

### AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

### SIGNIFICANT DEVELOPMENTS

**Help America Vote Act (HAVA) funds** are estimated to be depleted by fiscal year 2017, resulting in the reduction in Federal Funds appropriations. Texas was awarded \$190.0 million in federal HAVA funds in 2004.

Appropriations include **\$4.2 million** in General Revenue Funds to provide **voter education programs** previously funded by HAVA.

Appropriations of **\$13.2 million** are to be spent on **2016 primary election costs**, including poll workers. The agency expects approximately **\$8.6 million** to be spent on the primary election and **\$4.6 million** on the runoff.

Direct access to the **agency’s electronic databases** is provided to **723,000 government and commercial entities**. Databases contain information related to business filings, voter registration, jury lists, and other important public records.

## VETERANS COMMISSION

**PURPOSE:** To help guarantee that Texas veterans and their families secure all the rights and benefits provided for them by law through advocacy, counseling, and financial assistance.

**ESTABLISHED:** 1927 as the Veterans State Service Office and renamed the Texas Veterans Commission in 1985

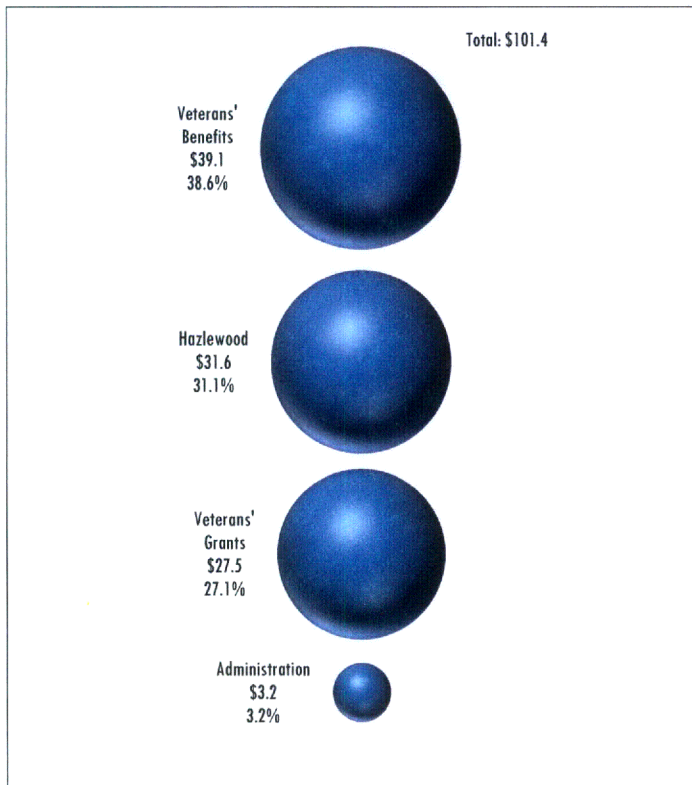
**AUTHORIZING STATUTE:** The Texas Government Code, Chapter 434

**GOVERNANCE:** Commission—five members appointed by the Governor with advice and consent of the Senate

**FIGURE 83**  
**VETERANS COMMISSION BY METHOD OF FINANCE**

METHOD OF FINANCE	IN MILLIONS				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$20.4	\$55.0	\$34.6	169.8%	2016	407.5
General Revenue—Dedicated Funds	\$0.0	\$0.0	\$0.0	N/A		
Federal Funds	\$20.9	\$21.9	\$0.9	4.4%		
Other Funds	\$22.7	\$24.6	\$1.8	8.0%		
<b>Total, All Methods of Finance</b>	<b>\$64.1</b>	<b>\$101.4</b>	<b>\$37.3</b>	<b>58.3%</b>	2017	407.5

### AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

### SIGNIFICANT DEVELOPMENTS

The Health Care Advocacy Program for Veterans is appropriated \$1.6 million and 14.0 full-time-equivalent (FTE) positions in the 2016–17 biennium for the purpose of strategically placing liaisons across the state to assist veterans with health-related issues.

Of the agency's 407.5 FTE positions, 363.0 (89.0 percent) provide direct or indirect services to Texas veterans. The remaining 44.5 positions provide administrative support to the agency.

The Hazlewood Legacy Program is provided \$30.0 million in General Revenue Funds for institutions of higher education to offset the waived tuition and fee revenue.

The agency has awarded \$51.2 million in grant awards through the Fund for Veterans' Assistance from fiscal years 2010 to 2015 to nonprofit and local government entities who provide direct services to veterans and their families.

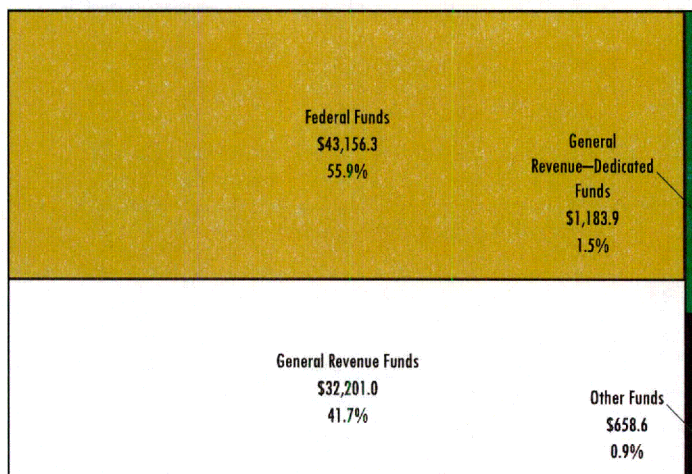
## 5. HEALTH AND HUMAN SERVICES

Health and Human Services (HHS) is the second-largest function of Texas state government and encompasses many different programs. Spending is driven primarily by caseloads for certain programs such as Medicaid, an entitlement program; Children's Health Insurance Program (CHIP); and foster care and related programs. Other significant programs include child protective services, various mental health services for adults and children, various healthcare services for women and children, and home- and community-based services.

**FIGURE 84**  
**ARTICLE II – HEALTH AND HUMAN SERVICES, BY METHOD OF FINANCE**

METHOD OF FINANCE	IN MILLIONS			
	EXPENDED/BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	\$29,751.2	\$32,201.0	\$2,449.8	8.2%
General Revenue–Dedicated Funds	\$1,191.5	\$1,183.9	(\$7.6)	(0.6%)
Federal Funds	\$43,134.7	\$43,156.3	\$21.6	0.1%
Other Funds	\$674.2	\$658.6	(\$15.6)	(2.3%)
<b>Total, All Methods of Finance</b>	<b>\$74,751.5</b>	<b>\$77,199.8</b>	<b>\$2,448.3</b>	<b>3.3%</b>

**SHARE OF FUNDING BY METHOD OF FINANCE (IN MILLIONS)**



**SIGNIFICANT DEVELOPMENTS**

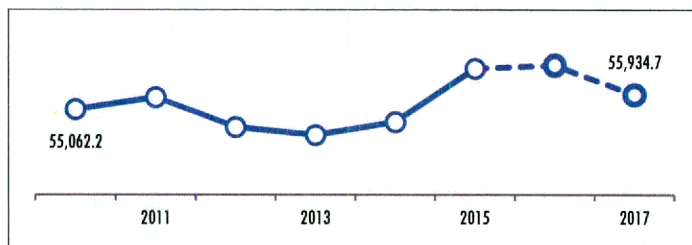
The Texas Medicaid program is appropriated **\$61.2 billion** in All Funds, including \$25.1 billion in General Revenue Funds and General Revenue–Dedicated Funds, an increase of **\$1.9 billion** in General Revenue Funds.

The Children's Health Insurance Program (CHIP), is appropriated **\$1.8 billion** in All Funds, a decrease of \$201.7 million, mostly due to the transition of certain children from CHIP to Medicaid pursuant to the federal Affordable Care Act.

Funding for **Child Protective Services** totals \$2.8 billion and addresses entitlement caseload growth in foster care, adoption subsidies, and the permanency care assistance program.

The health and human services agencies were **consolidated** from five to three agencies: Health and Human Services Commission, Department of State Health Services, and the Department of Family and Protective Services.

**FULL-TIME-EQUIVALENT POSITIONS**



NOTES: Excludes Interagency Contracts. Full-time-equivalent positions show actual positions for fiscal years 2010 to 2015 and appropriated positions for fiscal years 2016 and 2017. Includes changes due to: House Bill 2, Eighty-fourth Legislature, 2015; technical and/or reconciled adjustments; and the Governor's vetoes.

SOURCES: Legislative Budget Board; State Auditor's Office.

## DEPARTMENT OF AGING AND DISABILITY SERVICES

**PURPOSE:** To provide a comprehensive array of aging and disability services, supports, and opportunities that are easily accessed in local communities. All the functions of the Department of Aging and Disability Services (DADS) will transfer to the Health and Human Services Commission and DADS will be abolished by September 1, 2017.

**ESTABLISHED:** 2004

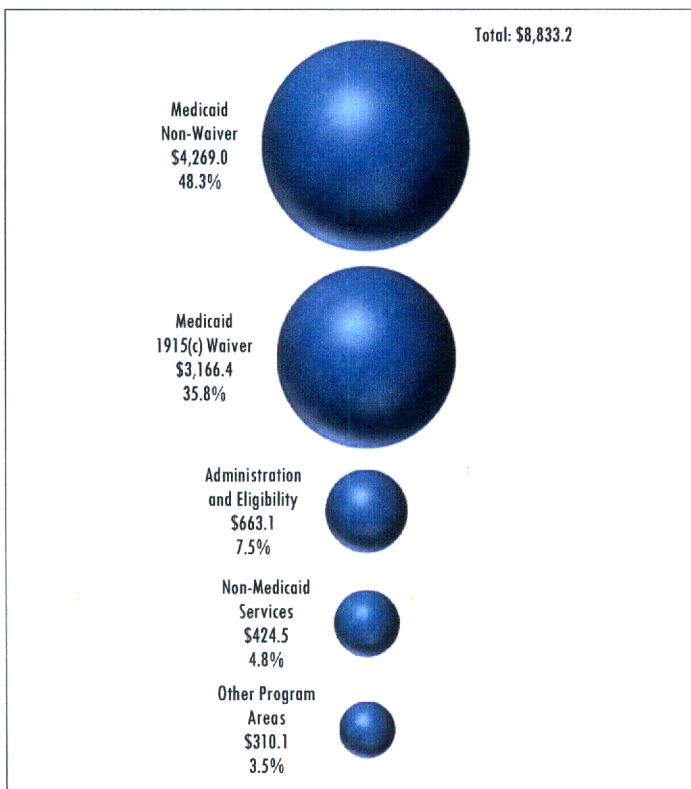
**AUTHORIZING STATUTE:** The Texas Human Resources Code, Chapter 161

**GOVERNANCE:** Health and Human Services Executive Commissioner, appointed by the Governor, with advice and consent of the Senate; five advisory councils, including the Department of Aging and Disability Services Council, assist with system oversight

**FIGURE 85**  
**DEPARTMENT OF AGING AND DISABILITY SERVICES BY METHOD OF FINANCE**

METHOD OF FINANCE	IN MILLIONS				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS				
	EXPENDED/ BUDGETED 2014-15	APPROPRIATED 2016-17	BIENNIAL CHANGE	PERCENTAGE CHANGE					
General Revenue Funds	\$4,605.3	\$3,571.5	(\$1,033.8)	(22.4%)	<table border="1"> <tr> <td><b>2016</b></td> <td>16,888.3</td> </tr> <tr> <td><b>2017</b></td> <td>16,845.8</td> </tr> </table>	<b>2016</b>	16,888.3	<b>2017</b>	16,845.8
<b>2016</b>	16,888.3								
<b>2017</b>	16,845.8								
General Revenue-Dedicated Funds	\$131.4	\$194.4	\$63.0	47.9%					
Federal Funds	\$6,824.0	\$5,022.4	(\$1,801.6)	(26.4%)					
Other Funds	\$70.9	\$44.9	(\$26.0)	(36.6%)					
<b>Total, All Methods of Finance</b>	<b>\$11,631.5</b>	<b>\$8,833.2</b>	<b>(\$2,798.4)</b>	<b>(24.1%)</b>					

### AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



### SIGNIFICANT DEVELOPMENTS

- Provisions in Senate Bill 200 transfer all agency functions to the Health and Human Services Commission no later than September 1, 2017, and DADS is abolished on that date.
- Appropriations for 5,601 additional community care waiver slots to expand community-based services total \$288.5 million.
- STAR+PLUS expansion transferred certain long-term-care services from DADS to HHSC, resulting in a decrease of \$1.5 billion in General Revenue Funds for DADS.
- Medicaid community care entitlement, waiver, and institutional services will be provided by DADS until transferred to HHSC.

NOTE: Includes changes due to House Bill 2, Eighty-fourth Legislature, 2015; and technical and/or reconciled adjustments.  
SOURCE: Legislative Budget Board.

## DEPARTMENT OF ASSISTIVE AND REHABILITATIVE SERVICES

**PURPOSE:** Work in partnership with Texans with disabilities and families with children who have developmental delays to improve the quality of their lives and to enable their full participation in society. All the functions of the Department of Assistive and Rehabilitative Services (DARS) will transfer to the Texas Workforce Commission and to the Health and Human Services Commission and DARS will be abolished by September 1, 2016.

**ESTABLISHED:** 2003

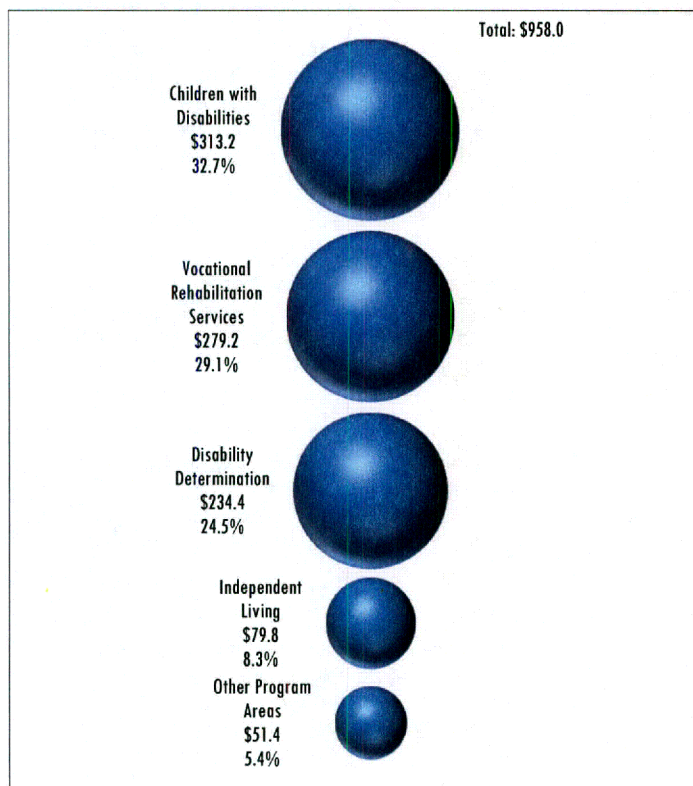
**AUTHORIZING STATUTE:** The Texas Human Resources Code, Chapter 117

**GOVERNANCE:** Health and Human Services Executive Commissioner, appointed by the Governor, with the advice and consent of the Senate; five advisory councils, including the Department of Assistive and Rehabilitative Services (DARS) Council, assist with system oversight

**FIGURE 86**  
**DEPARTMENT OF ASSISTIVE AND REHABILITATIVE SERVICES BY METHOD OF FINANCE**

METHOD OF FINANCE	IN MILLIONS				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$218.2	\$177.2	(\$41.0)	(18.8%)	2016	3,030.3
General Revenue–Dedicated Funds	\$34.9	\$36.3	\$1.3	3.9%		
Federal Funds	\$923.7	\$696.1	(\$227.6)	(24.6%)		
Other Funds	\$40.8	\$48.5	\$7.6	18.7%		
<b>Total, All Methods of Finance</b>	<b>\$1,217.7</b>	<b>\$958.0</b>	<b>(\$259.7)</b>	<b>(21.3%)</b>	2017	1,181.4

### AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



NOTE: Included changes due to technical and/or reconciled adjustments.  
SOURCE: Legislative Budget Board.

### SIGNIFICANT DEVELOPMENTS

Senate Bill 208, Eighty-fourth Legislature, 2015, requires the **transfer of vocational rehabilitation services** and related program support from DARS to the Texas Workforce Commission by September 1, 2016.

Provisions in Senate Bill 200 and House Bill 2463, Eighty-fourth Legislature, 2015, **transfer all remaining agency functions** to the Health and Human Services Commission no later than September 1, 2016, and DARS is abolished on that date.

Funding for the **Autism Program** increases by \$5.2 million in General Revenue Funds, and 966 children are projected to receive services in fiscal year 2017.

The average monthly number of children served in the **Early Childhood Intervention program** is projected to be 27,170 in fiscal year 2017.

## DEPARTMENT OF FAMILY AND PROTECTIVE SERVICES

**PURPOSE:** Protect children, the elderly, and people with disabilities from abuse, neglect, and exploitation by involving clients, families, and communities. Ensure child safety and well-being through the licensing and regulation of the delivery of child-care services throughout the state and management of community-based prevention programs.

**ESTABLISHED:** 2004

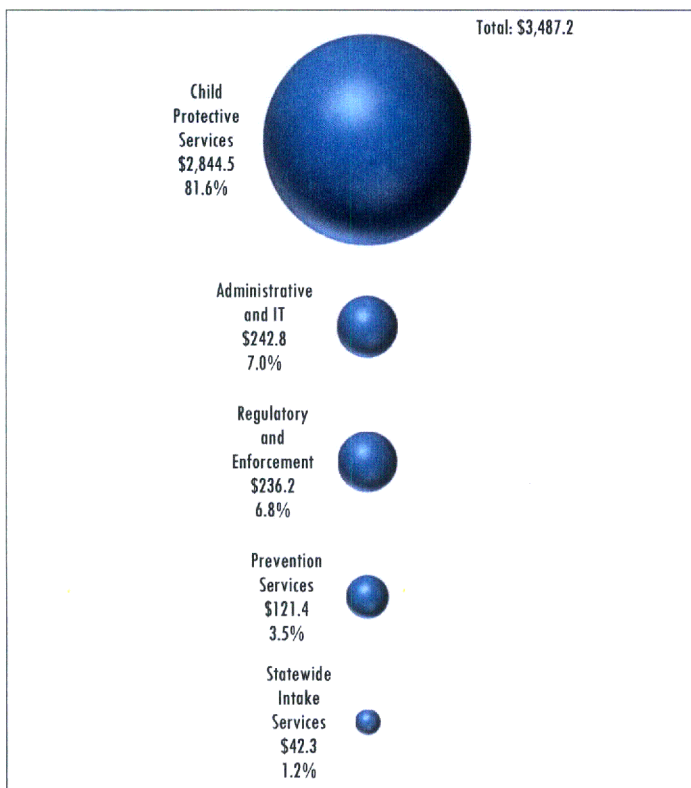
**AUTHORIZING STATUTE:** The Texas Human Resources Code, Title 2, Chapters 40, 42, and 48.

**GOVERNANCE:** Health and Human Services Executive Commissioner, appointed by the Governor, with advice and consent of the Senate; five advisory councils, including the Department of Family and Protective Services Council, assist with system oversight

**FIGURE 87**  
**DEPARTMENT OF FAMILY AND PROTECTIVE SERVICES BY METHOD OF FINANCE**

METHOD OF FINANCE	IN MILLIONS				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$1,455.6	\$1,858.0	\$402.4	27.6%	<b>2016</b> 12,716.0	<b>2017</b> 12,855.6
General Revenue–Dedicated Funds	\$11.4	\$11.4	\$0.0	0.0%		
Federal Funds	\$1,605.2	\$1,598.3	(\$6.9)	(0.4%)		
Other Funds	\$18.6	\$19.4	\$0.8	4.5%		
<b>Total, All Methods of Finance</b>	<b>\$3,090.8</b>	<b>\$3,487.2</b>	<b>\$396.4</b>	<b>12.8%</b>		

### AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



### SIGNIFICANT DEVELOPMENTS

An increase of \$251.5 million for **Child Protective Services (CPS)** provides for entitlement **caseload growth** in foster care, adoption subsidy, and permanency care assistance; **rate increases**; and to **redesign foster care in one new area**.

**CPS** funding also supports **9,891.1 full-time-equivalent positions** in fiscal year 2017, an increase of 287.1 positions from the fiscal year 2015 level, to address increasing caseloads and implementation of CPS transformation initiatives.

Appropriations for the **foster care program** total **\$837.7 million**, an increase of \$40.6 million. The average monthly number of children in foster care is expected to be **16,275 children** during fiscal year 2017.

A funding increase of \$40.7 million for **Prevention Services** provides for **Project Healthy Outcomes through Prevention and Early Support and Community Youth Development program expansions**.

NOTE: Includes changes due to House Bill 2, Eighty-fourth Legislature, 2015; and technical and/or reconciled adjustments.  
SOURCE: Legislative Budget Board.



## DEPARTMENT OF STATE HEALTH SERVICES

**PURPOSE:** Improve health and well-being in Texas by providing services to children, women, families, and individuals, enhancing the capacity of communities to deliver healthcare services; decreasing health threats and sources of disease; promoting the recovery and rehabilitation of persons with infectious disease and mental illness who require specialized treatment; and achieving a maximum level of regulatory compliance to protect public health and safety.

**ESTABLISHED:** 2004

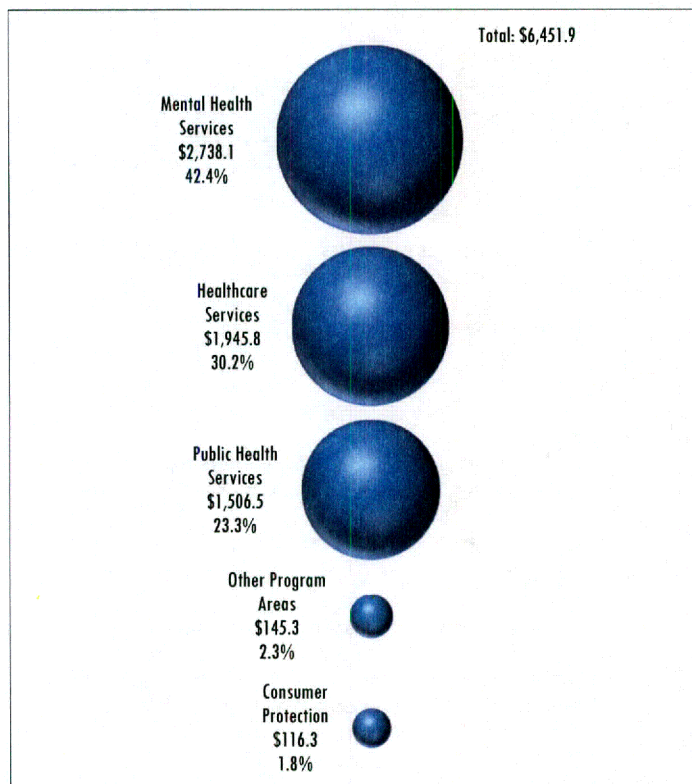
**AUTHORIZING STATUTE:** The Texas Human Resources Code, Chapter 1001

**GOVERNANCE:** Health and Human Services Executive Commissioner, appointed by the Governor, with advice and consent of the Senate; five advisory councils, including the State Health Services Council, assist with system oversight

**FIGURE 88**  
**DEPARTMENT OF STATE HEALTH SERVICES BY METHOD OF FINANCE**

METHOD OF FINANCE	IN MILLIONS				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$2,586.4	\$2,701.5	\$115.0	4.4%	2016	12,220.7
General Revenue—Dedicated Funds	\$987.0	\$890.0	(\$97.1)	(9.8%)		
Federal Funds	\$2,372.2	\$2,315.5	(\$56.7)	(2.4%)	2017	12,220.7
Other Funds	\$551.6	\$544.9	(\$6.6)	(1.2%)		
<b>Total, All Methods of Finance</b>	<b>\$6,497.3</b>	<b>\$6,451.9</b>	<b>(\$45.3)</b>	<b>(0.7%)</b>		

### AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



### SIGNIFICANT DEVELOPMENTS

Appropriations for **behavioral health and substance abuse services** increased by \$86.8 million, including additional funding for community and state hospitals, community crisis services, and local mental health authorities.

Appropriations of \$301.7 million provided for **rural, safety-net, and trauma hospital add-on payments** are transferred to the Health and Human Services Commission.

Funding for the **Texas Civil Commitment Office** increased by \$16.9 million due to increases for per diem costs to house violent sex offenders, projected caseload, and implementing a new tiered treatment program.

**Family Planning and Expanded Primary Health Care Programs**, and related funding of \$142.8 million, are transferred to the Health and Human Services Commission.

NOTE: Includes changes due to House Bill 2, Eighty-fourth Legislature, 2015; technical and/or reconciled adjustments; and the Governor's vetoes.  
SOURCE: Legislative Budget Board.

## HEALTH AND HUMAN SERVICES COMMISSION

**PURPOSE:** To maintain and improve the health and human services system in Texas and to administer its programs in accordance with the highest standards of customer service and accountability for the effective use of funds.

**ESTABLISHED:** 1991

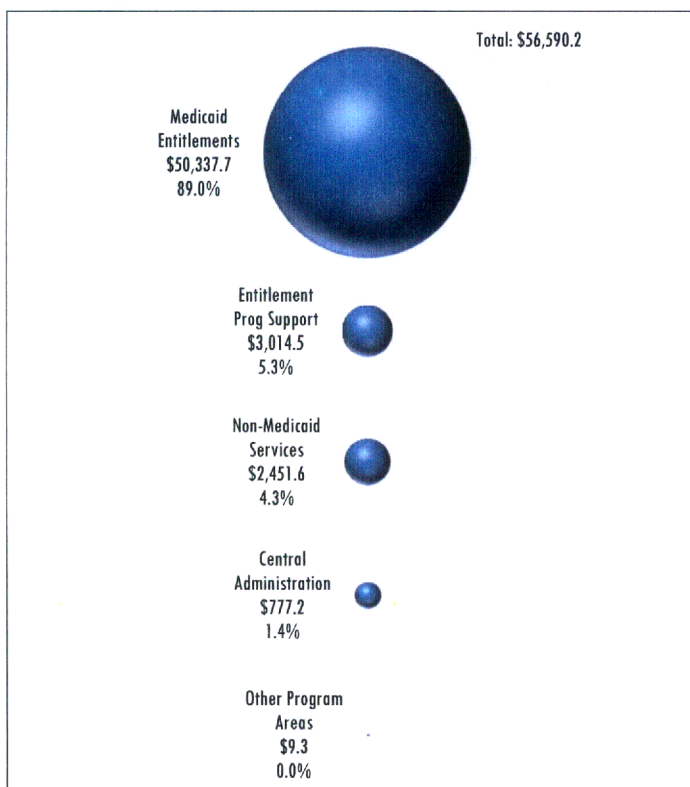
**AUTHORIZING STATUTE:** The Texas Government Code, §531.002

**GOVERNANCE:** Health and Human Services Executive Commissioner, appointed by the Governor, with advice and consent of the Senate; five advisory councils, including the Health and Human Services Council, assist with system oversight

**FIGURE 89**  
**HEALTH AND HUMAN SERVICES COMMISSION BY METHOD OF FINANCE**

METHOD OF FINANCE	IN MILLIONS				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$19,778.3	\$22,549.9	\$2,771.5	14.0%	<b>2016</b> 12,831.2	
General Revenue–Dedicated Funds	\$0.0	\$20.5	\$20.5	N/A		
Federal Funds	\$30,779.1	\$32,833.5	\$2,054.4	6.7%		
Other Funds	\$1,159.5	\$1,186.4	\$26.9	2.3%		
<b>Total, All Methods of Finance</b>	<b>\$51,716.9</b>	<b>\$56,590.2</b>	<b>\$4,873.3</b>	<b>9.4%</b>	<b>2017</b> 12,831.2	

### AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



### SIGNIFICANT DEVELOPMENTS

Funding assumes **\$869.6 million** in savings for Medicaid cost containment initiatives, including therapy rate reductions and policy changes.

Appropriations include an increase of **\$573.3 million** for additional payments through Medicaid to **trauma hospitals, safety-net hospitals, and rural hospitals.**

**Community attendant care workers** received a wage increase to \$8.00 per hour at a cost of **\$68.3 million.**

Appropriations for Women’s Health total **\$260.9 million**, including the transfer of the Expanded Primary Health Care and Family Planning programs from DSHS and an increase of **\$50.0 million** for increased access to women’s health.

NOTE: Includes changes due to House Bill 2, Eighty-fourth Legislature, 2015; and technical and/or reconciled adjustments.  
SOURCE: Legislative Budget Board.

## 6. AGENCIES OF EDUCATION

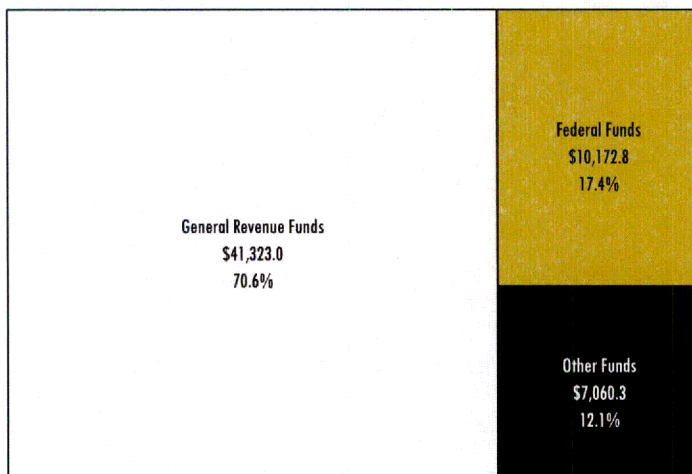
### PUBLIC EDUCATION

Public education is the largest function of Texas state government, receiving 39.0 percent of all General Revenue Fund appropriations. The largest public education agency, the Texas Education Agency, is responsible for supporting and distributing funding to school districts and charter schools throughout the state. The public education system serves approximately 5.2 million students enrolled in 8,043 campuses located in 1,024 districts, and an additional 613 charter school campuses. The public education function also includes the Teacher Retirement System, the Optional Retirement Program, Texas School for the Blind and Visually Impaired, and Texas School for the Deaf.

**FIGURE 90**  
**ARTICLE III – AGENCIES OF EDUCATION—PUBLIC EDUCATION, BY METHOD OF FINANCE**

METHOD OF FINANCE	IN MILLIONS			
	EXPENDED/BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	\$38,189.8	\$41,323.0	\$3,133.3	8.2%
General Revenue–Dedicated Funds	\$0.1	\$0.0	(\$0.1)	(100.0%)
Federal Funds	\$9,759.1	\$10,172.8	\$413.7	4.2%
Other Funds	\$8,222.9	\$7,060.3	(\$1,162.5)	(14.1%)
<b>Total, All Methods of Finance</b>	<b>\$56,171.9</b>	<b>\$58,556.2</b>	<b>\$2,384.3</b>	<b>4.2%</b>

#### SHARE OF FUNDING BY METHOD OF FINANCE (IN MILLIONS)



#### SIGNIFICANT DEVELOPMENTS

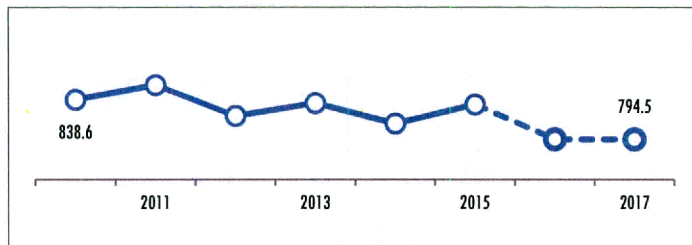
**Foundation School Program (FSP) funding totals \$42.3 billion in All Funds, an increase of \$1.5 billion from the amount estimated to be required to fund the current law FSP entitlement, including \$1.2 billion for a Basic Allotment.**

**FSP funding contains two tax relief provisions totaling \$3.8 billion in General Revenue Funds: \$2.6 billion for franchise tax relief, and \$1.2 billion for local school district property tax relief.**

**Non-FSP Programs and administration at the Texas Education Agency were appropriated \$2.0 billion in General Revenue Funds. Excluding 2014–15 onetime funding, this appropriation represents a biennial increase of \$229.2 million.**

**TRS–Care received a supplemental appropriation of \$768.1 million for an anticipated shortfall. This Teacher Retirement System program provides group health benefits for certain retirees.**

#### FULL-TIME-EQUIVALENT POSITIONS



NOTES: Excludes Interagency Contracts. Full-time-equivalent positions show actual positions for fiscal years 2010 to 2015 and appropriated positions for fiscal years 2016 and 2017.

SOURCES: Legislative Budget Board; State Auditor's Office.

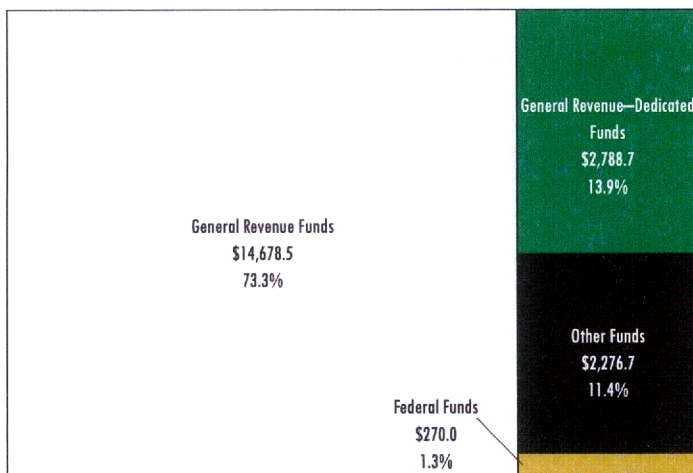
# HIGHER EDUCATION

Texas' system of public higher education encompasses 37 general academic institutions; three lower-division institutions; 50 community and junior college districts; one technical college system; and 12 health related institutions. Additionally, higher education also includes the Texas Higher Education Coordinating Board, whose mission is to ensure an effective system of higher education; seven Texas A&M University System agencies that provide research and training support; two constitutionally authorized funds to support new construction and maintenance programs; several statutorily authorized research funds; and a statutorily authorized fund to assist public institutions of higher education offset the waived tuition and fee revenue from the Hazlewood Legacy Program.

**FIGURE 91**  
**ARTICLE III – AGENCIES OF EDUCATION—HIGHER EDUCATION, BY METHOD OF FINANCE**

METHOD OF FINANCE	IN MILLIONS			
	EXPENDED/BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	\$13,267.5	\$14,678.5	\$1,411.1	10.6%
General Revenue–Dedicated Funds	\$2,676.1	\$2,788.7	\$112.6	4.2%
Federal Funds	\$275.0	\$270.0	(\$5.0)	(1.8%)
Other Funds	\$2,334.0	\$2,276.7	(\$57.4)	(2.5%)
<b>Total, All Methods of Finance</b>	<b>\$18,552.6</b>	<b>\$20,013.9</b>	<b>\$1,461.3</b>	<b>7.9%</b>

**SHARE OF FUNDING BY METHOD OF FINANCE (IN MILLIONS)**



**SIGNIFICANT DEVELOPMENTS**

**Higher Education formulas** are supported by **\$7.2 billion** in General Revenue Funds, an increase of **\$391.5 million**.

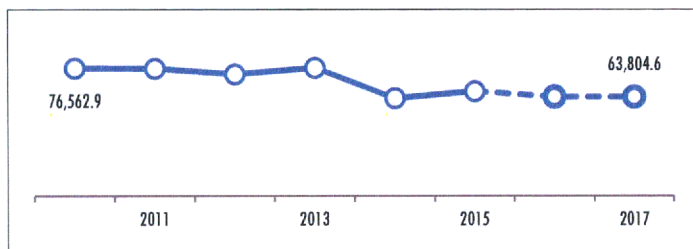
**Higher Education Coordinating Board** appropriations for the **TEXAS Grants program** total **\$715.0 million**, which includes an increase of **\$62.7 million** in General Revenue Funds.

Appropriations include **\$240.0 million** in General Revenue Funds in 2017 for **debt service** on **new tuition revenue bonds** for various construction projects.

Appropriations to the **Higher Education Fund** increase by **\$131.3 million** due to the passage of **Senate Bill 1191** by the Eighty-fourth Legislature, 2015.

Appropriations include **\$278.5 million** to support research to institutions through the new research funds, **the Texas Research University Fund, the Core Research Support Fund, and the Comprehensive Research Fund.**

**FULL-TIME-EQUIVALENT POSITIONS**



NOTES: Excludes Interagency Contracts. Full-time-equivalent positions show actual positions for fiscal years 2010 to 2015 and appropriated positions for fiscal years 2016 and 2017.  
SOURCES: Legislative Budget Board; State Auditor's Office.

## TEXAS EDUCATION AGENCY

**PURPOSE:** To oversee the primary and secondary public education system in Texas through the distribution of state and federal funding, administration of statewide assessment and accountability systems, support of curriculum development and textbook adoption, administration of a public school data collection system, and supervision of compliance with state and federal regulations.

**ESTABLISHED:** 1949

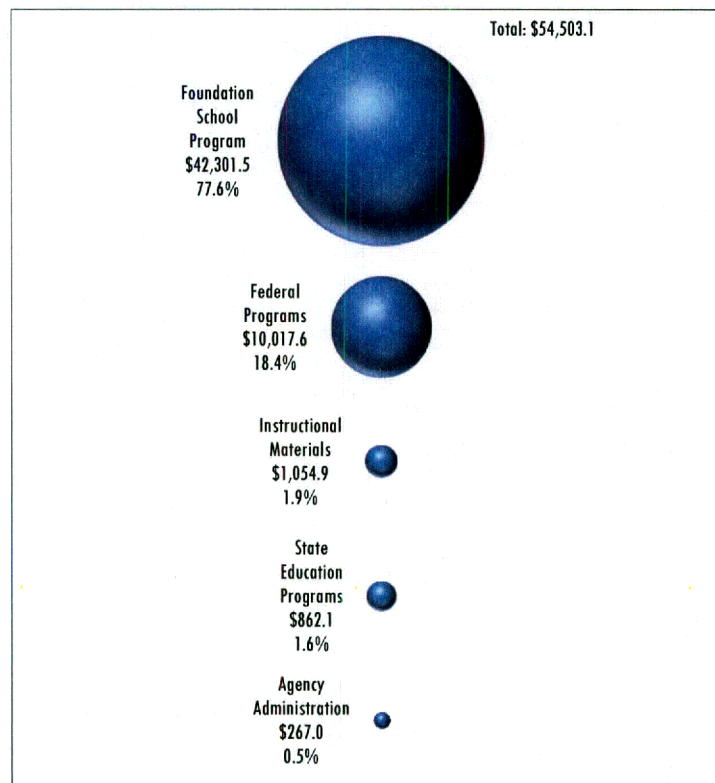
**AUTHORIZING STATUTE:** The Texas Education Code, Chapters 1–46

**GOVERNANCE:** A governor-appointed Commissioner of Education, an elected State Board of Education, and an appointed State Board for Educator Certification

**FIGURE 92**  
**TEXAS EDUCATION AGENCY BY METHOD OF FINANCE**

METHOD OF FINANCE	IN MILLIONS				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$33,729.0	\$37,479.5	\$3,750.6	11.1%	2016	875.0
General Revenue–Dedicated Funds	\$0.1	\$0.0	(\$0.1)	(100.0%)		
Federal Funds	\$9,731.8	\$10,142.8	\$411.1	4.2%	2017	875.0
Other Funds	\$8,047.7	\$6,880.7	(\$1,167.0)	(14.5%)		
<b>Total, All Methods of Finance</b>	<b>\$51,508.5</b>	<b>\$54,503.1</b>	<b>\$2,994.6</b>	<b>5.8%</b>		

### AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

### SIGNIFICANT DEVELOPMENTS

**Foundation School Program (FSP) appropriations total \$42,335.8 million**, an increase of \$2,678.0 million. Appropriations include an FSP entitlement increase of \$1.5 billion and \$3.8 billion in tax relief, including \$1.2 billion in property tax relief and \$2.6 billion in franchise tax relief.

**Federal Programs estimated appropriations increased by \$411.1 million** compared to 2014–15 biennial totals. Funding supports **Child Nutrition Grants** and various **Federal Education Programs**.

**Instructional Materials funding totals \$1,054.9 million** in fiscal year 2016 due to legislation making funding biennial not annual, **an increase of \$102.9 million** from the 2014–15 biennial spending level.

**Non-FSP Programs and administration** were appropriated **\$2.0 billion in General Revenue Funds**. Excluding 2014–15 onetime funding, this appropriation represents a **biennial increase of \$229.2 million**.

## TEXAS SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED

**PURPOSE:** Serve as a leading center of expertise and support, working in partnership with schools, families, and organizations to improve educational outcomes for students who are blind or visually impaired, including those with deafblindness or additional disabilities. Provide full-time classroom and residential programs during the regular school year for students whose needs cannot be met at the local school district.

**ESTABLISHED:** 1856

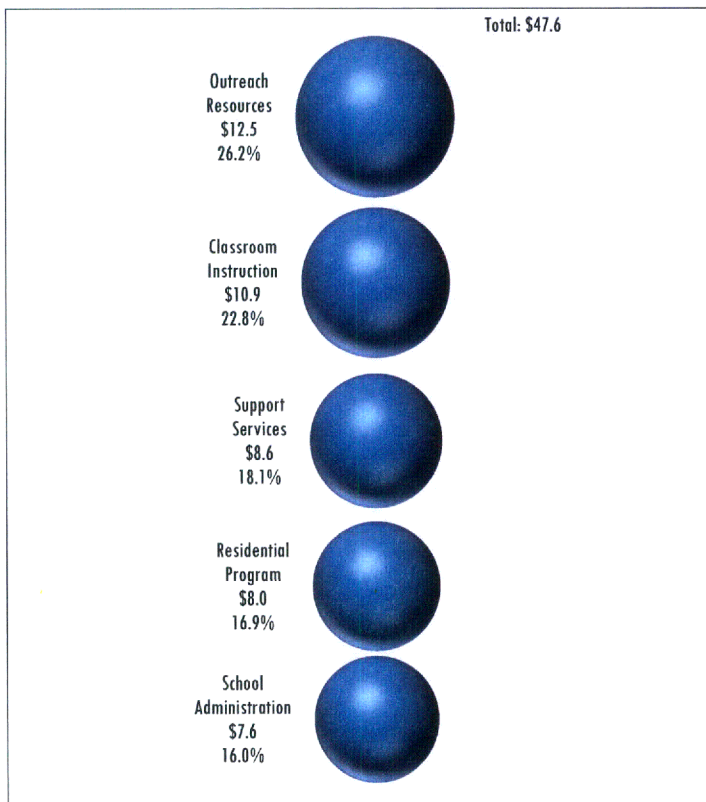
**AUTHORIZING STATUTE:** The Texas Education Code, Chapter 30, Subchapter B

**GOVERNANCE:** Board of Trustees—nine members appointed by the Governor and confirmed by the Senate, filling specified positions

**FIGURE 93**  
**TEXAS SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED BY METHOD OF FINANCE**

METHOD OF FINANCE	IN MILLIONS				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS				
	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE					
General Revenue Funds	\$29.2	\$29.0	(\$0.2)	(0.5%)	<table border="1"> <tr> <td>2016</td> <td>359.9</td> </tr> <tr> <td>2017</td> <td>359.9</td> </tr> </table>	2016	359.9	2017	359.9
2016	359.9								
2017	359.9								
General Revenue–Dedicated Funds	\$0.0	\$0.0	\$0.0	N/A					
Federal Funds	\$9.5	\$9.6	\$0.0	0.5%					
Other Funds	\$11.7	\$9.0	(\$2.7)	(22.9%)					
<b>Total, All Methods of Finance</b>	<b>\$50.4</b>	<b>\$47.6</b>	<b>(\$2.8)</b>	<b>(5.5%)</b>					

### INSTITUTION PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



### SIGNIFICANT DEVELOPMENTS

**Funding increased by \$0.8 million and 5.0 full-time-equivalent (FTE) positions** to expand distance education and broadcast technology and to increase tuition stipends for potential teachers.

**Grounds maintenance and custodial services are transferred to the Texas Facilities Commission,** decreasing funding by \$1.2 million and 19.3 FTE positions due to Senate Bill 836.

Appropriations include **\$0.3 million provided to pay professional salary increases** due to a 3.0 percent raise adopted by Austin Independent School District (ISD) subsequent to the 2016–17 biennial appropriation. Statute requires that salaries align with those of Austin ISD.

**The school served 164 students in classroom instruction** in school year 2014–15, including 154 residential program students.

SOURCE: Legislative Budget Board.

## TEXAS SCHOOL FOR THE DEAF

**PURPOSE:** Provide direct educational services to students ages 0 to 22 years, including residential programs, and serve as a statewide educational resource center on deafness by providing a variety of statewide outreach services to deaf students, their families, school districts, and professionals involved in deaf education.

**ESTABLISHED:** 1856

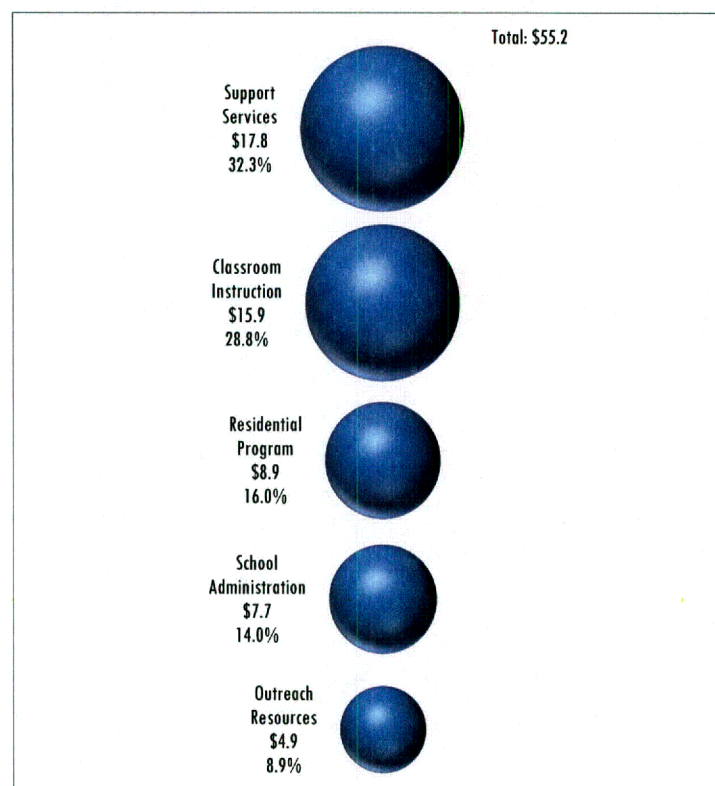
**AUTHORIZING STATUTE:** The Texas Education Code, Chapter 30, Subchapter C

**GOVERNANCE:** Board of Trustees—nine members appointed by the Governor and confirmed by the Senate, meeting certain statutory specifications

**FIGURE 94**  
**TEXAS SCHOOL FOR THE DEAF BY METHOD OF FINANCE**

METHOD OF FINANCE	IN MILLIONS				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$36.0	\$35.0	(\$1.0)	(2.6%)	2016	434.6
General Revenue—Dedicated Funds	\$0.0	\$0.0	\$0.0	N/A		
Federal Funds	\$4.1	\$3.9	(\$0.2)	(5.4%)	2017	434.6
Other Funds	\$15.8	\$16.2	\$0.4	2.7%		
<b>Total, All Methods of Finance</b>	<b>\$55.9</b>	<b>\$55.2</b>	<b>(\$0.8)</b>	<b>(1.3%)</b>		

### INSTITUTION PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

### SIGNIFICANT DEVELOPMENTS

**Funding increased by \$1.0 million and 7.4 full-time-equivalent (FTE) positions** for additional educational positions, to expand career and transition programming, and to provide additional buses and vans.

**Grounds maintenance and custodial services are transferred to the Texas Facilities Commission**, decreasing funding by \$2.2 million and 32.0 FTE positions due to Senate Bill 836.

Appropriations include **\$0.4 million provided to pay professional salary increases** due to a 3.0 percent raise adopted by Austin Independent school District (ISD) subsequent to the 2016–17 biennial appropriation. Statute requires salaries align with those of Austin ISD.

**The school served 583 students in classroom instruction in the 2014–15 school year**, including 266 residential program students.

## TEACHER RETIREMENT SYSTEM

**PURPOSE:** Deliver service and disability retirement benefits, death and survivor benefits, and group healthcare coverage for employees of public school districts and institutions of higher education; and manage assets held in trust.

**ESTABLISHED:** 1937

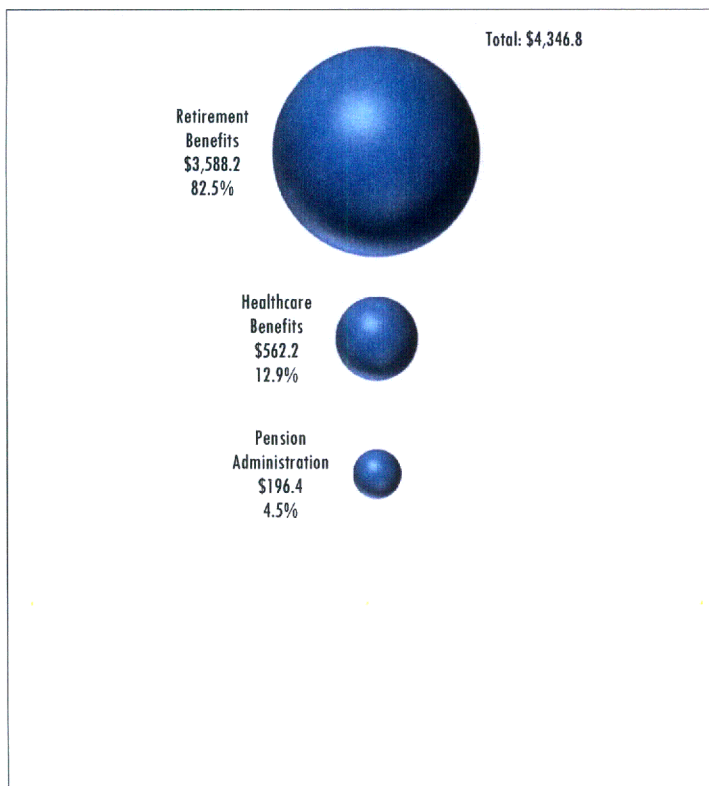
**AUTHORIZING STATUTE:** The Texas Government Code, Chapters 821–825

**GOVERNANCE:** Board of Trustees—nine members appointed by the Governor with advice and consent of the Senate

**FIGURE 95**  
**TEACHER RETIREMENT SYSTEM BY METHOD OF FINANCE**

METHOD OF FINANCE	IN MILLIONS				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$4,651.0	\$4,049.4	(\$601.6)	(12.9%)	2016	503.3
General Revenue–Dedicated Funds	\$87.1	\$94.2	\$7.1	8.2%		
Federal Funds	\$0.0	\$0.0	\$0.0	N/A		
Other Funds	\$196.1	\$203.2	\$7.0	3.6%		
<b>Total, All Methods of Finance</b>	<b>\$4,934.2</b>	<b>\$4,346.8</b>	<b>(\$587.4)</b>	<b>(11.9%)</b>	2017	503.3

### AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



### SIGNIFICANT DEVELOPMENTS

The retirement system's **state contribution rate** is **6.8 percent** of employee payroll in the 2016–17 biennium. Appropriation is estimated with a settle-up at the end of each fiscal year. Employee contribution rate is 7.2 percent in fiscal year 2016 and 7.7 percent in fiscal year 2017.

**The pension trust fund is 80.2 percent funded**, with an unfunded actuarial accrued liability of \$33.0 billion and an amortization period of 33.3 years as of August 31, 2015.

**TRS–Care**, the retiree healthcare program, is **funded through fiscal year 2017** after supplemental funding in fiscal year 2015 of \$768.1 million. An estimated shortfall is expected in the 2018–19 biennium of \$1.7 billion.

The agency's major technology initiative (**TEAM**), a **six-year project estimated to cost \$114.8 million**, is **40.0 percent complete**. This project and other administrative operations are funded by the pension trust fund.

SOURCE: Legislative Budget Board.



## OPTIONAL RETIREMENT PROGRAM

**PURPOSE:** Provide a defined contribution plan for public higher education faculty, librarians, and certain administrators and professionals as an alternative to the defined benefit retirement plan administered by the Teacher Retirement System of Texas.

**ESTABLISHED:** 1967

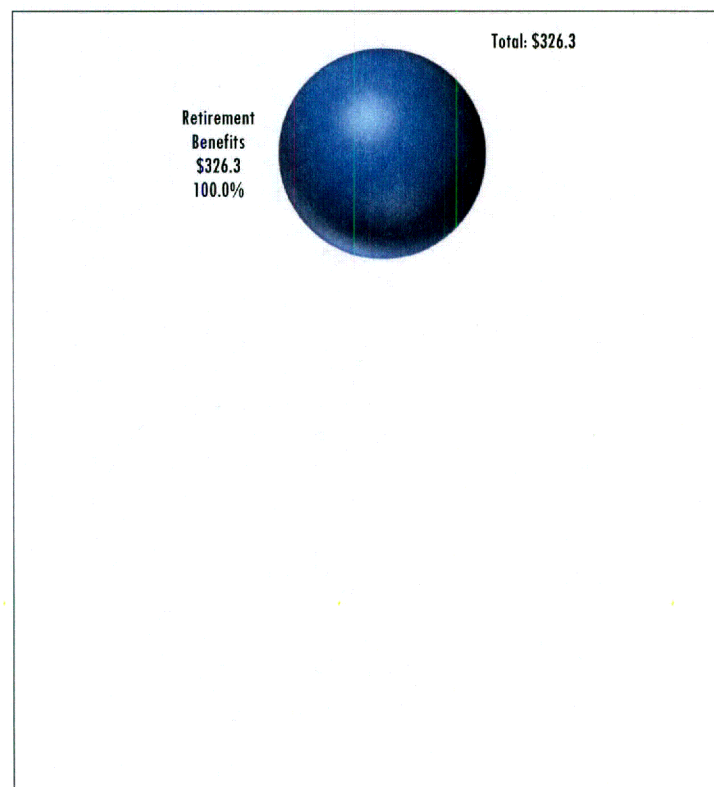
**AUTHORIZING STATUTE:** The Texas Government Code, Chapter 830

**GOVERNANCE:** Texas Higher Education Coordinating Board oversees applicable rules; each university administers its own program

**FIGURE 96**  
**OPTIONAL RETIREMENT PROGRAM BY METHOD OF FINANCE**

METHOD OF FINANCE	IN MILLIONS				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2014-15	APPROPRIATED 2016-17	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$271.0	\$258.8	(\$12.3)	(4.5%)	2016	0.0
General Revenue-Dedicated Funds	\$62.4	\$67.5	\$5.1	8.2%		
Federal Funds	\$0.0	\$0.0	\$0.0	N/A		
Other Funds	\$0.0	\$0.0	\$0.0	N/A		
<b>Total, All Methods of Finance</b>	<b>\$333.4</b>	<b>\$326.3</b>	<b>(\$7.2)</b>	<b>(2.1%)</b>		

### AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



### SIGNIFICANT DEVELOPMENTS

The **state contribution rate** is **6.6 percent** of employee compensation in the 2016-17 biennium. Schools may contribute additional amounts up to the 8.5 percent statutory cap. The employee contribution rate is 6.65 percent.

**State funding for public community and junior college** instructional and administrative employees is **limited to 50.0 percent** of applicable compensation. A further reduction applies to these colleges if employee growth exceeds student enrollment growth.

SOURCE: Legislative Budget Board.

## HIGHER EDUCATION COORDINATING BOARD

**PURPOSE:** Coordinate Texas higher education and administer various student financial aid, federal grant, and state-funded trustee programs. The agency establishes a master plan for higher education in Texas; prescribes the role and mission of public higher education institutions; reviews university academic programs, academic and vocational technical programs at the community and technical colleges, and health-related programs; and promotes access to and quality in higher education.

**ESTABLISHED:** 1965

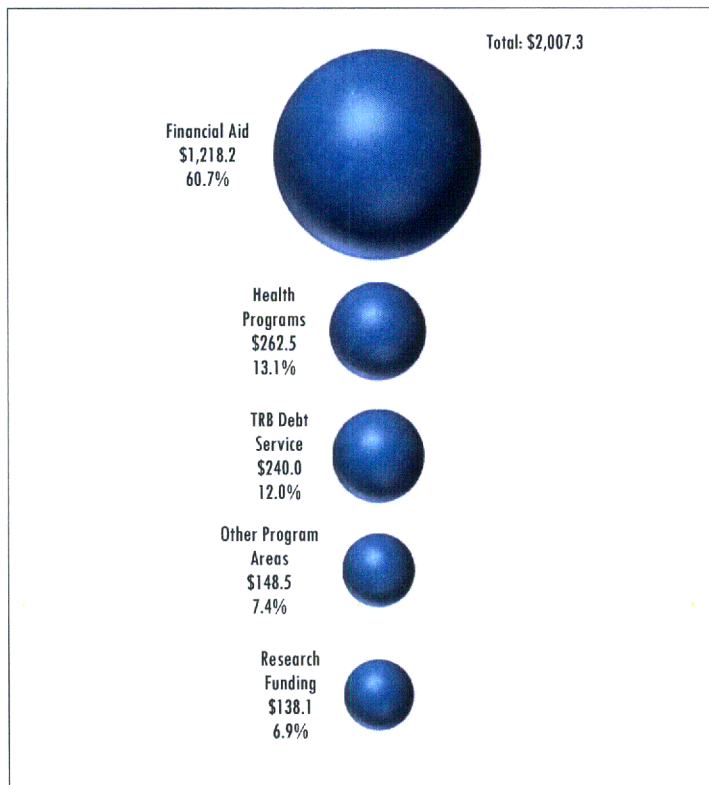
**AUTHORIZING STATUTE:** The Texas Education Code, §61.021

**GOVERNANCE:** Texas Higher Education Coordinating Board—nine members appointed by the Governor with advice and consent of the Senate

**FIGURE 97  
HIGHER EDUCATION COORDINATING BOARD BY METHOD OF FINANCE**

METHOD OF FINANCE	IN MILLIONS				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$1,269.9	\$1,696.4	\$426.5	33.6%	2016	265.4
General Revenue–Dedicated Funds	\$118.9	\$188.8	\$70.0	58.9%		
Federal Funds	\$63.1	\$65.2	\$2.1	3.4%		
Other Funds	\$83.5	\$56.9	(\$26.7)	(31.9%)		
<b>Total, All Methods of Finance</b>	<b>\$1,535.4</b>	<b>\$2,007.3</b>	<b>\$471.9</b>	<b>30.7%</b>		

### AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

### SIGNIFICANT DEVELOPMENTS

Appropriations for the **TEXAS Grant program**, which supports students attending public universities, total **\$715.0 million**, an increase of **\$62.7 million** in General Revenue Funds.

**House Bill 700** phases out the **B-On-Time Loan Program**.

Appropriations for the **Graduate Medical Education (GME) Expansion Program**, which supports residency training, total **\$53.0 million**, an increase of **\$38.8 million**.

Appropriations for the **Texas Research Incentive Program**, which matches certain gifts at emerging research universities, total **\$138.1 million**, which is an increase of **\$101.5 million**. This increase includes **\$9.0 million** from the Emerging Technology Fund.

## GENERAL ACADEMIC INSTITUTIONS

**PURPOSE:** The general academic institutions in Texas consist of 37 public colleges and universities that provide baccalaureate, masters, professional, and doctoral degree programs. While all general academic institutions have common goals (instruction, research, and public service), each has a unique set of academic offerings and a unique regional or statewide mission.

**ESTABLISHED:** Various

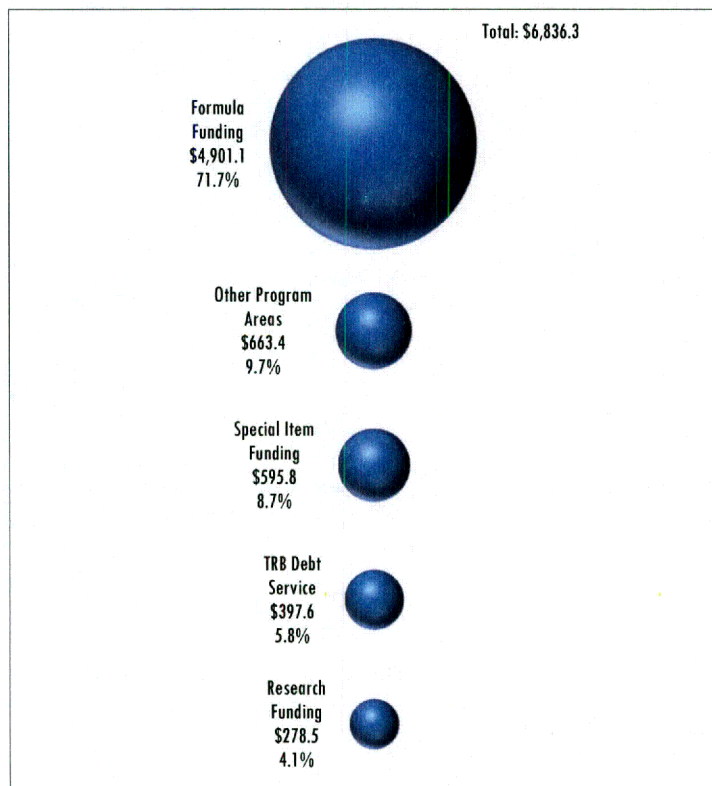
**AUTHORIZING STATUTE:** The Texas Education Code, Chapters 65–111

**GOVERNANCE:** Nine-member boards of regents appointed by the Governor with the advice and consent of the Senate

**FIGURE 98  
GENERAL ACADEMIC INSTITUTIONS BY METHOD OF FINANCE**

METHOD OF FINANCE	IN MILLIONS				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$4,394.2	\$4,786.6	\$392.4	8.9%	<b>2016</b> 44,402.2	<b>2017</b> 44,399.0
General Revenue–Dedicated Funds	\$2,019.7	\$2,032.5	\$12.9	0.6%		
Federal Funds	\$0.0	\$0.0	\$0.0	N/A		
Other Funds	\$14.9	\$17.1	\$2.2	14.9%		
<b>Total, All Methods of Finance</b>	<b>\$6,428.8</b>	<b>\$6,836.3</b>	<b>\$407.5</b>	<b>6.3%</b>		

### INSTITUTION PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

### SIGNIFICANT DEVELOPMENTS

**Formula funding** increased by **\$329.0 million**, an increase of 8.0 percent.

**House Bill 100** authorized the issuance of **tuition revenue bonds** for 44 construction and renovation projects at various general academic institutions.

**House Bill 1000** eliminated the Texas Competitive Knowledge and Research Development Funds and established and set eligibility requirements for the **Texas Research University Fund, Core Research Support Fund, and Comprehensive Research Fund**.

## HEALTH RELATED INSTITUTIONS

**PURPOSE:** Health related institutions’ mission is to: (1) educate future health professionals and scientists; (2) engage in basic and applied research; (3) provide compassionate, scientifically based clinical care for the sick; and (4) develop public and community health programs.

**ESTABLISHED:** 1891–2013

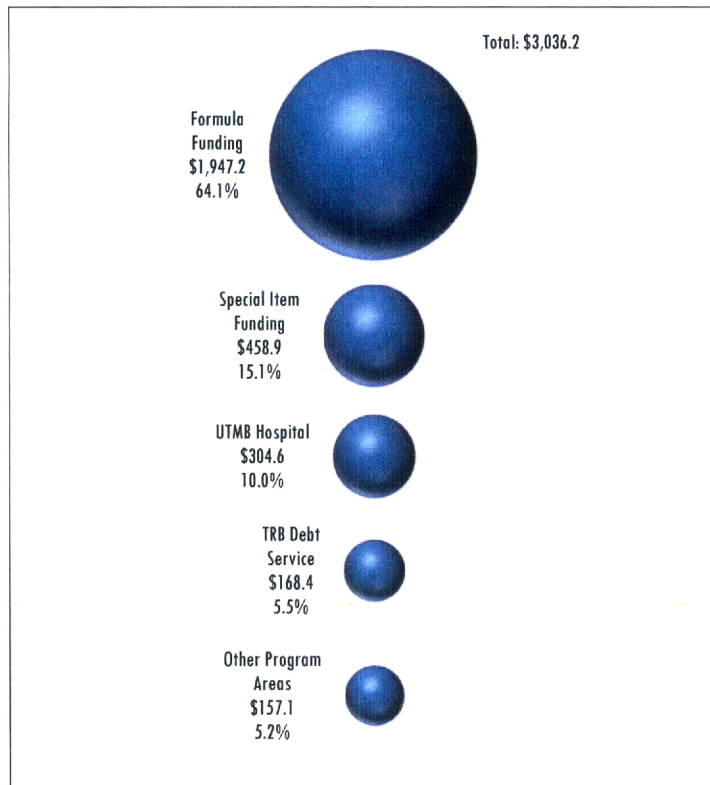
**AUTHORIZING STATUTE:** The Texas Education Code, Chapters 61, 63, 74, 79, 89, 105, and 110

**GOVERNANCE:** Board of Regents of each respective university system, appointed by the Governor and confirmed by the Senate

**FIGURE 99**  
**HEALTH RELATED INSTITUTIONS BY METHOD OF FINANCE**

METHOD OF FINANCE	IN MILLIONS				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$2,540.9	\$2,742.8	\$201.9	7.9%	<b>2016</b> 12,659.2	<b>2017</b> 12,627.1
General Revenue–Dedicated Funds	\$188.4	\$183.7	(\$4.6)	(2.5%)		
Federal Funds	\$0.0	\$0.0	\$0.0	N/A		
Other Funds	\$136.8	\$109.7	(\$27.2)	(19.9%)		
<b>Total, All Methods of Finance</b>	<b>\$2,866.1</b>	<b>\$3,036.2</b>	<b>\$170.1</b>	<b>5.9%</b>		

### INSTITUTION PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



### SIGNIFICANT DEVELOPMENTS

Funding includes appropriations to **11 institutions**, including a new bill pattern for Texas Tech University Health Sciences Center El Paso and funding for The University of Texas (UT) Rio Grande Valley School of Medicine.

**Graduate Medical Education (GME)** formula funding totals **\$85.9 million**, an increase of \$20.2 million, and **increases the GME rate to \$6,266** from \$5,122 per medical resident.

Funding includes **\$61.4 million** in General Revenue Funds for the UT Rio Grande Valley School of Medicine.

**House Bill 100** authorized the issuance of new **tuition revenue bonds** for construction and renovation projects at health related institutions.

SOURCE: Legislative Budget Board.

## PUBLIC COMMUNITY/JUNIOR COLLEGES

**PURPOSE:** The mission of the community colleges is to teach freshman and sophomore, and in a few cases upper division, courses in arts and sciences, vocational programs, and technical courses up to two years in length, leading to certifications and associate degrees. This mission also includes providing continuing education, developmental education consistent with open admission policies, counseling and guidance programs, workforce development training, and adult literacy and basic skills programs.

**ESTABLISHED:** Various

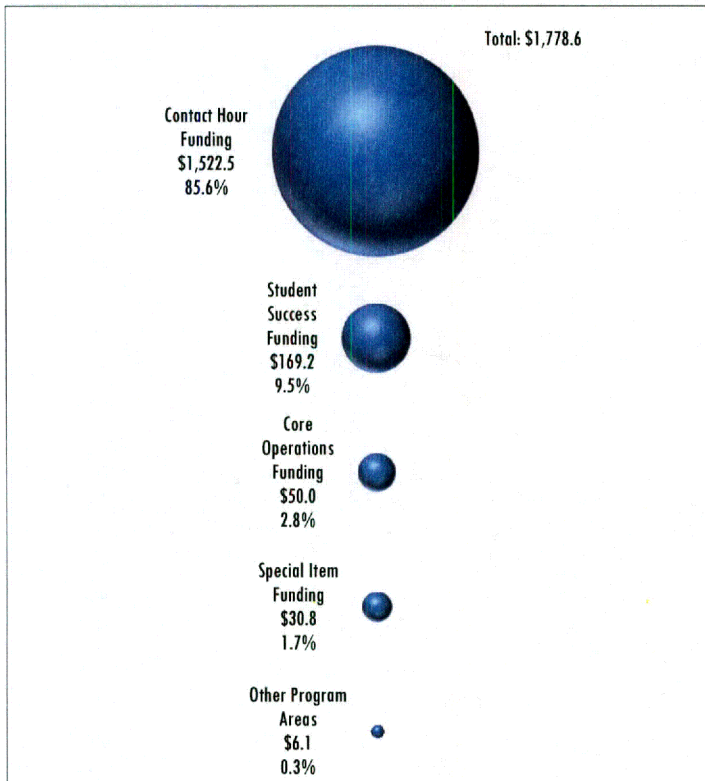
**AUTHORIZING STATUTE:** The Texas Education Code, Chapters 130–131

**GOVERNANCE:** Community college board of trustees, elected by local community

**FIGURE 100  
PUBLIC COMMUNITY/JUNIOR COLLEGES BY METHOD OF FINANCE**

METHOD OF FINANCE	IN MILLIONS				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$1,790.8	\$1,778.6	(\$12.2)	(0.7%)		
General Revenue–Dedicated Funds	\$0.0	\$0.0	\$0.0	N/A		
Federal Funds	\$0.0	\$0.0	\$0.0	N/A	2016	N/A
Other Funds	\$0.0	\$0.0	\$0.0	N/A		
<b>Total, All Methods of Finance</b>	<b>\$1,790.8</b>	<b>\$1,778.6</b>	<b>(\$12.2)</b>	<b>(0.7%)</b>	2017	N/A

### INSTITUTION PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

### SIGNIFICANT DEVELOPMENTS

- Core operations** are funded at **\$1.0 million** per institution in the community college outcomes-based formula.
- The remaining formula funding maintains the percentage split at **90.0 percent** for contact hour funding and **10.0 percent** for student success funding.
- Contact hours are funded at an average annual rate of **\$2.69 per contact hour**. Success points are funded at a rate of approximately **\$172.58 per success point**.
- The **total number of contact hours** for the 2016–17 biennium **decreased by 3.2 percent** from the 2014–15 biennium.

## LAMAR STATE COLLEGES

**PURPOSE:** The three Lamar State Colleges are lower-division institutions of higher education within the Texas State University System. Lamar State College – Port Arthur and Lamar State College – Orange offer freshman and sophomore courses, and the primary focus of the Lamar Institute of Technology is to teach technical and vocational courses.

**ESTABLISHED:** 1995

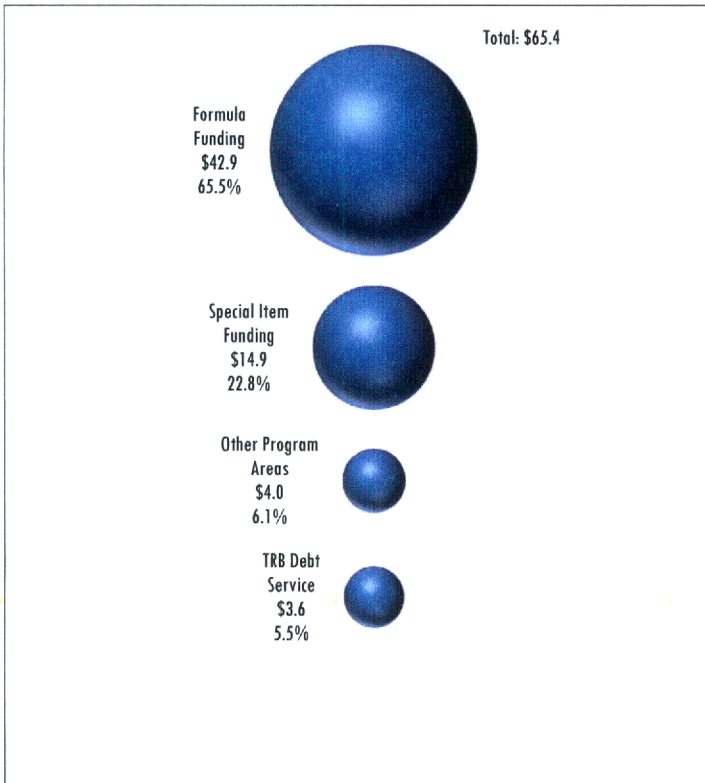
**AUTHORIZING STATUTE:** The Texas Education Code, §§96.703 and 96.704

**GOVERNANCE:** Texas State University System—nine-member board of regents appointed by the Governor with advice and consent of the Senate

**FIGURE 101  
LAMAR STATE COLLEGES BY METHOD OF FINANCE**

METHOD OF FINANCE	IN MILLIONS				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$53.0	\$52.4	(\$0.6)	(1.2%)	2016	565.4
General Revenue–Dedicated Funds	\$15.0	\$13.0	(\$1.9)	(13.0%)		
Federal Funds	\$0.0	\$0.0	\$0.0	N/A	2017	565.4
Other Funds	\$0.0	\$0.0	\$0.0	N/A		
<b>Total, All Methods of Finance</b>	<b>\$68.0</b>	<b>\$65.4</b>	<b>(\$2.6)</b>	<b>(3.8%)</b>		

### INSTITUTION PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



### SIGNIFICANT DEVELOPMENTS

**Formula funding** decreased by **\$4.5 million** in All Funds due primarily to a 16.0 percent decrease in contact hours.

**Special item support** increased by **\$4.7 million** and provides funding to establish an associate arts degree, an allied health program, a maritime technology program, vocational technology and heating/ventilation/air-conditioning programs, and includes hold harmless funding.

**House Bill 100, Eighty-fourth Legislature, 2015,** authorized the issuance of new **tuition revenue bonds** for construction and renovation projects at each of the three Lamar State Colleges.

In fiscal year 2015, **1,686 degrees or certificates** were awarded from the three Lamar State Colleges.

SOURCE: Legislative Budget Board.

## TEXAS STATE TECHNICAL COLLEGES

**PURPOSE:** Two-year institutions of higher education offering courses of study in technical–vocational education offering occupationally oriented programs with supporting academic course work, emphasizing technical and vocational areas for certificates or associate degrees.

**ESTABLISHED:** 1965–2015

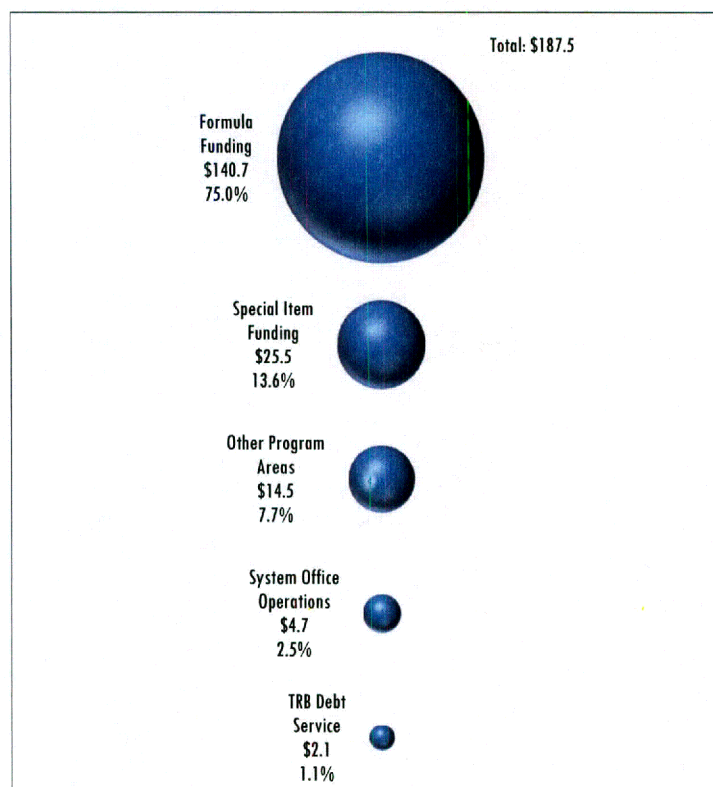
**AUTHORIZING STATUTE:** The Texas Education Code, §135.01

**GOVERNANCE:** Texas State Technical College System—nine-member board of regents appointed by the Governor with the advice and consent of the Senate

**FIGURE 102**  
**TEXAS STATE TECHNICAL COLLEGES BY METHOD OF FINANCE**

METHOD OF FINANCE	IN MILLIONS				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS
	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE	
General Revenue Funds	\$124.0	\$138.1	\$14.1	11.4%	<b>2016</b> 1,333.8  <b>2017</b> 1,333.8
General Revenue–Dedicated Funds	\$52.6	\$49.4	(\$3.2)	(6.1%)	
Federal Funds	\$0.0	\$0.0	\$0.0	N/A	
Other Funds	\$0.0	\$0.0	\$0.0	N/A	
<b>Total, All Methods of Finance</b>	<b>\$176.6</b>	<b>\$187.5</b>	<b>\$10.9</b>	<b>6.2%</b>	

### INSTITUTION PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



### SIGNIFICANT DEVELOPMENTS

**Formula funding** increased by **\$4.2 million** and is based on 35.5 percent of the returned value to the state generated by the Texas State Technical Colleges (TSTC).

**House Bill 658, Eighty-fourth Legislature, 2015,** establishes a **new TSTC campus** in **Fort Bend County**. Appropriations include **\$9.0 million** for startup costs associated with the new campus.

**House Bill 100, Eighty-fourth Legislature, 2015,** authorizes the issuance of new **tuition revenue bonds** for construction and renovation projects at each of the four existing TSTC campuses.

SOURCE: Legislative Budget Board.

## AVAILABLE UNIVERSITY FUND

**PURPOSE:** To acquire land, construct and equip buildings, repair buildings, acquire capital equipment, refund bonds or issued notes, and provide for other permanent improvements for eligible institutions. Also, to provide for the support and maintenance of eligible institutions.

**ESTABLISHED:** 1876

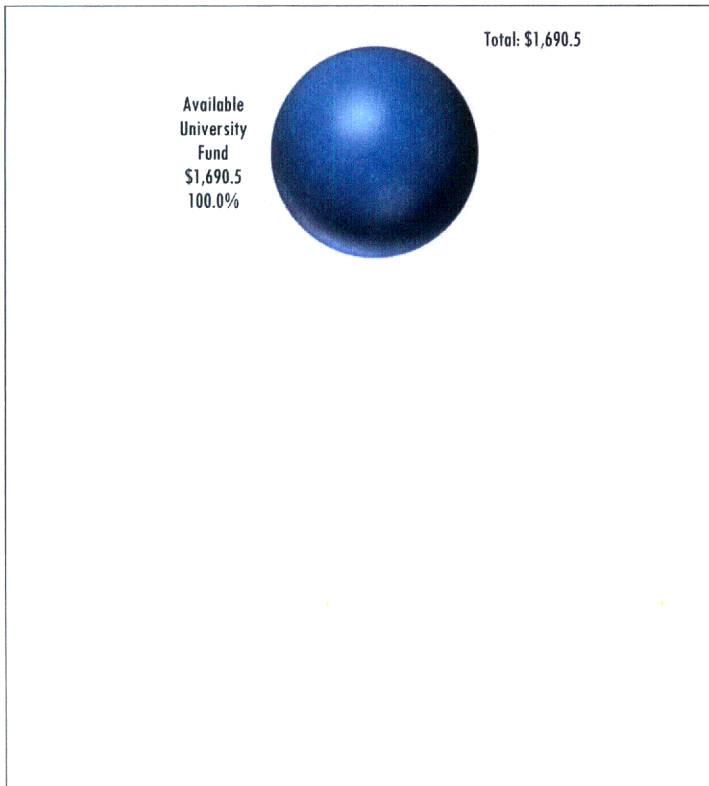
**AUTHORIZING STATUTE:** The Texas Constitution, Article VII, §18

**GOVERNANCE:** The Texas Legislature governs the Available University Fund (AUF); eligible institutions' boards of regents oversee AUF-funded projects

**FIGURE 103**  
**AVAILABLE UNIVERSITY FUND BY METHOD OF FINANCE**

METHOD OF FINANCE	IN MILLIONS				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$0.0	\$0.0	\$0.0	N/A	2016	0.0
General Revenue–Dedicated Funds	\$0.0	\$0.0	\$0.0	N/A		
Federal Funds	\$0.0	\$0.0	\$0.0	N/A		
Other Funds	\$1,702.2	\$1,690.5	(\$11.7)	(0.7%)	2017	0.0
<b>Total, All Methods of Finance</b>	<b>\$1,702.2</b>	<b>\$1,690.5</b>	<b>(\$11.7)</b>	<b>(0.7%)</b>		

### FUND PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



### SIGNIFICANT DEVELOPMENTS

Appropriations include an **\$11.7 million decrease** in Other Funds **due to a special onetime distribution** from the Permanent University Fund (PUF) to the Available University Fund (AUF) **for fiscal year 2014**.

The Texas Constitution requires PUF distributions to AUF that result in a stable income stream into AUF while maintaining PUF's purchasing power. The estimated **PUF market value was \$17.8 billion as of June 2015**.

Three **new riders** are included in the 2016–17 General Appropriations Act that **provide reporting and notification requirements** regarding the uses of the AUF.

The **AUF bill pattern** in the 2016–17 General Appropriations Act **does not include any full-time-equivalent (FTE) positions**. FTE positions paid with AUF appropriations are included in the bill patterns of the eligible universities.

SOURCE: Legislative Budget Board.



## HIGHER EDUCATION FUND

**PURPOSE:** To provide funding support for institutions of higher education that are ineligible for Available University Fund support. Used for acquiring land, constructing and equipping buildings, major repair of buildings, acquisition of capital equipment, and other permanent improvements for eligible institutions.

**ESTABLISHED:** 1984

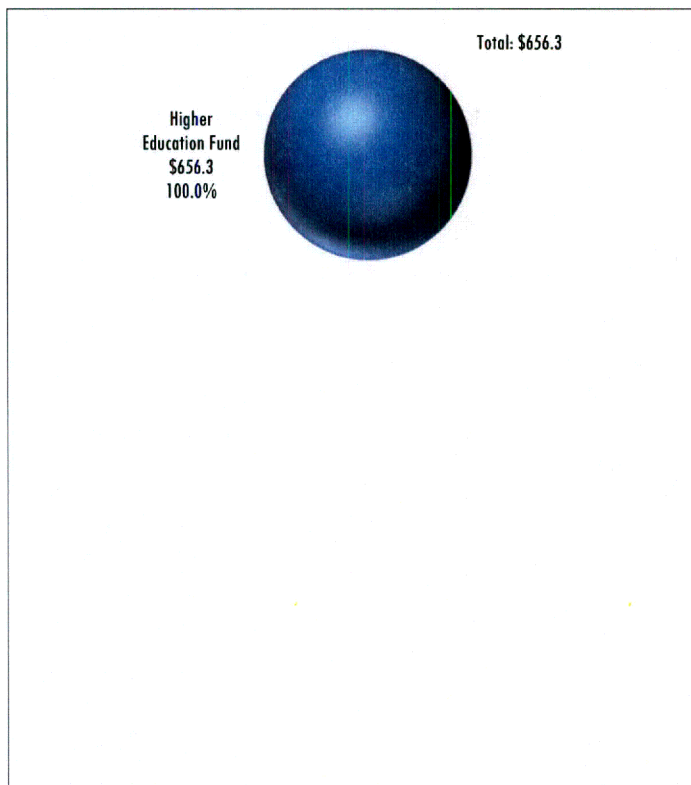
**AUTHORIZING STATUTE:** The Texas Constitution, Article VII, §17

**GOVERNANCE:** The Texas Legislature governs the Higher Education Fund (HEF); eligible institutions' boards of regents oversee HEF-funded projects

**FIGURE 104  
HIGHER EDUCATION FUND BY METHOD OF FINANCE**

METHOD OF FINANCE	IN MILLIONS				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$525.0	\$656.3	\$131.3	25.0%	<b>2016</b> 0.0	
General Revenue–Dedicated Funds	\$0.0	\$0.0	\$0.0	N/A		
Federal Funds	\$0.0	\$0.0	\$0.0	N/A		
Other Funds	\$0.0	\$0.0	\$0.0	N/A		
<b>Total, All Methods of Finance</b>	<b>\$525.0</b>	<b>\$656.3</b>	<b>\$131.3</b>	<b>25.0%</b>	<b>2017</b> 0.0	

### FUND PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



### SIGNIFICANT DEVELOPMENTS

The fund is appropriated a **\$131.3 million increase** in General Revenue Funds based on the passage of Senate Bill 1191, Eighty-fourth Legislature, 2015, which sets the **amount and allocation of HEF appropriations** to certain agencies and institutions of higher education.

Beginning in fiscal year 2016, two universities are **added** to the group of **eligible institutions—University of North Texas at Dallas and Texas Tech University Health Sciences Center El Paso.**

SOURCE: Legislative Budget Board.

## AVAILABLE NATIONAL RESEARCH UNIVERSITY FUND

**PURPOSE:** To provide a dedicated, independent, and equitable source of funding to enable emerging research universities in Texas to achieve national prominence as major research universities. Funds may only be used by eligible universities for the support and maintenance of educational and general activities that promote increased research capacity.

**ESTABLISHED:** 2009

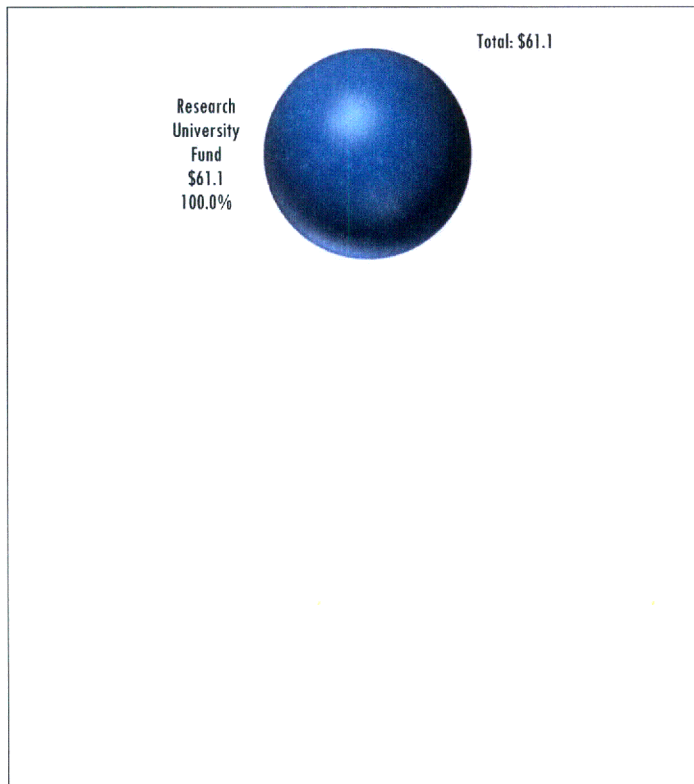
**AUTHORIZING STATUTE:** The Texas Constitution, Article VII, §20

**GOVERNANCE:** The Texas Legislature governs the Available National Research University Fund (ANRUF); eligible institutions' boards of regents oversee ANRUF-funded activities

**FIGURE 105**  
**AVAILABLE NATIONAL RESEARCH UNIVERSITY FUND BY METHOD OF FINANCE**

METHOD OF FINANCE	IN MILLIONS				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2014-15	APPROPRIATED 2016-17	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$0.0	\$0.0	\$0.0	N/A		
General Revenue-Dedicated Funds	\$0.0	\$0.0	\$0.0	N/A		
Federal Funds	\$0.0	\$0.0	\$0.0	N/A	2016	0.0
Other Funds	\$55.8	\$61.1	\$5.2	9.4%	2017	0.0
<b>Total, All Methods of Finance</b>	<b>\$55.8</b>	<b>\$61.1</b>	<b>\$5.2</b>	<b>9.4%</b>		

### FUND PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



### SIGNIFICANT DEVELOPMENTS

- Funds available for distribution to eligible research universities in the 2016-17 biennium **increase by \$5.2 million** from the previous biennium.
- Eligibility requirements** are listed in the **Texas Education Code, §62.145**. Eligibility is determined by the Texas Higher Education Coordinating Board.
- University of Houston and Texas Tech University** are **eligible to receive ANRUF** distributions.

SOURCE: Legislative Budget Board.

## PERMANENT FUND SUPPORTING MILITARY VETERANS EXEMPTIONS

**PURPOSE:** To assist public institutions of higher education to offset the waived tuition and fee revenue from the Hazlewood Legacy Program. In accordance with the Hazlewood Legacy Program, qualifying veterans may assign unused hours of their state tuition exemption to a dependent that meets eligibility requirements.

**ESTABLISHED:** 2013

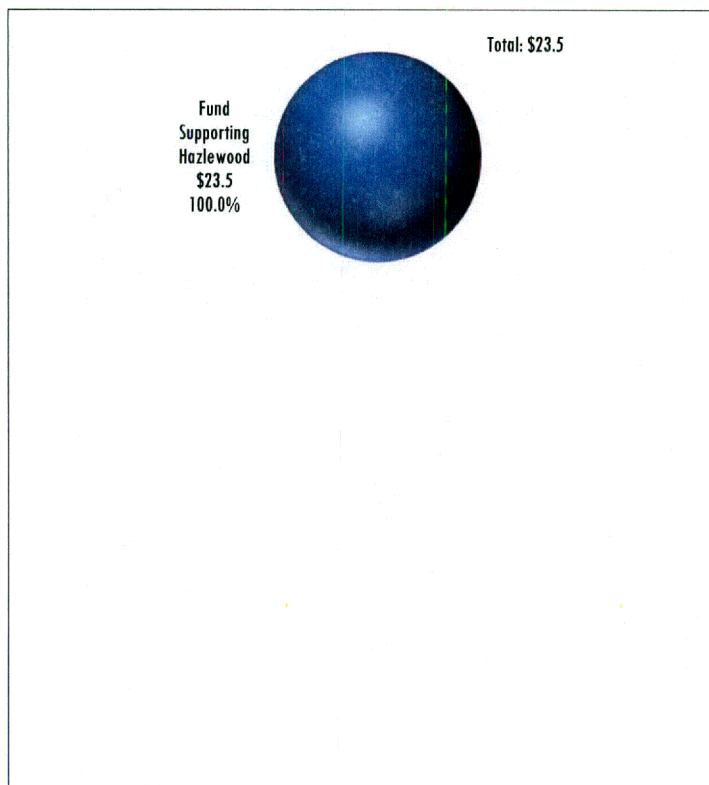
**AUTHORIZING STATUTE:** The Texas Education Code, §54.3411

**GOVERNANCE:** The Texas Legislature governs the Permanent Fund Supporting Military Veterans Exemptions (MVE); the Texas Treasury Safekeeping Trust Company administers MVE

**FIGURE 106**  
**PERMANENT FUND SUPPORTING MILITARY VETERANS EXEMPTIONS BY METHOD OF FINANCE**

METHOD OF FINANCE	IN MILLIONS				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$0.0	\$0.0	\$0.0	N/A	2016	0.0
General Revenue–Dedicated Funds	\$0.0	\$0.0	\$0.0	N/A		
Federal Funds	\$0.0	\$0.0	\$0.0	N/A	2017	0.0
Other Funds	\$11.4	\$23.5	\$12.1	106.6%		
<b>Total, All Methods of Finance</b>	<b>\$11.4</b>	<b>\$23.5</b>	<b>\$12.1</b>	<b>106.6%</b>		

### FUND PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



### SIGNIFICANT DEVELOPMENTS

Appropriations include a **\$12.1 million increase** in Other Funds due to **expected growth of the MVE and annual distributions** being made in the 2016–17 biennium.

MVE was **established to assist public institutions of higher education to offset the waived tuition and fee revenue** from the Hazlewood Legacy Program.

**The Texas Treasury Safekeeping Trust Company determines the amount available for distribution** from MVE in accordance with policy adopted by the Texas Comptroller of Public Accounts.

**The Texas Veterans Commission has administrative responsibility** for the Hazlewood Legacy Program.

SOURCE: Legislative Budget Board.

## TEXAS A&M AGRILIFE RESEARCH

**PURPOSE:** To conduct research and oversee regulatory programs for the benefit of the agricultural industry and consumers of agricultural products. To ensure that environmental and natural resources are maintained and enhanced and that a safe supply of agricultural products is available.

**ESTABLISHED:** 1887

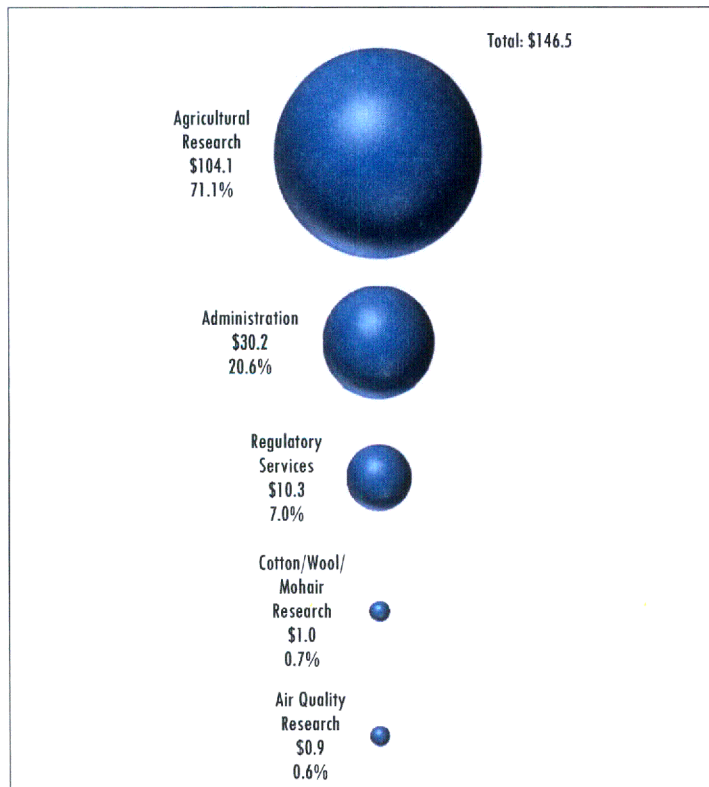
**AUTHORIZING STATUTE:** The Texas Education Code, Chapter 88

**GOVERNANCE:** Texas A&M University System Board of Regents—nine members appointed by the Governor with the advice and consent of the Senate

**FIGURE 107**  
**TEXAS A&M AGRILIFE RESEARCH BY METHOD OF FINANCE**

METHOD OF FINANCE	IN MILLIONS				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$107.1	\$113.3	\$6.2	5.8%	2016	989.7
General Revenue–Dedicated Funds	\$0.9	\$0.9	\$0.0	0.4%		
Federal Funds	\$18.5	\$18.5	\$0.0	0.0%	2017	989.7
Other Funds	\$13.9	\$13.8	(\$0.2)	(1.3%)		
<b>Total, All Methods of Finance</b>	<b>\$140.5</b>	<b>\$146.5</b>	<b>\$6.1</b>	<b>4.3%</b>		

### AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



### SIGNIFICANT DEVELOPMENTS

Appropriations include a **\$5.0 million increase** in General Revenue Funds to **establish comprehensive research programs** that will disrupt the spread of insect-transmitted diseases in Texas.

During fiscal year 2015, the **agency completed and produced 2,399 publications** as a result of its research that were recognized by scientist peer groups as a professional journal of record.

As part of its regulatory services during fiscal year 2015, the agency **inspected more than 228,000 bee colonies** for disease in order to **maintain the health and quality of bees in Texas**.

SOURCE: Legislative Budget Board.

## TEXAS A&M AGRILIFE EXTENSION SERVICE

**PURPOSE:** To educate Texans in agriculture, environmental stewardship, youth and adult life skills, leadership, and economic development.

**ESTABLISHED:** 1915

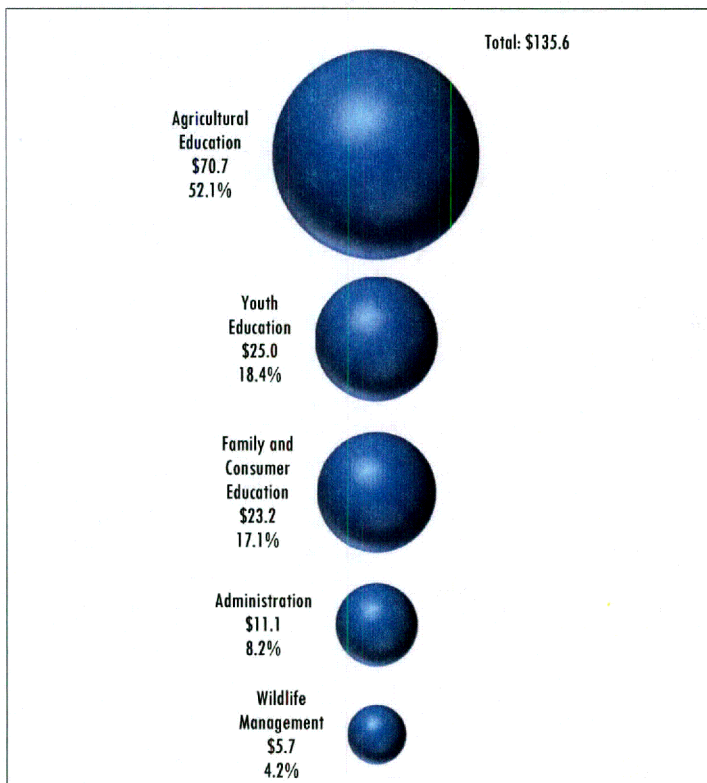
**AUTHORIZING STATUTE:** The Texas Education Code, Chapter 88

**GOVERNANCE:** Texas A&M University System Board of Regents—nine members appointed by the Governor with the advice and consent of the Senate

**FIGURE 108**  
**TEXAS A&M AGRILIFE EXTENSION SERVICE BY METHOD OF FINANCE**

METHOD OF FINANCE	IN MILLIONS				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$86.6	\$89.0	\$2.4	2.8%	2016	1,031.1
General Revenue—Dedicated Funds	\$0.0	\$0.0	\$0.0	N/A		
Federal Funds	\$26.5	\$26.5	\$0.0	0.0%	2017	1,031.1
Other Funds	\$20.1	\$20.0	(\$0.0)	(0.0%)		
<b>Total, All Methods of Finance</b>	<b>\$133.2</b>	<b>\$135.6</b>	<b>\$2.4</b>	<b>1.8%</b>		

### AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



### SIGNIFICANT DEVELOPMENTS

Appropriations include **\$1.7 million** in General Revenue Funds related to the **dedication of certain wine-related revenue** as enacted by Senate Bill 881, Eighty-fourth Legislature, Regular Session, 2015.

The agency reported more than **13.4 million person-to-person contacts statewide** in which agricultural educational material and training were provided during fiscal year 2015.

The agency reported approximately **4.1 million person-to-person contacts statewide** in which health and safety educational material and training were provided during fiscal year 2015.

SOURCE: Legislative Budget Board.

## TEXAS A&M ENGINEERING EXPERIMENT STATION

**PURPOSE:** To foster innovations in research, education, and technology that support and aid the business and industrial communities to improve economic development.

**ESTABLISHED:** 1914

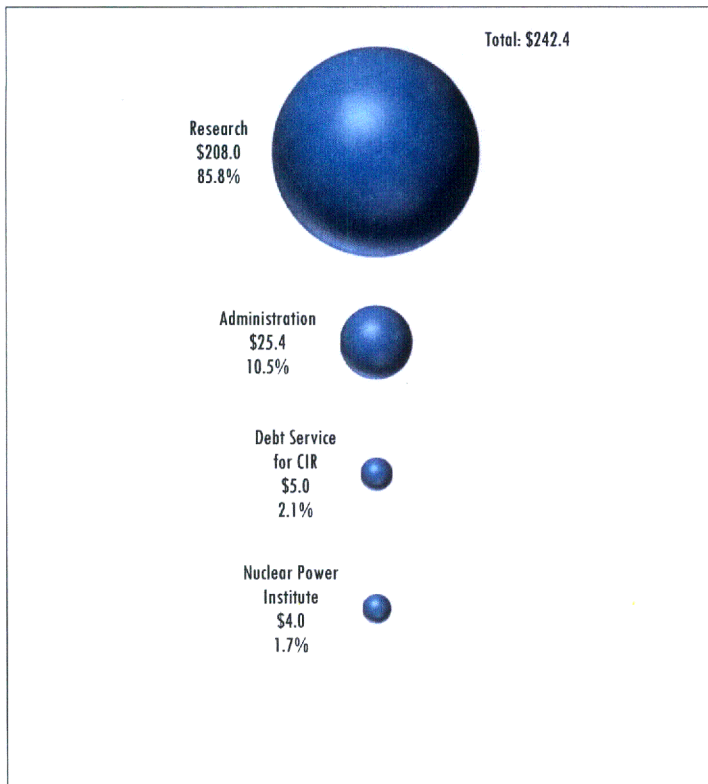
**AUTHORIZING STATUTE:** The Texas Education Code, Chapter 88

**GOVERNANCE:** The Texas A&M University System Board of Regents—nine members appointed by the Governor with advice and consent of the Senate

**FIGURE 109**  
**TEXAS A&M ENGINEERING EXPERIMENT STATION BY METHOD OF FINANCE**

METHOD OF FINANCE	IN MILLIONS				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$33.8	\$37.5	\$3.7	11.0%	2016	880.0
General Revenue—Dedicated Funds	\$0.9	\$0.9	\$0.0	0.7%		
Federal Funds	\$98.5	\$90.0	(\$8.5)	(8.6%)	2017	880.0
Other Funds	\$106.1	\$114.0	\$7.8	7.4%		
<b>Total, All Methods of Finance</b>	<b>\$239.4</b>	<b>\$242.4</b>	<b>\$3.0</b>	<b>1.3%</b>		

### AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

### SIGNIFICANT DEVELOPMENTS

**A \$8.5 million decrease** in anticipated **Federal Funds** includes a \$4.8 million decrease associated with U.S. Department of Energy programs.

**A \$7.8 million increase** in Other Funds is primarily related to anticipated **private-sector contracts**.

**A \$5.0 million increase** in General Revenue Funds is appropriated for debt service payments **for the Center for Infrastructure Renewal (CIR)**.

**A \$1.0 million increase** in General Revenue Funds is appropriated for the agency's **Nuclear Power Institute**.

## TEXAS A&M TRANSPORTATION INSTITUTE

**PURPOSE:** To solve transportation problems through research, to transfer technology and knowledge to the transportation industry and traveling public, and to develop diverse human resources to meet future transportation challenges.

**ESTABLISHED:** 1950

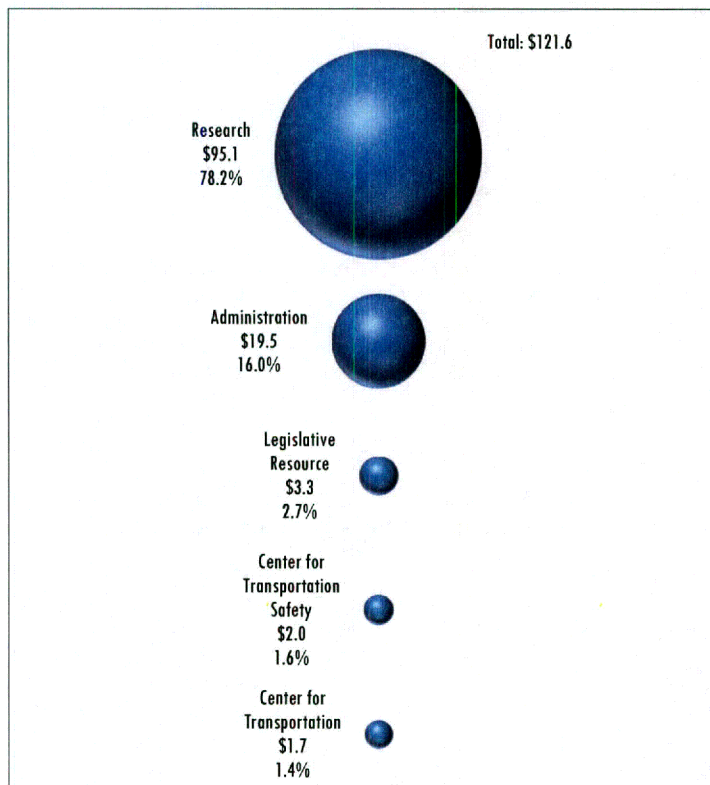
**AUTHORIZING STATUTE:** The Texas Education Code, Chapter 88

**GOVERNANCE:** The Texas A&M University System Board of Regents—nine members appointed by the Governor with advice and consent of the Senate

**FIGURE 110**  
**TEXAS A&M TRANSPORTATION INSTITUTE BY METHOD OF FINANCE**

METHOD OF FINANCE	IN MILLIONS				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$4.3	\$18.7	\$14.4	334.4%	2016	434.7
General Revenue—Dedicated Funds	\$0.0	\$0.0	\$0.0	N/A		
Federal Funds	\$23.6	\$24.8	\$1.2	5.3%		
Other Funds	\$90.4	\$78.0	(\$12.4)	(13.7%)		
<b>Total, All Methods of Finance</b>	<b>\$118.3</b>	<b>\$121.6</b>	<b>\$3.3</b>	<b>2.8%</b>	2017	434.7

### AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



### SIGNIFICANT DEVELOPMENTS

- A \$14.0 million increase in General Revenue Funds is related to discontinuing the appropriation of State Highway Funds to the agency.
- The agency's legislative resource program appropriations decreased by \$2.7 million.
- More than 905,000 agency-patented roadway safety devices (e.g., guardrail terminals and crash cushions) have been installed nationwide.
- The agency's research expenditures in fiscal year 2015 were \$57.7 million.

SOURCE: Legislative Budget Board.

## TEXAS A&M ENGINEERING EXTENSION SERVICE

**PURPOSE:** To develop a highly skilled and educated workforce that enhances the state’s public safety, health, and economic growth through training, continuing education, and technical assistance.

**ESTABLISHED:** 1948

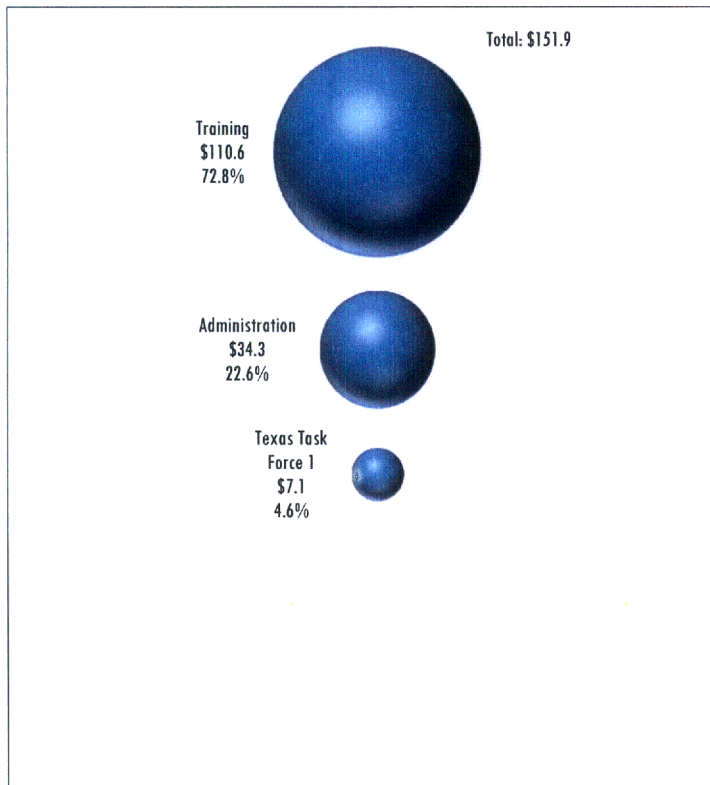
**AUTHORIZING STATUTE:** The Texas Education Code, Chapter 88

**GOVERNANCE:** The Texas A&M University System Board of Regents—nine members appointed by the Governor with advice and consent of the Senate

**FIGURE 111**  
**TEXAS A&M ENGINEERING EXTENSION SERVICE BY METHOD OF FINANCE**

METHOD OF FINANCE	IN MILLIONS				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$15.6	\$15.8	\$0.2	1.0%	2016	555.2
General Revenue–Dedicated Funds	\$0.0	\$0.0	\$0.0	N/A		
Federal Funds	\$37.4	\$37.4	\$0.0	0.0%		
Other Funds	\$101.3	\$98.7	(\$2.6)	(2.5%)		
<b>Total, All Methods of Finance</b>	<b>\$154.3</b>	<b>\$151.9</b>	<b>(\$2.4)</b>	<b>(1.6%)</b>	<b>2017</b>	<b>555.2</b>

### AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



### SIGNIFICANT DEVELOPMENTS

The agency provides **basic and advanced training**, which received less revenue and, therefore, resulted in a **\$1.9 million decrease** in Other Funds (Appropriated Receipts).

The agency provided **more than 1.6 million contact hours of training to public-sector students** during fiscal year 2015, in areas such as emergency response, public works, law enforcement, transportation, and water and wastewater.

**Texas Task Force 1** spent **more than 126,000 hours on emergency response deployments** during fiscal year 2015, primarily due to state flooding.

SOURCE: Legislative Budget Board.



## TEXAS A&M FOREST SERVICE

**PURPOSE:** To provide professional assistance to ensure that the state’s forest, tree, and related natural resources are conserved and protected. To serve as one of the lead agencies for incident management in the state, striving to protect Texas from wildfire and other types of disasters.

**ESTABLISHED:** 1915

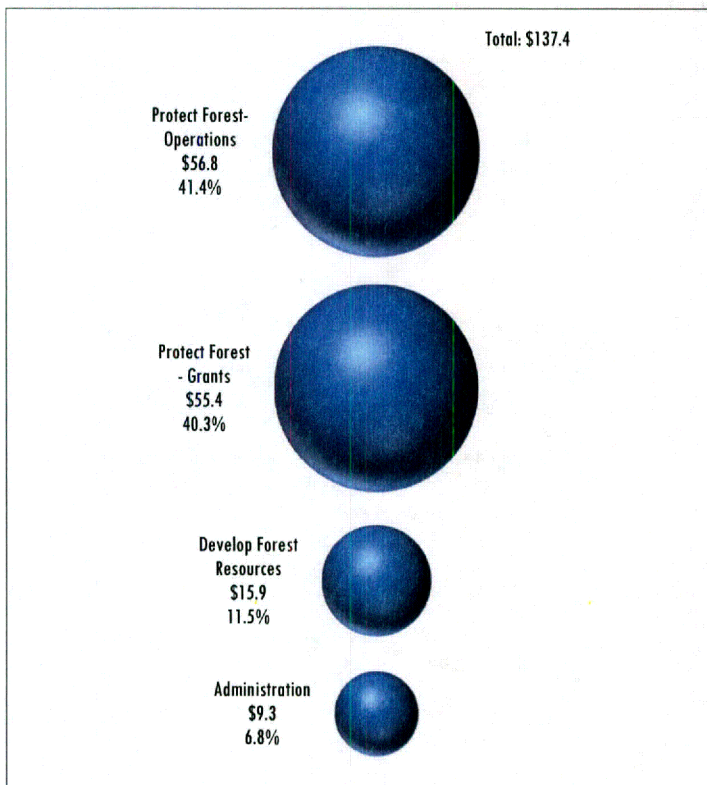
**AUTHORIZING STATUTE:** The Texas Education Code, Chapter 88

**GOVERNANCE:** The Texas A&M University System Board of Regents—nine members appointed by the Governor with advice and consent of the Senate

**FIGURE 112**  
**TEXAS A&M FOREST SERVICE BY METHOD OF FINANCE**

METHOD OF FINANCE	IN MILLIONS				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$66.3	\$66.4	\$0.1	0.2%	2016	558.2
General Revenue–Dedicated Funds	\$41.1	\$63.1	\$22.0	53.5%		
Federal Funds	\$6.5	\$6.7	\$0.2	2.7%		
Other Funds	\$1.1	\$1.2	\$0.0	4.2%		
<b>Total, All Methods of Finance</b>	<b>\$115.1</b>	<b>\$137.4</b>	<b>\$22.3</b>	<b>19.4%</b>	2017	558.2

### AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



### SIGNIFICANT DEVELOPMENTS

Appropriations include a **\$23.0 million increase** in General Revenue–Dedicated Funds for **additional grants to rural volunteer fire departments** as authorized by House Bill 7, Eighty-fourth Legislature, Regular Session, 2015.

Appropriations **decrease by \$0.3 million** in General Revenue Funds as a result of a **new methodology for infrastructure support outside Brazos County**, which is proportionally allocated to the agricultural agencies by their percentages of total actual square footage.

The agency **provided 75,522 hours of training** to firefighters and emergency responders in fiscal year 2015.

During fiscal year 2015, agency employees spent **more than 33,800 hours** preparing for and participating in **emergency response activities**.

SOURCE: Legislative Budget Board.

## TEXAS A&M VETERINARY MEDICAL DIAGNOSTIC LABORATORY

**PURPOSE:** Promote animal health and protect agricultural, companion animal, and public health interests by providing veterinary diagnostic services. Provide necessary drug and residue tests for the Texas animal racing industry and health tests for national and international shipments of animals and animal products.

**ESTABLISHED:** 1967

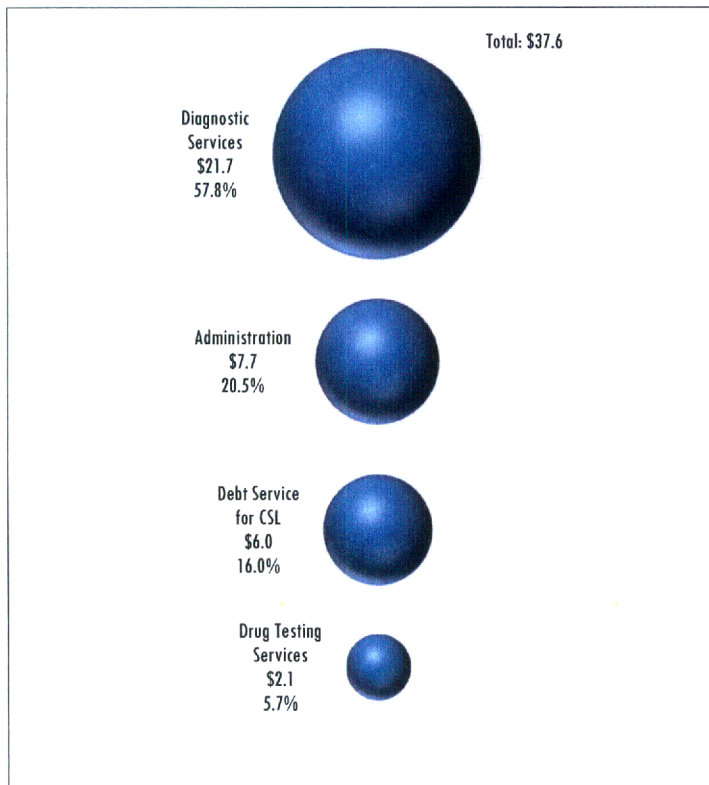
**AUTHORIZING STATUTE:** The Texas Education Code, Chapter 88

**GOVERNANCE:** The Texas A&M University System Board of Regents—nine members appointed by the Governor with advice and consent of the Senate

**FIGURE 113**  
**TEXAS A&M VETERINARY MEDICAL DIAGNOSTIC LABORATORY BY METHOD OF FINANCE**

METHOD OF FINANCE	IN MILLIONS				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$17.8	\$17.9	\$0.2	1.0%		
General Revenue—Dedicated Funds	\$0.0	\$0.0	\$0.0	N/A		
Federal Funds	\$0.4	\$0.4	\$0.0	5.2%	2016	165.0
Other Funds	\$19.9	\$19.2	(\$0.7)	(3.5%)	2017	165.0
<b>Total, All Methods of Finance</b>	<b>\$38.1</b>	<b>\$37.6</b>	<b>(\$0.5)</b>	<b>(1.3%)</b>		

### AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



### SIGNIFICANT DEVELOPMENTS

**A new methodology for infrastructure support outside Brazos County** proportionally allocates to the agricultural agencies by their percentages of total actual square footage.

The **number of diagnostic cases** submitted and examined by the agency in **fiscal year 2015** was **143,911**.

**More than 771,000** different analytical and diagnostic tests were performed by the agency in **fiscal year 2015**.

**Fees generate 51.1 percent** of the agency's total appropriation.

SOURCE: Legislative Budget Board.

## HIGHER EDUCATION EMPLOYEES GROUP INSURANCE

**PURPOSE:** Higher Education Employees Group Insurance (HEGI) encompasses appropriations of state funds to individual institutions within three systems providing health benefits coverage to higher education employees: The University of Texas (UT) System, the Texas A&M University (TAMU) system, and the Employees Retirement System (ERS).

**ESTABLISHED:** Various

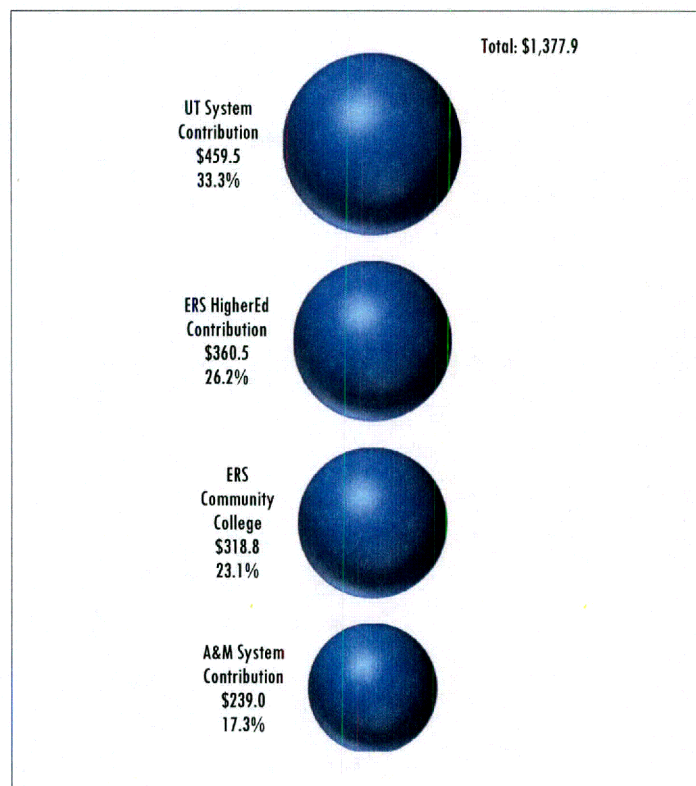
**AUTHORIZING STATUTE:** The Texas Insurance Code, Chapter 1601 (UT and TAMU systems) and Chapter 1551 (ERS institutions)

**GOVERNANCE:** ERS, UT System, and TAMU System

**FIGURE 114**  
**HIGHER EDUCATION EMPLOYEES GROUP INSURANCE BY METHOD OF FINANCE**

METHOD OF FINANCE	IN MILLIONS				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$1,189.2	\$1,377.9	\$188.7	15.9%		
General Revenue–Dedicated Funds	\$0.0	\$0.0	\$0.0	N/A		
Federal Funds	\$0.0	\$0.0	\$0.0	N/A	2016	N/A
Other Funds	\$1.6	\$0.0	(\$1.6)	(100.0%)	2017	N/A
<b>Total, All Methods of Finance</b>	<b>\$1,190.8</b>	<b>\$1,377.9</b>	<b>\$187.1</b>	<b>15.7%</b>		

### AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

### SIGNIFICANT DEVELOPMENTS

- State institutions of higher education are funded at **86.8 percent to 89.2 percent** of full ERS premium rates.
- Community college districts are funded at **50.0 percent** of full ERS premium rates.
- The **number of participants** (actives, retirees, and dependents) in the group insurance programs for UT System, TAMU System, and ERS **totaled approximately 406,000** in fiscal year 2015.
- Due to decreases in enrollment, **29 community colleges** received an employee-level **hold harmless** through the benefits petition process.



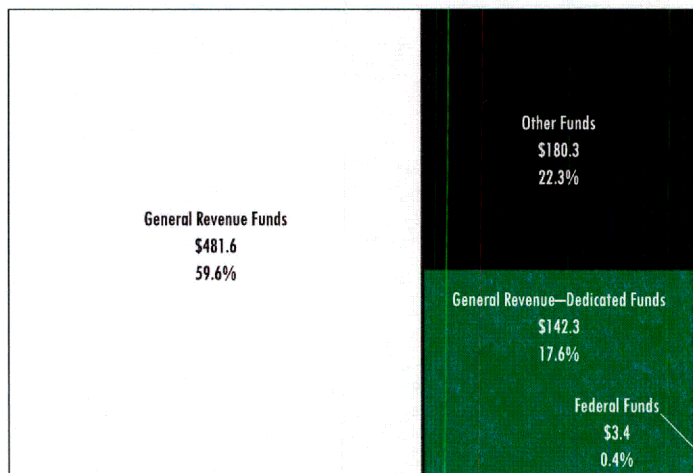
## 7. JUDICIARY

The Judiciary is the third branch of state government. Appropriations for the Judiciary support operation and administration of the state's court system, which includes the Supreme Court of Texas, the Court of Criminal Appeals, 14 Courts of Appeals, and 2,717 trial courts. Appropriations for the courts and six judicial branch agencies include funding for access to the courts for low-income Texans, judicial education, e-filing, fair defense for indigents, review of allegations of judicial misconduct or disability, publicly available legal resources, prosecutor pay and expenses, juror pay, and nonresident witness expenses.

**FIGURE 115**  
**ARTICLE IV – JUDICIARY, BY METHOD OF FINANCE**

METHOD OF FINANCE	IN MILLIONS			
	EXPENDED/BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	\$447.3	\$481.6	\$34.3	7.7%
General Revenue–Dedicated Funds	\$133.5	\$142.3	\$8.9	6.6%
Federal Funds	\$3.8	\$3.4	(\$0.3)	(9.0%)
Other Funds	\$179.9	\$180.3	\$0.4	0.2%
<b>Total, All Methods of Finance</b>	<b>\$764.5</b>	<b>\$807.8</b>	<b>\$43.3</b>	<b>5.7%</b>

### SHARE OF FUNDING BY METHOD OF FINANCE



### SIGNIFICANT DEVELOPMENTS

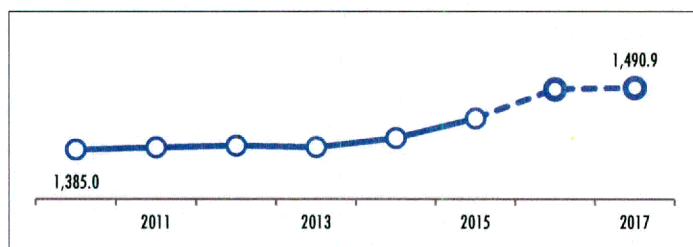
**eFileTexas appropriations total \$45.5 million** for vendor payments to manage and fully **implement the system by July 2016**. This amount is an increase of 59.6 percent, including filing fee changes initiated in **Senate Bill 1139**.

**Texas Indigent Defense Commission** funding totals **\$71.1 million**, a decrease of 16.0 percent, to assist counties in providing indigent defense services. Biennial fund balances available in 2014–15 are not available in 2016–17.

Funding to provide **basic civil legal services** to eligible recipients totals **\$62.9 million**, an increase of 15.8 percent. This amount includes \$10.0 million for **victims of sexual assault** and \$3.0 million for **veterans and their families**.

**Seven new district courts and five new statutory county courts** were established by **Senate Bill 1139**. Appropriations were increased by \$2.3 million to implement the bill's provisions.

### FULL-TIME-EQUIVALENT POSITIONS



NOTES: Excludes Interagency Contracts. Full-time-equivalent positions show actual positions for fiscal years 2010 to 2015 and appropriated positions for fiscal years 2016 and 2017.

SOURCES: Legislative Budget Board; State Auditor's Office.

## SUPREME COURT OF TEXAS

**PURPOSE:** The Supreme Court of Texas is the court of last resort in civil and juvenile matters. Other responsibilities include original jurisdiction to issue writs, final jurisdiction over the involuntary retirement or removal of judges, promulgating rules and other standards, and regulating the legal profession in Texas.

**ESTABLISHED:** 1845

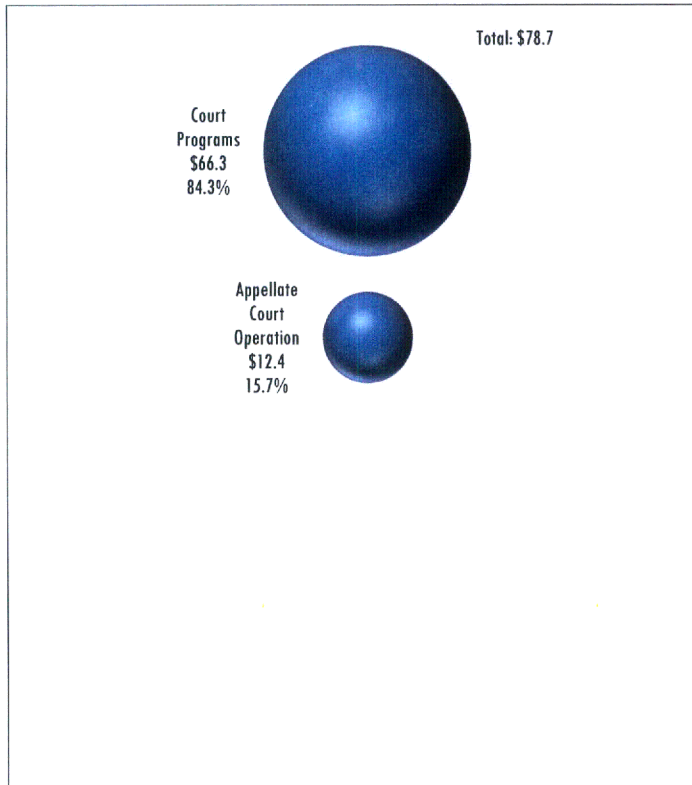
**AUTHORIZING STATUTE:** The Texas Constitution, Article 5, §2

**GOVERNANCE:** One Chief Justice and eight justices elected to staggered six-year terms through statewide elections

**FIGURE 116**  
**SUPREME COURT OF TEXAS BY METHOD OF FINANCE**

METHOD OF FINANCE	IN MILLIONS				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$28.3	\$32.0	\$3.7	13.0%	2016 77.0 2017 77.0	
General Revenue–Dedicated Funds	\$0.0	\$10.0	\$10.0	N/A		
Federal Funds	\$3.3	\$3.2	(\$0.1)	(3.1%)		
Other Funds	\$38.0	\$33.5	(\$4.5)	(11.9%)		
<b>Total, All Methods of Finance</b>	<b>\$69.7</b>	<b>\$78.7</b>	<b>\$9.0</b>	<b>13.0%</b>		

### COURT PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



### SIGNIFICANT DEVELOPMENTS

**Basic Civil Legal Services** appropriations total **\$62.9 million**, an **increase of \$8.6 million** to provide civil legal services to eligible recipients.

**Basic Civil Legal Services** appropriations include **\$10.0 million** for an estimated **5,842 victims of sexual assault** and **\$3.0 million** for an estimated **3,250 veterans** and their families.

SOURCE: Legislative Budget Board.

## COURT OF CRIMINAL APPEALS

**PURPOSE:** The court has statewide final appellate jurisdiction in criminal cases, exclusive jurisdiction in death penalty cases, and the power to issue writs; promulgates rules of evidence and appellate procedures for criminal cases; and makes grants to training entities providing judicial education.

**ESTABLISHED:** 1891

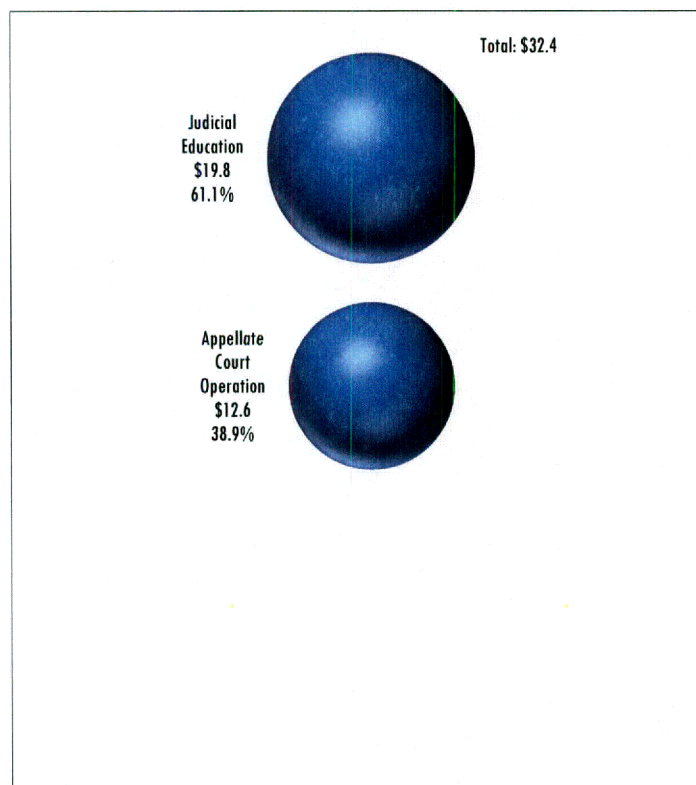
**AUTHORIZING STATUTE:** The Texas Constitution, Article V, §4

**GOVERNANCE:** One Presiding Judge and eight judges elected to staggered six-year terms through statewide elections

**FIGURE 117**  
**COURT OF CRIMINAL APPEALS BY METHOD OF FINANCE**

METHOD OF FINANCE	IN MILLIONS				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2014-15	APPROPRIATED 2016-17	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$10.3	\$11.9	\$1.6	15.8%	2016	71.0
General Revenue—Dedicated Funds	\$17.1	\$19.6	\$2.5	14.4%		
Federal Funds	\$0.2	\$0.2	\$0.0	0.3%	2017	71.0
Other Funds	\$1.4	\$0.7	(\$0.7)	(47.6%)		
<b>Total, All Methods of Finance</b>	<b>\$29.0</b>	<b>\$32.4</b>	<b>\$3.4</b>	<b>11.8%</b>		

### COURT PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

### SIGNIFICANT DEVELOPMENTS

A \$1.6 million increase was provided for staff and technology, including additional positions, legal and nonlegal staff salary increases, and for information technology-related costs.

Judicial Education appropriations increased by \$1.8 million for grants to training entities offering continuing legal education for judicial and court staff.

The Court was authorized to permit judicial education training entities to retain unused judicial education grant funds for training purposes, subject to court approval.

## COURTS OF APPEALS

**PURPOSE:** Fourteen intermediate appellate courts have appellate jurisdiction in all criminal and civil cases other than those in which the death penalty has been assessed.

**ESTABLISHED:** 1876 through 1967

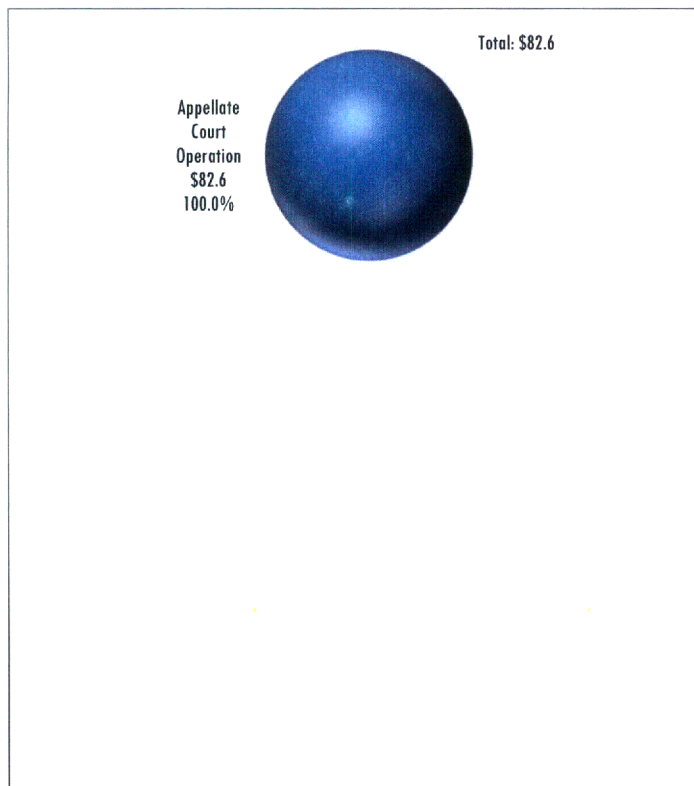
**AUTHORIZING STATUTE:** The Texas Government Code, Chapter 22, Subchapter C, and the Texas Constitution, Article 5, §6

**GOVERNANCE:** Each court of appeals has from two to eight justices and one chief justice elected to six-year terms

**FIGURE 118**  
**COURTS OF APPEALS BY METHOD OF FINANCE**

METHOD OF FINANCE	IN MILLIONS				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$70.1	\$76.7	\$6.5	9.3%	2016	429.7
General Revenue–Dedicated Funds	\$0.0	\$0.0	\$0.0	N/A		
Federal Funds	\$0.0	\$0.0	\$0.0	N/A	2017	429.7
Other Funds	\$6.0	\$6.0	(\$0.0)	(0.8%)		
<b>Total, All Methods of Finance</b>	<b>\$76.2</b>	<b>\$82.6</b>	<b>\$6.5</b>	<b>8.5%</b>		

### COURT PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



### SIGNIFICANT DEVELOPMENTS

Appropriations for the 14 Courts of Appeals include a **\$6.4 million block grant increase** to provide similar funding for same-size courts.

Appropriations provide for **80 justices (14 chief justices and 66 justices) and other necessary staff (349.7 full-time-equivalent positions)** to carry out intermediate appellate court operations.

SOURCE: Legislative Budget Board.



## OFFICE OF COURT ADMINISTRATION, TEXAS JUDICIAL COUNCIL

**PURPOSE:** To provide resources and support to trial, appellate, and specialty courts, and to regulatory boards and policymaking bodies; and to provide information about the judicial branch to the legislative and executive branches, the judiciary, and the public.

**ESTABLISHED:** 1977

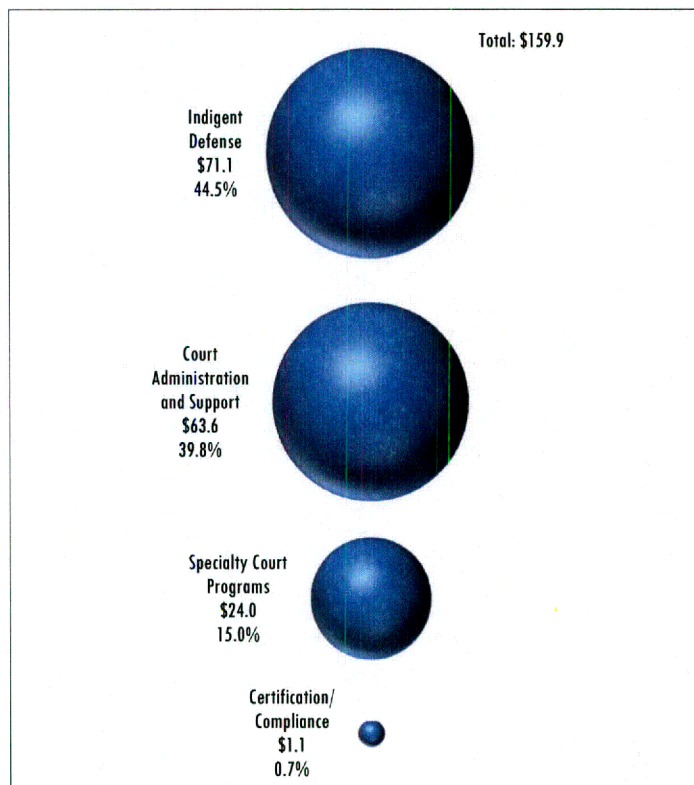
**AUTHORIZING STATUTE:** The Texas Government Code, Chapter 72

**GOVERNANCE:** Directed and supervised by the Supreme Court of Texas and the Chief Justice

**FIGURE 119**  
**OFFICE OF COURT ADMINISTRATION, TEXAS JUDICIAL COUNCIL BY METHOD OF FINANCE**

METHOD OF FINANCE	IN MILLIONS				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2014-15	APPROPRIATED 2016-17	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$26.2	\$39.8	\$13.6	51.8%	2016	239.6
General Revenue-Dedicated Funds	\$113.5	\$109.1	(\$4.4)	(3.9%)		
Federal Funds	\$0.2	\$0.0	(\$0.2)	(97.0%)		
Other Funds	\$10.6	\$10.9	\$0.3	3.1%		
<b>Total, All Methods of Finance</b>	<b>\$150.5</b>	<b>\$159.9</b>	<b>\$9.3</b>	<b>6.2%</b>	<b>2017</b>	<b>239.6</b>

### AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

### SIGNIFICANT DEVELOPMENTS

Appropriations for the **eFileTexas** system increased by **\$17.0 million**, with changes made in **Senate Bill 1139** increasing electronic filing fees in appellate, district, and county courts from \$20 to \$30.

A **Texas Indigent Defense Commission** appropriation **decrease of \$21.4 million**, primarily due to lower fund balances, is offset by a **\$7.5 million increase** for the **Regional Public Defender Office for Capital Cases** and to **defray county costs** for providing mandatory services.

**Technology funding** increased by **\$2.4 million** to replace aging security and legacy data analysis systems, and for operation and maintenance of the **Centralized Accounting and Payroll/Personnel System**.

Appropriations for specialty courts increased by **\$1.9 million** to **increase associate judge salaries** to 80.0 percent of a district judge's salary, or \$112,000, and for court staff salary increases.

## OFFICE OF CAPITAL AND FORENSIC WRITS

**PURPOSE:** To provide quality legal representation for indigent death row inmates in post-conviction writs of habeas corpus and related proceedings, and in forensic writs for noncapital cases.

**ESTABLISHED:** 2009

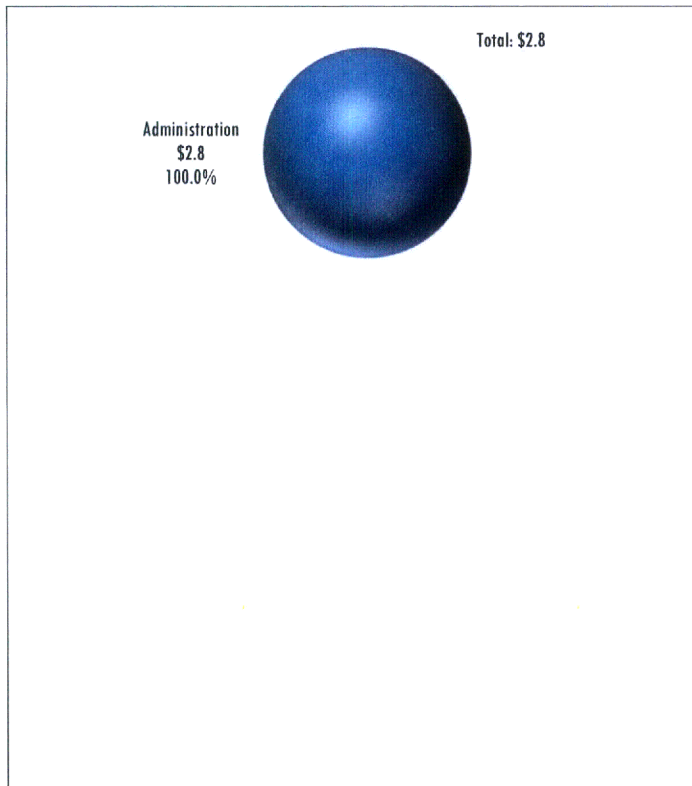
**AUTHORIZING STATUTE:** The Texas Government Code, Chapter 78

**GOVERNANCE:** The Court of Criminal Appeals appoints a director to supervise office operations based on recommendations from a committee composed of judges and attorneys appointed by the State Bar of Texas

**FIGURE 120**  
**OFFICE OF CAPITAL AND FORENSIC WRITS BY METHOD OF FINANCE**

METHOD OF FINANCE	IN MILLIONS				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$0.0	\$0.0	\$0.0	N/A		
General Revenue–Dedicated Funds	\$2.1	\$2.8	\$0.6	30.6%		
Federal Funds	\$0.0	\$0.0	\$0.0	N/A	2016	16.5
Other Funds	\$0.0	\$0.0	\$0.0	N/A	2017	16.5
<b>Total, All Methods of Finance</b>	<b>\$2.1</b>	<b>\$2.8</b>	<b>\$0.6</b>	<b>30.6%</b>		

### AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



### SIGNIFICANT DEVELOPMENTS

**Senate Bill 1743** renames the agency the **Office of Capital and Forensic Writs** and expands its powers and duties to include **forensic writs in noncapital cases**.

**Administration appropriations increased by \$0.6 million** for an additional attorney, investigator, and paralegal, for a facilities remodel, and for legal staff salary increases.

SOURCE: Legislative Budget Board.

## OFFICE OF THE STATE PROSECUTING ATTORNEY

**PURPOSE:** The Office of the State Prosecuting Attorney (OSPA) represents the state in all proceedings conducted by the Court of Criminal Appeals. The OSPA may also represent the state in any stage of a criminal case presented to a Court of Appeals if considered necessary for the interest of the state, and it may assist or be assisted by a district or county attorney in representing the state to a Court of Appeals.

**ESTABLISHED:** 1923

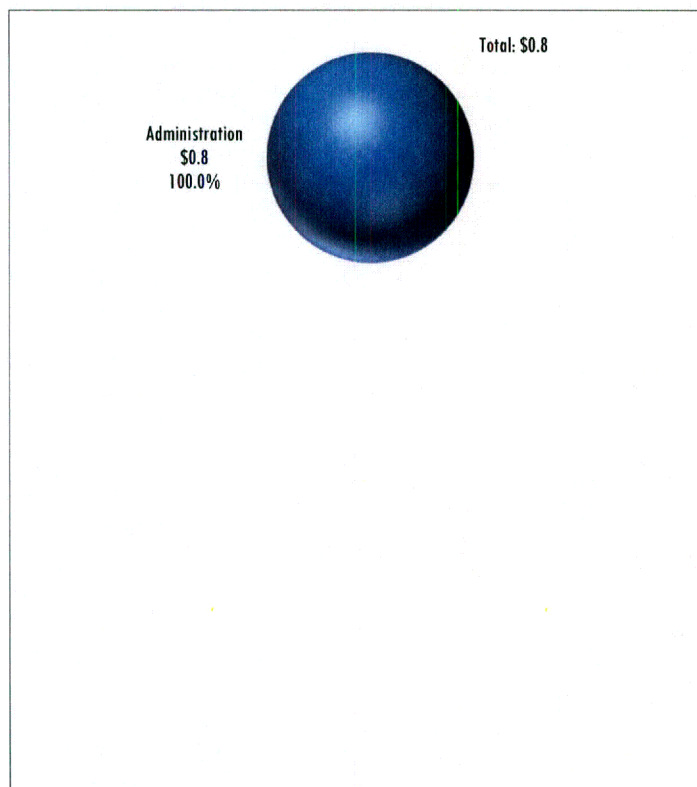
**AUTHORIZING STATUTE:** The Texas Government Code, Chapter 42

**GOVERNANCE:** Appointed by the Court of Criminal Appeals

**FIGURE 121**  
**OFFICE OF THE STATE PROSECUTING ATTORNEY BY METHOD OF FINANCE**

METHOD OF FINANCE	IN MILLIONS				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2014-15	APPROPRIATED 2016-17	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$0.8	\$0.8	\$0.0	4.5%	2016 4.0 2017 4.0	
General Revenue-Dedicated Funds	\$0.0	\$0.0	\$0.0	N/A		
Federal Funds	\$0.0	\$0.0	\$0.0	N/A		
Other Funds	\$0.0	\$0.0	\$0.0	0.0%		
<b>Total, All Methods of Finance</b>	<b>\$0.8</b>	<b>\$0.8</b>	<b>\$0.0</b>	<b>4.2%</b>		

### AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



### SIGNIFICANT DEVELOPMENTS

OSPA anticipates that **17 petitions for discretionary review will be granted** by the Court of Criminal Appeals for each year of the 2016-17 biennium.

SOURCE: Legislative Budget Board.

## STATE LAW LIBRARY

**PURPOSE:** Maintains a legal reference facility for use by the Supreme Court of Texas, the Court of Criminal Appeals, the Office of the Attorney General, other state agencies, and Texas residents.

**ESTABLISHED:** 1971

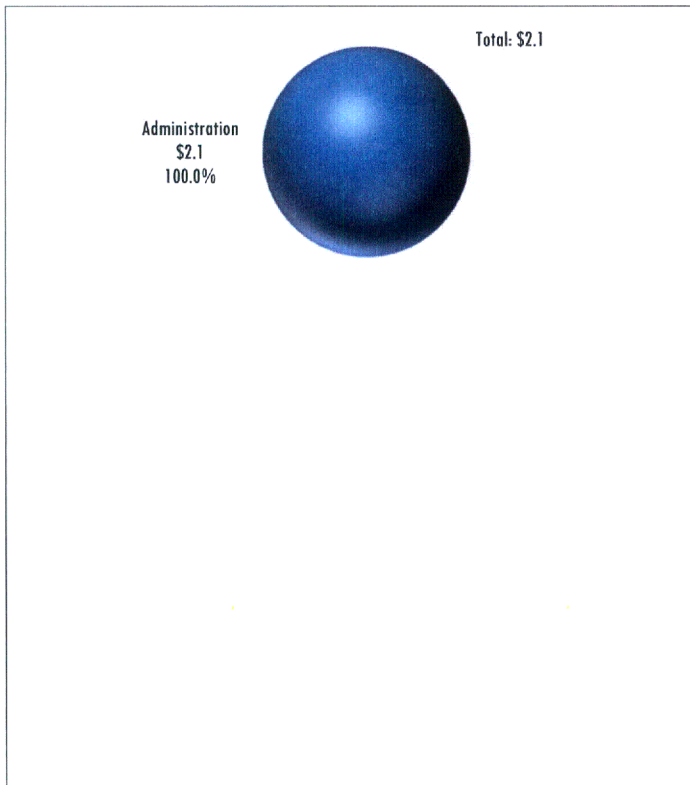
**AUTHORIZING STATUTE:** The Texas Government Code, Chapter 91

**GOVERNANCE:** Board composed of representatives for the Chief Justice of the Supreme Court, the Presiding Judge of the Court of Criminal Appeals, and the Attorney General

**FIGURE 122**  
**STATE LAW LIBRARY BY METHOD OF FINANCE**

METHOD OF FINANCE	IN MILLIONS				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2014-15	APPROPRIATED 2016-17	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$2.0	\$2.0	\$0.0	1.0%		
General Revenue-Dedicated Funds	\$0.0	\$0.0	\$0.0	N/A		
Federal Funds	\$0.0	\$0.0	\$0.0	N/A	2016	12.0
Other Funds	\$0.0	\$0.0	\$0.0	0.0%		
<b>Total, All Methods of Finance</b>	<b>\$2.1</b>	<b>\$2.1</b>	<b>\$0.0</b>	<b>1.0%</b>	<b>2017</b>	<b>12.0</b>

### AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



### SIGNIFICANT DEVELOPMENTS

The State Law Library anticipates adding **5,000 additional items and 560 new cataloged titles** into its collection for the 2016-17 biennium.

SOURCE: Legislative Budget Board.

## STATE COMMISSION ON JUDICIAL CONDUCT

**PURPOSE:** To investigate judicial misconduct or judicial incapacity and, if necessary, take appropriate action including discipline, education, censure, or the filing of formal procedures that could result in removal from office.

**ESTABLISHED:** 1965

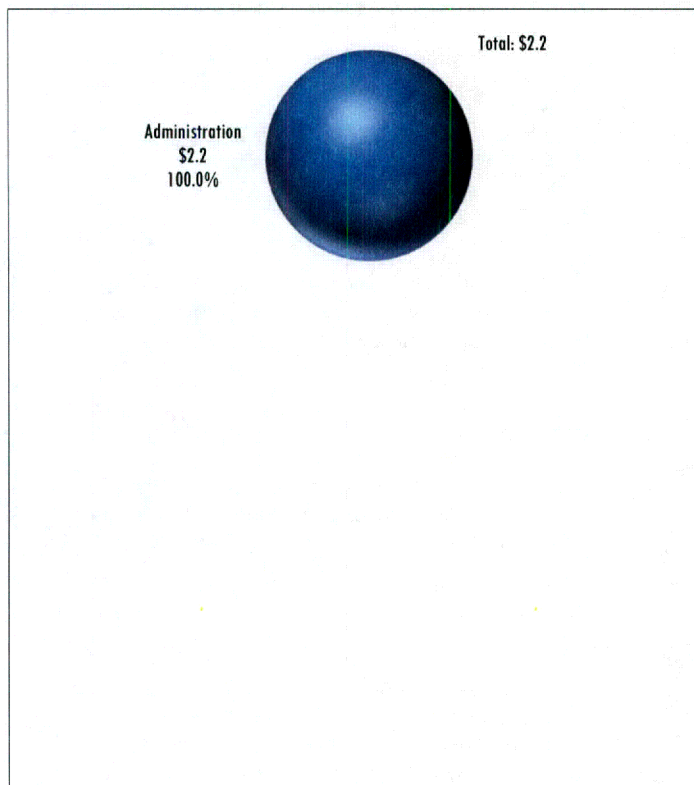
**AUTHORIZING STATUTE:** The Texas Constitution, Article 5, §1-a; the Texas Government Code, Chapter 33

**GOVERNANCE:** 13-member commission appointed by the Supreme Court of Texas, State Bar of Texas, and the Governor

**FIGURE 123**  
**STATE COMMISSION ON JUDICIAL CONDUCT BY METHOD OF FINANCE**

METHOD OF FINANCE	IN MILLIONS				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2014-15	APPROPRIATED 2016-17	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$1.9	\$2.2	\$0.3	16.0%	2016	14.0
General Revenue-Dedicated Funds	\$0.0	\$0.0	\$0.0	N/A		
Federal Funds	\$0.0	\$0.0	\$0.0	N/A	2017	14.0
Other Funds	\$0.0	\$0.0	\$0.0	N/A		
<b>Total, All Methods of Finance</b>	<b>\$1.9</b>	<b>\$2.2</b>	<b>\$0.3</b>	<b>16.0%</b>		

### AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



### SIGNIFICANT DEVELOPMENTS

The State Commission on Judicial Conduct anticipates that it will dispose of 1,100 out of 1,200 cases alleging judicial misconduct or incapacity during each year of the 2016-17 biennium.

Administration appropriations increased by \$0.3 million for a managing attorney position, staff attorney salary increases, and an executive director salary increase.

SOURCE: Legislative Budget Board.

## JUDICIARY SECTION, COMPTROLLER'S DEPARTMENT

**PURPOSE:** The Judiciary Section of the Comptroller's Department (Texas Comptroller of Public Accounts) manages judicial branch expenditures required by statute, including compensation and payments to district judges, county-level judges, and local prosecutors, including the Special Prosecution Unit headquartered in Walker County. Special programs include reimbursements to counties for juror pay and certain witness expenses.

**ESTABLISHED:** 1835

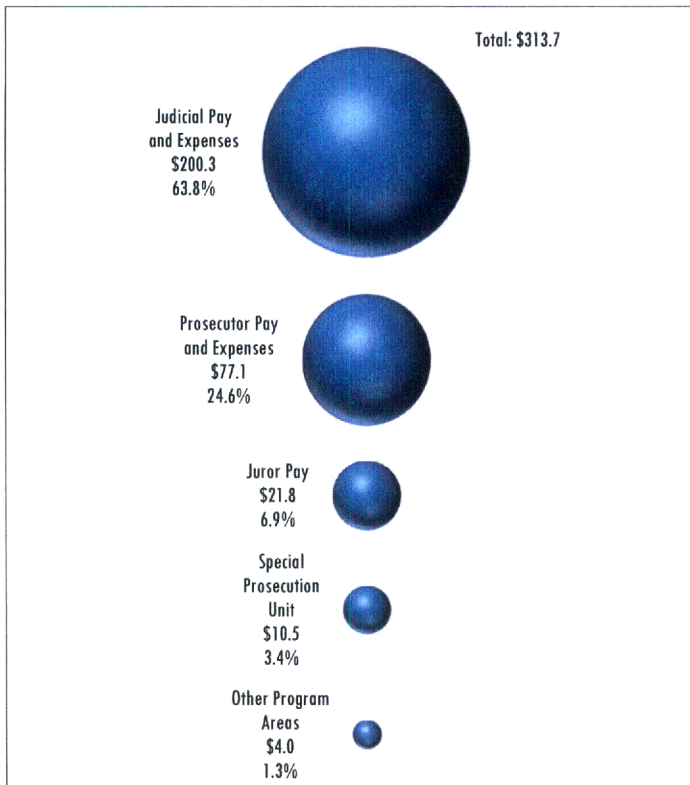
**AUTHORIZING STATUTE:** Various chapters of the Texas Government Code and the Texas Code of Criminal Procedure

**GOVERNANCE:** Appropriations at the Comptroller of Public Accounts fund the direct costs of administering judicial branch payments

**FIGURE 124**  
**JUDICIARY SECTION, COMPTROLLER'S DEPARTMENT BY METHOD OF FINANCE**

METHOD OF FINANCE	IN MILLIONS				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2014-15	APPROPRIATED 2016-17	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$174.3	\$177.3	\$3.0	1.7%	2016	624.7
General Revenue-Dedicated Funds	\$0.0	\$0.0	\$0.0	N/A		
Federal Funds	\$0.0	\$0.0	\$0.0	N/A	2017	627.1
Other Funds	\$130.5	\$136.4	\$5.9	4.6%		
<b>Total, All Methods of Finance</b>	<b>\$304.7</b>	<b>\$313.7</b>	<b>\$9.0</b>	<b>2.9%</b>		

### AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



### SIGNIFICANT DEVELOPMENTS

- Appropriations for constitutional county judge salaries increased by \$4.2 million for changes made by Senate Bill 1025, which linked these salaries to 18.0 percent of a district judge's state salary.
- Senate Bill 1139 establishes seven new district courts and five new statutory county courts, resulting in an appropriations increase of \$2.0 million in General Revenue Funds.
- Appropriations include a \$1.3 million increase for grants to counties relating to increases in member contributions to the Employees Retirement System for changes made in House Bill 9.
- Public integrity prosecution grants were funded with \$0.5 million to defray expenses of local prosecutors due to the passage of House Bill 1690.

SOURCE: Legislative Budget Board.

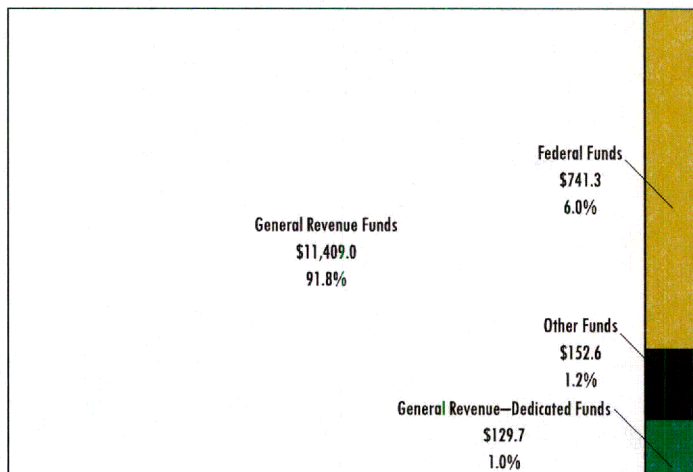
## 8. PUBLIC SAFETY AND CRIMINAL JUSTICE

Public safety and criminal justice agencies are funded in Article V of the General Appropriations Act and provide an array of services to ensure the safety and security of Texans. Those services include the adult and juvenile corrections systems (community supervision, incarceration, and parole services), law enforcement and highway patrol, the Texas military forces, and driver license processing. Additional services provided include county jail regulation, law enforcement officer training and licensing, alcoholic beverage industry oversight, and fire fighter certification. Border security is coordinated among several Article V agencies, and agencies in other articles of government. Public safety and criminal justice agencies are primarily funded with General Revenue Funds.

**FIGURE 125**  
**ARTICLE V – PUBLIC SAFETY AND CRIMINAL JUSTICE, BY METHOD OF FINANCE**

METHOD OF FINANCE	IN MILLIONS			
	EXPENDED/BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	\$9,292.0	\$11,409.0	\$2,117.0	22.8%
General Revenue–Dedicated Funds	\$56.5	\$129.7	\$73.2	129.4%
Federal Funds	\$1,120.7	\$741.3	(\$379.4)	(33.9%)
Other Funds	\$1,399.7	\$152.6	(\$1,247.2)	(89.1%)
<b>Total, All Methods of Finance</b>	<b>\$11,869.0</b>	<b>\$12,432.6</b>	<b>\$563.7</b>	<b>4.7%</b>

### SHARE OF FUNDING BY METHOD OF FINANCE



### SIGNIFICANT DEVELOPMENTS

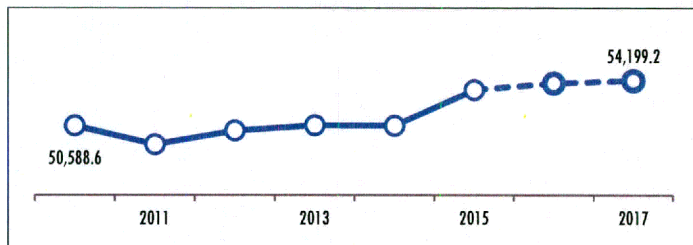
**Of the \$800.0 million in state funds appropriated for border security, the Department of Public Safety is appropriated \$749.8 million, including an amount not to exceed \$72.0 million intended to support National Guard deployment at the Texas–Mexico border.**

**Correctional Managed Health Care for Incarcerated Offenders is appropriated \$1.1 billion in General Revenue Funds, an increase of \$89.9 million (Texas Department of Criminal Justice).**

**Juvenile Justice Regional Diversion Alternatives are appropriated \$9.6 million in General Revenue Funds.** This program is a new initiative intended to reduce the number of juvenile offenders committed to state facilities (Texas Juvenile Justice Department).

**\$192.3 million in General Revenue Funds is appropriated for correctional and parole officer salary increases.**

### FULL-TIME-EQUIVALENT POSITIONS



NOTES: Excludes Interagency Contracts. Full-time-equivalent positions show actual positions for fiscal years 2010 to 2015 and appropriated positions for fiscal years 2016 and 2017.

SOURCES: Legislative Budget Board; State Auditor's Office.

## ALCOHOLIC BEVERAGE COMMISSION

**PURPOSE:** To deter violations of the Texas Alcoholic Beverage Code by inspecting licensed establishments within the alcoholic beverage industry, investigating complaints, regulating the personal importation of alcoholic beverages and cigarettes through the state's ports-of-entry locations with Mexico and the seaport at Galveston, and enforcing state law.

**ESTABLISHED:** 1970

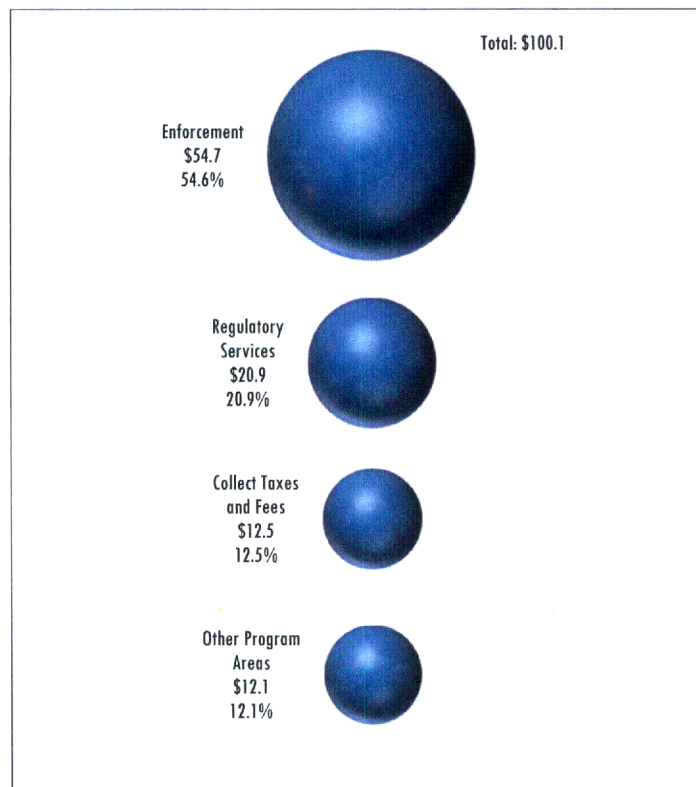
**AUTHORIZING STATUTE:** The Texas Alcoholic Beverage Code, §5.01

**GOVERNANCE:** Three-member commission appointed by the Governor, with advice and consent of the Senate

**FIGURE 126**  
**ALCOHOLIC BEVERAGE COMMISSION BY METHOD OF FINANCE**

METHOD OF FINANCE	IN MILLIONS				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS
	EXPENDED/ BUDGETED 2014-15	APPROPRIATED 2016-17	BIENNIAL CHANGE	PERCENTAGE CHANGE	
General Revenue Funds	\$92.6	\$99.5	\$6.8	7.4%	
General Revenue-Dedicated Funds	\$0.0	\$0.0	\$0.0	N/A	
Federal Funds	\$0.5	\$0.6	\$0.1	27.5%	2016 639.0
Other Funds	\$0.1	\$0.1	(\$0.1)	(44.9%)	
<b>Total, All Methods of Finance</b>	<b>\$93.2</b>	<b>\$100.1</b>	<b>\$6.9</b>	<b>7.4%</b>	<b>2017 639.0</b>

### AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



### SIGNIFICANT DEVELOPMENTS

- Special Investigations Unit funding includes **\$1.2 million for six additional field agents for border security initiatives**. The Special Investigations Unit is a program within the enforcement program area.
- The Texas Alcoholic Beverage Commission (TABC) auditors took **13,324 compliance or administrative actions in fiscal year 2015**, the result of 24,752 inspections, 1,466 audits or analyses, and 50,676 cash law and credit law notices of default.
- In fiscal year 2015, **TABC collected \$216.8 million in taxes, \$38.2 million in fees, \$22.8 million in surcharges, and \$11.0 million in other collections for a total of \$288.8 million**. Collections included \$5.7 million at ports of entry.
- Appropriations include **17.0 full-time-equivalent positions** supported by **\$1.7 million** for salaries and operating costs across multiple program areas.

SOURCE: Legislative Budget Board.



## DEPARTMENT OF CRIMINAL JUSTICE

**PURPOSE:** To incarcerate offenders in state prisons, state jails, and private correctional facilities; to provide funding and certain oversight of community supervision; and to be responsible for the supervision of offenders released from prison on parole. The mission of the department is to provide public safety, promote positive change in offender behavior, reintegrate offenders into society, and assist victims of crime.

**ESTABLISHED:** 1989

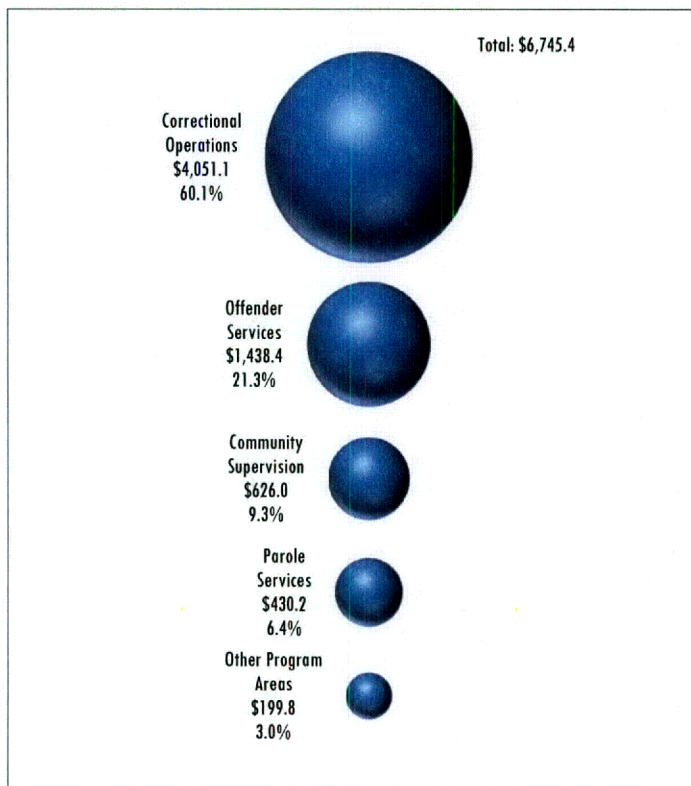
**AUTHORIZING STATUTE:** The Texas Government Code, Chapter 493

**GOVERNANCE:** Nine-member board appointed by the Governor with the advice and consent of the Senate

**FIGURE 127**  
**DEPARTMENT OF CRIMINAL JUSTICE BY METHOD OF FINANCE**

METHOD OF FINANCE	IN MILLIONS				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS
	EXPENDED/ BUDGETED 2014-15	APPROPRIATED 2016-17	BIENNIAL CHANGE	PERCENTAGE CHANGE	
General Revenue Funds	\$6,180.2	\$6,536.2	\$355.9	5.8%	<b>2016</b> 39,467.4  <b>2017</b> 39,467.4
General Revenue-Dedicated Funds	\$0.6	\$60.6	\$60.0	10,218.3%	
Federal Funds	\$23.7	\$15.9	(\$7.8)	(33.0%)	
Other Funds	\$203.2	\$132.8	(\$70.5)	(34.7%)	
<b>Total, All Methods of Finance</b>	<b>\$6,407.8</b>	<b>\$6,745.4</b>	<b>\$337.6</b>	<b>5.3%</b>	

### AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



### SIGNIFICANT DEVELOPMENTS

**Correctional and parole officers' salaries were increased 8.0 percent**, resulting in funding of **\$188.0 million** in General Revenue Funds for the biennium.

**Correctional managed healthcare funding totals \$1.1 billion in General Revenue Funds**, an increase of **\$89.9 million**. The additional funds will be used to maintain projected service levels and for competitive salary increases.

**Reentry transitional coordinators program funding increased by \$4.0 million**, to provide for **50.0 additional full-time-equivalent positions**. Reentry transitional coordinators work with offenders to facilitate transition back into the community.

**The Board of Pardon and Paroles appropriations were increased by \$1.6 million**, for five additional Hearing Revocation Officers and 15 additional Institutional Parole Officers.

SOURCE: Legislative Budget Board.

## COMMISSION ON FIRE PROTECTION

**PURPOSE:** To develop professional standards and enforce statewide fire laws to assist local governments in ensuring that the lives and property of the public and fire service providers are adequately protected from fires and related hazards. The agency was formed by consolidating two agencies—the Commission on Fire Protection Personnel Standards and Education and the Fire Department Emergency Board—and one fire-related function from the Department of Insurance—the Key Rate Section.

**ESTABLISHED:** 1991

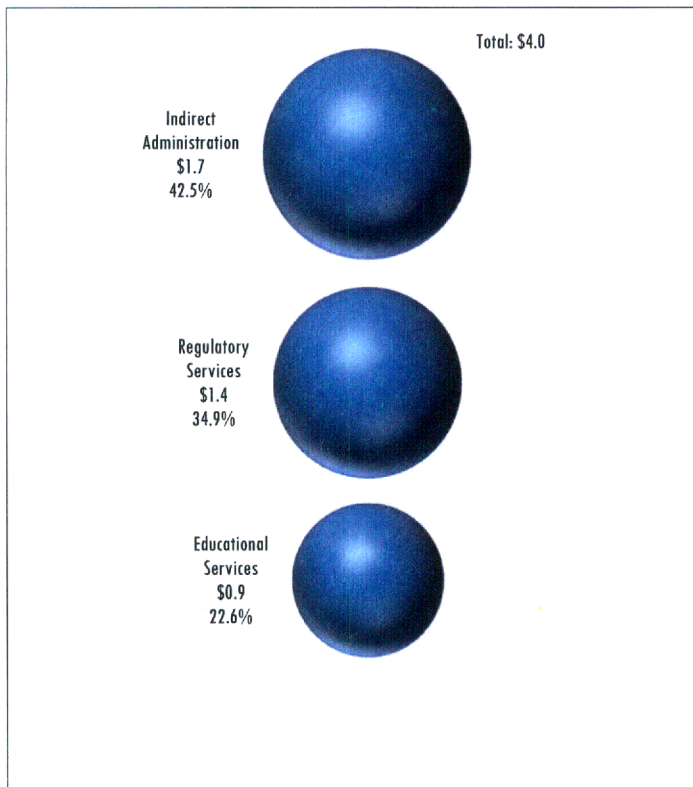
**AUTHORIZING STATUTE:** The Texas Government Code, §419.002

**GOVERNANCE:** Thirteen members appointed by the Governor, with six members being selected from lists provided by certain firefighter associations

**FIGURE 128**  
**COMMISSION ON FIRE PROTECTION BY METHOD OF FINANCE**

METHOD OF FINANCE	IN MILLIONS				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$3.8	\$3.9	\$0.0	0.8%	2016 31.0 2017 31.0	
General Revenue–Dedicated Funds	\$0.0	\$0.0	(\$0.0)	(100.0%)		
Federal Funds	\$0.0	\$0.0	\$0.0	N/A		
Other Funds	\$0.1	\$0.1	\$0.1	55.6%		
<b>Total, All Methods of Finance</b>	<b>\$4.0</b>	<b>\$4.0</b>	<b>\$0.0</b>	<b>1.1%</b>		

### AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



### SIGNIFICANT DEVELOPMENTS

**Required fee revenue collections (more than appropriated amounts) were reduced from \$3.0 million to \$1.5 million.** As a result, the Texas Commission on Fire Protection is considering fee reductions.

**Educational Services** include the curriculum development, fire safety information and outreach, testing, and Texas State Fire Fighters Scholarship Fund programs.

**Regulatory Services** include the agency's certification and compliance programs.

**The agency's certified fire service personnel increased to 31,980 in 2015,** for an increase of 7,509 from fiscal years 2005 to 2015, or 30.7 percent.

SOURCE: Legislative Budget Board.

## COMMISSION ON JAIL STANDARDS

**PURPOSE:** To establish and enforce minimum standards for the provision and operation of jails, and to provide consultation, training, and technical assistance to help local governments comply with those standards.

**ESTABLISHED:** 1975

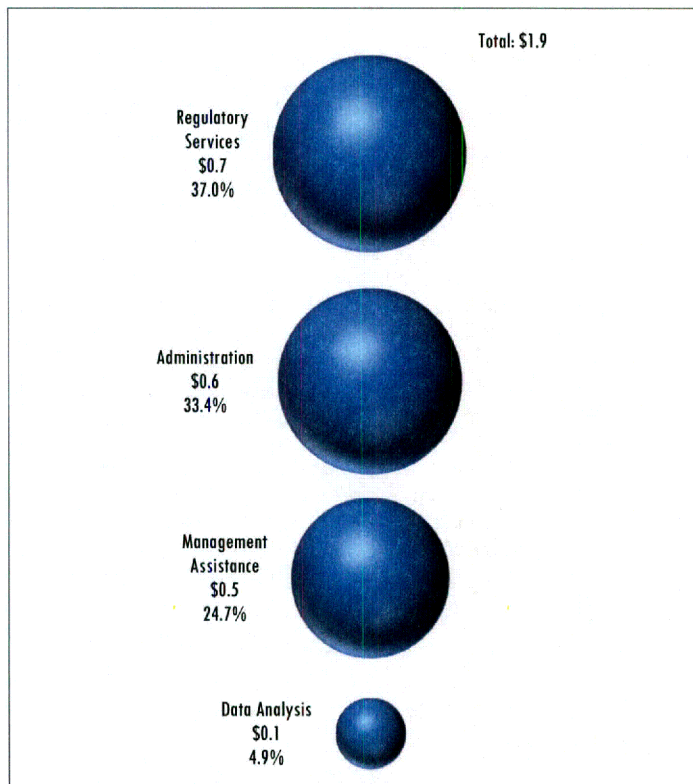
**AUTHORIZING STATUTE:** The Texas Government Code, Chapter 511

**GOVERNANCE:** Nine-member commission appointed by the Governor with the advice and consent of the Senate

**FIGURE 129**  
**COMMISSION ON JAIL STANDARDS BY METHOD OF FINANCE**

METHOD OF FINANCE	IN MILLIONS				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$1.8	\$1.9	\$0.1	4.2%	2016 17.0 2017 17.0	
General Revenue–Dedicated Funds	\$0.0	\$0.0	\$0.0	N/A		
Federal Funds	\$0.0	\$0.0	\$0.0	N/A		
Other Funds	\$0.0	\$0.0	\$0.0	0.0%		
<b>Total, All Methods of Finance</b>	<b>\$1.8</b>	<b>\$1.9</b>	<b>\$0.1</b>	<b>4.2%</b>		

### AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

### SIGNIFICANT DEVELOPMENTS

The agency inspected 244 jails in fiscal year 2015; 235 were found to be in compliance with the minimum jail standards.

The agency reviewed 64 construction plans for local governmental entities in fiscal year 2015, 53.0 percent of the annual target. This variance is due to counties completing major building projects, resulting in a lesser need for consultations.

Appropriations for Indirect Administration total \$640,784 in All Funds for an increase of 8.8 percent. The agency received funding for 1.0 full-time-equivalent additional administrative support position.

House Bill 549 requires that all county jail offenders be allowed to receive two in-person, noncontact visits each week. Certain jails, that were constructed to have video visitation only, may be exempt from the in-person requirement. The bill requires the agency to amend visitation rules.

## TEXAS JUVENILE JUSTICE DEPARTMENT

**PURPOSE:** To provide financial and professional assistance to local juvenile probation departments, to provide regulatory oversight of local probation departments, and to ensure public safety and the provision of effective programming and rehabilitative services to juveniles committed to the Texas Juvenile Justice Department (TJJD) state services and facilities.

**ESTABLISHED:** 2012

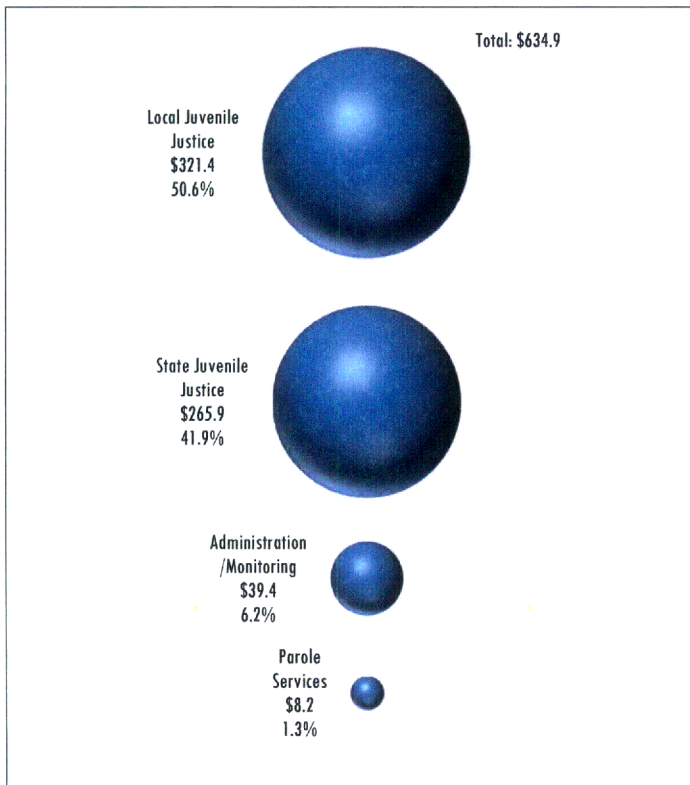
**AUTHORIZING STATUTE:** The Texas Human Resources Code, Title 12, Subtitle A

**GOVERNANCE:** Thirteen-member board appointed by the Governor with advice and consent of the Senate

**FIGURE 130**  
**JUVENILE JUSTICE DEPARTMENT BY METHOD OF FINANCE**

METHOD OF FINANCE	IN MILLIONS				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS
	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE	
General Revenue Funds	\$590.2	\$591.0	\$0.8	0.1%	<b>2016</b> 2,873.1  <b>2017</b> 2,873.1
General Revenue–Dedicated Funds	\$0.0	\$0.0	\$0.0	N/A	
Federal Funds	\$22.7	\$19.2	(\$3.6)	(15.7%)	
Other Funds	\$36.3	\$24.7	(\$11.5)	(31.8%)	
<b>Total, All Methods of Finance</b>	<b>\$649.2</b>	<b>\$634.9</b>	<b>(\$14.4)</b>	<b>(2.2%)</b>	

### AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



### SIGNIFICANT DEVELOPMENTS

**State-operated secure facilities appropriations total \$140.7 million**, a decrease of \$19.5 million. Revision of the TJJD budget structure separated fixed costs from population-driven costs for state-operated secure facilities.

**Projected juvenile populations continue to decrease**, resulting in a reduction of \$22.8 million in General Revenue Funds. This reduction was offset by funding for new initiatives.

**Senate Bill 1630 requires TJJD to establish a regionalization plan**, and is intended to continue the decrease of the juvenile state residential population. Appropriations for this initiative total \$9.6 million, which supports 4.0 full-time-equivalent positions.

Juvenile Correctional Officers' and Parole Officers' salaries were increased by 2.5 percent per year, totaling \$4.3 million.

SOURCE: Legislative Budget Board.

## TEXAS COMMISSION ON LAW ENFORCEMENT

**PURPOSE:** To screen, develop, and monitor resources for continuing education for law enforcement officers, and set standards for behavior; and to develop, maintain, and enforce minimum qualifications for the selection, training, and certification of law enforcement personnel, county correctional officers, and telecommunicators.

**ESTABLISHED:** 1965

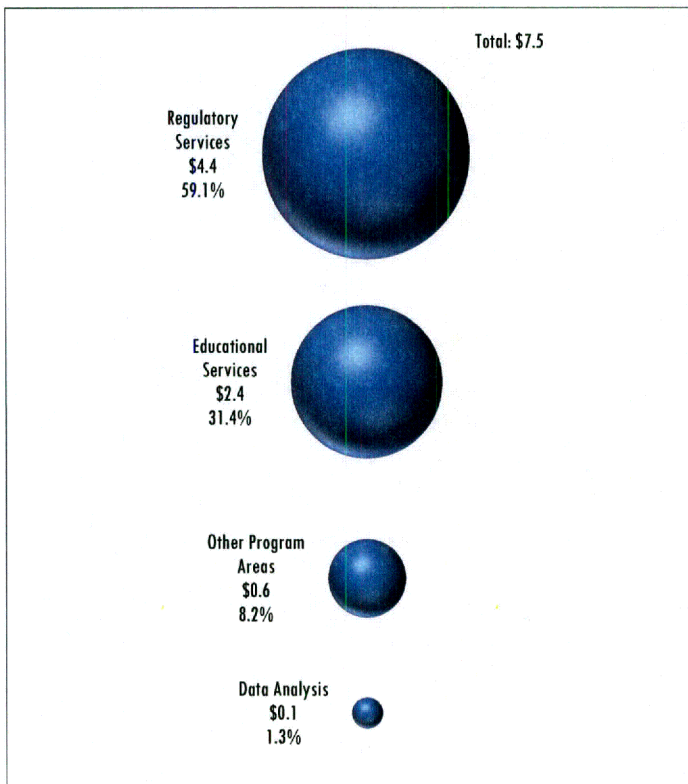
**AUTHORIZING STATUTE:** The Texas Occupations Code, §1701.051

**GOVERNANCE:** Nine-member commission appointed by the Governor with advice and consent of the Senate; three must be chief administrators of law enforcement agencies; three must be persons licensed by the commission; and three must be from the private sector

**FIGURE 131**  
**TEXAS COMMISSION ON LAW ENFORCEMENT BY METHOD OF FINANCE**

METHOD OF FINANCE	IN MILLIONS				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$0.1	\$0.0	(\$0.1)	(100.0%)	2016	50.6
General Revenue–Dedicated Funds	\$5.3	\$6.5	\$1.2	23.0%		
Federal Funds	\$0.0	\$0.0	\$0.0	N/A	2017	53.6
Other Funds	\$1.3	\$1.0	(\$0.3)	(19.9%)		
<b>Total, All Methods of Finance</b>	<b>\$6.7</b>	<b>\$7.5</b>	<b>\$0.9</b>	<b>12.9%</b>		

### AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

### SIGNIFICANT DEVELOPMENTS

Appropriations for **regulatory services**, including the agency's enforcement, licensing, and standards development programs, **increased by 21.5 percent**. This increase funds **7.0 new full-time-equivalent (FTE) positions** to enhance the agency's enforcement program, including 1.0 position dedicated to liaising with the Department of Public Safety on border security efforts.

Appropriations for **educational services**, including the distance learning and technical assistance programs, **increased by 1.2 percent**. This variance is primarily attributable to an increase of \$0.3 million to support **3.0 new positions** to enhance the agency's auditing capability and an offsetting decrease of \$0.3 million in estimated fee revenues.

The agency is statutorily required to **collect incident-based data** annually pertaining to racial profiling from each of Texas' 2,647 law enforcement agencies. State funding for this data analysis function totals \$0.1 million in All Funds for the 2016–17 biennium.

## TEXAS MILITARY DEPARTMENT

**PURPOSE:** To provide administrative and financial resources for state activities conducted by the three branches of the Texas military forces: the Texas Army National Guard, the Texas Air National Guard, and the Texas State Guard.

**ESTABLISHED:** 1905

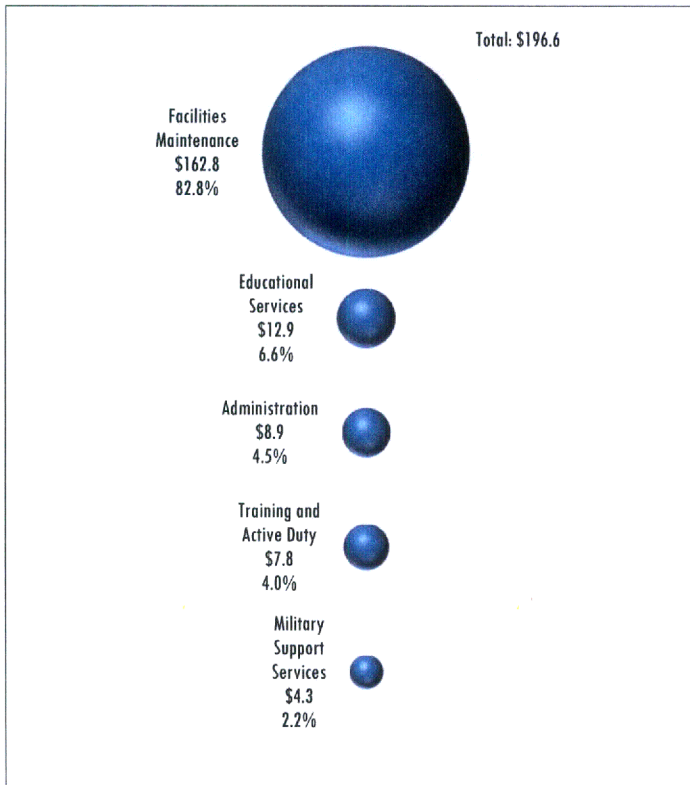
**AUTHORIZING STATUTE:** The Texas Government Code, Chapter 437

**GOVERNANCE:** Adjutant General, appointed by the Governor with the advice and consent of the Senate

**FIGURE 132**  
**TEXAS MILITARY DEPARTMENT BY METHOD OF FINANCE**

METHOD OF FINANCE	IN MILLIONS				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$58.6	\$34.2	(\$24.4)	(41.7%)	2016	615.0
General Revenue–Dedicated Funds	\$32.5	\$19.6	(\$12.9)	(39.8%)		
Federal Funds	\$99.4	\$131.6	\$32.1	32.3%		
Other Funds	\$10.2	\$11.2	\$1.0	9.9%		
<b>Total, All Methods of Finance</b>	<b>\$200.8</b>	<b>\$196.6</b>	<b>(\$4.2)</b>	<b>(2.1%)</b>	<b>2017</b>	<b>615.0</b>

### AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



### SIGNIFICANT DEVELOPMENTS

**Facilities maintenance appropriations increased by \$54.5 million.** This increase is primarily attributed to \$19.6 million in General Revenue–Dedicated Funds and \$29.2 million in Federal Funds for the maintenance and repair of nine readiness centers.

The Texas Military Department (TMD) was appropriated \$59.0 million for the 2014–15 biennium for **National Guard border security participation**; an interagency contract with the Department of Public Safety provides for continued participation during the 2016–17 biennium.

**A second ChalleNGe Academy Texas National Guard education program in Eagle Lake was funded with \$6.0 million. The academy opened in July 2015** and is expected to increase the amount of yearly program graduates to 400.

SOURCE: Legislative Budget Board.

## DEPARTMENT OF PUBLIC SAFETY

**PURPOSE:** To enforce laws protecting and promoting public safety by the prevention and detection of crime; improve highway safety and public safety communications; facilitate emergency response, recovery, and mitigation; and provide regulatory and licensing services.

**ESTABLISHED:** 1935

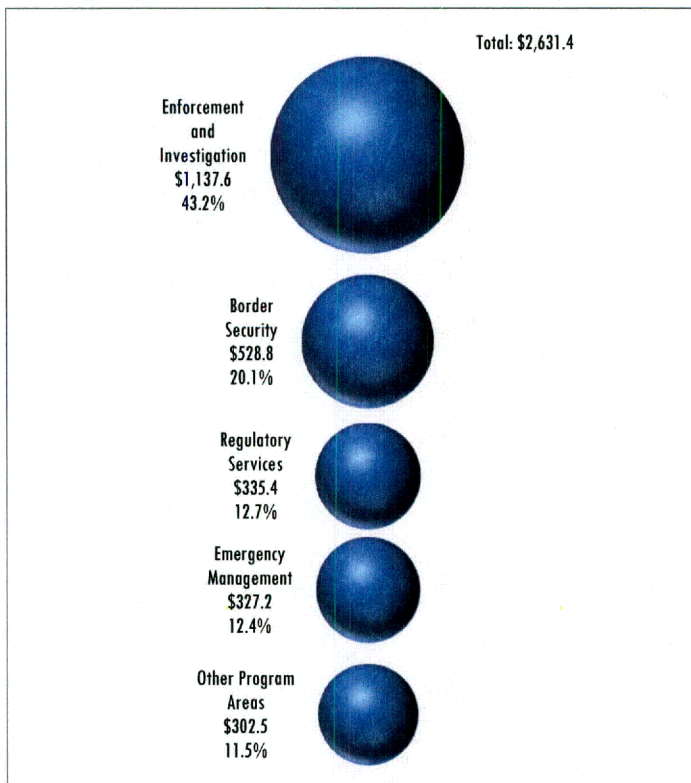
**AUTHORIZING STATUTE:** The Texas Government Code, §411.002

**GOVERNANCE:** Five-member board appointed by the Governor and confirmed by the Senate; members must have and maintain a secret security clearance granted by the U.S. government

**FIGURE 133**  
**DEPARTMENT OF PUBLIC SAFETY BY METHOD OF FINANCE**

METHOD OF FINANCE	IN MILLIONS				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS
	EXPENDED/ BUDGETED 2014-15	APPROPRIATED 2016-17	BIENNIAL CHANGE	PERCENTAGE CHANGE	
General Revenue Funds	\$677.5	\$1,942.0	\$1,264.5	186.6%	2016 10,306.1
General Revenue-Dedicated Funds	\$12.5	\$34.4	\$21.9	175.1%	
Federal Funds	\$943.7	\$539.0	(\$404.7)	(42.9%)	2017 10,503.1
Other Funds	\$1,038.9	\$116.0	(\$922.8)	(88.8%)	
<b>Total, All Methods of Finance</b>	<b>\$2,672.6</b>	<b>\$2,631.4</b>	<b>(\$41.1)</b>	<b>(1.5%)</b>	

### AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



### SIGNIFICANT DEVELOPMENTS

**Border security appropriations to the Department of Public Safety (DPS) total \$749.8 million in state funds, including \$107.0 million to recruit and retain 250 new troopers and \$142.6 million to fund overtime sufficient to attain a 50-hour work week for all DPS commissioned law enforcement officers.**

**Driver License Improvement funding increased by \$40.0 million, to decrease wait times and increase efficiencies for driver license and identification card applicants. Biennial funding for this program is \$143.0 million.**

**The Texas Highway Patrol Division is appropriated \$551.0 million, supporting 3,035.0 full-time-equivalent positions.**

**No State Highway Funds were appropriated to DPS. Appropriations include \$910.3 million in General Revenue Funds and General Revenue-Dedicated Funds, provided to fund programs supported by the State Highway Fund in the previous biennium.**

SOURCE: Legislative Budget Board.





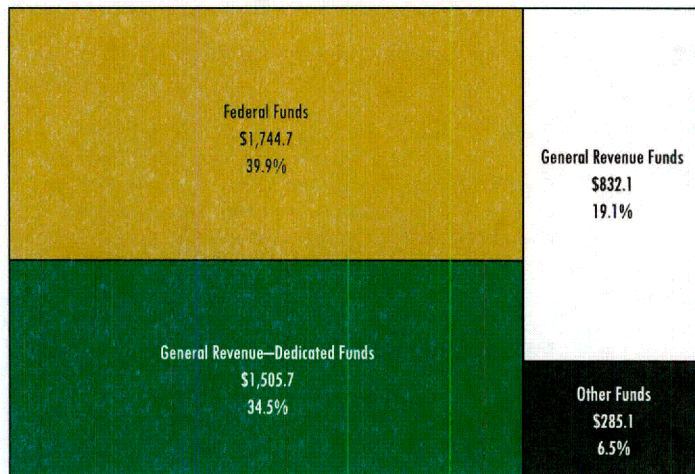
## 9. NATURAL RESOURCES

Natural Resource agencies play a major role in the state's economy and in maintaining a healthy environment for Texans. State agencies charged with the responsibility of influencing the management and development of these resources do so through scientific research, planning, education, preservation, regulation, remediation, and financial assistance. These activities are directed to the achievement of state goals such as clean air; clean water; safe management of waste; conservation and development of water through resource planning and financial assistance; safe production, fair pricing, and transportation of energy resources; supporting state and local parks and outdoor activities; development of agribusiness; administering child and special nutrition programs; managing state-owned lands and assets; and many others.

**FIGURE 134**  
**ARTICLE VI – NATURAL RESOURCES, BY METHOD OF FINANCE**

METHOD OF FINANCE	IN MILLIONS			
	EXPENDED/BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	\$717.3	\$832.1	\$114.8	16.0%
General Revenue–Dedicated Funds	\$1,210.1	\$1,505.7	\$295.6	24.4%
Federal Funds	\$2,656.2	\$1,744.7	(\$911.5)	(34.3%)
Other Funds	\$2,350.0	\$285.1	(\$2,064.9)	(87.9%)
<b>Total, All Methods of Finance</b>	<b>\$6,933.5</b>	<b>\$4,367.5</b>	<b>(\$2,566.0)</b>	<b>(37.0%)</b>

### SHARE OF FUNDING BY METHOD OF FINANCE



### SIGNIFICANT DEVELOPMENTS

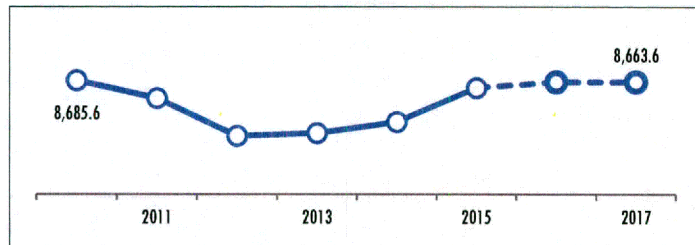
**State and local parks** are appropriated a total of **\$394.9 million**, an increase of 32.6 percent. This amount includes **\$172.5 million** for the operation and improvement of **91 state parks**.

**The Texas Emissions Reduction Plan** was appropriated **\$236.3 million**, an increase of **\$81.0 million**, mostly for equipment replacement grants to promote reduced emissions.

**The Alamo and facilities in the Alamo Complex** are provided **\$30.0 million** for capital improvements, repairs, and the development of a master plan to **preserve and maintain the site and the complex**.

**Disaster Recovery Programs** are appropriated **\$502.0 million** in federal funding, a decrease of **\$815.0 million**, due to the conclusion of past grants for hurricanes and wildfires.

### FULL-TIME-EQUIVALENT POSITIONS



NOTES: Excludes Interagency Contracts. Full-time-equivalent positions show actual positions for fiscal years 2010 to 2015 and appropriated positions for fiscal years 2016 and 2017.

SOURCES: Legislative Budget Board; State Auditor's Office.

## TEXAS DEPARTMENT OF AGRICULTURE

**PURPOSE:** To partner with Texas farmers, ranchers, and agribusiness to expand markets while protecting public health; protect consumers by enforcing standards; fund child and adult nutrition programs; support research relating to Texas-produced food and fibers; and administer programs promoting rural health and community and economic development.

**ESTABLISHED:** 1907

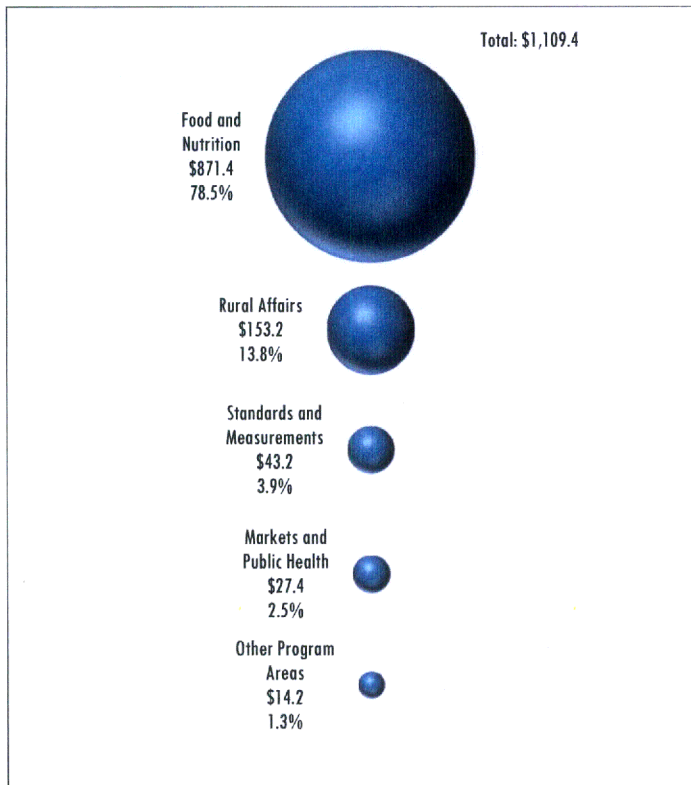
**AUTHORIZING STATUTE:** The Texas Agriculture Code, Chapters 11 and 12

**GOVERNANCE:** Commissioner, statewide-elected official

**FIGURE 135**  
**TEXAS DEPARTMENT OF AGRICULTURE BY METHOD OF FINANCE**

METHOD OF FINANCE	IN MILLIONS				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS				
	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE					
General Revenue Funds	\$95.1	\$101.3	\$6.2	6.5%	<table border="1"> <tr> <td>2016</td> <td>685.0</td> </tr> <tr> <td>2017</td> <td>685.0</td> </tr> </table>	2016	685.0	2017	685.0
2016	685.0								
2017	685.0								
General Revenue–Dedicated Funds	\$5.7	\$5.3	(\$0.4)	(6.6%)					
Federal Funds	\$990.0	\$981.4	(\$8.5)	(0.9%)					
Other Funds	\$19.8	\$21.4	\$1.6	8.0%					
<b>Total, All Methods of Finance</b>	<b>\$1,110.6</b>	<b>\$1,109.4</b>	<b>(\$1.1)</b>	<b>(0.1%)</b>					

### AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



### SIGNIFICANT DEVELOPMENTS

**Child and adult nutrition program funding decreased by \$9.9 million in nonrecurring Federal Funds.** The program offered technical assistance and training to school districts for reimbursable student breakfasts, lunches, suppers, or snacks.

**Funding for food banks was increased by \$3.5 million in grants** to acquire surplus agricultural products and provide homebound elderly and disabled Texans with **home-delivered meals**.

The appropriation of **\$0.7 million** establishes a **new grant program to reduce wait times for agricultural inspections** of vehicles at ports of entry along the Texas–Mexico border, due to the enactment of **Senate Bill 797, Eighty-fourth Legislature, 2015**.

Appropriations include **\$0.6 million** in dedicated wine-related revenue funds for efforts to **mitigate the effects of frost, pestilence, or infestation on grapevines**, due to the enactment of **Senate Bill 881, Eighty-fourth Legislature, 2015**.

SOURCE: Legislative Budget Board.

## TEXAS ANIMAL HEALTH COMMISSION

**PURPOSE:** To protect and enhance the health of Texas animal populations by preventing, controlling, and/or eliminating animal diseases; monitoring and diagnosing animal illnesses; responding to emergency situations involving animals; and promoting productivity and marketability while minimizing risks to human health.

**ESTABLISHED:** 1949

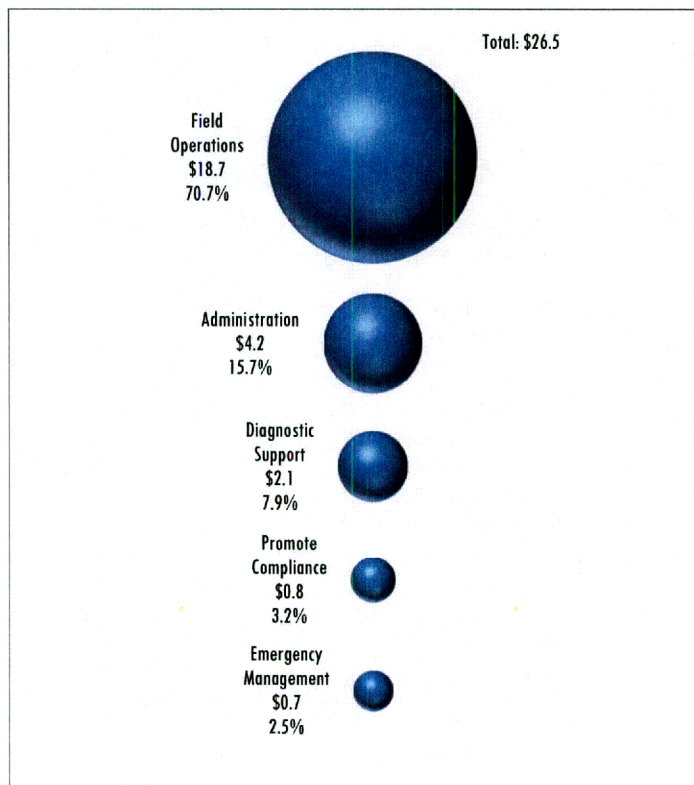
**AUTHORIZING STATUTE:** The Texas Agriculture Code, §161.021

**GOVERNANCE:** 13 members appointed by the Governor with advice and consent of the Senate

**FIGURE 136**  
**TEXAS ANIMAL HEALTH COMMISSION BY METHOD OF FINANCE**

METHOD OF FINANCE	IN MILLIONS				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$18.0	\$22.0	\$4.0	22.1%	2016	184.2
General Revenue–Dedicated Funds	\$0.0	\$0.0	\$0.0	N/A		
Federal Funds	\$4.3	\$4.5	\$0.1	2.9%	2017	185.2
Other Funds	\$0.0	\$0.0	(\$0.0)	(100.0%)		
<b>Total, All Methods of Finance</b>	<b>\$22.4</b>	<b>\$26.5</b>	<b>\$4.1</b>	<b>18.3%</b>		

### AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



### SIGNIFICANT DEVELOPMENTS

**Appropriations of \$4.0 million were provided** to establish an additional **field office** in South Texas, which will provide additional field operations support in the international border region, including the **permanent fever tick quarantine zone** along the Rio Grande.

**Field operations** funding increased by \$0.6 million for **feral swine** activities and \$0.2 million for **vehicle replacements**.

Approximately **46.0 percent** of the agency's **staff hours** are anticipated to be dedicated to addressing **cattle health issues** in fiscal year 2016.

**Reduced fee collections of \$0.4 million** due to the expiration of certain statutes governing fee authority **will not affect** the level of **services provided to producers and dealers**.

SOURCE: Legislative Budget Board.

## TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

**PURPOSE:** To strive to protect the state’s human and natural resources consistent with sustainable economic development through environmental assessment, planning, permitting, and monitoring, and through pollution prevention and remediation activities.

**ESTABLISHED:** 1993

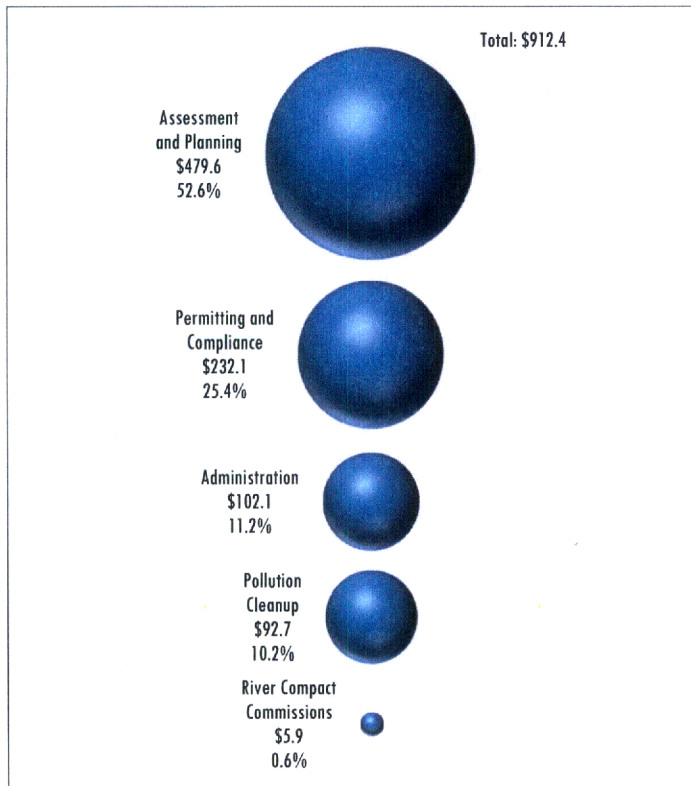
**AUTHORIZING STATUTE:** The Texas Government Code, the Texas Health and Safety Code, the Texas Local Government Code, the Texas Natural Resources Code, the Texas Occupations Code, the Texas Tax Code, and the Texas Water Code

**GOVERNANCE:** Three-member, full-time commission appointed by the Governor with advice and consent of the Senate

**FIGURE 137**  
**TEXAS COMMISSION ON ENVIRONMENTAL QUALITY BY METHOD OF FINANCE**

METHOD OF FINANCE	IN MILLIONS				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS
	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE	
General Revenue Funds	\$18.2	\$23.0	\$4.8	26.3%	<b>2016</b> 2,779.7  <b>2017</b> 2,779.7
General Revenue–Dedicated Funds	\$622.9	\$798.3	\$175.4	28.2%	
Federal Funds	\$85.9	\$75.8	(\$10.1)	(11.7%)	
Other Funds	\$32.3	\$15.3	(\$17.1)	(52.8%)	
<b>Total, All Methods of Finance</b>	<b>\$759.3</b>	<b>\$912.4</b>	<b>\$153.0</b>	<b>20.2%</b>	

### AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



### SIGNIFICANT DEVELOPMENTS

The **Texas Emissions Reduction Plan (TERP)** was appropriated **\$236.3 million**, an **increase of \$81.0 million**, primarily for grants to replace diesel engines and to purchase or lease other equipment to improve air quality.

**TERP Account revenue reductions of \$34.5 million** are expected due to **House Bill 7, Eighty-fourth Legislature, 2015**, which reduces the **diesel surcharge** on the sale, lease, or rental of certain off-road equipment by **0.5 percent**.

Appropriations for the Low-Income Vehicle Repair, Retrofit, and Accelerated Vehicle Retirement Program (**LIRAP/Air Check Texas**) total **\$96.6 million**, an **increase of \$81.3 million** from the 2014–15 biennial spending levels.

Appropriations include **\$3.7 million** and 8.0 full-time-equivalent positions to respond to **new standards for sulfur dioxide emissions**, and **\$1.7 million** to conduct additional **water availability modeling, water rights permit processing**, and technical support and analysis relating to **drought**.

SOURCE: Legislative Budget Board.

## GENERAL LAND OFFICE AND VETERANS' LAND BOARD

**PURPOSE:** The agency manages oil and gas leases on state lands; investments of the Permanent School Fund; appraisals of state-owned property; coastal erosion grants; archives of historical land records; and the Alamo Complex. The Texas General Land Office (GLO) is the lead agency for oil spill prevention and response, and disburses disaster-related grants for rebuilding housing and infrastructure. The Veterans' Land Board (VLB) administers land and housing loans and long-term care, and manages cemeteries for Texas veterans.

**ESTABLISHED:** 1837 (GLO); 1946 (VLB)

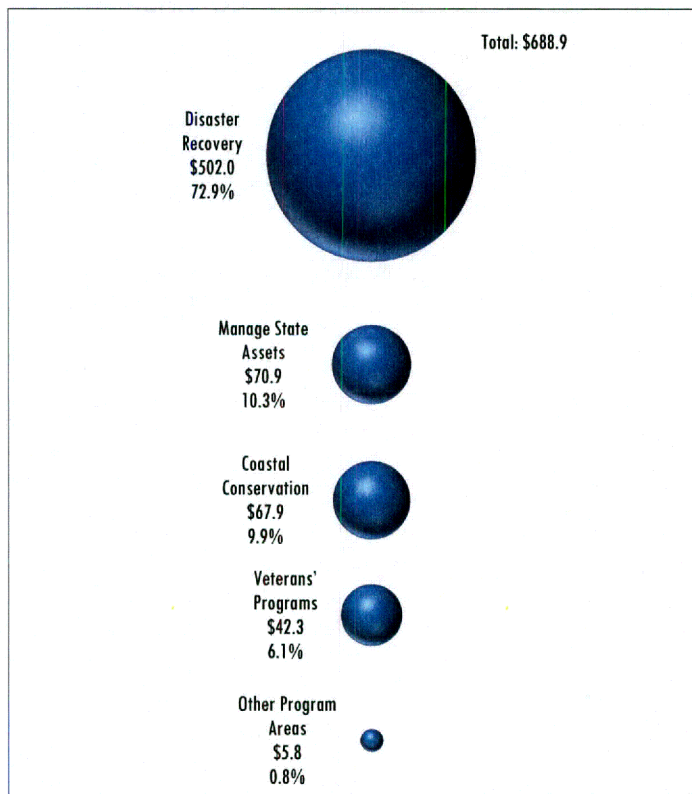
**AUTHORIZING STATUTE:** The Texas Constitution, Articles. III, IV, and XIV; the Texas Natural Resources Code

**GOVERNANCE:** Commissioner, statewide elected official

**FIGURE 138**  
**GENERAL LAND OFFICE AND VETERAN'S LAND BOARD BY METHOD OF FINANCE**

METHOD OF FINANCE	IN MILLIONS				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2014-15	APPROPRIATED 2016-17	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$7.0	\$64.8	\$57.8	831.7%	2016	649.2
General Revenue-Dedicated Funds	\$30.7	\$21.8	(\$8.9)	(29.0%)		
Federal Funds	\$1,353.0	\$515.3	(\$837.8)	(61.9%)		
Other Funds	\$112.8	\$87.1	(\$25.7)	(22.8%)		
<b>Total, All Methods of Finance</b>	<b>\$1,503.5</b>	<b>\$688.9</b>	<b>(\$814.6)</b>	<b>(54.2%)</b>	2017	649.2

### AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

### SIGNIFICANT DEVELOPMENTS

Funding decreased by \$815.5 million in Federal Funds for completed Hurricane Ike-related and wildfire-related housing and infrastructure grant projects.

The Alamo is funded with \$32.1 million, an increase of \$21.1 million in All Funds, for capital improvements, repairs, and master planning to preserve and maintain the Alamo and facilities in the Alamo Complex.

Funding provides \$5.8 million in General Revenue Funds for the closure of Rollover Pass on the Bolivar Peninsula.

Coastal erosion grants are appropriated \$22.6 million in General Revenue Funds, in lieu of pass-through Sporting Goods Sales Tax (SGST) funding, due to changes in the allowable uses of SGST, pursuant to House Bill 158, Eighty-fourth Legislature, 2015.

## TEXAS LOW-LEVEL RADIOACTIVE WASTE DISPOSAL COMPACT COMMISSION

**PURPOSE:** To ensure that the compact between Texas and Vermont to manage low-level radioactive waste generated within the two states is upheld by cooperating to protect the health, safety, and welfare of their citizens and the environment; and by providing for and encouraging the economical management and disposal of low-level radioactive waste.

**ESTABLISHED:** 1998

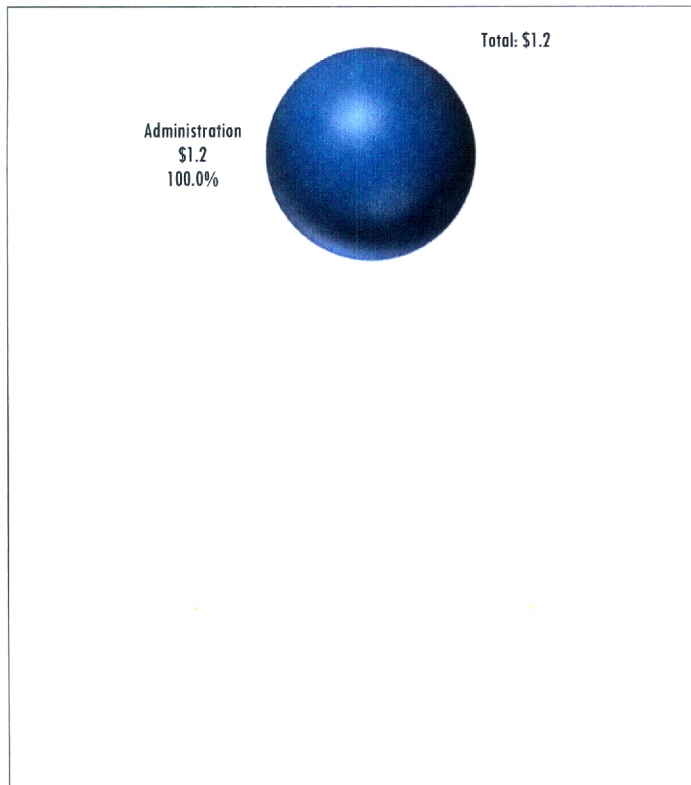
**AUTHORIZING STATUTE:** The Texas Health and Safety Code, Chapter 403

**GOVERNANCE:** Compact Commission—six members from Texas, two members from Vermont, each appointed by their respective governors

**FIGURE 139**  
**TEXAS LOW-LEVEL RADIOACTIVE WASTE DISPOSAL COMPACT COMMISSION BY METHOD OF FINANCE**

METHOD OF FINANCE	IN MILLIONS				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$0.0	\$0.0	\$0.0	N/A	2016	2.0
General Revenue—Dedicated Funds	\$0.5	\$1.2	\$0.7	140.4%		
Federal Funds	\$0.0	\$0.0	\$0.0	N/A	2017	2.0
Other Funds	\$0.0	\$0.0	\$0.0	N/A		
<b>Total, All Methods of Finance</b>	<b>\$0.5</b>	<b>\$1.2</b>	<b>\$0.7</b>	<b>140.4%</b>		

### AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



### SIGNIFICANT DEVELOPMENTS

Approximately **\$31.5 million in fees** have been remitted to the state for **waste disposed** by Texas Compact generators and nonparty generators **since April 2012**.

The commission expects that by the end of fiscal year 2017, **93.0 percent of the volumetric capacity** in the compact waste disposal facility is expected to **remain available**.

SOURCE: Legislative Budget Board.

## PARKS AND WILDLIFE DEPARTMENT

**PURPOSE:** Manage and conserve the natural and cultural resources of Texas and provide hunting, fishing, and outdoor recreational opportunities; enforce hunting and fishing laws; and safely operate state parks, historic sites, natural areas, and wildlife management areas.

**ESTABLISHED:** 1963

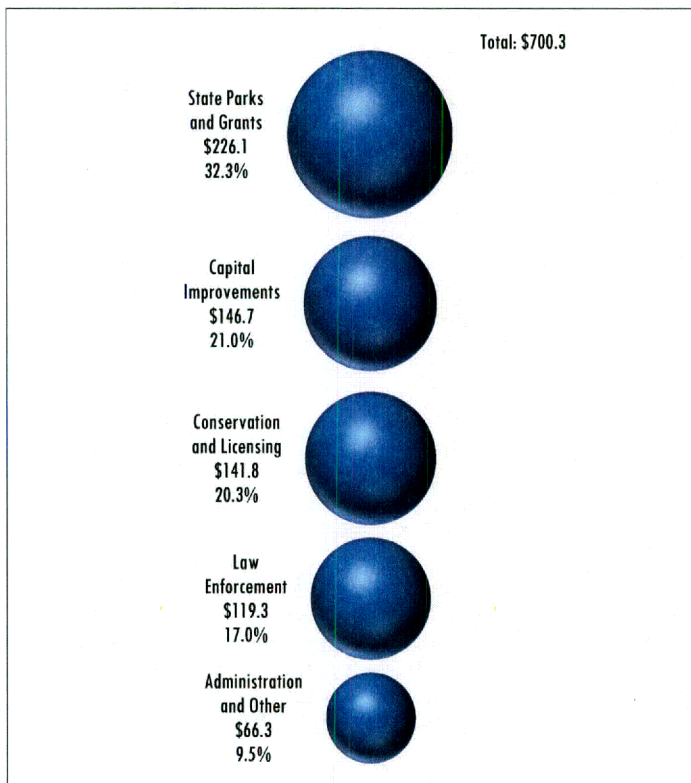
**AUTHORIZING STATUTE:** The Texas Parks and Wildlife Code, §11.011

**GOVERNANCE:** Texas Parks and Wildlife Commission – nine members appointed by the Governor with advice and consent of the Senate

**FIGURE 140**  
**PARKS AND WILDLIFE DEPARTMENT BY METHOD OF FINANCE**

METHOD OF FINANCE	IN MILLIONS				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS
	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE	
General Revenue Funds	\$197.4	\$200.9	\$3.5	1.8%	<b>2016</b> 3,143.2  <b>2017</b> 3,143.2
General Revenue–Dedicated Funds	\$291.0	\$400.1	\$109.1	37.5%	
Federal Funds	\$143.5	\$73.9	(\$69.7)	(48.5%)	
Other Funds	\$84.5	\$25.5	(\$59.0)	(69.9%)	
<b>Total, All Methods of Finance</b>	<b>\$716.4</b>	<b>\$700.3</b>	<b>(\$16.1)</b>	<b>(2.3%)</b>	

### AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



### SIGNIFICANT DEVELOPMENTS

**State Parks operations funding totals \$172.5 million. Grant funding** includes \$32.0 million for local parks and \$21.7 million for boating access and other recreational opportunities.

**One hundred percent, \$261.1 million,** of the estimated **Sporting Goods Sales Tax** revenue available to the agency is appropriated. This amount is an **increase of \$120.7 million, or 85.9 percent.**

An additional **\$32.6 million, or 28.6 percent,** is provided for **capital improvements projects.** These projects include **\$91.0 million** from the General Revenue–Dedicated **Deferred Maintenance Account.**

Appropriations of **\$119.3 million** support positions for **549 game wardens** performing law enforcement duties. This number includes **49 game wardens** dedicated to **border security** efforts.

SOURCE: Legislative Budget Board.

## RAILROAD COMMISSION OF TEXAS

**PURPOSE:** To regulate the state’s oil and natural gas industries, with responsibilities for permitting, monitoring, and inspecting facilities. The agency works to ensure the safe production and transportation of the state’s energy resources, while protecting public health and the environment. The agency also works to ensure fair pricing through its oversight of gas utilities rates.

**ESTABLISHED:** 1891

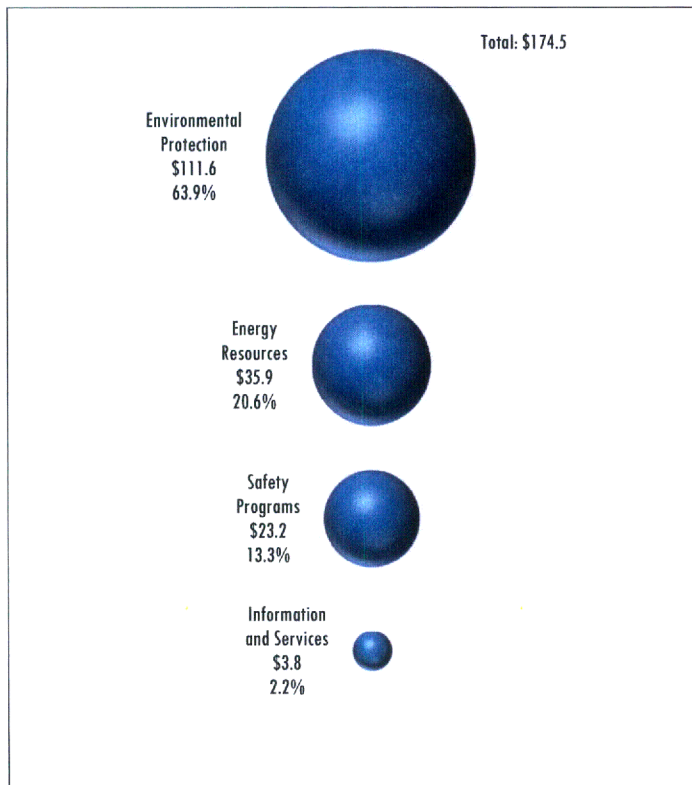
**AUTHORIZING STATUTE:** The Texas Constitution, Articles X and XVI; the Texas Natural Resources Code

**GOVERNANCE:** Three statewide-elected officials

**FIGURE 141**  
**RAILROAD COMMISSION OF TEXAS BY METHOD OF FINANCE**

METHOD OF FINANCE	IN MILLIONS				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$26.5	\$22.1	(\$4.4)	(16.5%)	<b>2016</b> 820.1	
General Revenue–Dedicated Funds	\$133.2	\$133.4	\$0.3	0.2%		
Federal Funds	\$13.7	\$14.2	\$0.4	3.2%		
Other Funds	\$4.8	\$4.8	\$0.0	0.1%		
<b>Total, All Methods of Finance</b>	<b>\$178.2</b>	<b>\$174.5</b>	<b>(\$3.7)</b>	<b>(2.1%)</b>	<b>2017</b> 820.1	

### AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



### SIGNIFICANT DEVELOPMENTS

Appropriations were reduced by \$3.9 million for completed information technology projects, including online filing and permitting for oil and gas production and transportation.

The Oil and Gas Regulation and Cleanup Account, a General Revenue–Dedicated account, which is primarily supported by production-related fees, contributes \$133.4 million or 76.4 percent of agency funding.

A \$2.3 million increase was provided for 20.0 full-time-equivalent positions to perform specialized safety inspections of pipeline operations.

Funding for the Alternative Fuels Research and Education Division was reduced at a savings of \$1.9 million, resulting in \$2.2 million in Other Funds remaining to support outreach activities for incentives available for alternative-fuel vehicles.

SOURCE: Legislative Budget Board.



## STATE SOIL AND WATER CONSERVATION BOARD

**PURPOSE:** To work in conjunction with local soil and water conservation districts to encourage wise and productive use of natural resources, including soil conservation projects, flood control dam construction and maintenance, management and abatement of agricultural and silvicultural (forestry) nonpoint source water pollution, and water supply enhancement.

**ESTABLISHED:** 1939

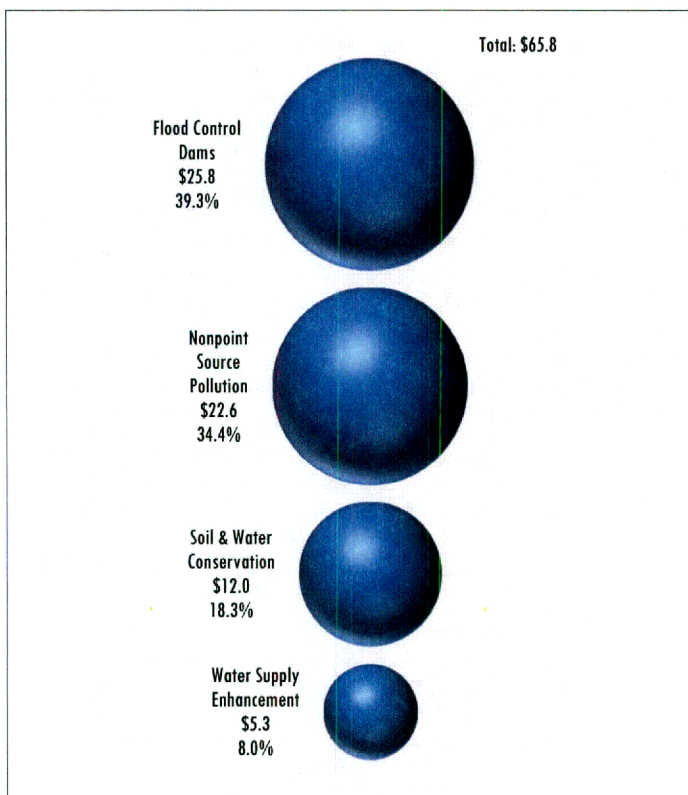
**AUTHORIZING STATUTE:** The Texas Agriculture Code, §201.001

**GOVERNANCE:** Five elected members and two members appointed by the Governor

**FIGURE 142**  
**STATE SOIL AND WATER CONSERVATION BOARD BY METHOD OF FINANCE**

METHOD OF FINANCE	IN MILLIONS				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2014-15	APPROPRIATED 2016-17	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$40.7	\$42.7	\$2.1	5.1%	2016	72.1
General Revenue—Dedicated Funds	\$0.0	\$0.0	\$0.0	N/A		
Federal Funds	\$14.7	\$23.0	\$8.3	56.6%	2017	72.1
Other Funds	\$0.0	\$0.0	(\$0.0)	(100.0%)		
<b>Total, All Methods of Finance</b>	<b>\$55.4</b>	<b>\$65.8</b>	<b>\$10.4</b>	<b>18.7%</b>		

### AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

### SIGNIFICANT DEVELOPMENTS

Appropriations from **Federal Funds** increased by **\$9.0 million** for operations and maintenance, structural repairs, and rehabilitation of flood control dams throughout the state.

**Local soil and water conservation districts** were provided an additional **\$1.0 million** in funding to assist with increased operating expenses.

Funding for **additional brush control projects** in the **Water Supply Enhancement Program** was increased by **\$1.0 million**.

## TEXAS WATER DEVELOPMENT BOARD

**PURPOSE:** To provide leadership, information, education, and support for planning, financial assistance, and outreach for the conservation and responsible development of water for Texas.

**ESTABLISHED:** 1957

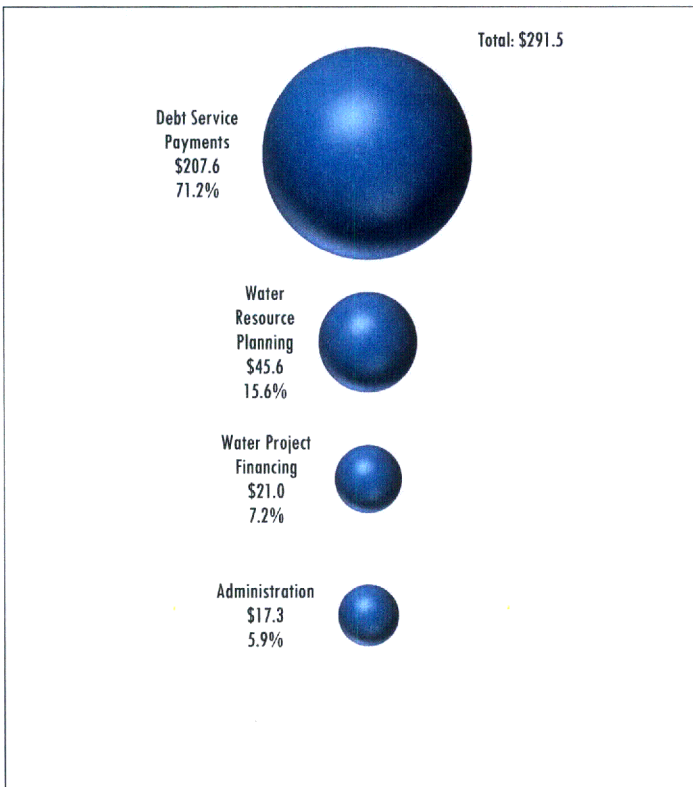
**AUTHORIZING STATUTE:** The Texas Constitution, Article III, §§49, 50; the Texas Water Code, Chapters 6, 11, 15–17, 35–36; the Texas Government Code, Chapter 742

**GOVERNANCE:** Three-member, full-time board appointed by the Governor with advice and consent of the Senate

**FIGURE 143**  
**TEXAS WATER DEVELOPMENT BOARD BY METHOD OF FINANCE**

METHOD OF FINANCE	IN MILLIONS				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$150.2	\$151.1	\$0.9	0.6%	2016	327.1
General Revenue–Dedicated Funds	\$0.0	\$0.0	\$0.0	N/A		
Federal Funds	\$16.0	\$16.1	\$0.1	0.7%	2017	327.1
Other Funds	\$2,126.3	\$124.3	(\$2,002.0)	(94.2%)		
<b>Total, All Methods of Finance</b>	<b>\$2,292.5</b>	<b>\$291.5</b>	<b>(\$2,000.9)</b>	<b>(87.3%)</b>		

### AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



### SIGNIFICANT DEVELOPMENTS

- Funding decreased by **\$2.0 billion** from the **Economic Stabilization Fund** (Other Funds) due to a onetime appropriation to the **State Water Implementation Fund for Texas (SWIFT)** in the 2014–15 biennium.
- Appropriations for **debt service payments for non-self-supporting General Obligation water bonds** include **\$62.0 million for Economically Distressed Areas** bonds, and **\$145.7 million for water infrastructure** bonds.
- SWIFT funds totaling \$108.2 million will be used to subsidize debt service** for Texas communities for 26 projects funded with \$900.0 million in SWIFT bonds that were issued in October 2015.
- Approved water projects are supported by \$2.2 billion available outside the appropriations process:** \$600.6 million in the Water Development Fund II; \$1.1 billion in the Clean Water State Revolving Fund; and \$536.9 million in the Drinking Water State Revolving Fund.

SOURCE: Legislative Budget Board.

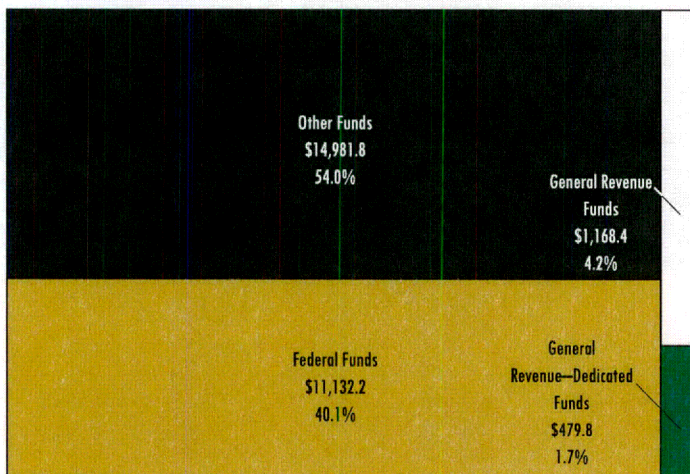
## 10. BUSINESS AND ECONOMIC DEVELOPMENT

The five business and economic development state agencies provide services supporting the Texas economy through transportation, business and workforce development, lottery and bingo operations, and community infrastructure. These agencies include the Department of Housing and Community Affairs (TDHCA), the Texas Lottery Commission (TLC), the Department of Motor Vehicles (DMV), the Texas Department of Transportation (TxDOT), and the Texas Workforce Commission (TWC).

**FIGURE 144**  
**ARTICLE VII – BUSINESS AND ECONOMIC DEVELOPMENT, BY METHOD OF FINANCE**

METHOD OF FINANCE	IN MILLIONS			
	EXPENDED/BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	\$914.9	\$1,168.4	\$253.5	27.7%
General Revenue–Dedicated Funds	\$463.4	\$479.8	\$16.4	3.5%
Federal Funds	\$11,102.3	\$11,132.2	\$29.9	0.3%
Other Funds	\$14,949.1	\$14,981.8	\$32.7	0.2%
<b>Total, All Methods of Finance</b>	<b>\$27,429.5</b>	<b>\$27,762.2</b>	<b>\$332.6</b>	<b>1.2%</b>

### SHARE OF FUNDING BY METHOD OF FINANCE



### SIGNIFICANT DEVELOPMENTS

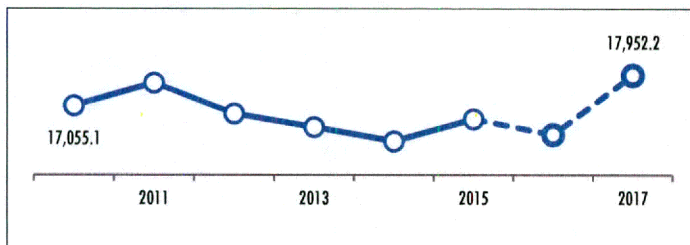
Appropriations for the Texas Department of Transportation include **\$1.3 billion in State Highway Funds** (Other Funds) available from the **discontinuation of providing State Highway Fund appropriations to other agencies.**

Appropriations for the Texas Department of Transportation include an estimated **\$2.4 billion** from oil and natural gas tax-related transfers to the State Highway Fund pursuant to **Proposition 1 (2014).**

Appropriations for the Texas Workforce Commission include an **increase of \$309.1 million** in All Funds for the **transfer of certain vocational rehabilitative programs** to the agency from the Department of Assistive and Rehabilitative Services.

Appropriations for the Department of Motor Vehicles include funding from the **Texas Department of Motor Vehicles Fund (TxDMV Fund)** beginning in fiscal year 2017.

### FULL-TIME-EQUIVALENT POSITIONS



NOTES: Excludes Interagency Contracts. Full-time-equivalent positions show actual positions for fiscal years 2010 to 2015 and appropriated positions for fiscal years 2016 and 2017.

SOURCES: Legislative Budget Board; State Auditor's Office.

## TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

**PURPOSE:** Texas Department of Housing and Community Affairs (TDHCA) administers affordable housing, housing-related and community service programs; regulates the state’s manufactured housing industry; ensures program compliance with federal and state requirements; and provides educational materials or technical assistance for housing and community services.

**ESTABLISHED:** 1991

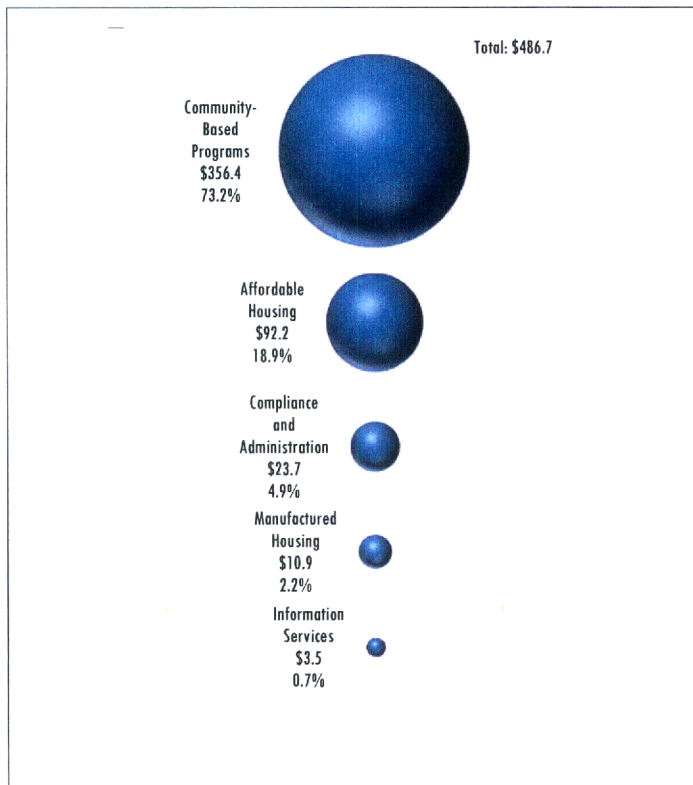
**AUTHORIZING STATUTE:** The Texas Government Code, §2306.001

**GOVERNANCE:** TDHCA Governing Board—seven public members appointed by the Governor with advice and consent of the Senate

**FIGURE 145**  
**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS, BY METHOD OF FINANCE**

METHOD OF FINANCE	IN MILLIONS				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$26.4	\$26.5	\$0.0	0.1%	2016 313.0 2017 313.0	
General Revenue–Dedicated Funds	\$0.0	\$0.0	\$0.0	N/A		
Federal Funds	\$445.0	\$420.9	(\$24.1)	(5.4%)		
Other Funds	\$36.4	\$39.3	\$2.9	7.9%		
<b>Total, All Methods of Finance</b>	<b>\$507.9</b>	<b>\$486.7</b>	<b>(\$21.2)</b>	<b>(4.2%)</b>		

### AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



### SIGNIFICANT DEVELOPMENTS

Appropriations for the 2016–17 biennium include a **\$10.0 million decrease** in Federal Funds primarily due to American Recovery and Reinvestment Act (ARRA) **stimulus funds expended in the 2014–15 biennium.**

Appropriations include an \$11.3 million decrease in Federal Funds due to **administering the project funding for Section 811, Project Rental Assistance Demonstration, in 2014 and funding administrative costs only** in the 2016–17 biennium.

TDHCA anticipates **assisting approximately 430,000 individuals** each fiscal year of the biennium through **homeless- and poverty-related services** at the agency.

SOURCE: Legislative Budget Board.

## TEXAS LOTTERY COMMISSION

**PURPOSE:** Generate revenue for the state through the management and sale of entertaining lottery products and provide authorized organizations the opportunity to raise funds for their charitable purposes by conducting bingo.

**ESTABLISHED:** 1993

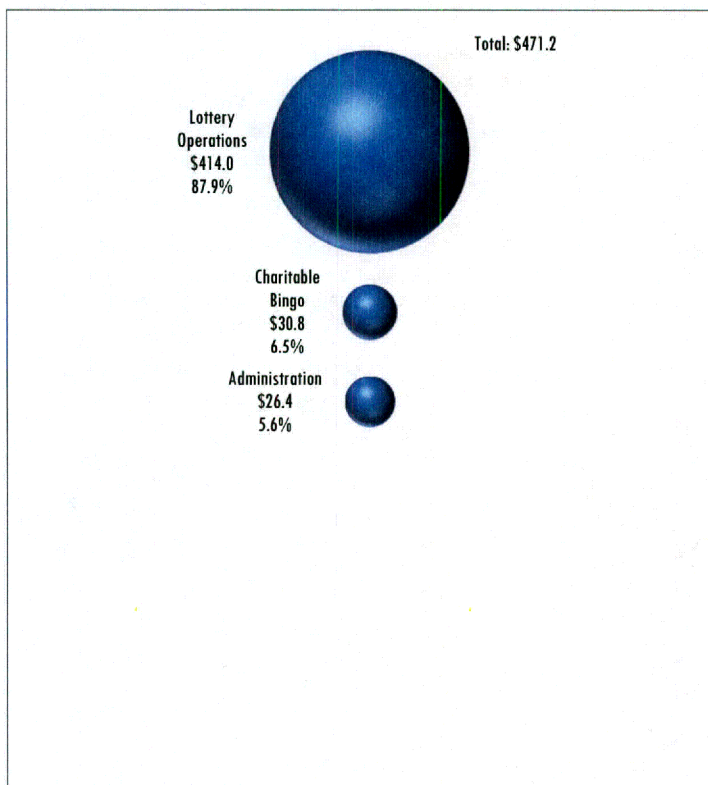
**AUTHORIZING STATUTE:** The Texas Government Code, §467.002

**GOVERNANCE:** Texas Lottery Commission—five members appointed by the Governor with the advice and consent of the Senate

**FIGURE 146**  
**TEXAS LOTTERY COMMISSION BY METHOD OF FINANCE**

METHOD OF FINANCE	IN MILLIONS				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2014-15	APPROPRIATED 2016-17	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$33.3	\$30.8	(\$2.5)	(7.5%)	2016	326.5
General Revenue—Dedicated Funds	\$424.9	\$440.4	\$15.5	3.6%		
Federal Funds	\$0.0	\$0.0	\$0.0	N/A	2017	326.5
Other Funds	\$0.0	\$0.0	\$0.0	N/A		
<b>Total, All Methods of Finance</b>	<b>\$458.2</b>	<b>\$471.2</b>	<b>\$13.0</b>	<b>2.8%</b>		

### AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

### SIGNIFICANT DEVELOPMENTS

- Appropriations include an increase of **\$15.5 million related to an anticipated increase in gross lottery ticket sales**, which fund the lottery operator contract and retailer commissions.
- Appropriations include a **decrease of \$2.5 million** in General Revenue Funds related to **onetime funding** for the agency's Automated Charitable Bingo System redesign expended in the 2014-15 biennium.
- Per legislative requirement from the Eighty-third Legislature, a joint committee of Senate and House members issued a report to the Eighty-fourth Legislature **recommending the continuation of the Texas Lottery and the Texas Lottery Commission.**

## DEPARTMENT OF MOTOR VEHICLES

**PURPOSE:** Provide vehicle title and registration services, motor carrier registration and permitting, motor vehicle dealer licensing and regulation, and other motor vehicle regulatory and enforcement services.

**ESTABLISHED:** 2009

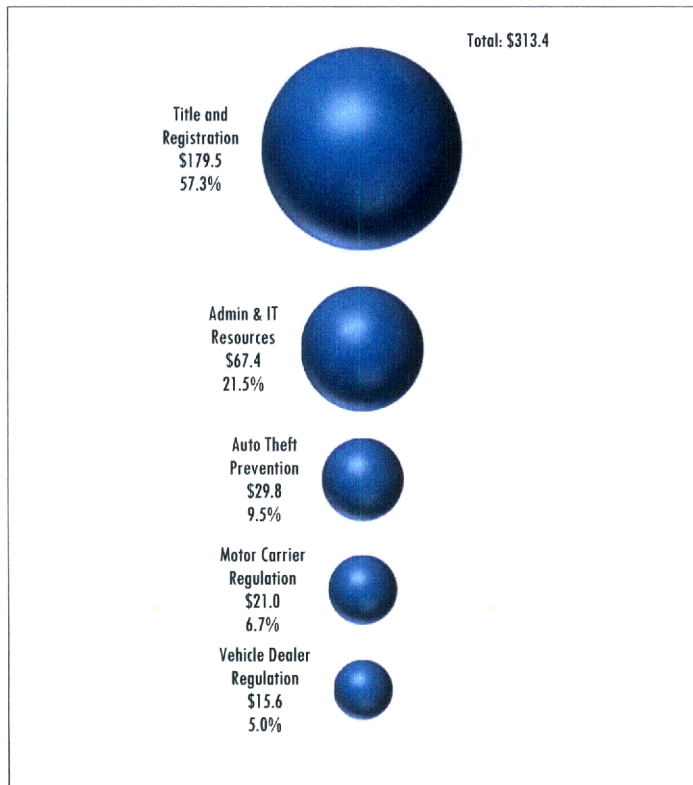
**AUTHORIZING STATUTE:** The Texas Transportation Code, §1001.002

**GOVERNANCE:** Department of Motor Vehicles Board—nine members appointed by the Governor with advice and consent of the Senate

**FIGURE 147**  
**DEPARTMENT OF MOTOR VEHICLES BY METHOD OF FINANCE**

METHOD OF FINANCE	IN MILLIONS				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS
	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE	
General Revenue Funds	\$218.3	\$183.1	(\$35.2)	(16.1%)	2016 763.0
General Revenue–Dedicated Funds	\$0.0	\$0.0	\$0.0	N/A	
Federal Funds	\$1.4	\$0.0	(\$1.4)	(100.0%)	2017 763.0
Other Funds	\$112.6	\$130.3	\$17.7	15.8%	
<b>Total, All Methods of Finance</b>	<b>\$332.2</b>	<b>\$313.4</b>	<b>(\$18.8)</b>	<b>(5.7%)</b>	

### AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



### SIGNIFICANT DEVELOPMENTS

- Appropriations for fiscal year 2017 include **\$130.3 million** from the **new Texas Department of Motor Vehicles Fund** (Other Funds). **Senate Bill 1512** authorized this fund.
- Appropriations from the State Highway Fund are discontinued** and replaced with appropriations from **General Revenue Funds** and the new **Texas Department of Motor Vehicles Fund**.
- Approximately **25.0 million vehicles** will be registered in Texas by the end of the 2016–17 biennium.

SOURCE: Legislative Budget Board.

## TEXAS DEPARTMENT OF TRANSPORTATION

**PURPOSE:** Provide for planning, coordination, acquisition, construction, preservation, and operation of the state's transportation systems and services.

**ESTABLISHED:** 1991

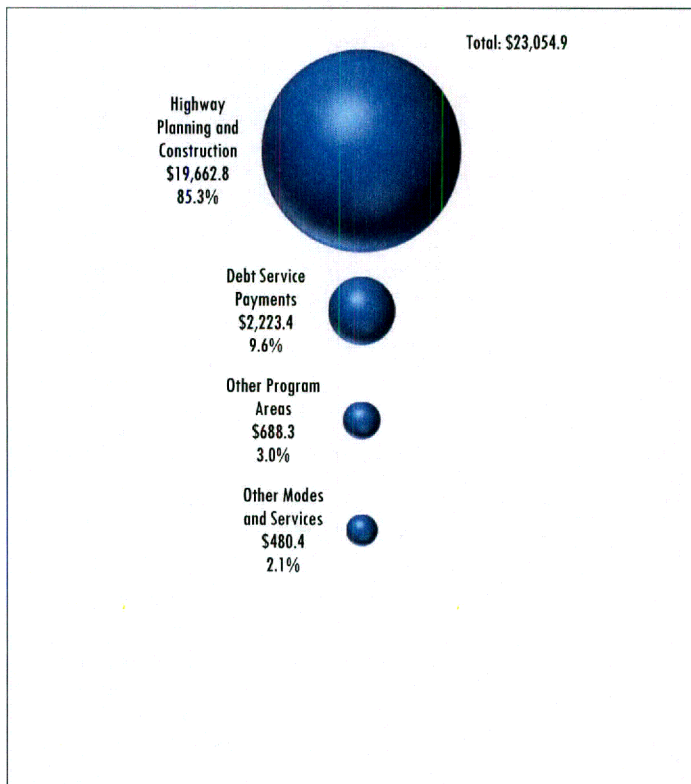
**AUTHORIZING STATUTE:** The Texas Transportation Code, Chapter 201

**GOVERNANCE:** Texas Transportation Commission—five members appointed by the Governor with advice and consent of the Senate

**FIGURE 148**  
**TEXAS DEPARTMENT OF TRANSPORTATION BY METHOD OF FINANCE**

METHOD OF FINANCE	IN MILLIONS				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2014-15	APPROPRIATED 2016-17	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$316.2	\$507.3	\$191.1	60.5%		
General Revenue—Dedicated Funds	\$0.0	\$0.0	\$0.0	N/A		
Federal Funds	\$8,562.7	\$8,367.8	(\$194.9)	(2.3%)	<b>2016</b>	11,900.0
Other Funds	\$14,262.2	\$14,179.7	(\$82.5)	(0.6%)	<b>2017</b>	11,900.0
<b>Total, All Methods of Finance</b>	<b>\$23,141.1</b>	<b>\$23,054.9</b>	<b>(\$86.3)</b>	<b>(0.4%)</b>		

### AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

### SIGNIFICANT DEVELOPMENTS

Appropriations include **\$1.3 billion in State Highway Funds** (Other Funds) available from the **discontinuation of providing State Highway Fund appropriations to other agencies.**

Appropriations include an estimated **\$2.4 billion** from oil and natural gas tax-related transfers to the State Highway Fund pursuant to **Proposition 1, 2014.**

**Proposition 7**, approved by voters in November 2015, will allocate to the **State Highway Fund** the first **\$2.5 billion of state sales tax** collected in excess of \$28.0 billion in a fiscal year beginning in fiscal year 2018.

**Proposition 7, 2015**, will allocate to the State Highway Fund **35.0 percent of the motor vehicle sales and rental taxes** collected in excess of \$5.0 billion in a fiscal year beginning in fiscal year 2020.

## TEXAS WORKFORCE COMMISSION

**PURPOSE:** Support an effective workforce system that provides economic opportunity for employers, individuals, and communities, and administer the state Child Care and Unemployment Insurance programs.

**ESTABLISHED:** 1995

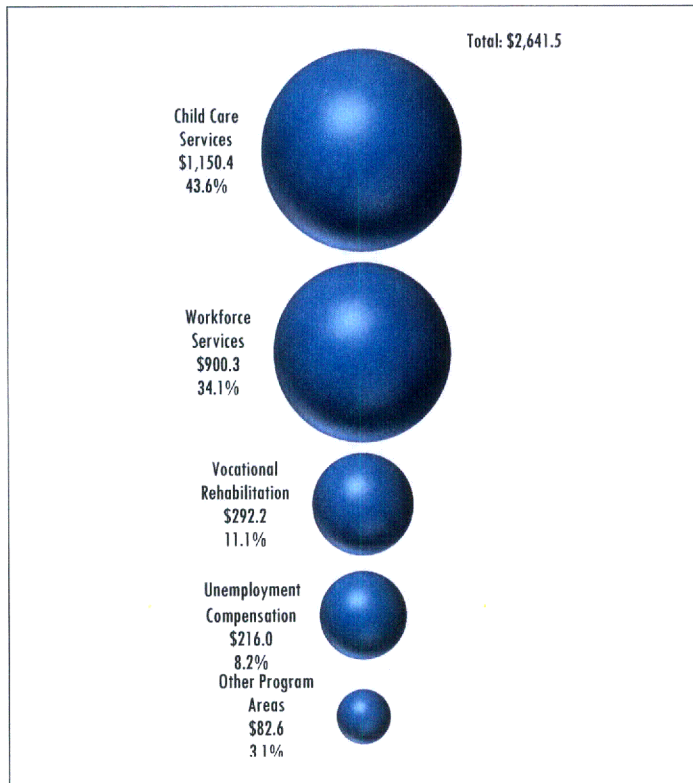
**AUTHORIZING STATUTE:** The Texas Labor Code, §301.001

**GOVERNANCE:** Texas Workforce Commission—three members appointed by the Governor with advice and consent of the Senate

**FIGURE 149**  
**TEXAS WORKFORCE COMMISSION BY METHOD OF FINANCE**

METHOD OF FINANCE	IN MILLIONS				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$263.1	\$334.6	\$71.5	27.2%	2016	2,885.2
General Revenue–Dedicated Funds	\$14.3	\$15.5	\$1.2	8.1%		
Federal Funds	\$1,981.8	\$2,179.2	\$197.3	10.0%	2017	4,649.7
Other Funds	\$115.1	\$112.3	(\$2.8)	(2.4%)		
<b>Total, All Methods of Finance</b>	<b>\$2,374.3</b>	<b>\$2,641.5</b>	<b>\$267.2</b>	<b>11.3%</b>		

### AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

### SIGNIFICANT DEVELOPMENTS

Certain **Vocational Rehabilitation** programs are transferred from the Department of Assistive and Rehabilitative Services to the Texas Workforce Commission (TWC) in fiscal year 2017 along with **\$309.1 million** in All Funds and **1,860.9 full-time-equivalent positions (FTE)**.

The **Jobs and Education for Texans (JET) Grant Program** is transferred from the Comptroller of Public Accounts to TWC in fiscal year 2016 and is provided **\$10.0 million** in General Revenue Funds.

The **Apprenticeship Program** includes an additional **\$3.0 million** in the 2016–17 biennium to increase the number of students served and the apprenticeship classroom training reimbursements.

Duties of the **Texas Council on Purchasing from People with Disabilities** are transferred to TWC in fiscal year 2016 along with **\$0.3 million** in Appropriated Receipts.



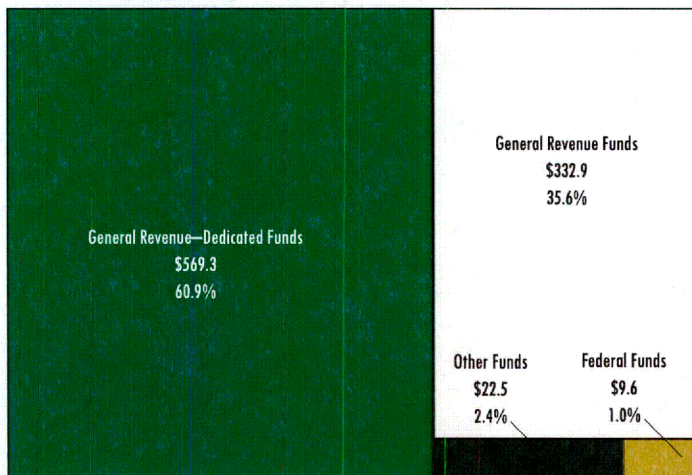
# 11. REGULATORY

Regulatory agencies are the 24 state agencies charged with the regulation of a wide range of industries and occupations in the state. Regulated industries include insurance, workers' compensation, health-related occupations, non-health-related occupations, telecommunications, electric utilities, securities, and pari-mutuel racing. The appropriations and indirect costs for 20 of the regulatory agencies are supported by fees generated from the industries and occupations they regulate. These agencies are subject to a special provision expressing legislative requirements that fee-generated revenues cover the cost of agency appropriations and the other direct and indirect costs appropriated elsewhere in the Eighty-fourth Legislature, General Appropriations Act, 2016–17 Biennium.

**FIGURE 150**  
**ARTICLE VIII – REGULATORY, BY METHOD OF FINANCE**

METHOD OF FINANCE	IN MILLIONS			
	EXPENDED/BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	\$284.5	\$332.9	\$48.4	17.0%
General Revenue–Dedicated Funds	\$789.2	\$569.3	(\$219.9)	(27.9%)
Federal Funds	\$13.2	\$9.6	(\$3.6)	(27.2%)
Other Funds	\$45.7	\$22.5	(\$23.2)	(50.8%)
<b>Total, All Methods of Finance</b>	<b>\$1,132.6</b>	<b>\$934.2</b>	<b>(\$198.3)</b>	<b>(17.5%)</b>

### SHARE OF FUNDING BY METHOD OF FINANCE



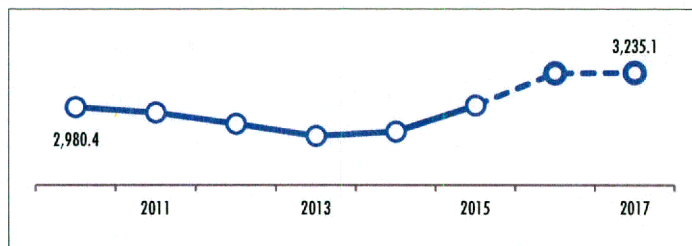
### SIGNIFICANT DEVELOPMENTS

Appropriations of General Revenue–Dedicated Account No. 5100 System Benefit Fund at the Public Utility Commission **spend down the balance of the dedicated fund** by the end of the 2016–17 biennium.

Appropriations include an **increase in General Revenue Funds of \$12.6 million** to transfer the regulation of certain occupations and programs from other state agencies to three regulatory agencies.

Funding for the State Office of Administrative Hearings includes an **increase of \$1.4 million** in General Revenue Funds for a new integrated case management, case filing, and timekeeping system.

### FULL-TIME-EQUIVALENT POSITIONS



NOTES: Excludes Interagency Contracts. Full-time-equivalent positions show actual positions for fiscal years 2010 to 2015 and appropriated positions for fiscal years 2016 and 2017.

SOURCES: Legislative Budget Board; State Auditor's Office.

## STATE OFFICE OF ADMINISTRATIVE HEARINGS

**PURPOSE:** Conduct fair, objective, prompt, and efficient administrative hearings and alternative dispute resolution proceedings for contested cases at agencies that do not employ an administrative law judge to arbitrate such disputes.

**ESTABLISHED:** 1991

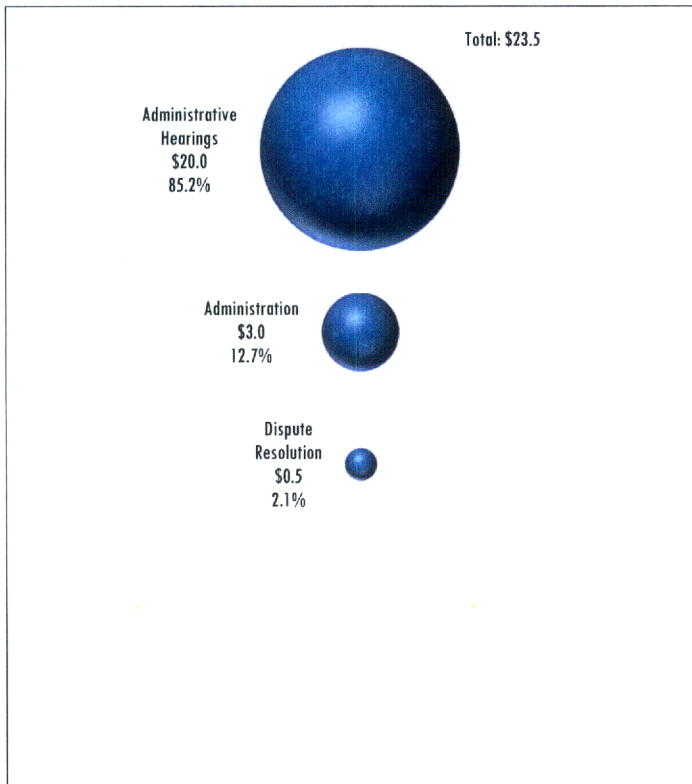
**AUTHORIZING STATUTE:** The Texas Government Code, §2003.021

**GOVERNANCE:** Chief Administrative Law Judge—appointed by the Governor with advice and consent of the Senate

**FIGURE 151**  
**STATE OFFICE OF ADMINISTRATIVE HEARINGS BY METHOD OF FINANCE**

METHOD OF FINANCE	IN MILLIONS				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$6.8	\$16.4	\$9.5	139.4%	2016	127.0
General Revenue–Dedicated Funds	\$0.0	\$0.0	\$0.0	N/A		
Federal Funds	\$0.0	\$0.0	\$0.0	N/A	2017	124.0
Other Funds	\$12.0	\$7.1	(\$4.9)	(40.8%)		
<b>Total, All Methods of Finance</b>	<b>\$18.8</b>	<b>\$23.5</b>	<b>\$4.6</b>	<b>24.7%</b>		

### AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



### SIGNIFICANT DEVELOPMENTS

- The State Office of Administrative Hearings was reviewed through the **Sunset review** process.
- Funding for the State Office of Administrative Hearings includes an **increase of \$1.4 million** in General Revenue Funds for a new integrated case management, case filing, and time-keeping system.
- Appropriations include an **increase of \$2.0 million** related to an **anticipated workload increase** in the 2016–17 biennium.
- The agency is authorized to **adjust the billing rate for administrative hearings to actual hourly costs**, but not to exceed \$128 per hour of work performed.

SOURCE: Legislative Budget Board.

## OFFICE OF INJURED EMPLOYEE COUNSEL

**PURPOSE:** Assist, educate, and advocate on behalf of the injured employees of Texas. By statute, the Office of Injured Employee Counsel is administratively attached to the Texas Department of Insurance, Division of Worker's Compensation.

**ESTABLISHED:** 2005

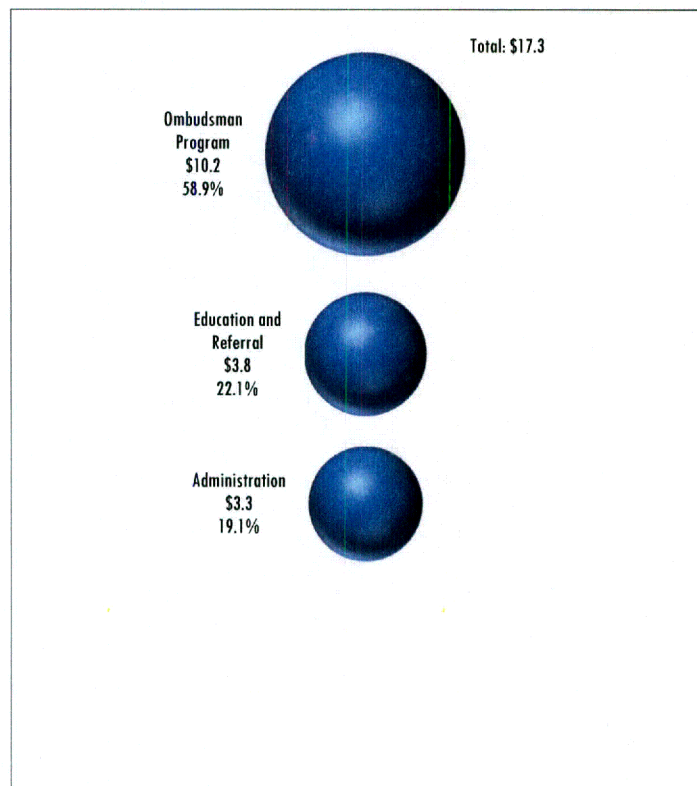
**AUTHORIZING STATUTE:** The Texas Labor Code, §404.002

**GOVERNANCE:** Public Counsel—appointed by the Governor with advice and consent of the Senate

**FIGURE 152**  
**OFFICE OF INJURED EMPLOYEE COUNSEL BY METHOD OF FINANCE**

METHOD OF FINANCE	IN MILLIONS				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$0.0	\$0.0	\$0.0	N/A		
General Revenue–Dedicated Funds	\$16.7	\$17.3	\$0.5	3.3%		
Federal Funds	\$0.0	\$0.0	\$0.0	N/A	2016	175.0
Other Funds	\$0.0	\$0.0	\$0.0	N/A	2017	175.0
<b>Total, All Methods of Finance</b>	<b>\$16.7</b>	<b>\$17.3</b>	<b>\$0.5</b>	<b>3.3%</b>		

### AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

### SIGNIFICANT DEVELOPMENTS

Appropriations include an **increase of \$0.4 million in General Revenue–Dedicated Funds for equity pay increases** to raise employee salaries to the statewide average annual salary for each specific classification.

The agency must submit a **quarterly report on administrative expenditures** to the Legislative Budget Board (LBB) and request approval from the LBB to exceed the estimated administrative budget by more than 10.0 percent in a fiscal year.

## TEXAS DEPARTMENT OF INSURANCE

**PURPOSE:** Protect insurance consumers in Texas by regulating the insurance industry and promoting a stable and competitive market. The Department of Insurance focuses on access to affordable insurance, promoting insurer financial strength, reducing losses due to fire, and regulating the workers' compensation system.

**ESTABLISHED:** 1991

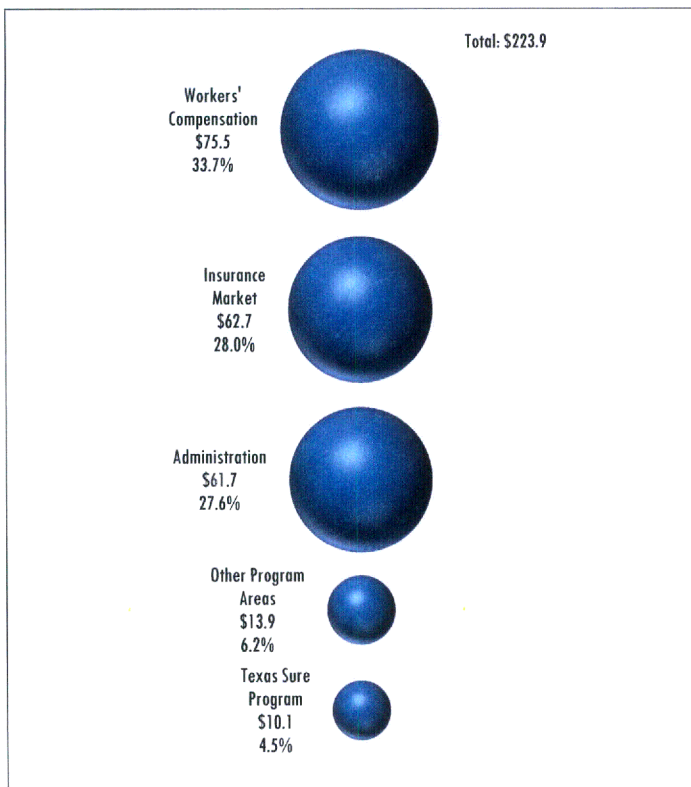
**AUTHORIZING STATUTE:** The Texas Insurance Code, §31.002

**GOVERNANCE:** Commissioner of Insurance—appointed by the Governor with advice and consent of the Senate

**FIGURE 153**  
**TEXAS DEPARTMENT OF INSURANCE BY METHOD OF FINANCE**

METHOD OF FINANCE	IN MILLIONS				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$83.6	\$85.4	\$1.8	2.2%	2016	1,433.0
General Revenue—Dedicated Funds	\$119.7	\$122.4	\$2.7	2.2%		
Federal Funds	\$8.8	\$4.4	(\$4.4)	(50.4%)	2017	1,433.0
Other Funds	\$30.2	\$11.7	(\$18.5)	(61.2%)		
<b>Total, All Methods of Finance</b>	<b>\$242.3</b>	<b>\$223.9</b>	<b>(\$18.4)</b>	<b>(7.6%)</b>		

### AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

### SIGNIFICANT DEVELOPMENTS

Appropriations include an increase of **\$3.1 million** for **information resources and security**.

Funding includes **\$4.4 million in contingency funds** for the Texas Department of Insurance (TDI) to respond in the event of a **significant change in the insurance regulatory environment**.

TDI is appropriated \$10.1 million from the **newly established TexasSure Fund** for the **TexasSure Motor Vehicle Financial Responsibility Verification Program**.

Appropriations are not provided for the **Healthy Texas Program** due to the closeout of the program in fiscal year 2015.

## OFFICE OF PUBLIC INSURANCE COUNSEL

**PURPOSE:** Represents the interests of insurance consumers in Texas in regulatory matters involving automobile, residential property, and title insurance, and participates in rule-making proceedings for life and health insurance.

**ESTABLISHED:** 1991

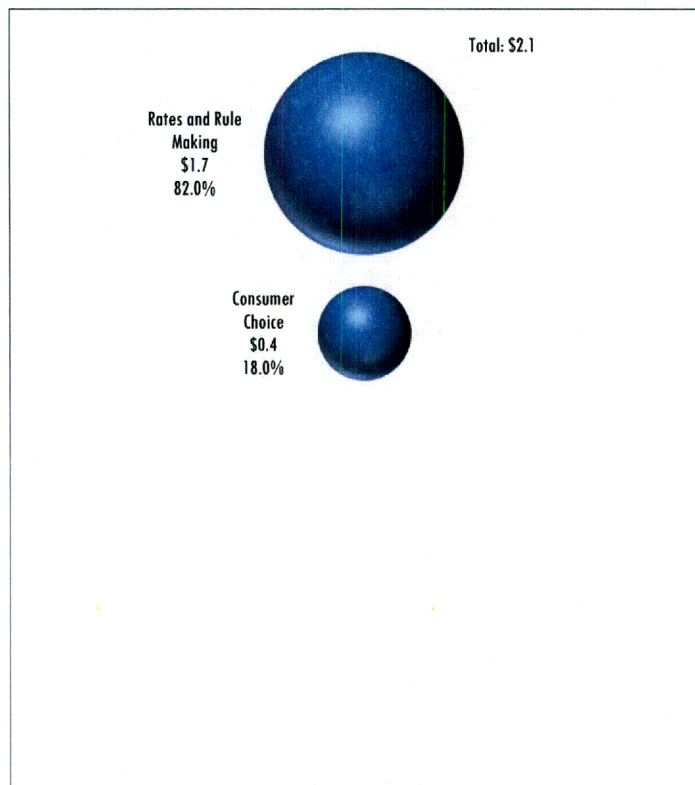
**AUTHORIZING STATUTE:** The Texas Insurance Code, §501.002

**GOVERNANCE:** Public Counsel—appointed by the Governor with advice and consent of the Senate

**FIGURE 154**  
**OFFICE OF PUBLIC INSURANCE COUNSEL BY METHOD OF FINANCE**

METHOD OF FINANCE	IN MILLIONS				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$1.7	\$1.7	\$0.0	1.7%	2016	15.0
General Revenue–Dedicated Funds	\$0.0	\$0.0	\$0.0	N/A		
Federal Funds	\$0.0	\$0.0	\$0.0	N/A	2017	15.0
Other Funds	\$0.4	\$0.4	\$0.0	0.0%		
<b>Total, All Methods of Finance</b>	<b>\$2.1</b>	<b>\$2.1</b>	<b>\$0.0</b>	<b>1.3%</b>		

### AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

### SIGNIFICANT DEVELOPMENTS

The Office of Public Insurance Counsel received an **increase in salary authority** for the agency's exempt position, the Public Counsel.

The agency anticipates reviewing approximately **50 rate filings** and completing approximately **2,000 public presentations or communications to enhance consumer choice** during the 2016–17 biennium.

## DEPARTMENT OF LICENSING AND REGULATION

**PURPOSE:** Serve as an umbrella occupational regulatory agency for the licensing, certification, and enforcement of regulatory statutes involving diverse businesses, industries, general trades, and occupations.

**ESTABLISHED:** 1989

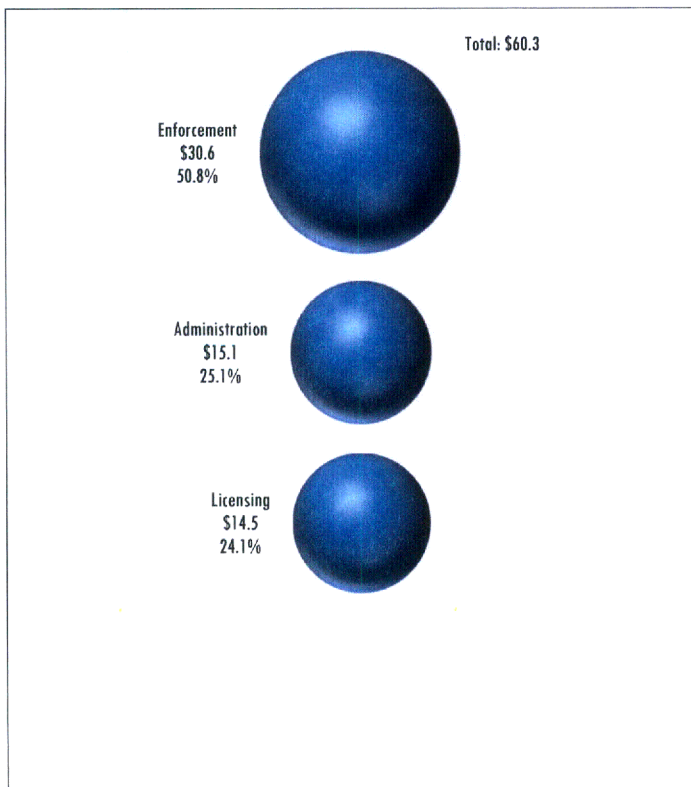
**AUTHORIZING STATUTE:** The Texas Occupations Code, §51.051

**GOVERNANCE:** Texas Commission of Licensing and Regulation—seven members appointed by the Governor with advice and consent of the Senate

**FIGURE 155**  
**DEPARTMENT OF LICENSING AND REGULATION BY METHOD OF FINANCE**

METHOD OF FINANCE	IN MILLIONS				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$46.8	\$58.3	\$11.5	24.6%	2016	448.2
General Revenue—Dedicated Funds	\$0.1	\$0.1	(\$0.0)	(0.3%)		
Federal Funds	\$0.0	\$0.0	\$0.0	N/A	2017	448.2
Other Funds	\$1.9	\$1.9	\$0.0	0.0%		
<b>Total, All Methods of Finance</b>	<b>\$48.8</b>	<b>\$60.3</b>	<b>\$11.5</b>	<b>23.6%</b>		

### AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

### SIGNIFICANT DEVELOPMENTS

Appropriations include an increase in General Revenue Funds of **\$5.9 million and 31.5 full-time-equivalent (FTE) positions** to transfer the regulation of certain occupations and programs from the Department of State Health Services to the agency.

Appropriations include an increase in General Revenue Funds of **\$2.3 million and 19.5 FTE positions** to transfer driver and traffic safety education from the Department of Public Safety and Texas Education Agency to the agency.

Funding increases include **\$1.5 million in General Revenue Funds** for information technology security enhancements.

## RACING COMMISSION

**PURPOSE:** Enforce the Texas Racing Act and its rules to ensure the safety, integrity, and fairness of Texas pari-mutuel racing.

**ESTABLISHED:** 1988

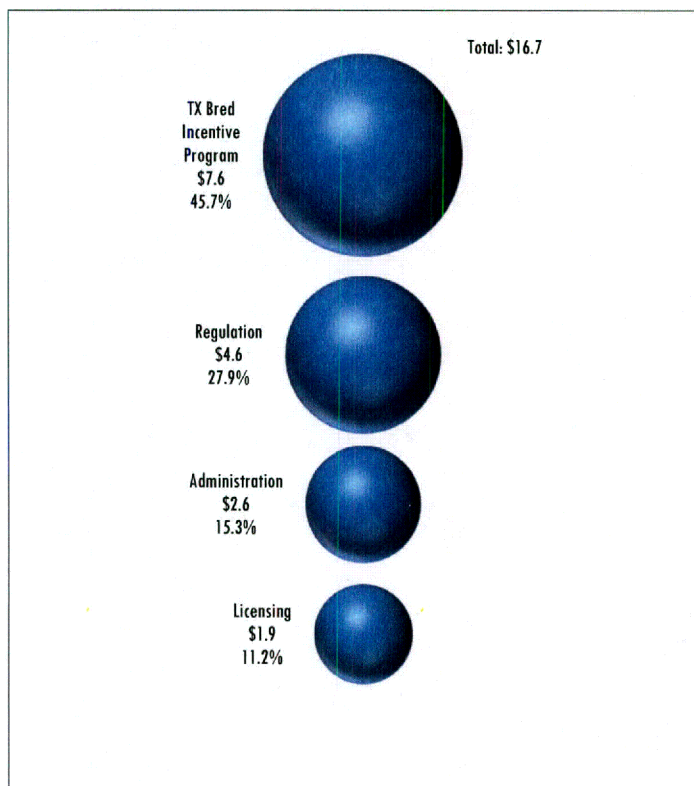
**AUTHORIZING STATUTE:** The Texas Racing Act, Article 2

**GOVERNANCE:** Texas Racing Commission—seven members appointed by the Governor with advice and consent of the Senate, and two ex officio voting members set in statute

**FIGURE 156**  
**RACING COMMISSION BY METHOD OF FINANCE**

METHOD OF FINANCE	IN MILLIONS				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$0.0	\$0.0	\$0.0	N/A	2016	56.2
General Revenue—Dedicated Funds	\$15.4	\$16.7	\$1.3	8.3%		
Federal Funds	\$0.0	\$0.0	\$0.0	N/A	2017	56.2
Other Funds	\$0.0	\$0.0	\$0.0	N/A		
<b>Total, All Methods of Finance</b>	<b>\$15.4</b>	<b>\$16.7</b>	<b>\$1.3</b>	<b>8.3%</b>		

### AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

### SIGNIFICANT DEVELOPMENTS

Appropriations include **\$1.3 million** and **5.0 full-time-equivalent positions (FTE)** for the Texas Racing Commission contingent on the opening or reopening of a **new horse racetrack** during the 2016–17 biennium.

The Racing Commission anticipates **pari-mutuel wagering revenue** will total **\$592.2 million** in the 2016–17 biennium.

## STATE SECURITIES BOARD

**PURPOSE:** Protect Texas investors by ensuring a free and competitive securities market for Texas, increasing investor confidence, and encouraging the formation of capital and the development of new jobs.

**ESTABLISHED:** 1957

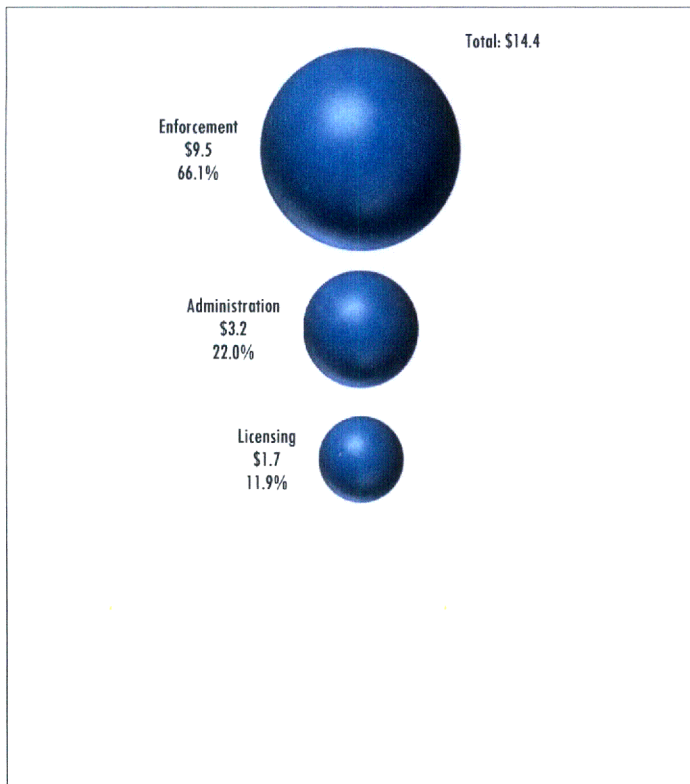
**AUTHORIZING STATUTE:** Vernon's Civil Statutes, the Texas Securities Act, Article 581-2

**GOVERNANCE:** State Securities Board—five members appointed by the Governor with advice and consent of the Senate

**FIGURE 157**  
**STATE SECURITIES BOARD BY METHOD OF FINANCE**

METHOD OF FINANCE	IN MILLIONS				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$14.2	\$14.4	\$0.1	0.9%	2016	104.0
General Revenue—Dedicated Funds	\$0.0	\$0.0	\$0.0	N/A		
Federal Funds	\$0.0	\$0.0	\$0.0	N/A	2017	104.0
Other Funds	\$0.0	\$0.0	\$0.0	N/A		
<b>Total, All Methods of Finance</b>	<b>\$14.2</b>	<b>\$14.4</b>	<b>\$0.1</b>	<b>0.9%</b>		

### AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

### SIGNIFICANT DEVELOPMENTS

Revenue includes **\$254.5 million** deposited to the state Treasury related to **securities and dealer/agent applications** is estimated for the 2016–17 biennium.

The State Securities Board anticipates licensing approximately **120,000 securities** and **810,000 dealers and agents** during the 2016–17 biennium.



## PUBLIC UTILITY COMMISSION OF TEXAS

**PURPOSE:** Protect customers, foster competition, and promote high-quality utility infrastructure in the state's electric, telecommunication, and water and wastewater utility industries.

**ESTABLISHED:** 1975

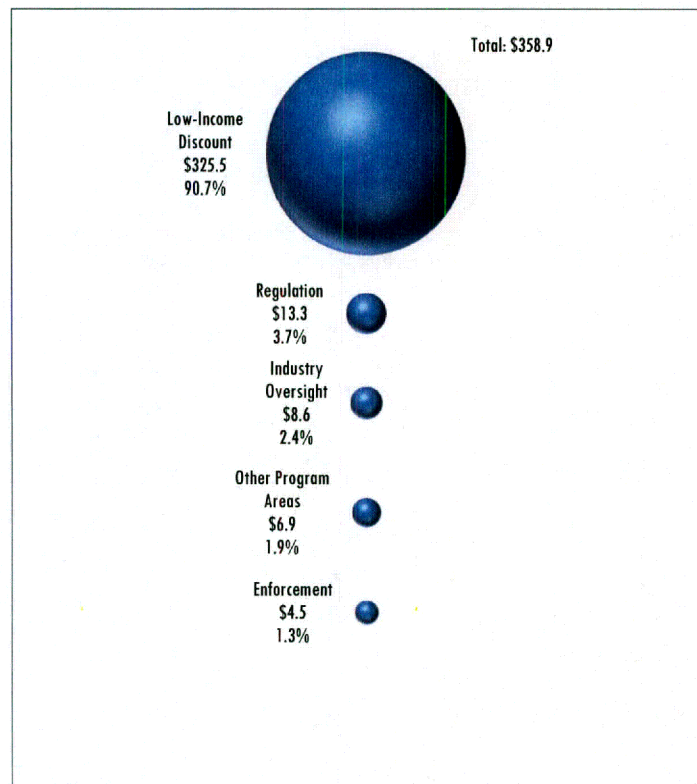
**AUTHORIZING STATUTE:** The Texas Utilities Code, §12.001

**GOVERNANCE:** Utility Commission—three members appointed by the Governor with the advice and consent of the Senate

**FIGURE 158**  
**PUBLIC UTILITY COMMISSION OF TEXAS BY METHOD OF FINANCE**

METHOD OF FINANCE	IN MILLIONS				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$9.5	\$18.4	\$8.8	92.6%	2016	217.0
General Revenue—Dedicated Funds	\$573.8	\$339.5	(\$234.2)	(40.8%)		
Federal Funds	\$0.0	\$0.0	\$0.0	N/A	2017	217.0
Other Funds	\$1.0	\$1.0	\$0.0	0.0%		
<b>Total, All Methods of Finance</b>	<b>\$584.3</b>	<b>\$358.9</b>	<b>(\$225.4)</b>	<b>(38.6%)</b>		

### AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

### SIGNIFICANT DEVELOPMENTS

Appropriations of General Revenue—Dedicated Account No. 5100, System Benefit Fund, **spend down the balance of the dedicated fund** by the end of the 2016–17 biennium.

Appropriations to the **Low-Income Discount Program** total **\$325.5 million**. The program is set to expire at the end of fiscal year 2017.

Due to the expiration of the **System Benefit Fund (SBF)**, **\$8.7 million** of General Revenue Funds is appropriated in fiscal year 2017 to cover administrative functions previously funded through the SBF.

Appropriations to the **Water and Wastewater Regulation Program** include an increase of **\$2.2 million** and **16.0 full-time-equivalent positions** to support the enhancement of the water utility rate-setting function that was transferred to the agency in fiscal year 2015.

## OFFICE OF PUBLIC UTILITY COUNSEL

**PURPOSE:** Ensure the availability of utility services at fair and reasonable rates by providing representation for Texas residential and small-business utility consumers in proceedings conducted by the Public Utility Commission, the Federal Energy Regulatory Commission, the Federal Communications Commission, and state and federal courts.

**ESTABLISHED:** 1983

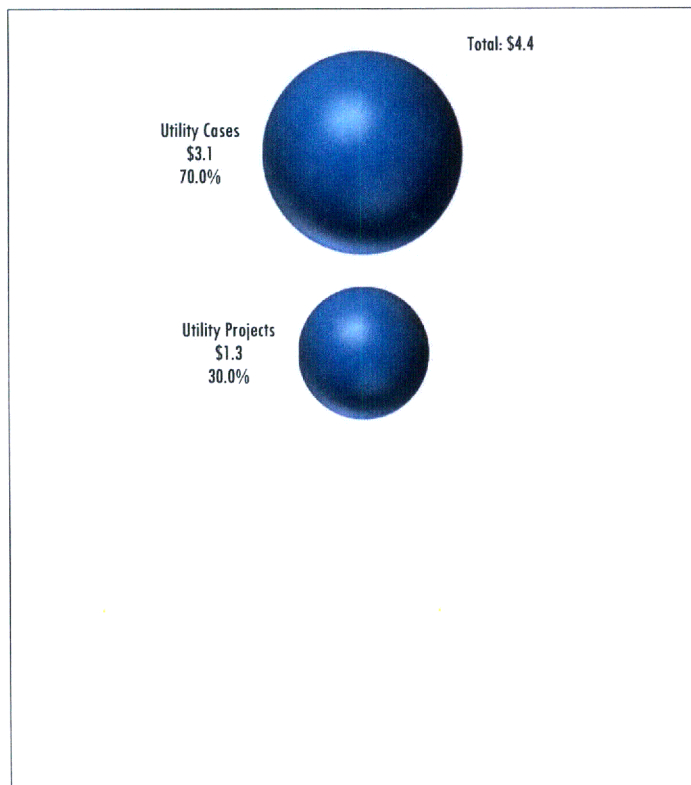
**AUTHORIZING STATUTE:** The Texas Utilities Code, §13.001, and the Texas Water Code, §13.017

**GOVERNANCE:** Public Counsel—appointed by the Governor with the advice and consent of the Senate

**FIGURE 159**  
**OFFICE OF PUBLIC UTILITY COUNSEL BY METHOD OF FINANCE**

METHOD OF FINANCE	IN MILLIONS				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$3.4	\$3.4	\$0.0	0.9%	2016	25.5
General Revenue—Dedicated Funds	\$1.0	\$1.0	\$0.0	0.7%		
Federal Funds	\$0.0	\$0.0	\$0.0	N/A	2017	25.5
Other Funds	\$0.0	\$0.0	\$0.0	N/A		
<b>Total, All Methods of Finance</b>	<b>\$4.4</b>	<b>\$4.4</b>	<b>\$0.0</b>	<b>0.9%</b>		

### AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

### SIGNIFICANT DEVELOPMENTS

The Office of Public Utility Counsel has a **new budget and performance measure structure** to better align with the agency's organizational structure.

The Office of Public Utility Counsel anticipates completing **60 cases** and **52 projects** during the 2016–17 biennium.

## HEALTH-RELATED LICENSING AGENCIES

**PURPOSE:** Health-related licensing boards and commissions regulate certain occupations and industries within the State of Texas. Agencies ensure licensee qualifications and standards are met and that quality of care is maintained through licensing and enforcement programs.

**ESTABLISHED:** Varies; 1907–1995

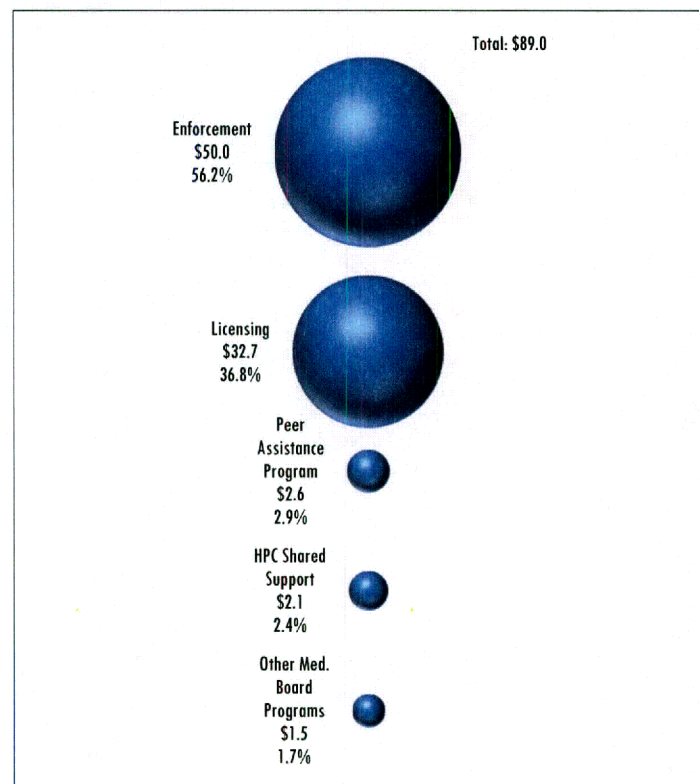
**AUTHORIZING STATUTE:** Varies; The Texas Occupations Code, Chapters 101, 152, 201, 202, 252, 301, 351, 452, 501, 552, 651, 801

**GOVERNANCE:** Varies; generally appointed by the Governor with advice and consent of the Senate

**FIGURE 160**  
**HEALTH-RELATED LICENSING AGENCIES BY METHOD OF FINANCE**

METHOD OF FINANCE	IN MILLIONS				APPROPRIATED FULL-TIME- EQUIVALENT POSITIONS
	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE	
General Revenue Funds	\$66.9	\$74.3	\$7.4	11.1%	2016 583.7
General Revenue–Dedicated Funds	\$4.2	\$4.6	\$0.4	8.6%	
Federal Funds	\$0.0	\$0.0	\$0.0	N/A	2017 590.7
Other Funds	\$7.8	\$10.1	\$2.3	29.8%	
<b>Total, All Methods of Finance</b>	<b>\$78.9</b>	<b>\$89.0</b>	<b>\$10.1</b>	<b>12.8%</b>	

### AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

### SIGNIFICANT DEVELOPMENTS

Appropriations include an **increase in General Revenue Funds of \$3.6 million and 29.0 full-time-equivalent (FTE) positions** to transfer the regulation of certain occupations from the Department of State Health Services to the Texas Medical Board.

Appropriations include an **increase in General Revenue Funds of \$0.8 million and 7.0 FTE positions** to transfer the Prescription Drug Monitoring Program from the Department of Public Safety to the Board of Pharmacy.

Appropriations include an **increase in General Revenue and General Revenue–Dedicated Funds of \$3.4 million and 31.0 FTE positions** to support licensing and regulation of occupations at multiple agencies.

## OTHER REGULATORY AGENCIES

**PURPOSE:** Other regulatory agencies consist of the Board of Plumbing Examiners, the Board of Professional Land Surveying, and the Board of Professional Geoscientists, who oversee the regulation of certain occupations within Texas. Agencies ensure licensee qualifications and standards are maintained through licensing and enforcement programs.

**ESTABLISHED:** Plumbing—1947, Land Surveying—1979, Geoscientists—2001

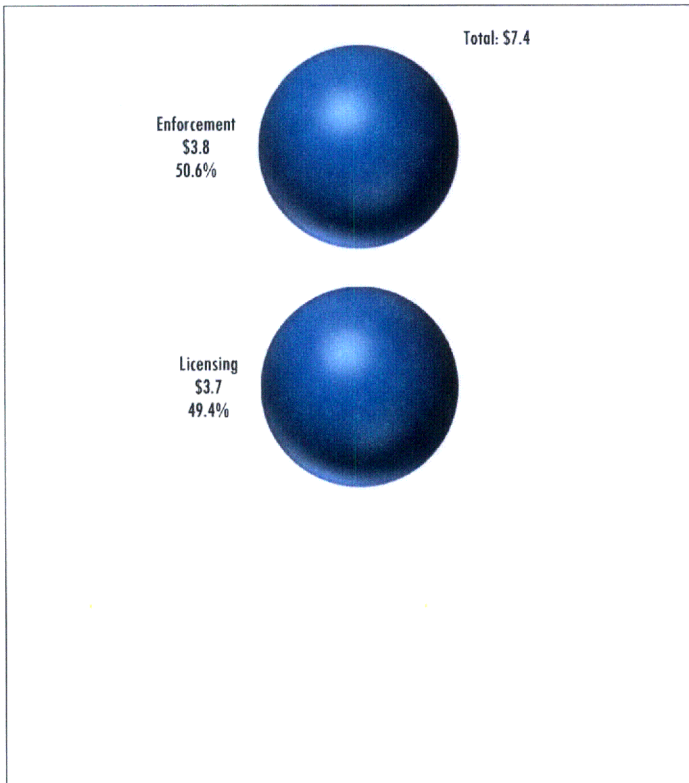
**AUTHORIZING STATUTE:** The Texas Occupations Code, §§1301.001, 1071.001, and 1002.001

**GOVERNANCE:** Nine-member boards, typically appointed by the Governor with advice and consent of the Senate

**FIGURE 161**  
**OTHER REGULATORY AGENCIES BY METHOD OF FINANCE**

METHOD OF FINANCE	IN MILLIONS				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$7.0	\$7.3	\$0.4	5.6%	2016	46.5
General Revenue–Dedicated Funds	\$0.0	\$0.0	\$0.0	N/A		
Federal Funds	\$0.0	\$0.0	\$0.0	N/A	2017	46.5
Other Funds	\$0.1	\$0.1	(\$0.0)	(22.3%)		
<b>Total, All Methods of Finance</b>	<b>\$7.1</b>	<b>\$7.4</b>	<b>\$0.4</b>	<b>5.2%</b>		

### AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



### SIGNIFICANT DEVELOPMENTS

- Appropriations include an **increase of \$0.3 million and 2.0 full-time-equivalent (FTE) positions** to support licensing and regulation of occupations at the Board of Plumbing Examiners.
- Appropriations include an **increase of \$0.1 million and 0.5 FTE positions** for a part-time investigator at the Board of Professional Land Surveying.
- The Board of Plumbing Examiners, the Board of Professional Land Surveying, and the Board of Professional Geoscientists received an **increase in salary authority for exempt positions**.

SOURCE: Legislative Budget Board.

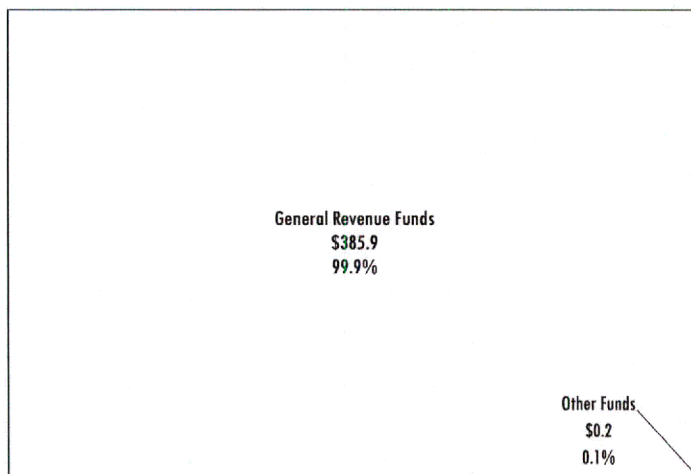
## 12. LEGISLATURE

All powers of the state's legislative branch are vested in the Texas Senate and the Texas House of Representatives. The Legislature convenes biennially in Austin for a 140-day regular session, beginning on the second Tuesday in January of each odd-numbered year, to conduct a regular order of business outlined in the state constitution. Appropriations support the operations of these entities and six other legislative entities, which include the Legislative Budget Board, Legislative Council, Sunset Advisory Commission, Commission on Uniform State Laws, State Auditor's Office, and the Legislative Reference Library.

**FIGURE 162**  
**ARTICLE X – LEGISLATURE, BY METHOD OF FINANCE**

METHOD OF FINANCE	IN MILLIONS			
	EXPENDED/BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	\$373.9	\$385.9	\$12.0	3.2%
General Revenue–Dedicated Funds	0.0	0.0	0.0	N/A
Federal Funds	0.0	0.0	0.0	N/A
Other Funds	0.1	0.2	0.1	0.6%
<b>Total, All Methods of Finance</b>	<b>\$374.0</b>	<b>\$386.1</b>	<b>\$12.0</b>	<b>3.2%</b>

### SHARE OF FUNDING BY METHOD OF FINANCE (IN MILLIONS)



### SIGNIFICANT DEVELOPMENTS

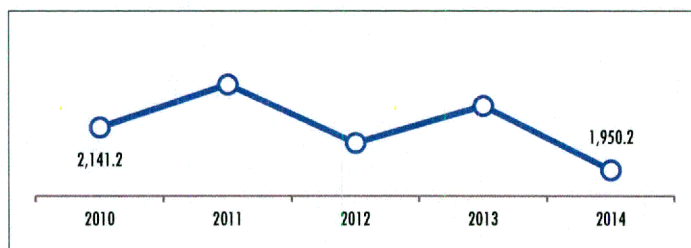
The Legislature passed 1,323 of 6,276 filed bills and 7 of 200 joint resolutions (JR) during the Eighty-fourth Regular Session. In addition, 100 of 174 concurrent resolutions and 4,653 of 4,706 resolutions were passed. The Legislative Council drafted 9,313 bills and JRs requested by the Legislature.

The Legislative Budget Board completed 7,811 Fiscal Notes, 613 Impact Statements, and 49 Government Effectiveness and Efficiency Reports, including 106 recommendations to improve state government.

The Sunset Advisory Commission's enacted recommendations are expected to generate \$34.0 million in the 2016–17 biennium. In addition, the agency will conduct 24 reviews, including four Texas river authorities, due to the enactment of Senate Bill 523.

The State Auditor's Office Audit and Review Team completed 46 audits of and other projects related to state agencies, higher education institutions, and other entities in fiscal year 2015.

### FULL-TIME-EQUIVALENT POSITIONS



NOTES: Excludes Interagency Contracts. Full-time-equivalent positions show actual positions for fiscal years 2010 to 2014.  
SOURCES: Legislative Budget Board; State Auditor's Office.





