



## LEGISLATIVE BUDGET BOARD

# Summary of Legislative Budget Estimates 2018–19 Biennium

## HOUSE

SUBMITTED TO THE 85TH TEXAS LEGISLATURE

JANUARY 2017



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# CONTENTS

|  |           |
|--|-----------|
| <b>Introduction</b> .....                                    | <b>1</b>  |
| Recommendations by Article .....                             | 3         |
| Highlights of the Recommendations.....                       | 10        |
| Biennial Comparison by Fund Source .....                     | 14        |
| Appropriated, Estimated, and Budgeted Funds Comparison ..... | 15        |
| Exceptions to the 2018–19 Baseline Funding .....             | 17        |
| Factors Affecting the State Budget .....                     | 19        |
| Trends in State Government Expenditures .....                | 21        |
| Restricted Appropriations .....                              | 23        |
| Limits on Appropriations .....                               | 25        |
| Texas Economic Outlook .....                                 | 28        |
| Economic Stabilization Fund .....                            | 30        |
| <b>Article I – General Government</b> .....                  | <b>31</b> |
| Office of the Attorney General .....                         | 34        |
| Comptroller of Public Accounts.....                          | 36        |
| Fiscal Programs – Comptroller of Public Accounts.....        | 37        |
| Facilities Commission.....                                   | 39        |
| Trusted Programs Within the Office of the Governor.....      | 40        |
| Department of Information Resources.....                     | 42        |
| <b>Article II – Health and Human Services</b> .....          | <b>45</b> |
| Department of Family and Protective Services .....           | 49        |
| Department of State Health Services .....                    | 51        |
| Health and Human Services Commission .....                   | 53        |
| <b>Article III – Education</b> .....                         | <b>57</b> |
| Texas Education Agency .....                                 | 61        |
| Teacher Retirement System .....                              | 63        |
| School for the Blind and Visually Impaired .....             | 65        |

School for the Deaf..... 67

Texas Higher Education Coordinating Board..... 68

Higher Education Fund..... 70

Available University Fund..... 71

Support for Military and Veterans Exemptions ..... 72

General Academic Institutions..... 73

Health Related Institutions..... 75

Public Community and Junior Colleges..... 77

Texas A&M System Agencies..... 78

**Article IV – The Judiciary..... 81**

**Article V – Public Safety and Criminal Justice ..... 85**

Department of Criminal Justice ..... 88

Juvenile Justice Department ..... 90

Department of Public Safety..... 92

**Article VI – Natural Resources ..... 95**

Department of Agriculture..... 98

Commission on Environmental Quality..... 100

Parks and Wildlife Department..... 102

**Article VII – Business and Economic Development..... 105**

Texas Lottery Commission ..... 108

Department of Transportation..... 109

Texas Workforce Commission..... 111

**Article VIII – Regulatory .....113**

Public Utility Commission .....117

**Appendix A – Reader’s Guide to General Appropriations Bills .....119**

**Appendix B – Comparison of Recommendations ..... 123**

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## INTRODUCTION

This summary of the General Appropriations Bill publication provides an overview of the appropriations included in the General Appropriations Bill, otherwise known as the state budget. The version of the General Appropriations Bill that becomes law, after being passed by the Legislature and signed by the Governor, is referred to as the General Appropriations Act (GAA). This enacted legislation is the state's budget for a two-year period (biennium). The Legislative Budget Board staff provides a Summary of the General Appropriations Bill for each version of the bill as the budget deliberations unfold during the legislative session. The summary is not a reconciliation of each change in the General Appropriations Bill, but rather a high-level overview of major changes between the biennia and between iterations of the bill. It is a reference for legislators and other stakeholders as they work through budget deliberations.

The General Appropriations Bill 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.

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 approximately 200 accounts within the General Revenue Fund that are dedicated for specific purposes by statute or the funds-consolidation process. For example, Clean Air Account Number 151 is funded primarily through a portion of motor vehicle inspection fees and a portion of air pollution control fees. These revenues are statutorily dedicated to the Texas Commission on Environmental Quality to provide funding for various air quality, monitoring and permitting 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 is for the Medicaid program in Article II. Other examples of Federal Funds appropriations include the U.S. Social Security Act, the U.S. Elementary and Secondary Education Act (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 appropriations include those from the State Highway Fund, the Texas Mobility Fund, the Property Tax Relief Fund, the Economic Stabilization Fund, trust funds, bond proceeds, and Interagency Contracts.

The introduction chapter of the summary provides a high-level overview of the General Appropriations Bill. **Figures 1 to 14** provide the total appropriations for the 2018–19 biennium by each method of finance for each article in the bill compared to the 2016–17 biennium expended/budgeted level of funding. This chapter includes highlights of major funding items, significant policy, or fiscal issues across the state; examples of factors affecting the state budget, including budget drivers such as correctional population or public school daily attendance; and a reconciliation of the base funding that explains how the previous biennium's appropriations have been adjusted during the 2016–17 biennium.

The introduction chapter also provides additional context for understanding the General Appropriations Bill, including trends in state government expenditures, an explanation of constitutional spending limits, a description of restricted versus unrestricted appropriations, insights into the Economic Stabilization Fund (i.e., the Rainy Day Fund), and the Texas Economic Outlook.

Following the introduction chapter are article-specific chapters. Each chapter provides an overview of the total article appropriations by agency or institution, including estimated and budgeted expenditures for the 2016–17 biennium, recommended appropriation levels in the 2018–19 General Appropriations Bill, full-time-equivalent positions for the article, and other significant fiscal issues. Some chapters will also include additional detail at the agency level. Agencies are included in the summary if they meet certain criteria: (1) the agency is one of the largest 25 budgets in the state; (2) the agency is subject to the Strategic Fiscal Review as initiated by legislative leadership during the Eighty-fourth Legislature, 2015, interim; or (3) the agency program or function is of significant policy or fiscal import.

Finally, the summary includes two appendices. **Appendix A** provides a reader’s guide to the General Appropriations Bill so that first-time users can better understand how to read the actual bill and make sense of the budget structure, performance measures, and riders. **Appendix B** provides a comparison point between versions of the General Appropriations Bill as the Legislature progresses through the budget deliberations. This comparison enables readers to identify differences between chamber bills, or a specific chamber’s changes.



## RECOMMENDATIONS BY ARTICLE

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



NOTE: Object size is proportional to the percentage of recommended All Funds appropriation for all articles.  
SOURCE: Legislative Budget Board.

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

(IN MILLIONS)

| ALL FUNCTIONS                                   | ESTIMATED/<br>BUDGETED 2016–17 | RECOMMENDED<br>2018–19 | BIENNIAL<br>CHANGE | PERCENTAGE<br>CHANGE |
|---|--------------------------------|------------------------|--------------------|----------------------|
| Article I – General Government                  | \$7,073.8                      | \$5,920.1              | (\$1,153.8)        | (16.3%)              |
| Article II – Health and Human Services          | \$81,112.4                     | \$81,848.7             | \$736.4            | 0.9%                 |
| Article III – Agencies of Education             | \$79,140.7                     | \$81,585.4             | \$2,444.7          | 3.1%                 |
| <i>Public Education</i>                         | \$58,896.4                     | \$61,073.1             | \$2,176.7          | 3.7%                 |
| <i>Higher Education</i>                         | \$20,244.3                     | \$20,512.3             | \$268.0            | 1.3%                 |
| Article IV – The Judiciary                      | \$813.3                        | \$806.5                | (\$6.8)            | (0.8%)               |
| Article V – Public Safety and Criminal Justice  | \$12,503.5                     | \$12,241.2             | (\$262.4)          | (2.1%)               |
| Article VI – Natural Resources                  | \$4,577.9                      | \$4,506.9              | (\$71.0)           | (1.6%)               |
| Article VII – Business and Economic Development | \$29,663.9                     | \$33,410.5             | \$3,746.5          | 12.6%                |
| Article VIII – Regulatory                       | \$957.6                        | \$631.2                | (\$326.4)          | (34.1%)              |
| Article IX – General Provisions                 | \$0.0                          | \$0.0                  | \$0.0              | N/A                  |
| Article X – The Legislature                     | \$400.9                        | \$384.3                | (\$16.6)           | (4.1%)               |
| <b>Total, All Articles</b>                      | <b>\$216,243.9</b>             | <b>\$221,334.7</b>     | <b>\$5,090.8</b>   | <b>2.4%</b>          |

NOTES:

- (1) May include anticipated supplemental spending adjustments.
- (2) Excludes Interagency Contracts.
- (3) 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  
RECOMMENDATIONS BY ARTICLE, GENERAL REVENUE FUNDS**



NOTE: Object size is proportional to the percentage of recommended General Revenue Funds appropriation for all articles.  
SOURCE: Legislative Budget Board.

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

(IN MILLIONS)

| ALL FUNCTIONS                                   | ESTIMATED/BUDGETED<br>2016-17 | RECOMMENDED<br>2018-19 | BIENNIAL<br>CHANGE | PERCENTAGE<br>CHANGE |
|---|-------------------------------|------------------------|--------------------|----------------------|
| Article I – General Government                  | \$3,345.5                     | \$3,280.3              | (\$65.2)           | (1.9%)               |
| Article II – Health and Human Services          | \$33,621.7                    | \$34,628.6             | \$1,006.9          | 3.0%                 |
| Article III – Agencies of Education             | \$56,283.7                    | \$56,882.8             | \$599.1            | 1.1%                 |
| <i>Public Education</i>                         | \$41,594.1                    | \$42,018.4             | \$424.3            | 1.0%                 |
| <i>Higher Education</i>                         | \$14,689.6                    | \$14,864.4             | \$174.8            | 1.2%                 |
| Article IV – The Judiciary                      | \$503.3                       | \$508.8                | \$5.6              | 1.1%                 |
| Article V – Public Safety and Criminal Justice  | \$11,534.7                    | \$11,425.8             | (\$108.9)          | (0.9%)               |
| Article VI – Natural Resources                  | \$835.0                       | \$853.0                | \$17.9             | 2.1%                 |
| Article VII – Business and Economic Development | \$1,176.9                     | \$553.4                | (\$623.5)          | (53.0%)              |
| Article VIII – Regulatory                       | \$337.1                       | \$344.1                | \$6.9              | 2.1%                 |
| Article IX – General Provisions                 | \$0.0                         | \$0.0                  | \$0.0              | N/A                  |
| Article X – The Legislature                     | \$400.8                       | \$384.1                | (\$16.7)           | (4.2%)               |
| <b>Total, All Articles</b>                      | <b>\$108,038.7</b>            | <b>\$108,860.9</b>     | <b>\$822.1</b>     | <b>0.8%</b>          |

NOTES:

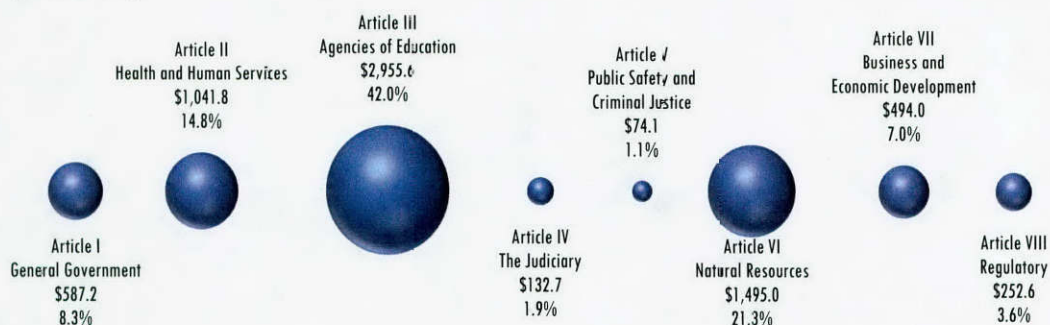
- (1) May include anticipated supplemental spending adjustments.
- (2) Biennial change and percentage change are calculated on actual amounts before rounding. Therefore, figure totals may not sum due to rounding.

SOURCE: Legislative Budget Board.

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

(IN MILLIONS)

TOTAL: \$7,033.1



NOTE: Object size is proportional to the percentage of recommended General Revenue–Dedicated Funds appropriation for all articles.  
SOURCE: Legislative Budget Board.

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

(IN MILLIONS)

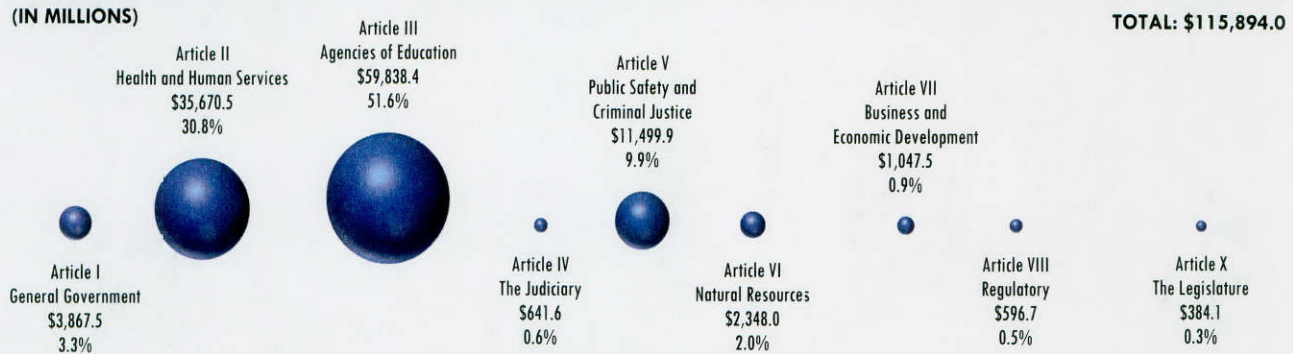
| ALL FUNCTIONS                                   | ESTIMATED/BUDGETED<br>2016–17 | RECOMMENDED<br>2018–19 | BIENNIAL<br>CHANGE | PERCENTAGE<br>CHANGE |
|---|-------------------------------|------------------------|--------------------|----------------------|
| Article I – General Government                  | \$1,053.0                     | \$587.2                | (\$468.8)          | (44.4%)              |
| Article II – Health and Human Services          | \$1,172.4                     | \$1,041.8              | (\$130.5)          | (11.1%)              |
| Article III – Agencies of Education             | \$2,913.0                     | \$2,955.6              | \$42.5             | 1.5%                 |
| <i>Public Education</i>                         | \$0.0                         | \$0.0                  | \$0.0              | N/A                  |
| <i>Higher Education</i>                         | \$2,913.0                     | \$2,955.6              | \$42.5             | 1.5%                 |
| Article IV – The Judiciary                      | \$143.2                       | \$132.7                | (\$10.5)           | (7.3%)               |
| Article V – Public Safety and Criminal Justice  | \$132.2                       | \$74.1                 | (\$58.1)           | (43.9%)              |
| Article VI – Natural Resources                  | \$1,534.4                     | \$1,495.0              | (\$39.4)           | (2.6%)               |
| Article VII – Business and Economic Development | \$505.9                       | \$494.0                | (\$11.8)           | (2.3%)               |
| Article VIII – Regulatory                       | \$579.0                       | \$252.6                | (\$326.4)          | (56.4%)              |
| Article IX – General Provisions                 | \$0.0                         | \$0.0                  | \$0.0              | N/A                  |
| Article X – The Legislature                     | \$0.0                         | \$0.0                  | \$0.0              | N/A                  |
| <b>Total, All Articles</b>                      | <b>\$8,036.0</b>              | <b>\$7,033.1</b>       | <b>(\$1,002.9)</b> | <b>(12.5%)</b>       |

## NOTES:

- (1) May include anticipated supplemental spending adjustments.
- (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 7  
RECOMMENDATIONS BY ARTICLE, GENERAL REVENUE FUNDS AND GENERAL REVENUE–DEDICATED FUNDS**



NOTE: Object size is proportional to the percentage of recommended General Revenue Funds and General Revenue–Dedicated Funds appropriation for all articles.  
SOURCE: Legislative Budget Board.

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

(IN MILLIONS)

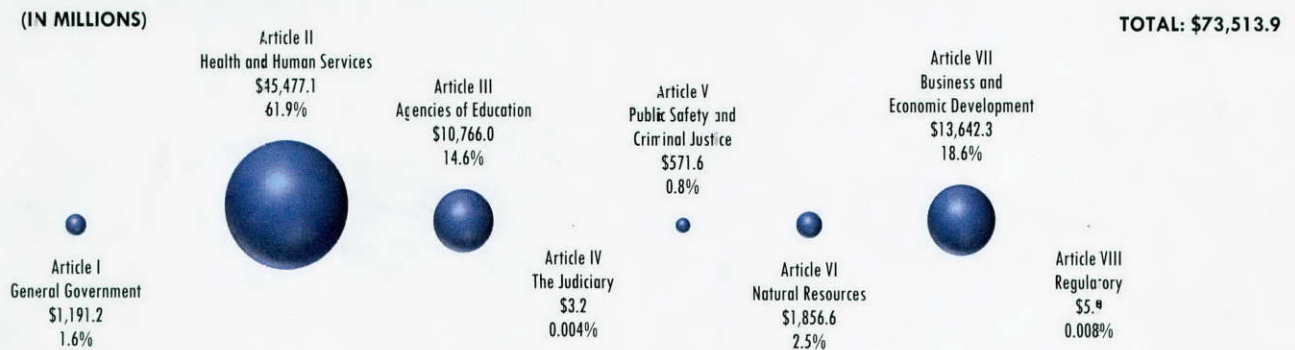
| ALL FUNCTIONS                                   | ESTIMATED/BUDGETED<br>2016–17 | RECOMMENDED<br>2018–19 | BIENNIAL<br>CHANGE | PERCENTAGE<br>CHANGE |
|---|-------------------------------|------------------------|--------------------|----------------------|
| Article I – General Government                  | \$4,401.5                     | \$3,867.5              | (\$534.0)          | (12.1%)              |
| Article II – Health and Human Services          | \$34,794.1                    | \$35,670.5             | \$876.3            | 2.5%                 |
| Article III – Agencies of Education             | \$59,196.8                    | \$59,838.4             | \$641.6            | 1.1%                 |
| <i>Public Education</i>                         | \$41,594.1                    | \$42,018.4             | \$424.3            | 1.0%                 |
| <i>Higher Education</i>                         | \$17,602.6                    | \$17,819.9             | \$217.3            | 1.2%                 |
| Article IV – The Judiciary                      | \$646.5                       | \$641.6                | (\$4.9)            | (0.8%)               |
| Article V – Public Safety and Criminal Justice  | \$11,666.9                    | \$11,499.9             | (\$167.0)          | (1.4%)               |
| Article VI – Natural Resources                  | \$2,369.4                     | \$2,348.0              | (\$21.4)           | (0.9%)               |
| Article VII – Business and Economic Development | \$1,682.7                     | \$1,047.5              | (\$635.3)          | (37.8%)              |
| Article VIII – Regulatory                       | \$916.1                       | \$596.7                | (\$319.4)          | (34.9%)              |
| Article IX – General Provisions                 | \$0.0                         | \$0.0                  | \$0.0              | N/A                  |
| Article X – The Legislature                     | \$400.8                       | \$384.1                | (\$16.7)           | (4.2%)               |
| <b>Total, All Articles</b>                      | <b>\$116,074.8</b>            | <b>\$115,894.0</b>     | <b>(\$180.8)</b>   | <b>(0.2%)</b>        |

NOTES:

- (1) May include anticipated supplemental spending adjustments.
- (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 9  
RECOMMENDATIONS BY ARTICLE, FEDERAL FUNDS**



NOTE: Object size is proportional to the percentage of recommended Federal Funds appropriation for all articles.  
SOURCE: Legislative Budget Board.

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

(IN MILLIONS)

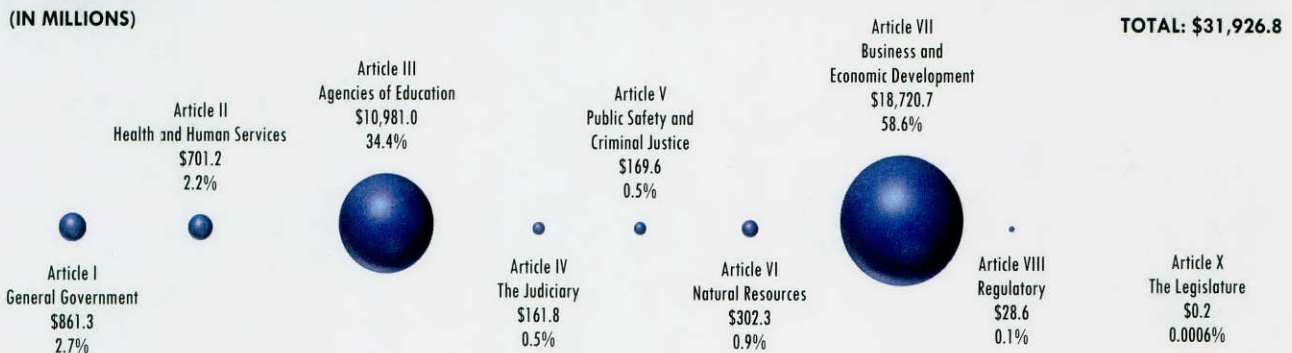
| ALL FUNCTIONS                                   | ESTIMATED/BUDGETED<br>2016-17 | RECOMMENDED<br>2018-19 | BIENNIAL<br>CHANGE | PERCENTAGE<br>CHANGE |
|---|-------------------------------|------------------------|--------------------|----------------------|
| Article I – General Government                  | \$1,005.3                     | \$1,191.2              | \$185.9            | 18.5%                |
| Article II – Health and Human Services          | \$45,618.1                    | \$45,477.1             | (\$141.0)          | (0.3%)               |
| Article III – Agencies of Education             | \$10,497.2                    | \$10,766.0             | \$268.8            | 2.6%                 |
| <i>Public Education</i>                         | \$10,217.9                    | \$10,490.3             | \$272.4            | 2.7%                 |
| <i>Higher Education</i>                         | \$275.3                       | \$275.7                | (\$3.6)            | (1.3%)               |
| Article IV – The Judiciary                      | \$3.3                         | \$3.2                  | (\$0.1)            | (3.3%)               |
| Article V – Public Safety and Criminal Justice  | \$647.0                       | \$571.6                | (\$75.4)           | (11.7%)              |
| Article VI – Natural Resources                  | \$1,860.8                     | \$1,856.6              | (\$4.3)            | (0.2%)               |
| Article VII – Business and Economic Development | \$12,326.1                    | \$13,642.3             | \$1,316.2          | 10.7%                |
| Article VIII – Regulatory                       | \$8.6                         | \$5.9                  | (\$2.7)            | (31.6%)              |
| Article IX – General Provisions                 | \$0.0                         | \$0.0                  | \$0.0              | N/A                  |
| Article X – The Legislature                     | \$0.0                         | \$0.0                  | \$0.0              | N/A                  |
| <b>Total, All Articles</b>                      | <b>\$71,966.5</b>             | <b>\$73,513.9</b>      | <b>\$1,547.4</b>   | <b>2.2%</b>          |

NOTES:

- (1) May include anticipated supplemental spending adjustments.
- (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 11  
RECOMMENDATIONS BY ARTICLE, OTHER FUNDS**



NOTE: Object size is proportional to the percentage of recommended Other Funds appropriation for all articles.  
SOURCE: Legislative Budget Board.

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

(IN MILLIONS)

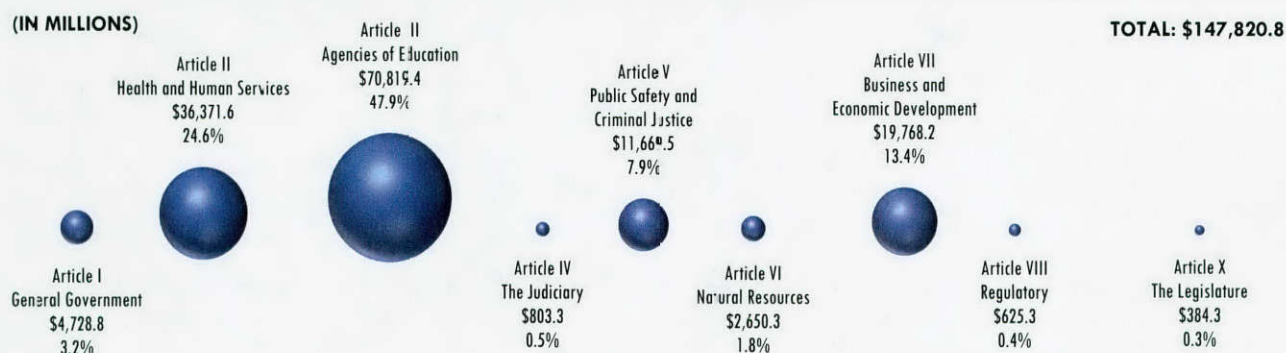
| ALL FUNCTIONS                                   | ESTIMATED/BUDGETED<br>2016-17 | RECOMMENDED<br>2018-19 | BIENNIAL<br>CHANGE | PERCENTAGE<br>CHANGE |
|---|-------------------------------|------------------------|--------------------|----------------------|
| Article I – General Government                  | \$1,667.1                     | \$861.3                | (\$805.7)          | (48.3%)              |
| Article II – Health and Human Services          | \$700.2                       | \$701.2                | \$1.0              | 0.1%                 |
| Article III – Agencies of Education             | \$9,446.7                     | \$10,981.0             | \$1,534.3          | 16.2%                |
| <i>Public Education</i>                         | \$7,084.4                     | \$8,564.3              | \$1,480.0          | 20.9%                |
| <i>Higher Education</i>                         | \$2,362.4                     | \$2,416.7              | \$54.3             | 2.3%                 |
| Article IV – The Judiciary                      | \$163.5                       | \$161.8                | (\$1.7)            | (1.0%)               |
| Article V – Public Safety and Criminal Justice  | \$189.6                       | \$169.6                | (\$20.0)           | (10.6%)              |
| Article VI – Natural Resources                  | \$347.6                       | \$302.3                | (\$45.3)           | (13.0%)              |
| Article VII – Business and Economic Development | \$15,655.1                    | \$18,720.7             | \$3,065.6          | 19.6%                |
| Article VIII – Regulatory                       | \$32.8                        | \$28.6                 | (\$4.2)            | (12.8%)              |
| Article IX – General Provisions                 | \$0.0                         | \$0.0                  | \$0.0              | N/A                  |
| Article X – The Legislature                     | \$0.1                         | \$0.2                  | \$0.1              | 97.2%                |
| <b>Total, All Articles</b>                      | <b>\$28,202.6</b>             | <b>\$31,926.8</b>      | <b>\$3,724.1</b>   | <b>13.2%</b>         |

NOTES:

- (1) May include anticipated supplemental spending adjustments.
- (2) Excludes Interagency Contracts.
- (3) 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**  
**RECOMMENDATIONS BY ARTICLE, GENERAL REVENUE FUNDS, GENERAL REVENUE–DEDICATED FUNDS, AND OTHER FUNDS**



NOTE: Object size is proportional to the percentage of recommended General Revenue Funds, General Revenue–Dedicated Funds, and Other Funds appropriation for all articles.  
 SOURCE: Legislative Budget Board.

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

(IN MILLIONS)

| ALL FUNCTIONS                                   | ESTIMATED/BUDGETED<br>2016–17 | RECOMMENDED<br>2018–19 | BIENNIAL<br>CHANGE | PERCENTAGE<br>CHANGE |
|---|-------------------------------|------------------------|--------------------|----------------------|
| Article I – General Government                  | \$6,068.5                     | \$4,728.8              | (\$1,339.7)        | (22.1%)              |
| Article II – Health and Human Services          | \$35,494.3                    | \$36,371.6             | \$877.4            | 2.5%                 |
| Article III – Agencies of Education             | \$68,643.5                    | \$70,819.4             | \$2,175.9          | 3.2%                 |
| <i>Public Education</i>                         | \$48,678.5                    | \$50,582.8             | \$1,904.3          | 3.9%                 |
| <i>Higher Education</i>                         | \$19,965.0                    | \$20,236.6             | \$271.7            | 1.4%                 |
| Article IV – The Judiciary                      | \$810.0                       | \$803.3                | (\$6.7)            | (0.8%)               |
| Article V – Public Safety and Criminal Justice  | \$11,856.5                    | \$11,669.5             | (\$187.0)          | (1.6%)               |
| Article VI – Natural Resources                  | \$2,717.0                     | \$2,650.3              | (\$66.7)           | (2.5%)               |
| Article VII – Business and Economic Development | \$17,337.8                    | \$19,768.2             | \$2,430.4          | 14.0%                |
| Article VIII – Regulatory                       | \$948.9                       | \$625.3                | (\$323.6)          | (34.1%)              |
| Article IX – General Provisions                 | \$0.0                         | \$0.0                  | \$0.0              | N/A                  |
| Article X – The Legislature                     | \$400.9                       | \$384.3                | (\$16.6)           | (4.1%)               |
| <b>Total, All Articles</b>                      | <b>\$144,277.4</b>            | <b>\$147,820.8</b>     | <b>\$3,543.4</b>   | <b>2.5%</b>          |

NOTES:

- (1) May include anticipated supplemental spending adjustments.
- (2) Excludes Interagency Contracts.
- (3) 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.

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## HIGHLIGHTS OF THE RECOMMENDATIONS

For the 2018–19 biennium, funding includes the following key budget items:

### FOUNDATION SCHOOL PROGRAM

- \$43.9 billion in All Funds is provided for state aid to school districts and charter schools through the Foundation School Program (FSP). The All Funds amount reflects a \$1.5 billion, or 3.5 percent, increase from the 2016–17 biennium. General Revenue Fund appropriations for the FSP total \$35.6 billion, which represents level funding from the 2016–17 biennium, and Other Funds are increased by \$1.5 billion, attributable to projected increases from the Property Tax Relief Fund and from recapture payments.
- The General Revenue funding for the FSP represents an increase of \$1.5 billion over what is estimated to be required to fund the current law FSP entitlement, contingent on enactment of legislation to reform the school finance system in a manner that improves equity, reduces recapture, and increases the state share of the FSP.

### MEDICAID

- \$65.1 billion in All Funds, including \$26.8 billion in General Revenue Funds and \$0.2 billion in General Revenue–Dedicated Funds, is provided for the Texas Medicaid program. This is an increase of \$0.9 billion in All Funds, which includes an increase of \$0.7 billion in General Revenue Funds.
- Included in these amounts is \$60.7 billion in All Funds for Medicaid client services, \$1.6 billion in All Funds for programs supported by Medicaid funding, and \$3.2 billion in All Funds for administration of the Medicaid program and other programs supported by Medicaid funding. The net increase in Medicaid funding is due to a \$1.8 billion All Funds increase in Medicaid client services offset by a \$0.6 billion All Funds reduction in administrative funding and a \$0.2 billion All Funds reduction in other programs supported by Medicaid funding.
- Increased funding for Medicaid client services supports caseload growth and maintains fiscal year 2017 average costs for most services, including maintaining rate increases to support attendant wage increases; increased payments to trauma facilities, safety-net hospitals, and rural hospitals; and rate increases for the Home and Community-based Services (HCS) waiver and intermediate care facilities for individuals with intellectual disabilities (ICFs/IID). Net more favorable Federal Medical Assistance Percentages result in a higher proportion of the program being funded with Federal Funds. Full funding for anticipated increases in cost due to medical inflation, higher utilization, or increased acuity is not included.
- The 2016–17 amounts for Medicaid assume supplemental funding to complete fiscal year 2017 expenditures.

### TRANSPORTATION

- \$28.2 billion in All Funds is provided for all functions of the Department of Transportation; this includes an estimated \$5.0 billion in funding from anticipated state sales tax deposits to the State Highway Fund (SHF) as approved by voters in November 2015 (Proposition 7, 2015); \$2.2 billion in funding from oil and natural gas tax-related transfers to the SHF (Proposition 1, 2014); and all available SHF from traditional transportation tax and fee revenue sources (estimated to be \$8.6 billion for the 2018–19 biennium).
- \$24.7 billion in All Funds is provided for highway planning and design, right-of-way acquisition, construction, and maintenance and preservation. The All Funds amount includes \$9.7 billion for maintenance and preservation of the existing transportation system; \$4.5 billion for construction and highway improvements; \$4.4 billion from Proposition 7, 2015, proceeds and \$2.2 billion from Proposition 1, 2014, proceeds for constructing, maintaining, and acquiring rights-of-way for non-tolled public roadways; \$2.2 billion for transportation system planning, design, and management; and \$1.7 billion for right-of-way acquisition.



- \$2.3 billion in All Funds is provided for debt service payments and other financing costs, including \$1.6 billion in Other Funds from the SHF and Texas Mobility Fund; \$0.6 billion in Other Funds from Proposition 7, 2015, SHF proceeds for general obligation bond debt service, replacing General Revenue Funds for this purpose (decrease of \$0.5 billion in General Revenue Funds); and \$117.1 million in Federal Funds from Build America Bond interest payment subsidies.

### **BEHAVIORAL HEALTH**

- Funding includes \$3.5 billion in All Funds (\$2.8 billion in General Revenue Funds and General Revenue–Dedicated Funds) for non-Medicaid/CHIP behavioral health services. Funding supports programs at 18 agencies across six articles, and includes: funding for inpatient client services at the state hospitals and community hospitals; outpatient services provided through Local Mental Health Authorities; substance abuse prevention, intervention, and treatment services for adults and children; mental health care and substance abuse treatment for incarcerated offenders; mental health care services for veterans; and other services. Funding also includes \$95.6 million in General Revenue Funds, contingent on passage of legislation produced by the House Select Committee on Mental Health, and \$62.6 million in General Revenue Funds for the biennium to address current and projected waitlists for community mental health services for adults and children.
- Medicaid expenditures for behavioral health services (when including projected cost growth that is not funded) are estimated to total \$3.6 billion in All Funds for the 2018–19 biennium, and CHIP expenditures (when including projected cost growth that is not funded) are estimated to total \$47.2 million in All Funds. Total behavioral health-related funding, including estimated Medicaid and CHIP expenditures, is estimated to be \$7.2 billion in All Funds for the biennium.

### **CHILD PROTECTIVE SERVICES**

- \$3.2 billion in All Funds, including \$1.9 billion in General Revenue Funds, is provided for all Child Protective Services (CPS) functions at the Department of Family Services (DFPS). This is an increase of \$260.1 million in All Funds and \$310.6 million in General Revenue over the 2016–17 base.
- Funding includes 828.8 full-time-equivalent (FTE) positions and an increase of \$331.8 million in All Funds in CPS in order to:
  - Maintain the resources provided in fiscal year 2017 to address critical needs in the CPS program; and
  - Improve agency performance related to the average caseload per CPS caseworker and CPS caseworker retention.
- CPS funding includes a total of \$1.4 billion in All Funds and \$0.6 billion in General Revenue Funds for DFPS entitlement programs, including:
  - \$842.6 million in All Funds and \$362.2 million in General Revenue Funds, for Foster Care Payments;
  - \$573.4 million in All Funds and \$292.0 million in General Revenue Funds, for Adoption Subsidies and Permanency Care Assistance Payments; and
  - \$24.7 million in All Funds and \$5.0 million in General Revenue Funds, for the Relative Caregiver Program.
- Funding includes a total of \$139.3 million in All Funds and \$108.5 million in General Revenue Funds for the Day Care Purchased Services Program.

### **HIGHER EDUCATION FORMULA FUNDING**

- Higher Education formulas are supported by \$7.2 billion in General Revenue Funds and \$1.5 billion in statutory tuition in General Revenue–Dedicated Funds. Included in this amount are decreases of \$33.5 million in General Revenue Funds and an increase of \$145.7 million in General Revenue–Dedicated Funds, which is primarily statutory tuition.

- For each of the higher education formulas, either the 2016–17 General Revenue funding level or the 2016–17 rate is maintained.
- Formula funding in 2018–19 includes the addition of two new medical schools into the Health Related Institution (HRI) formulas for The University of Texas at Austin and The University of Texas Rio Grande Valley. Additionally, formula appropriations include Infrastructure Support for two new Texas State Technical Colleges created by the Eighty-fourth Legislature, Texas State Technical College North Texas and Texas State Technical College Fort Bend County.

## **ADULT INCARCERATION**

- \$6.8 billion in All Funds, including \$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, which includes housing, security, classification, food and necessities, healthcare, and treatment services. General Revenue Funds and General Revenue–Dedicated Funds decreased by \$49.7 million for the 2018–19 biennium and include a \$20.0 million decrease for deferred maintenance (retaining \$40.0 million), a \$10.0 million decrease for video surveillance cameras, and a \$13.1 million decrease for the closure of an Intermediate Sanction Facility. Funding for Correctional Managed Health Care totals \$1.1 billion, which is equal to the 2016–17 base funding level.

## **BORDER SECURITY**

- \$663.2 million in state funds is provided to fund border security purposes at the Department of Public Safety (DPS), the Trusteed Programs Within the Office of the Governor, the Texas Parks and Wildlife Department, Texas Alcoholic Beverage Commission, Texas Commission on Law Enforcement, and the Department of Criminal Justice. The majority of this funding (\$595.8 million in General Revenue Funds and General Revenue–Dedicated Funds) is provided to DPS, \$353.7 million of which is in the agency’s Goal B, Secure Texas. Other goals in the DPS budget contain additional funding for border security related functions and activities (\$242.2 million).
- Border security funding maintains support for DPS personnel at fiscal year 2017 full deployment levels, funded as part of the Eighty-fourth Legislature’s border security initiative, while eliminating funding for one-time and transitional expenditures. Significant funding items include the following: \$145.6 million for a 50-hour work week for all DPS’ commissioned law enforcement officers; \$143.4 million to fund the full biennial costs of the 22 Texas Rangers (\$9.5 million), 250 troopers (\$133.9 million), and 115 support staff added by the Eighty-fourth Legislature, Regular Session, 2015; and \$4.4 million to fund fuel, travel, and support staff costs for Operation Secure Texas. Funding also includes \$54.8 million at Trusteed Programs Within the Office of the Governor for grants to local entities and other support, and \$10.6 million at Texas Parks and Wildlife Department for enhanced Game Warden activity.

## **TEACHER RETIREMENT AND HEALTH BENEFITS**

- \$4.0 billion in All Funds is provided for the state contribution to retirement benefits of the Teacher Retirement System (TRS), including \$3.9 billion in General Revenue Funds, \$97.5 million in General Revenue–Dedicated Funds, and \$8.1 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 2018–19 biennium. Funding assumes an annual payroll growth rate of 3.5 percent for public education and 2.9 percent for higher education in each fiscal year of the biennium, based on payroll trend data.
- Retiree health insurance funding includes \$647.6 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, HEALTH BENEFITS, SOCIAL SECURITY, AND FULL-TIME-EQUIVALENT POSITIONS**

- \$1.3 billion in All Funds (\$976.7 million in General Revenue Funds and General Revenue–Dedicated Funds) is provided for the state contribution to the Employees Retirement System retirement program. This reflects an increase of

\$27.0 million in All Funds (\$28.8 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 2018–19 biennium. Recommendations also continue 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 of 10.0 percent, the maximum according to the Texas Constitution, Article XVI, Sec. 67 (b)(3).

- \$4.2 billion in All Funds (\$3.1 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 \$574.7 million in All Funds (\$439.0 million in General Revenue Funds and General Revenue–Dedicated Funds), which provides for a 4.57 percent increase in the state contribution for fiscal year 2018 and a 4.56 percent increase in the state contribution for fiscal year 2019. These increases, in conjunction with the spend down of approximately \$260.1 million from the contingency reserve fund, provide funding for an annual benefit cost trend of 8.5 percent. Amounts also assume that retiree membership will grow by 4.7 percent annually as well as FTE changes at certain state agencies.
- \$1.8 billion in All Funds (\$1.5 billion in General Revenue Funds and General Revenue–Dedicated Funds) is provided for the state contribution for Social Security payroll taxes for employees of both state agencies and institutions of higher education. Funding is sufficient to provide the 6.2 percent Social Security employer contribution and the 1.45 percent Medicare employer contribution. Funding also provides for 2.9 and 3.0 percent annual payroll growth in fiscal years 2018 and 2019, respectively, for higher education employees.
- Funding provides for 212,925.1 full-time-equivalent (FTE) positions in fiscal year 2018, and 212,921.9 in fiscal year 2019. The number of FTE positions in fiscal year 2019 is a decrease of 4,347.3 FTEs from fiscal year 2017 budgeted levels. The decrease is primarily related to aligning FTE caps with funding levels and 2016 actual FTE levels.
- Funding provides for a \$1,477 annual pay increase, 1.9 percent, for certain Salary Schedule C employees with more than 20 years of service. \$1.5 million in All Funds is provided for salary increases for approximately 383 employees at the Department of Public Safety, the Alcoholic Beverage Commission, and the Parks and Wildlife Department.

## DEBT SERVICE

- The 2018–19 biennium fully funds debt service and totals \$4.3 billion in All Funds. This is a decrease of \$280.1 million, or 6.1 percent, from the 2016–17 biennium. Funding provides for debt service for general obligation and revenue debt issued, or expected to be issued, by the Texas Public Finance Authority, the Facilities Commission, the Water Development Board, the Department of Transportation, and the Office of the Governor. Funding also provides for reimbursement of debt service payments for tuition revenue bonds issued by various institutions.

## ECONOMIC STABILIZATION FUND

- No appropriations from the Economic Stabilization Fund (ESF) are included in the 2018–19 biennium. The cash balance of the fund plus the total asset value of investments are estimated to be \$11.9 billion at the end of fiscal year 2019.

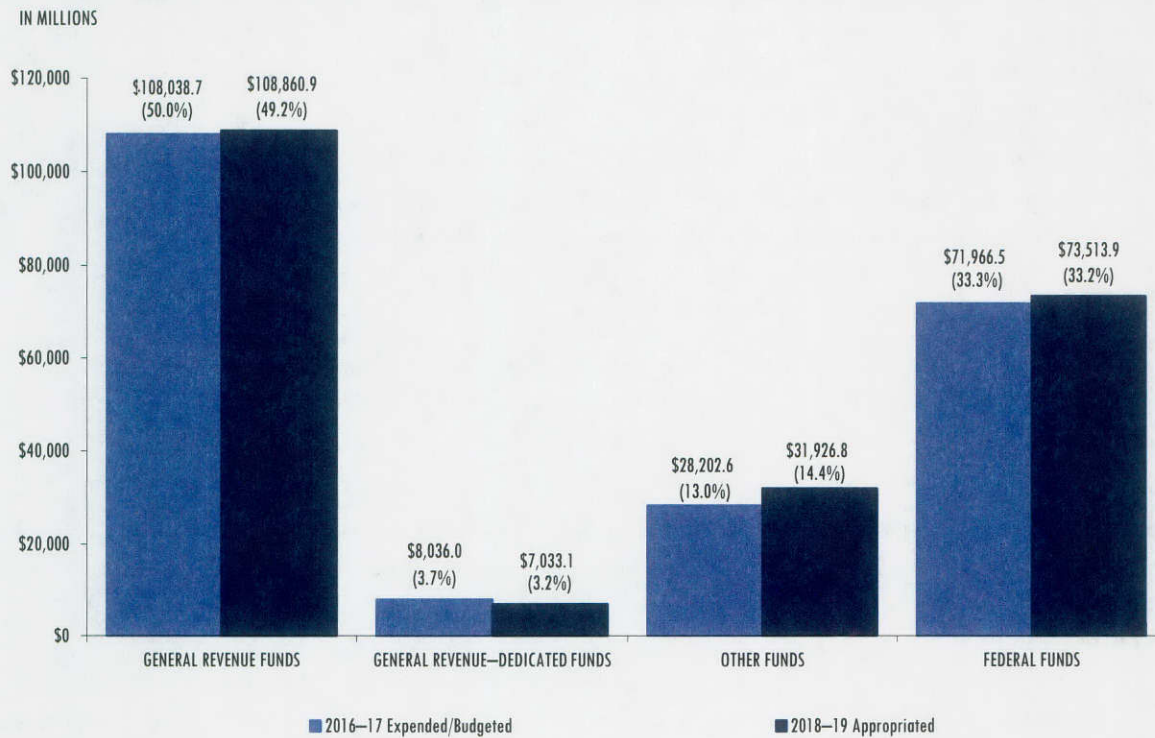
## STRATEGIC FISCAL REVIEW

- Sixteen state agencies are subject to the Strategic Fiscal Review (SFR) in preparation for the Eighty-fifth Legislature. Agencies subject to review are noted as such in this summary. The SFR provides an in-depth analysis of the selected state agency programs as well as their relationship to the agency’s mission and statutes. Legislative Budget Board staff analysis resulting from this review will be made available to the members of the Eighty-fifth Legislature to aid in their budget and policy deliberations.

## BIENNIAL COMPARISON BY FUND SOURCE

**Figure 15** compares biennial amounts for each of the four fund sources, or Methods of Finance, in the state budget. Estimated/budgeted amounts for the 2016–17 biennium refer to agency estimated expenditures in fiscal 2016 and agency budgeted amounts in fiscal 2017. Recommendations refer to biennial amounts contained in this summary’s version of the 2018–19 General Appropriations Bill. Percentage amounts in each column reflect the percentage of the entire biennial budget represented by that fund source.

**FIGURE 15**  
**BIENNIAL COMPARISON BY FUND SOURCE BETWEEN 2016–17 ESTIMATED/BUDGETED AND 2018–19 RECOMMENDED**



NOTE: Other Funds excludes Interagency Contracts.  
 SOURCE: Legislative Budget Board.

## APPROPRIATED, ESTIMATED, AND BUDGETED FUNDS COMPARISON

Each biennium there are circumstances which result in variances to state agency expenditures (i.e., expended and budgeted amounts) from the amounts appropriated by the Legislature. Typically these result from shifts in population, client demands, or unforeseen events such as natural disasters, changes to federal formulas, grant requirements, and/or additional or reduced available revenue or balances supporting legislative appropriations. Often, these incremental changes to the current biennial budget 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 a supplemental appropriations bill.

Projected expended and budgeted amounts for the 2016–17 biennium are estimated to increase by approximately \$7.1 billion in All Funds. This consists of an increase of \$2.0 billion in General Revenue Funds, and a net increase of \$5.1 billion in other funding sources (i.e., General Revenue–Dedicated Funds, Federal Funds and Other Funds). The most significant non-General Revenue Funds increase occurs in Federal Funds (\$4.0 billion) and mainly consists of increases for Health and Human Services (\$2.5 billion) and the Texas Department of Transportation (\$1.0 billion). Other Funds increased by \$0.9 billion, with the largest increase for the Texas Department of Transportation (\$0.6 billion). **Figure 16** shows the most significant assumed General Revenue Fund changes, and the purpose for each.

**FIGURE 16**  
**RECONCILIATION OF THE 2016–17 APPROPRIATIONS TO 2016–17 ESTIMATED/BUDGETED AMOUNTS**

| (IN MILLIONS)  | GENERAL REVENUE FUNDS |
|--|-----------------------|
| 2016–17 Appropriations as Published in the Fiscal Size-Up  | \$106,007.5           |
| <b>BUDGET ADJUSTMENTS</b>  |                       |
| <b>General Government</b>  |                       |
| Comptroller Fiscal Program's estimated appropriations for unclaimed property payments (\$155.0 million) and for distribution to counties of gross weight/axle fees (\$14.0 million)  | \$169.0               |
| Governor Trusteed unexpended balances from fiscal year 2015  | \$167.6               |
| <b>Health and Human Services</b>   |                       |
| Projected increase in Medicaid client services above appropriated, excluding changes in program-generated revenues   | \$931.8               |
| Net increase in program-generated revenues for Medicaid and the Childrer's Health Insurance Program (CHIP), primarily drug and experience rebates  | \$261.3               |
| Net projected supplemental needs for the Department of Family and Protective Services and the Health and Human Services Commission including increases for day care (\$13.9 million), foster care (\$32.4 million), adoption subsidies and permanency care assistance payments (\$1.6 million), and CHIP (\$4.7 million) offset by surpluses in relative caregiver monetary assistance payments (\$0.4 million) and cash assistance payments (\$0.7 million) | \$51.6                |
| Critical needs funding for the Department of Family and Protective Services to support additional child protective services staff and increased salaries for child protective services staff   | \$29.2                |
| <b>Public and Higher Education</b>   |                       |
| Texas Education Agency unexpended balances from fiscal year 2015 of instructional material allotments  | \$109.0               |
| Texas Education Agency adjustments to the Foundation School Program due to shifts in estimated Methods of Finance based on updated estimates   | \$49.3                |
| Teacher Retirement System estimated appropriations for public education retirement contributions and retiree healthcare  | \$78.1                |
| <b>State Contributions for Employee Benefits</b>   |                       |
| State contributions for employee health insurance (increase of \$25.4 million); retirement (increase of \$64.9 million); social security (increase of \$64.7 million); and benefit replacement pay (decrease of \$2.8 million)   | \$152.2               |

**FIGURE 16 (CONTINUED)**  
**RECONCILIATION OF THE 2016–17 APPROPRIATIONS TO 2016–17 ESTIMATED/BUDGETED AMOUNTS**

| (IN MILLIONS)   | GENERAL REVENUE FUNDS |
|---|-----------------------|
| <b>Various Other Adjustments</b>                                |                       |
| Unexpended Balances   | \$76.5                |
| Other Adjustments   | (\$44.4)              |
| <b>Subtotal, Adjustments</b>                                    | <b>\$2,031.2</b>      |
| <b>Total, Estimated/Budgeted Funds for the 2016–17 Biennium</b> | <b>\$108,038.7</b>    |

NOTE: Totals may not sum due to rounding.  
SOURCE: Legislative Budget Board.

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## EXCEPTIONS TO THE 2018–19 BASELINE FUNDING

In June 2016, the Governor, Lieutenant Governor, and Speaker of the House provided guidance to state agencies and institutions of higher education on the preparation of their legislative appropriations requests. As a starting point, agencies and institutions were directed to trim their baseline requests for General Revenue Funds and General Revenue–Dedicated Funds by 4.0 percent from the amounts expended in fiscal year 2016 and budgeted for fiscal year 2017. Authorized exceptions to this restriction include amounts necessary to fund certain entitlement and other programs, debt service, and employee benefits. **Figure 17** shows the 2018–19 biennial recommended amounts for those program exceptions identified in the June correspondence and subsequent Legislative Appropriation Request Instructions.

**FIGURE 17**  
**PROGRAMMATIC EXCEPTIONS TO THE 2018–19 BASELINE FUNDING**  
**GENERAL REVENUE FUNDS AND GENERAL REVENUE–DEDICATED FUNDS ONLY**

| BUDGET ADJUSTMENTS<br>(IN MILLIONS)  | 2016–17<br>EXPENDED/<br>BUDGETED | 2018–19<br>RECOMMENDED | BIENNIAL<br>CHANGE | PERCENTAGE<br>CHANGE |
|--|----------------------------------|------------------------|--------------------|----------------------|
| <b>Health and Human Services</b>   |                                  |                        |                    |                      |
| Medicaid, Non-waiver Client Services   | \$23,708.5                       | \$24,370.3             | \$661.8            | 2.8%                 |
| Children’s Health Insurance Program  | \$158.4                          | \$149.4                | (\$9.0)            | (5.7%)               |
| Foster Care  | \$353.4                          | \$362.2                | \$8.8              | 2.5%                 |
| Adoption Subsidies   | \$255.7                          | \$270.4                | \$14.7             | 5.7%                 |
| Permanency Care Assistance   | \$18.3                           | \$21.6                 | \$3.3              | 17.8%                |
| Child Protective Services  | \$932.8                          | \$1,216.6              | \$283.9            | 30.4%                |
| Behavioral Health Services   | \$2,749.5                        | \$2,800.5              | \$50.9             | 1.9%                 |
| <b>Public Education</b>  |                                  |                        |                    |                      |
| Foundation School Program  | \$35,590.2                       | \$35,590.2             | \$0.0              | 0.0%                 |
| Employer Contributions for State Pension Systems (TRS pension only)              | \$3,632.9                        | \$3,965.8              | \$332.9            | 9.2%                 |
| Employer Contributions for State Pension Systems (TRS health care benefits only) | \$580.9                          | \$647.6                | \$66.7             | 11.5%                |
| <b>Public Safety and Criminal Justice</b>  |                                  |                        |                    |                      |
| Maintain Public Safety Resources in Border Region                                | \$800.1                          | \$663.2                | (\$136.9)          | (17.1%)              |
| <b>State Employee Benefits</b>   |                                  |                        |                    |                      |
| Employer Contributions for State Pension Systems (ERS only)                      | \$1,031.3                        | \$1,059.7              | \$28.4             | 2.8%                 |
| Employer Contributions to Employee Health Insurance (ERS only)                   | \$2,657.5                        | \$3,096.5              | \$439.0            | 16.5%                |
| Employer Contributions to Social Security  | \$1,393.9                        | \$1,457.8              | \$63.9             | 4.6%                 |
| Benefit Replacement Pay  | \$23.4                           | \$19.2                 | (\$4.1)            | (17.7%)              |
| State Employee and Public Safety Death Benefits                                  | \$49.0                           | \$42.7                 | (\$6.3)            | (12.9%)              |

**FIGURE 17 (CONTINUED)**  
**PROGRAMMATIC EXCEPTIONS TO THE 2018–19 BASELINE FUNDING**  
**GENERAL REVENUE FUNDS AND GENERAL REVENUE–DEDICATED FUNDS ONLY**

| BUDGET ADJUSTMENTS<br>(IN MILLIONS)  | 2016–17<br>EXPENDED/<br>BUDGETED | 2018–19<br>RECOMMENDED | BIENNIAL<br>CHANGE | PERCENTAGE<br>CHANGE |
|--|----------------------------------|------------------------|--------------------|----------------------|
| <b>Debt Service Payments</b>   |                                  |                        |                    |                      |
| Debt Service Requirements for General Obligation (GO) and Revenue Bond Authorizations (Texas Department of Transportation Proposition 12 Highway Improvement GO Bond Debt Service) (3) | \$500.9                          | \$0.0                  | (\$500.9)          | (100.0%)             |
| GO Bonds (Public Finance Authority)  | \$662.5                          | \$669.2                | \$6.8              | 1.0%                 |
| Revenue Bonds (Public Finance Authority)   | \$114.4                          | \$137.0                | \$22.5             | 19.7%                |
| Master Lease Purchase Program (Public Finance Authority)   | \$11.5                           | \$8.6                  | (\$2.9)            | (25.0%)              |
| <b>Behavioral Health</b>   |                                  |                        |                    |                      |
| Peer Assistance (4)  | \$3.7                            | \$3.7                  | \$0.0              | 0.0%                 |
| Trusted Programs within the Office of the Governor – Behavioral Health (Drug Courts)   | \$1.5                            | \$7.0                  | \$5.5              | 366.7%               |
| <b>Other</b>   |                                  |                        |                    |                      |
| Comptroller of Public Accounts - Functions impacting fiscal matters  | \$484.1                          | \$480.4                | (\$3.7)            | (0.8%)               |
| <b>Total, Programmatic Exceptions to Baseline Funding</b>  | <b>\$75,714.4</b>                | <b>\$77,039.5</b>      | <b>\$1,325.3</b>   | <b>1.8%</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.
- (3) Recommendations for the 2018–19 biennium replace General Revenue Funds with Other Funds from state sales tax deposits to the State Highway Fund (Proposition 7, 2015) for debt service payments on the Department of Transportation's General Obligation bonds.
- (4) Agencies with Peer Assistance Programs (2016–17 Estimated/Budgeted; 2018–19 Recommended): Medical Board (\$1,086,111; \$1,084,984), Dental Board (\$248,500; \$248,500), Board of Nursing (\$1,747,116; \$1,747,116), Optometry Board (\$72,000; \$72,000), Board of Pharmacy (\$467,325; \$467,325), Board of Veterinary Medical Examiners (\$60,000; \$60,000).

SOURCE: Legislative Budget Board.



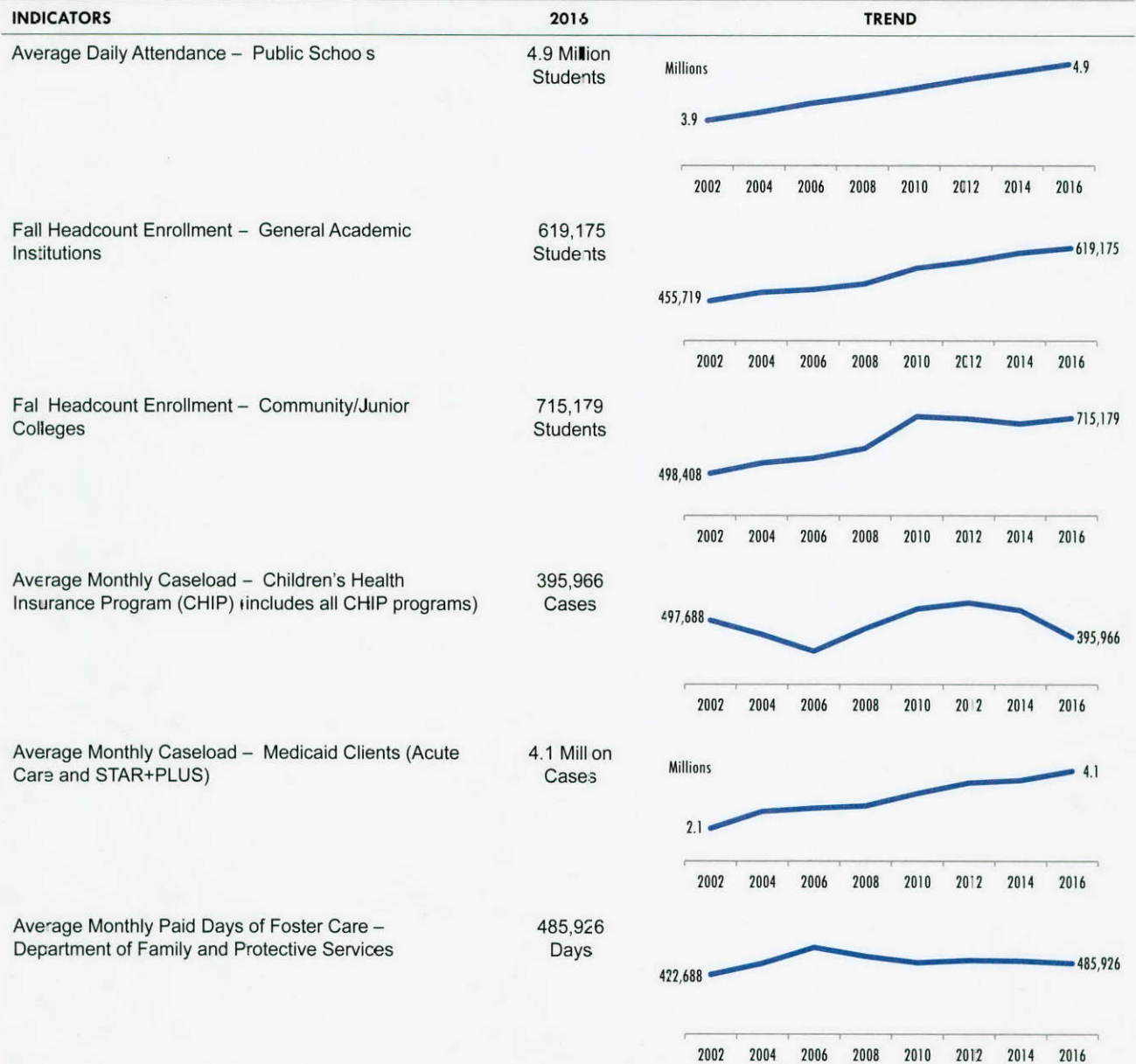
# FACTORS AFFECTING THE STATE BUDGET

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 children in foster care, public and higher education enrollment, adult and juvenile institutional and probation populations, and retirement system enrollment.

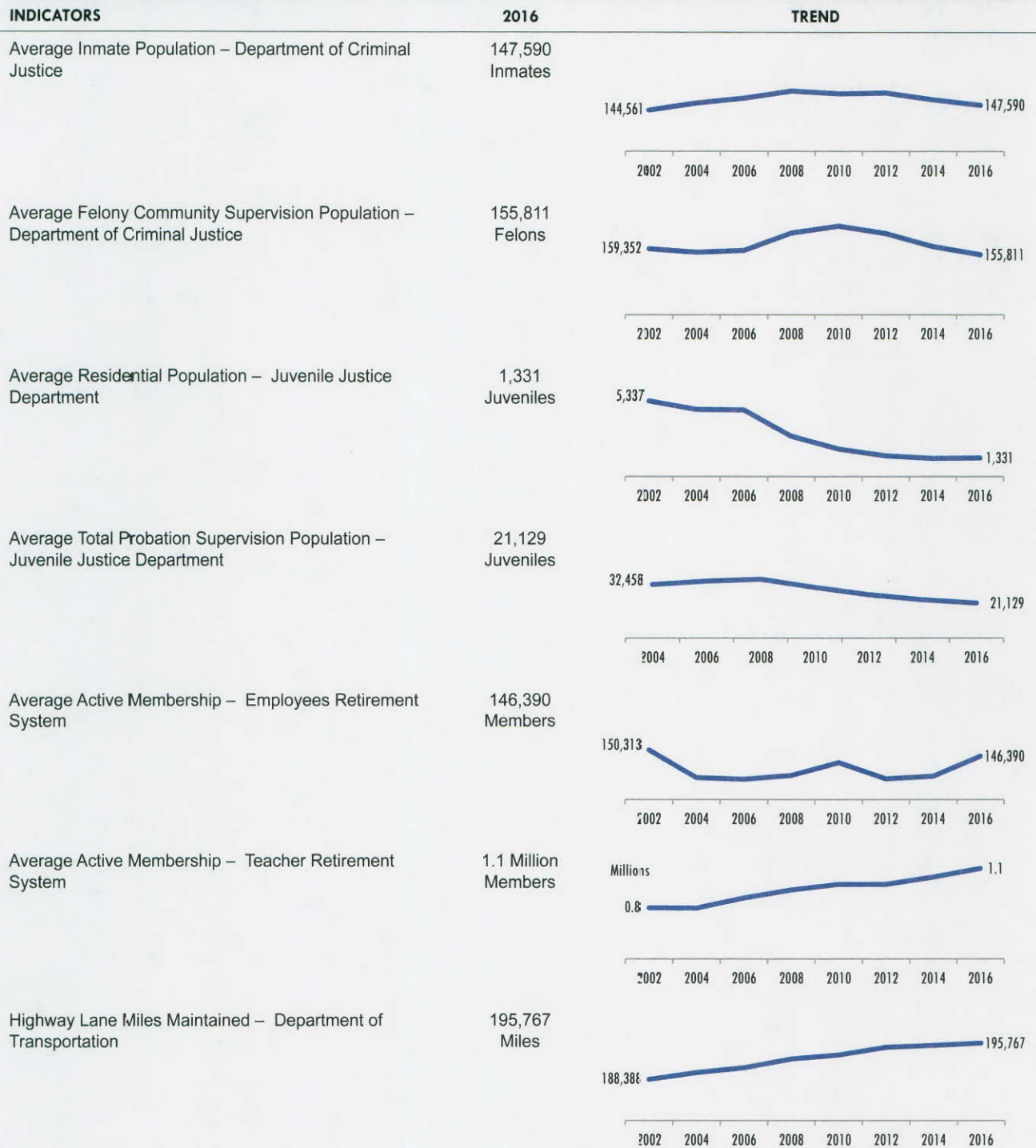
Population change is one element that helps explain the growth in the budget. Cost-related factors can have an equal or greater effect on growth. For example, medical inflation impacts not only Medicaid and CHIP, but also inmate health care costs and state employee and teacher health care costs. Statutory requirements may also affect cost.

Figure 18 shows the population-based indicators that impact a large portion of the state budget.

**FIGURE 18  
POPULATION-BASED INDICATORS  
FISCAL YEARS 2002 TO 2016**



**FIGURE 18 (CONTINUED)  
POPULATION-BASED INDICATORS  
FISCAL YEARS 2002 TO 2016**



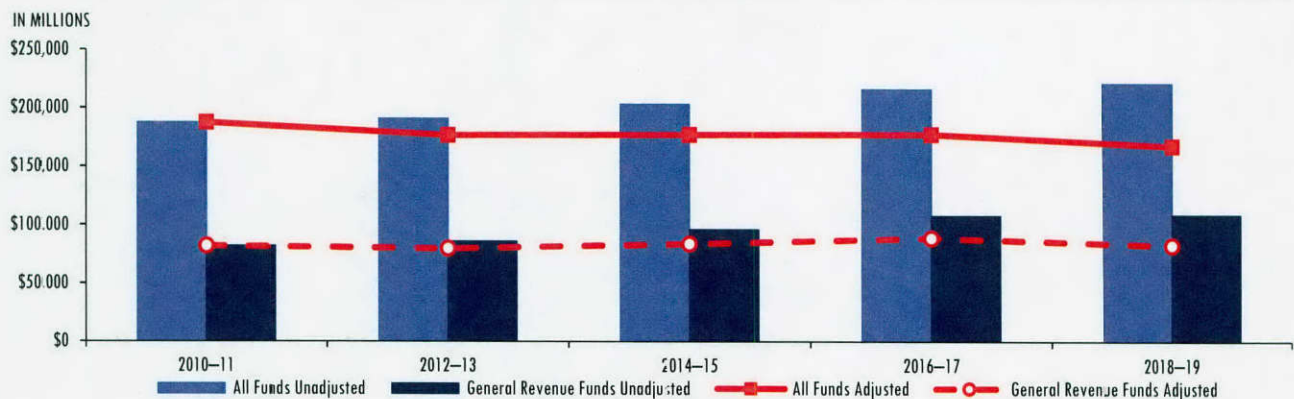
SOURCE: Legislative Budget Board.

## TRENDS IN STATE GOVERNMENT EXPENDITURES

Figure 19 shows biennial All Funds and General Revenue Funds expenditures/appropriations since the 2010–11 biennium. The figures also adjust current and historical expenditure/appropriation totals into 2010–11 dollars based on compounded population and inflation growth. All Funds expenditures increased by 18.0 percent from 2010–11 to 2018–19 biennia, but decreased 10.5 percent after adjusting for population and inflation. General Revenue Funds appropriations increased by 32.9 percent during the same period and increased by 0.8 percent when adjusted.

**FIGURE 19**  
**TRENDS IN STATE GOVERNMENT EXPENDITURES, 2018–19 BIENNIAL RECOMMENDATIONS**

| FISCAL 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 |
| 2010–11         | \$187,517  | N/A               | \$187,517                             | N/A               | \$81,931              | N/A               | \$81,931                              | N/A               |
| 2012–13         | \$190,755  | 1.7%              | \$176,515                             | (5.9%)            | \$86,016              | 5.0%              | \$79,595                              | (2.9%)            |
| 2014–15         | \$203,301  | 6.6%              | \$177,101                             | 0.3%              | \$96,073              | 11.7%             | \$83,692                              | 5.1%              |
| 2016–17         | \$216,244  | 6.4%              | \$177,843                             | 0.4%              | \$108,039             | 12.5%             | \$88,853                              | 6.2%              |
| 2018–19         | \$221,335  | 2.4%              | \$167,888                             | (5.3%)            | \$108,861             | 0.8%              | \$82,574                              | (7.1%)            |



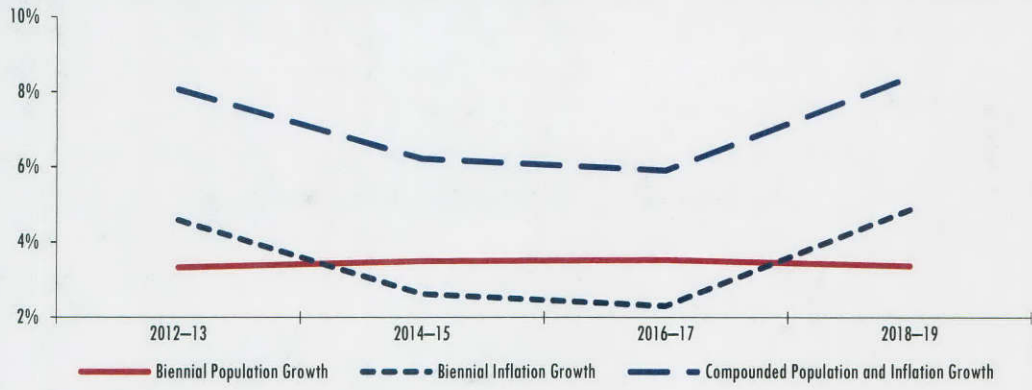
SOURCE: Legislative Budget Board.

Population and inflation is one tool used to compare 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 this table is based on data in the Comptroller's Fall 2016 Economic Forecast as published in the *2017 Biennial Revenue Estimate* and identified in **Figure 20**, which included a biennial growth rate of 8.41 percent from 2015–17 to 2018–19. Population and inflation growth estimates submitted to the Legislative Budget Board (LBB) in anticipation of the November 2016 LBB board meeting ranged from 7.73 percent to 8.73 percent.

The 2016–17 and 2018–19 biennial expenditure/recommendation totals in the figure includes the net effect of the 2018–19 recommendations and 2016–17 base adjustments in **Figure 16**.

**FIGURE 20**  
**BIENNIAL POPULATION AND INFLATION GROWTH FROM 2012-13 TO 2018-19 BIENNIA**

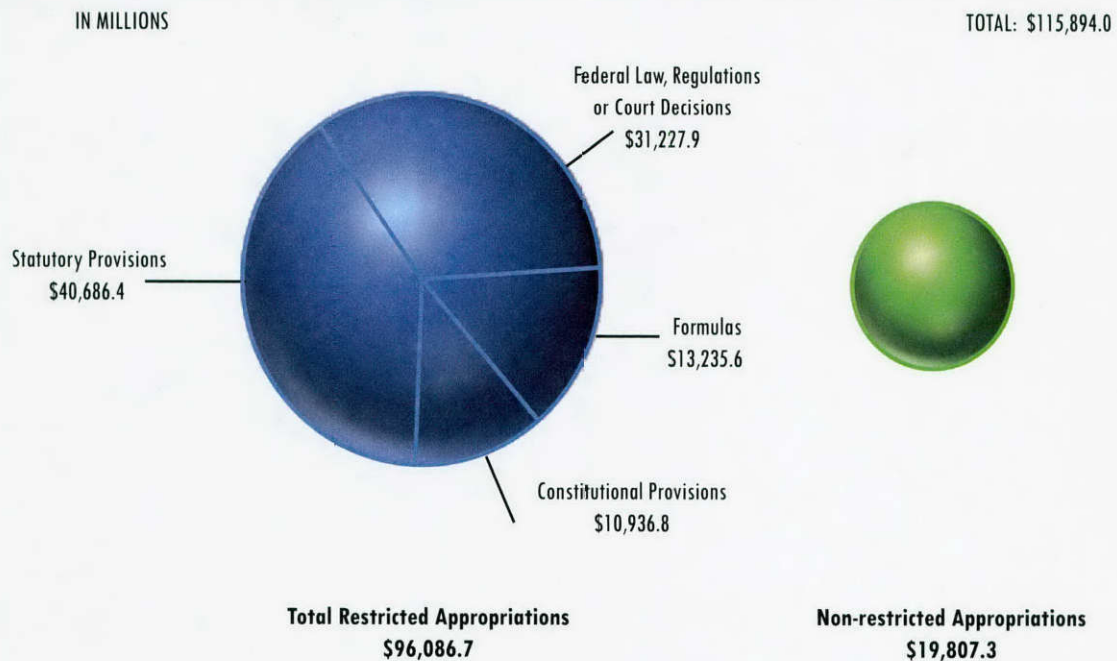


SOURCE: Texas Comptroller of Public Accounts.

## RESTRICTED APPROPRIATIONS

The 2018–19 biennial appropriations from General Revenue Funds and General Revenue–Dedicated Funds total \$115.9 billion. **Figure 21** shows that only \$19.8 billion of that total, 17.1 percent, is appropriated by the Legislature without restriction. The remaining \$96.1 billion is restricted by pre-existing constitutional provisions, statutory provisions, federal law, federal regulations, court decisions, and funding formulas. The Legislature maintains some discretion over a portion of the restricted budget, but in many cases would need to revise statutes outside of the appropriations process to change the restrictions. **Figure 21** includes examples of the largest restrictions by category. The non-restricted portion of the budget is slightly smaller than the 2016–17 biennial level of 18.2 percent. Over the previous five biennia, this percentage has remained relatively constant.

**FIGURE 21**  
**RESTRICTED APPROPRIATIONS FROM GENERAL REVENUE AND GENERAL REVENUE–DEDICATED FUNDS**



**TOTAL RESTRICTED APPROPRIATIONS VERSUS TOTAL NON-RESTRICTED APPROPRIATIONS, 2018–19 BIENNIUM**

| (IN MILLIONS)   | 2018–19 APPROPRIATIONS | PERCENTAGE OF TOTAL |
|---|------------------------|---------------------|
| Appropriations Restricted by Constitutional Provisions                        | \$10,936.8             | 9.4%                |
| <i>Teacher Retirement System: \$3,965.8 million</i>                           |                        |                     |
| <i>Foundation School Program (Available School Fund): \$3,043.1 million</i>   |                        |                     |
| <i>Public Education (Textbooks): \$1,233.0 million</i>                        |                        |                     |
| Appropriations Restricted by Statutory Provisions                             | \$40,686.4             | 35.1%               |
| <i>Public Education (Foundation School Program): \$32,547.1 million</i>       |                        |                     |
| <i>Programs at Department of State Health and Services: \$1,015.2 million</i> |                        |                     |
| Appropriations Restricted by Federal Law, Regulations, or Court Decisions     | \$31,227.9             | 26.9%               |
| <i>Medicaid Programs: \$26,979.4 million</i>                                  |                        |                     |
| <i>Social Security Match: \$1,457.8 million</i>                               |                        |                     |
| <i>Children’s Health Insurance Program: \$157.9 million</i>                   |                        |                     |

**FIGURE 21 (CONTINUED)**  
**RESTRICTED APPROPRIATIONS FROM GENERAL REVENUE AND GENERAL REVENUE–DEDICATED FUNDS**  
**TOTAL RESTRICTED APPROPRIATIONS VERSUS TOTAL NON-RESTRICTED APPROPRIATIONS, 2018–19 BIENNIUM**

| (IN MILLIONS)  | 2018–19<br>APPROPRIATIONS | PERCENTAGE OF TOTAL |
|--|---------------------------|---------------------|
| Appropriations Restricted by Formulas  | \$13,235.6                | 11.4%               |
| <i>Higher Education Formulas: \$8,714.8 million</i>                              |                           |                     |
| <i>Group Health Insurance (General State Employees): \$3,096.5 million</i>       |                           |                     |
| <i>Group Health Insurance (Higher Education Employees): \$1,424.3 million</i>    |                           |                     |
| <b>Total Restricted Appropriations</b>   | <b>\$96,086.7</b>         | <b>82.9%</b>        |
| Non Restricted Appropriations  | \$19,807.3                | 17.1%               |
| <i>Department of Criminal Justice: \$6,609.7 million</i>                         |                           |                     |
| <i>Department of Public Safety: \$1,795.2 million</i>                            |                           |                     |
| <b>Total, General Revenue Funds and General Revenue–Dedicated Appropriations</b> | <b>\$115,894.0</b>        | <b>100.0%</b>       |

NOTES:

- (1) Listed appropriations are examples—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 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 for a specific purpose.

The 2018–19 biennial General Revenue Funds recommendations total \$108.9 billion. This amount is \$4.0 billion above the pay-as-you-go limit, based on the *2017 Biennial Revenue Estimate (BRE)* from the Comptroller of Public Accounts (CPA) (**Figure 22**). General Revenue Funds are \$7.8 billion below the General Revenue Funds capacity under the spending limit. Final 2016–17 biennial appropriations will affect the 2018–19 biennial spending limit capacity as well as the pay-as-you-go allowance. Because General Revenue spending authority pursuant to the pay-as-you-go limit is the lower of the two limits, the pay-as-you-go limit is the controlling limit.

**FIGURE 22**  
**REMAINING GENERAL REVENUE FUNDS SPENDING AUTHORITY, 2018–19 BIENNIUM**

| (IN BILLIONS)        | AMOUNT  |
|----------------------|---------|
| Pay-as-you-go Limit: | (\$4.0) |
| Spending Limit:      | \$7.8   |

SOURCE: Legislative Budget Board.

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

The Texas Constitution, Article III, Section 49a, sets out the so-called pay-as-you-go limit. The constitution requires that bills making appropriations are 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 Funds appropriations as \$104.9 billion in the BRE. This total includes estimated 2018–19 biennial General Revenue Funds revenue collections of \$106.5 billion, less the amount of \$3.1 billion in General Revenue Funds deposits reserved for transfer to the Economic Stabilization Fund and the State Highway Fund. This total also includes the beginning General Revenue Fund balance and General Revenue–Dedicated Funds account balances available for certification totaling \$1.5 billion (**Figure 23**). Legislative actions increasing or decreasing revenue collections will change the total amount of revenue available.

By contrast, the amount of revenue available for the Eighty-fourth Legislature under the pay-as-you-go limit identified in the 2015 BRE was \$113.0 billion.

**FIGURE 23**  
**COMPONENTS OF THE PAY-AS-YOU-GO LIMIT, 2018–19 BIENNIUM**



NOTE: General Revenue Fund portion.  
SOURCE: Legislative Budget Board.

The \$104.9 billion in available revenue applies to 2018–19 biennial General Revenue Funds appropriations and to fiscal year 2017 supplemental General Revenue Funds appropriations. Consequently, any supplemental General Revenue Funds appropriations for fiscal year 2017 will proportionately reduce General Revenue Funds spending capacity for the 2018–19 biennium.

**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 spending limit does not apply to appropriations funded with nontax revenues or appropriations funded with tax revenues if the constitution requires the tax revenue to be spent for a specific purpose.

The 2018–19 biennial spending limit equals total 2016–17 biennial appropriations funded with tax revenues not dedicated by the constitution of \$92.9 billion, grown by the adopted growth rate of 8.0 percent. The 2018–19 biennial spending limit is estimated to be \$100.4 billion after adjusting for revenue estimates in the CPA’s 2017 *Biennial Revenue Estimate* and updating the 2016–17 biennial base to include estimated supplemental appropriations. The 2018–19 biennial appropriations subject to the spending limit total \$93.6 billion, \$6.7 billion less than the spending limit (**Figure 24**).

**FIGURE 24**  
**SPENDING LIMIT COMPARED TO THE INTRODUCED GENERAL APPROPRIATIONS BILL**  
**2018–19 BIENNIUM**

| (IN MILLIONS)                                | AMOUNT           |
|--|------------------|
| Spending Limit                               | \$100,351.7      |
| Appropriations Subject to the Spending Limit | (\$93,627.3)     |
| <b>Total Below the Spending Limit:</b>       | <b>\$6,724.4</b> |

SOURCE: Legislative Budget Board.

Because revenue deposits to the General Revenue Fund also include revenue not subject to the spending limit, the maximum 2018–19 biennial General Revenue Funds appropriations associated with the \$100.4 billion limit is \$116.6 billion, leaving \$7.8 billion in remaining General Revenue Funds spending capacity below the spending limit (**Figure 25**).



**FIGURE 25  
GENERAL REVENUE FUNDS PURSUANT TO THE SPENDING LIMIT COMPARED TO THE INTRODUCED GENERAL APPROPRIATIONS BILL, 2018–19 BIENNIUM**

| (IN MILLIONS)   | AMOUNT           |
|---|------------------|
| Maximum General Revenue Funds appropriations pursuant to the Spending Limit | \$116,638.5      |
| Recommended General Revenue Funds Appropriations                            | (\$108,860.9)    |
| <b>Total Below the Maximum General Revenue Fund Appropriations:</b>         | <b>\$7,777.6</b> |

SOURCE: Legislative Budget Board.

### 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 unrestricted General Revenue 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 2016, the BRB reported that the issued debt ratio is 1.36 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 2.37 percent of unrestricted General Revenue Funds at the end of fiscal year 2016. The latter calculation represents a 11.8 percent decrease from the 2.65 percent calculated for outstanding and authorized but unissued debt for fiscal year 2015. The BRB expects the CDL ratio to continue to decrease with the issuance of authorized debt. 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.

### 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 2018–19 biennial budget defined in the Texas Human Resources Code, Section 31.053, is \$221.3 billion. Therefore, the welfare spending limit is \$2.2 billion. The biennial amount appropriated in the LBB recommendations for the 2018–19 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 \$2.1 billion less than the 1.0 percent limit.

# TEXAS ECONOMIC OUTLOOK

Economic conditions and demographic trends influence the level of state appropriations and the revenue used to support those appropriations. As the economy expands, more revenue is available for appropriation. Some spending demands are lessened by a growing economy, while others are increased. For example, a growing economy can reduce pressure on Medicaid enrollment, but also increase migration into Texas, increasing the demand for public education and other services. Further, health care and higher education inflation rates tend to outpace other types of inflation. This section provides a high-level look at the economic conditions expected to prevail during the upcoming biennia. Note, all economic forecasts are provided by the Comptroller of Public Accounts (CPA).

## INDUSTRIAL OUTLOOK

Texas Real Gross State Product (GSP) experienced strong growth since the end of the recent recession, averaging 4.8 percent from fiscal years 2011 to 2015. Texas Real GSP growth slowed to 0.2 percent in fiscal year 2016, coinciding with the slowdown in the oil and gas extraction industry. Growth is expected to pick up to 3.0 percent in fiscal year 2018 and 3.1 percent in fiscal year 2019.

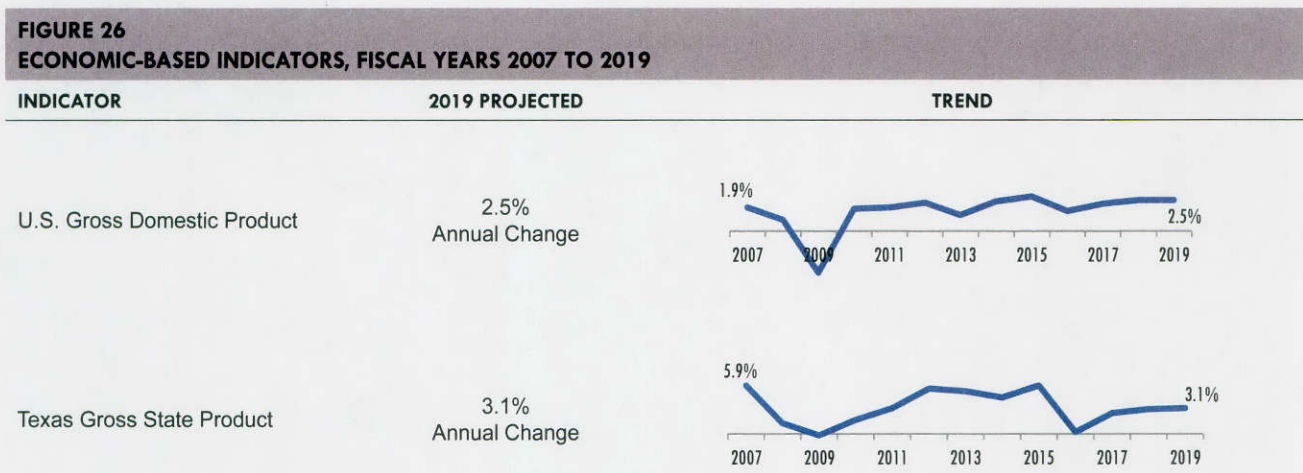
## EMPLOYMENT

The Texas unemployment rate peaked at just over 8 percent during the 2010–11 biennium. Since exiting recession, the rate has steadily declined, fell below 5 percent at the end of calendar year 2014 for the first time since the middle of 2008, and remains below 5 percent into the 2016–17 biennium. This decrease can be attributed to a mix of moderately declining labor participation rates and strong job growth in the state outside of the oil and gas industry. Non-farm payroll jobs in Texas are expected to increase by nearly 1.7 percent in both fiscal year 2016 and fiscal year 2017, with 384,000 jobs expected to be added during the current biennium. The Texas unemployment rate is forecast to remain constant during the 2018–19 biennium at 4.5 percent. Job growth is expected to continue at a similar pace during the upcoming 2018–19 biennium, increasing by 1.9 percent in fiscal year 2018 and 1.7 percent in fiscal year 2019.

## PERSONAL INCOME

Fiscal year 2016 Personal Income increased by 2.5 percent in Texas to reach \$47,056 per Texas resident. Per Capita Personal Income is expected to increase 3.3 percent in both fiscal year 2018 and fiscal year 2019.

**Figure 26** shows key economic indicators from fiscal years 2007 to 2019. All forecasted data for fiscal years 2017 to 2019 is from the CPA's *2017 Biennial Revenue Estimate*.



**FIGURE 26 (CONTINUED)  
ECONOMIC-BASED INDICATORS, FISCAL YEARS 2007 TO 2019**

| INDICATOR                 | 2019 PROJECTED        | TREND  |
|---------------------------|-----------------------|--|
| Texas Personal Income     | 5.0%<br>Annual Change |    |
| Texas Non-farm Employment | 1.7%<br>Annual Change |    |
| Texas Unemployment Rate   | 4.5%                  |    |
| Oil Price                 | \$59.26<br>Per Barrel |  |
| Natural Gas Price         | \$2.92<br>Per MMBTU   |  |
| U.S. Consumer Price Index | 2.4%<br>Annual Change |  |

NOTES:

- (1) Trends for fiscal years 2007 to 2019 are based on projections from the Comptroller of Public Accounts' *2017 Biennial Revenue Estimate*.
  - (2) Amounts for the U.S. Gross Domestic Product and the Texas Gross State Product are based on 2009 dollars.
- SOURCES: Legislative Budget Board; Comptroller of Public Accounts.

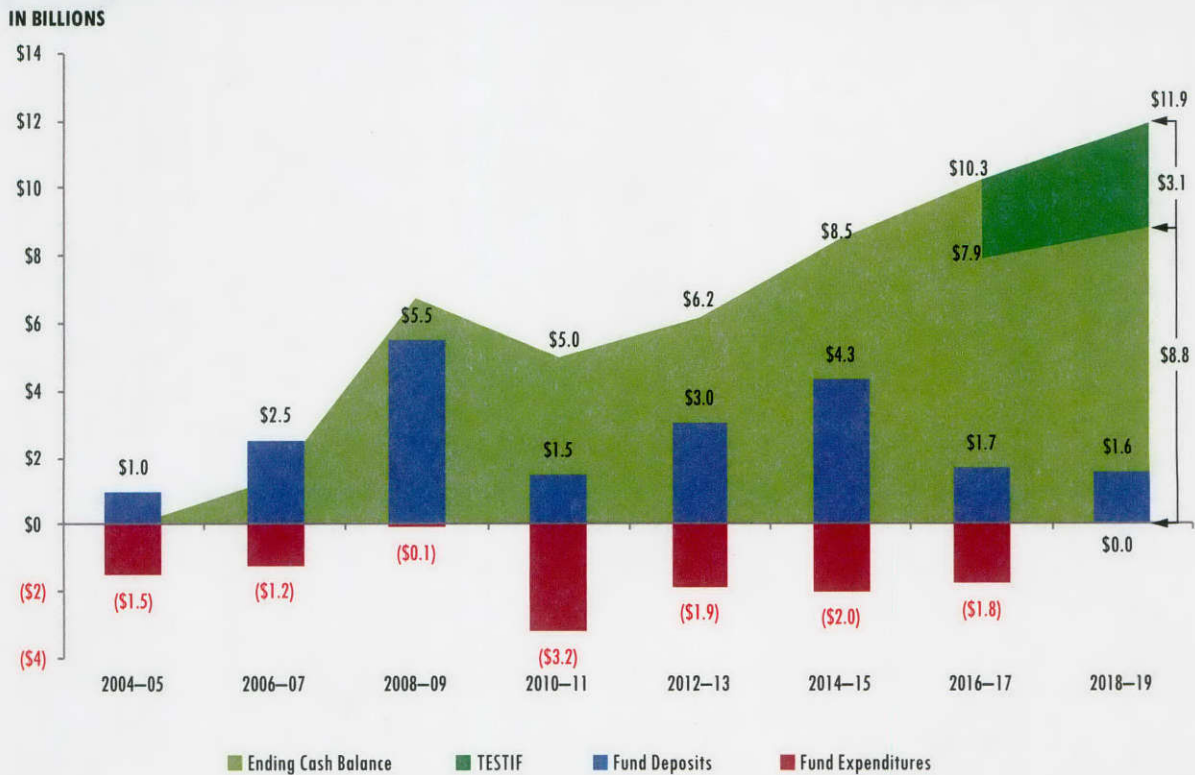
## ECONOMIC STABILIZATION FUND

Article III, Section 49-g of the Texas Constitution established the Economic Stabilization Fund (ESF). Appropriations can be made from the fund under certain fiscal conditions with a three-fifths vote of each legislative chamber. Appropriations can also be made for any purpose with a two-thirds vote of each legislative chamber. House Bill 903, Eighty-fourth Legislature, Regular Session, 2015, directed the Comptroller to invest a portion of the cash balance of the ESF in assets outside of the Treasury Pool, with the goal of obtaining a higher rate of return. Beginning September 1, 2015, the Comptroller created the Texas Economic Stabilization Investment Fund (TESTIF) to invest a portion of the ESF pursuant to this legislation.

The 2018–19 biennial ending cash balance of the ESF plus the total asset value of the TESTIF is forecast by the Comptroller of Public Accounts to be \$11.9 billion. The 2018–19 recommendations do not contain an appropriation from the fund.

Figure 27 shows the history of ESF deposits, expenditures, and balances from the 2004–05 to 2018–19 biennia.

**FIGURE 27**  
**ECONOMIC STABILIZATION FUND BIENNIAL DEPOSITS, EXPENDITURES, INVESTMENTS AND FUND BALANCE**  
**2004–05 TO 2018–19 BIENNIA**



NOTE: Fiscal years 2017 to 2019 are projections based on the Comptroller of Public Accounts' 2017 Biennial Revenue Estimate.  
 SOURCES: Legislative Budget Board; Comptroller of Public Accounts.

# ARTICLE I – GENERAL GOVERNMENT

**FIGURE 1**  
**ARTICLE I – GENERAL GOVERNMENT, BY METHOD OF FINANCE**

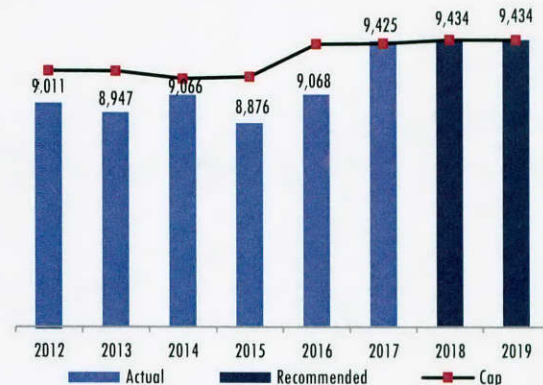
(IN MILLIONS)

| METHOD OF FINANCE                    | ESTIMATED, BUDGETED<br>2016–17 | RECOMMENDED<br>2018–19 | BIENNIAL<br>CHANGE | PERCENTAGE<br>CHANGE |
|--------------------------------------|--------------------------------|------------------------|--------------------|----------------------|
| General Revenue Funds                | \$3,345.5                      | \$3,280.3              | (\$65.2)           | (1.9%)               |
| General Revenue–Dedicated Funds      | \$1,056.0                      | \$587.2                | (\$468.8)          | (44.4%)              |
| Federal Funds                        | \$1,005.3                      | \$1,191.2              | \$185.9            | 18.5%                |
| Other Funds                          | \$1,667.1                      | \$861.3                | (\$805.7)          | (48.3%)              |
| <b>Total, All Methods of Finance</b> | <b>\$7,073.8</b>               | <b>\$5,920.1</b>       | <b>(\$1,153.8)</b> | <b>(16.3%)</b>       |

ALL FUNDS, 2018–19 BIENNIUM (IN MILLIONS)



FULL-TIME-EQUIVALENT POSITIONS



**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.

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

## MAJOR FISCAL AND POLICY ISSUES AFFECTING ARTICLE I

All Funds for the General Government agencies total \$5.9 billion for the 2018–19 biennium, a decrease of \$1.2 billion, or 16.3 percent. General Revenue Funds total \$3.3 billion, a decrease of \$65.2 million, or 1.9 percent.

### HIGHLIGHTS

- Funding for the Department of Information Resources reflects an increase of \$82.8 million in All Funds. Increases are primarily due to an estimated increase in use of telecommunications and data center services by customer agencies and local entities as well as a new method of finance for implementation of the Texas.gov state internet portal.
- Funding for Fiscal Programs within the Comptroller of Public Accounts reflects an increase of \$78.1 million in All Funds. Increases are related to agency estimates for certain statutorily required disbursements to local governments and individuals, and changes to funding levels to various programs.
- Funding for the Facilities Commission reflects a decrease of \$1.0 billion in All Funds. The largest decrease is a reduction of \$767.7 million in Revenue Bond Proceeds which were appropriated for Phase One construction projects at the Capitol Complex and the North Austin Complex. Additionally, funding from General Revenue–Dedicated Deferred Maintenance Account No. 5166 for one-time repair-related projects is reduced by \$241.6 million.

- Funding for Trusteed Programs at the Office of the Governor reflects a net decrease of \$242.8 million in All Funds. Decreases in All Funds are associated with elimination of one-time revenues, including \$144.3 million in unexpended balance authority, a \$85.0 million transfer from the Emerging Technology Fund, and \$30.0 million in infrastructure improvements in military communities. In addition, Film and Music Marketing funding is reduced by \$50.8 million in General Revenue Funds.
- Funding for the Historical Commission reflects a decrease of \$37.0 million in All Funds, including a decrease of \$26.6 million in General Revenue Funds. The decrease in General Revenue Funds includes \$19.2 million in one-time funding for Courthouse Grants and \$4.9 million in capital projects at Historic Sites and the Commission's Capitol Complex facilities as well as \$2.4 million related to reductions to agency programs.
- Funding for the Veterans Commission reflects a decrease of \$30.8 million in All Funds, \$28.9 million of which is General Revenue Funds. The decrease is primarily due to the transfer of \$30.0 million in Hazlewood Reimbursements from the Veterans Commission to the Permanent Fund Supporting Military and Veterans Exemptions.

**Figure 2** shows the All Funds appropriation for each agency in Article I, and **Figure 3** shows the General Revenue Funds appropriation for each agency. On the subsequent pages in this chapter are more specific details about funding levels for some of the agencies in Article I.

**FIGURE 2**  
**ARTICLE I – GENERAL GOVERNMENT, ALL FUNDS**

(IN MILLIONS)

| FUNCTION  | EXPENDED/BUDGETED<br>2016–17 | APPROPRIATED<br>2018–19 | BIENNIAL<br>CHANGE | PERCENTAGE<br>CHANGE |
|---|------------------------------|-------------------------|--------------------|----------------------|
| Commission on the Arts                              | \$17.8                       | \$12.8                  | (\$5.0)            | (28.2%)              |
| Office of the Attorney General                      | \$1,171.6                    | \$1,148.6               | (\$23.0)           | (2.0%)               |
| Bond Review Board                                   | \$1.6                        | \$1.6                   | (\$0.1)            | (4.0%)               |
| Cancer Prevention and Research Institute of Texas   | \$596.3                      | \$600.1                 | \$3.8              | 0.6%                 |
| Comptroller of Public Accounts                      | \$608.8                      | \$594.4                 | (\$14.4)           | (2.4%)               |
| Fiscal Programs - Comptroller of Public Accounts    | \$1,135.6                    | \$1,213.7               | \$78.1             | 6.9%                 |
| Commission on State Emergency Communications        | \$146.0                      | \$138.9                 | (\$7.1)            | (4.8%)               |
| Texas Emergency Services Retirement System          | \$4.7                        | \$4.1                   | (\$0.6)            | (12.2%)              |
| Employees Retirement System                         | \$20.2                       | \$20.2                  | \$0.0              | 0.0%                 |
| Texas Ethics Commission                             | \$6.1                        | \$6.2                   | \$0.1              | 0.9%                 |
| Facilities Commission                               | \$1,170.3                    | \$121.5                 | (\$1,048.7)        | (89.6%)              |
| Public Finance Authority                            | \$3.1                        | \$2.9                   | (\$0.2)            | (6.6%)               |
| Office of the Governor                              | \$26.5                       | \$25.2                  | (\$1.3)            | (4.7%)               |
| Trusteed Programs within the Office of the Governor | \$1,188.3                    | \$945.5                 | (\$242.8)          | (20.4%)              |
| Historical Commission                               | \$76.2                       | \$39.3                  | (\$36.9)           | (48.4%)              |
| Department of Information Resources                 | \$670.4                      | \$753.3                 | \$82.8             | 12.4%                |
| Library & Archives Commission                       | \$65.0                       | \$65.2                  | \$0.3              | 0.4%                 |
| Pension Review Board                                | \$1.9                        | \$1.9                   | (\$0.0)            | (0.1%)               |
| Preservation Board                                  | \$46.4                       | \$24.0                  | (\$22.4)           | (48.3%)              |
| State Office of Risk Management                     | \$101.6                      | \$101.6                 | \$0.0              | 0.0%                 |
| Secretary of State                                  | \$64.8                       | \$59.2                  | (\$5.7)            | (8.7%)               |
| Veterans Commission                                 | \$114.6                      | \$83.8                  | (\$30.8)           | (26.9%)              |
| <b>Subtotal, General Government</b>                 | <b>\$7,237.8</b>             | <b>\$5,964.0</b>        | <b>(\$1,273.8)</b> | <b>(17.6%)</b>       |

**FIGURE 2 (CONTINUED)**  
**ARTICLE I – GENERAL GOVERNMENT, ALL FUNDS**

(IN MILLIONS)

| FUNCTION                           | EXPENDED/BUDGETED<br>2016–17 | APPROPRIATED<br>2018–19 | BIENNIAL<br>CHANGE | PERCENTAGE<br>CHANGE |
|------------------------------------|------------------------------|-------------------------|--------------------|----------------------|
| Employee Benefits and Debt Service | \$675.8                      | \$838.1                 | \$162.3            | 24.0%                |
| Less Interagency Contracts         | \$839.7                      | \$881.9                 | \$42.2             | 5.0%                 |
| <b>Total, All Functions</b>        | <b>\$7,073.8</b>             | <b>\$5,920.1</b>        | <b>(\$1,153.8)</b> | <b>(16.3%)</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**  
**ARTICLE I – GENERAL GOVERNMENT, GENERAL REVENUE FUNDS**

(IN MILLIONS)

| FUNCTION  | ESTIMATED/BUDGETED<br>2016–17 | RECOMMENDED<br>2018–19 | BIENNIAL<br>CHANGE | PERCENTAGE<br>CHANGE |
|---|-------------------------------|------------------------|--------------------|----------------------|
| Commission on the Arts                              | \$14.3                        | \$10.0                 | (\$4.3)            | (30.2%)              |
| Office of the Attorney General                      | \$471.7                       | \$439.3                | (\$32.4)           | (6.9%)               |
| Bond Review Board                                   | \$1.6                         | \$1.6                  | (\$0.1)            | (4.0%)               |
| Cancer Prevention and Research Institute of Texas   | \$0.0                         | \$0.0                  | \$0.0              | N/A                  |
| Comptroller of Public Accounts                      | \$569.4                       | \$562.2                | (\$7.2)            | (1.3%)               |
| Fiscal Programs - Comptroller of Public Accounts    | \$1,061.5                     | \$1,137.7              | \$76.2             | 7.2%                 |
| Commission on State Emergency Communications        | \$0.0                         | \$0.0                  | \$0.0              | N/A                  |
| Texas Emergency Services Retirement System          | \$1.5                         | \$1.5                  | (\$0.1)            | (4.0%)               |
| Employees Retirement System                         | \$20.2                        | \$20.2                 | \$0.0              | 0.0%                 |
| Texas Ethics Commission                             | \$6.1                         | \$6.2                  | \$0.1              | 0.9%                 |
| Facilities Commission                               | \$128.1                       | \$79.9                 | (\$48.2)           | (37.7%)              |
| Public Finance Authority                            | \$3.1                         | \$1.9                  | (\$1.2)            | (38.9%)              |
| Office of the Governor                              | \$25.9                        | \$24.9                 | (\$1.0)            | (4.0%)               |
| Trusted Programs within the Office of the Governor  | \$400.9                       | \$189.9                | (\$211.0)          | (52.6%)              |
| Historical Commission                               | \$61.4                        | \$35.0                 | (\$26.5)           | (43.1%)              |
| Department of Information Resources                 | \$0.0                         | \$0.0                  | \$0.0              | N/A                  |
| Library & Archives Commission                       | \$31.8                        | \$30.5                 | (\$1.3)            | (4.2%)               |
| Pension Review Board                                | \$1.9                         | \$1.9                  | (\$0.0)            | (0.1%)               |
| Preservation Board                                  | \$46.3                        | \$24.0                 | (\$22.3)           | (48.2%)              |
| State Office of Risk Management                     | \$0.0                         | \$0.0                  | \$0.0              | N/A                  |
| Secretary of State                                  | \$44.3                        | \$41.8                 | (\$2.5)            | (5.7%)               |
| Veterans Commission                                 | \$55.4                        | \$26.5                 | (\$28.9)           | (52.2%)              |
| <b>Subtotal, General Government</b>                 | <b>\$2,945.4</b>              | <b>\$2,634.5</b>       | <b>(\$310.9)</b>   | <b>(10.6%)</b>       |
| <b>Subtotal, Employee Benefits and Debt Service</b> | <b>\$400.1</b>                | <b>\$645.8</b>         | <b>\$245.7</b>     | <b>61.4%</b>         |
| <b>Total, All Functions</b>                         | <b>\$3,345.5</b>              | <b>\$3,280.3</b>       | <b>(\$65.2)</b>    | <b>(1.9%)</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.

# OFFICE OF THE ATTORNEY GENERAL

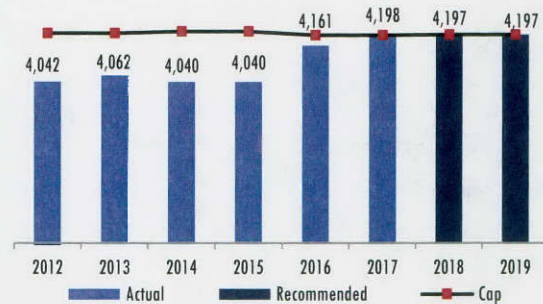
**FIGURE 1**  
**OFFICE OF THE ATTORNEY GENERAL, BY METHOD OF FINANCE**

(IN MILLIONS)

| METHOD OF FINANCE                    | ESTIMATED/BUDGETED<br>2016–17 | RECOMMENDED<br>2018–19 | BIENNIAL<br>CHANGE | PERCENTAGE<br>CHANGE |
|--------------------------------------|-------------------------------|------------------------|--------------------|----------------------|
| General Revenue Funds                | \$471.7                       | \$439.3                | (\$32.4)           | (6.9%)               |
| General Revenue–Dedicated Funds      | \$155.5                       | \$143.8                | (\$11.6)           | (7.5%)               |
| Federal Funds                        | \$419.4                       | \$434.3                | \$14.8             | 3.5%                 |
| Other Funds                          | \$125.0                       | \$131.2                | \$6.2              | 5.0%                 |
| <b>Total, All Methods of Finance</b> | <b>\$1,171.6</b>              | <b>\$1,148.6</b>       | <b>(\$23.0)</b>    | <b>(2.0%)</b>        |

ALL FUNDS, 2018–19 BIENNIUM (IN MILLIONS)

FULL-TIME-EQUIVALENT POSITIONS



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

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

Funding for the Office of the Attorney General for the 2018–19 biennium totals \$1.1 billion in All Funds, which includes an All Funds decrease of \$23.0 million. The decrease in funding is primarily related to decreases in funding for Child Support Enforcement program contract and IT costs and Legal Services.

## HIGHLIGHTS

- Funding for the 2018–19 biennium includes \$66.6 million in All Funds for Victim Assistance Grants which provide grants to local and statewide victim assistance programs. This funding level is consistent with 2016–17 biennium appropriations for Victim Assistance Grants. Additionally, due to available fund balances of General Revenue–Dedicated Compensation to Victims of Crime Account No. 469, General Revenue Funds appropriation is reduced by \$13.1 million offset by a corresponding increase of General Revenue–Dedicated Compensation to Victims of Crime Account No. 469.
- Funding for the 2018–19 biennium includes \$131.0 million in All Funds for Crime Victim Compensation, which provides victims of violent crime financial assistance for certain crime related expenses. This represents a \$14.6 million increase in All Funds from 2016–17 biennium funding, which is the result of an increase in allowable compensation claim payments. Federal Fund grants from the Office for Victims of Crime are available to this program and in order



to optimally utilize the receipt of these federal funds, appropriations of General Revenue–Dedicated Compensation to Victims of Crime Account No. 469 have been lowered to take advantage of excess, previously unutilized, federal receipts.

- Funding includes \$57.1 million in All Funds for the Texas Child Support Enforcement System 2.0 (T2) capital project, which seeks to enhance Texas' main database system for the Child Support Division. This funding includes \$19.4 million in General Revenue Funds and \$36.7 million in Federal Funds. The cost of the T2 project is shared with the federal Office of Child Support Enforcement for the match requirement of 34 percent of state dollars to 66 percent of federal grants. T2 was originally scheduled for release as two phases between June 2016 and July 2017 at an estimated cost of \$223.6 million. T2 is currently expected to be released in one phase in December 2018 at an estimated total cost of \$419.6 million (State cost of \$142.6 million, Federal cost of \$277.0 million).

# COMPTROLLER OF PUBLIC ACCOUNTS

**FIGURE 1**  
**COMPTROLLER OF PUBLIC ACCOUNTS, BY METHOD OF FINANCE**

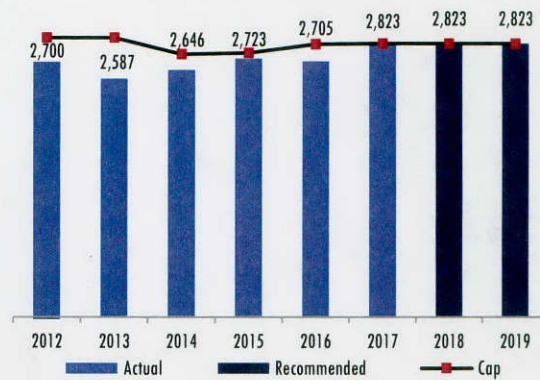
(IN MILLIONS)

| METHOD OF FINANCE                    | ESTIMATED/BUDGETED<br>2016–17 | RECOMMENDED<br>2018–19 | BIENNIAL<br>CHANGE | PERCENTAGE<br>CHANGE |
|--------------------------------------|-------------------------------|------------------------|--------------------|----------------------|
| General Revenue Funds                | \$569.4                       | \$562.2                | (\$7.2)            | (1.3%)               |
| General Revenue–Dedicated Funds      | \$0.3                         | \$0.3                  | \$0.0              | 0.0%                 |
| Federal Funds                        | \$0.1                         | \$0.0                  | (\$0.1)            | (100.0%)             |
| Other Funds                          | \$39.2                        | \$32.0                 | (\$7.1)            | (18.2%)              |
| <b>Total, All Methods of Finance</b> | <b>\$608.8</b>                | <b>\$594.4</b>         | <b>(\$14.4)</b>    | <b>(2.4%)</b>        |

ALL FUNDS, 2018–19 BIENNIUM (IN MILLIONS)



FULL-TIME-EQUIVALENT POSITIONS



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

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

Funding for the Comptroller of Public Accounts totals \$594.4 million in All Funds for the 2018–19 biennium, a decrease of \$14.4 million. The decrease in funding includes reductions of \$7.2 million in General Revenue Funds for multiple items and reductions of \$7.1 million in Interagency Contracts and Appropriated Receipts primarily related to the Centralized Accounting and Payroll/Personnel System (CAPPs) and forfeiture and seizure receipts from criminal investigations.

## HIGHLIGHTS

- Funding reflects an overall decrease of \$7.2 million in General Revenue Funds which includes:
  - Decrease of \$3.4 million for one-time funding items, including office furnishings and a centralized state purchasing study;
  - Decrease of \$3.5 million for information technology programs and services, including contract programmers; and
  - Decrease of \$0.3 million for personal computer replacement.
- Funding includes \$95.9 million in All Funds for maintenance and migration of agencies onto CAPPs. This amount includes \$67.6 million in General Revenue Funds, \$24.0 million in SmartBuy procurement system vendor fees (Appropriated Receipts) and \$4.3 million in PeopleSoft license payments made by six agencies (Interagency Contracts). Funding reflects reductions of \$6.3 million primarily due to decreases in unexpended balances carried forward from the 2014–15 biennium to the 2016–17 biennium for migration efforts and elimination of interagency contracts receipts from the Health and Human Services Commission for support of the agency’s CAPPs hub system.

## FISCAL PROGRAMS – COMPTROLLER OF PUBLIC ACCOUNTS

**FIGURE 1**  
**FISCAL PROGRAMS WITHIN THE COMPTROLLER OF PUBLIC ACCOUNTS, BY METHOD OF FINANCE**

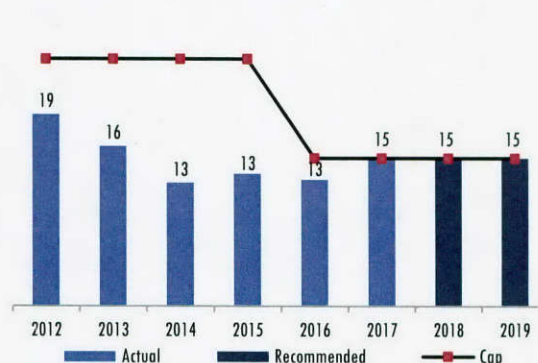
(IN MILLIONS)

| METHOD OF FINANCE                    | ESTIMATED/BUDGETED<br>2016–17 | RECOMMENDED<br>2018–19 | BIENNIAL<br>CHANGE | PERCENTAGE<br>CHANGE |
|--------------------------------------|-------------------------------|------------------------|--------------------|----------------------|
| General Revenue Funds                | \$1,061.5                     | \$1,137.7              | \$76.2             | 7.2%                 |
| General Revenue–Dedicated Funds      | \$35.1                        | \$33.6                 | (1.4)              | (4.1%)               |
| Federal Funds                        | \$20.3                        | \$27.7                 | 7.0                | 33.5%                |
| Other Funds                          | \$18.2                        | \$14.6                 | (3.6)              | (20.0%)              |
| <b>Total, All Methods of Finance</b> | <b>\$1,135.6</b>              | <b>\$1,213.7</b>       | <b>\$78.1</b>      | <b>6.9%</b>          |

ALL FUNDS, 2013–19 BIENNIUM (IN MILLIONS)



FULL-TIME-EQUIVALENT POSITIONS



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

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

Funding for Fiscal Programs within the Comptroller of Public Accounts totals \$1.2 billion in All Funds for the 2018–19 biennium, an increase of \$78.1 million. The increase is primarily related to agency estimates for certain statutorily required disbursements and changes to funding levels to various programs, noted below.

### HIGHLIGHTS

- Funding includes \$459.2 million in General Revenue Funds, an increase of \$50.3 million from the 2016–17 biennium, for mixed beverage taxes reimbursements to counties and incorporated municipalities to maintain statutorily set minimum disbursement levels of 10.7143 percent of the mixed beverage gross receipts and sales taxes based on estimated growth in mixed beverage sales.
- Funding provides \$575.0 million in General Revenue Funds for unclaimed property payments which reflects an increase of \$40.0 million for estimated growth in such claims.
- Funding includes \$26.0 million in General Revenue Funds, a decrease of \$5.5 million in General Revenue Funds and \$3.7 million in Other Funds and accounts, for estimated reduction in payments for miscellaneous and wrongful imprisonment claims based on historical expenditures.
- Funding reflects a decrease of \$12.0 million in General Revenue Funds for a one-time transfer of funds to the Safekeeping Trust Company for management of the Emerging Technology Fund Portfolio.

- Funding authority is provided to appropriate to the agency the fees, charges, and penalties collected from administration of the Texas Bullion Depository. The depository would be established as an agency of the state within the office of the Comptroller and, when established, would hold certain bullion and specie acquired by the state or a political subdivision of the state and could receive and hold such deposits from private entities.

# FACILITIES COMMISSION

**FIGURE 1**  
**FACILITIES COMMISSION, BY METHOD OF FINANCE**

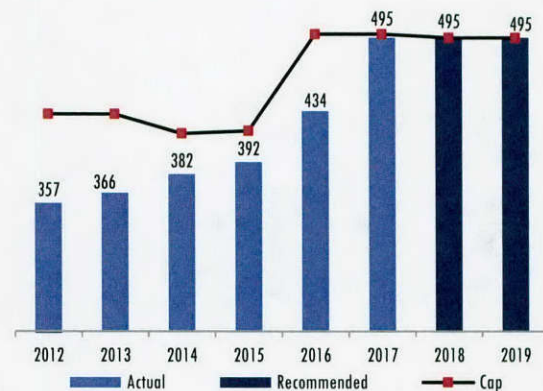
(IN MILLIONS)

| METHOD OF FINANCE                    | ESTIMATED/BUDGETED<br>2016–17 | RECOMMENDED<br>2018–19 | BIENNIAL<br>CHANGE | PERCENTAGE<br>CHANGE |
|--------------------------------------|-------------------------------|------------------------|--------------------|----------------------|
| General Revenue Funds                | \$128.1                       | \$79.9                 | (\$48.2)           | (37.7%)              |
| General Revenue–Dedicated Funds      | \$222.6                       | \$5.3                  | (\$217.3)          | (97.6%)              |
| Federal Funds                        | \$0.0                         | \$0.0                  | \$0.0              | N/A                  |
| Other Funds                          | \$819.6                       | \$36.3                 | (\$783.2)          | (95.6%)              |
| <b>Total, All Methods of Finance</b> | <b>\$1,170.3</b>              | <b>\$121.5</b>         | <b>(\$1,048.7)</b> | <b>(89.6%)</b>       |

ALL FUNDS, 2018–19 BIENN IUM (IN MILLIONS)



FULL-TIME-EQUIVALENT POSITIONS



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

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

Funding for the Facilities Commission for the 2018–19 biennium total \$121.5 million in All Funds, a decrease of \$1.0 billion. The decrease in funding is primarily related to decreases in construction and repair related activities which were funded in the 2015–17 biennium. The largest decrease is a reduction of \$767.7 million in Revenue Bond Proceeds which were appropriated for Phase One construction projects at the Capitol Complex and the North Austin Complex. Additionally, decreases in funding resulting from one-time capital projects, including General Revenue–Dedicated Deferred Maintenance Account No. 5166 funds, accounted for a decrease in funding of \$241.6 million from 2016–17 biennium levels. The Facilities Commission is under Strategic Fiscal Review.

## HIGHLIGHTS

- Funding includes a decrease of \$13.9 million in General Revenue Funds and General Revenue–Dedicated Funds across agency programs.
- Funding provides \$10.0 million in General Revenue Funds allocated for the agency to fund emergency repair projects, which is a \$10.0 million decrease from the 2016–17 biennium funding level of \$20.0 million.

# TRUSTEED PROGRAMS WITHIN THE OFFICE OF THE GOVERNOR

**FIGURE 1**  
**TRUSTEED PROGRAMS WITHIN THE OFFICE OF THE GOVERNOR, BY METHOD OF FINANCE**

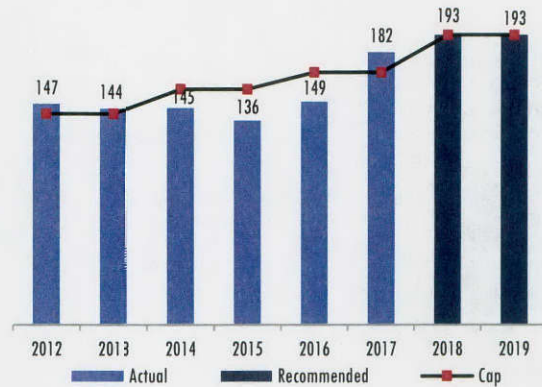
(IN MILLIONS)

| METHOD OF FINANCE                    | ESTIMATED/BUDGETED<br>2016–17 | RECOMMENDED<br>2018–19 | BIENNIAL<br>CHANGE | PERCENTAGE<br>CHANGE |
|--------------------------------------|-------------------------------|------------------------|--------------------|----------------------|
| General Revenue Funds                | \$400.9                       | \$189.9                | (\$211.0)          | (52.6%)              |
| General Revenue–Dedicated Funds      | \$288.3                       | \$148.7                | (\$139.6)          | (48.4%)              |
| Federal Funds                        | \$444.5                       | \$603.7                | \$159.2            | 35.8%                |
| Other Funds                          | \$54.7                        | \$3.3                  | (\$51.4)           | (94.0%)              |
| <b>Total, All Methods of Finance</b> | <b>\$1,188.3</b>              | <b>\$945.5</b>         | <b>(\$242.8)</b>   | <b>(20.4%)</b>       |

ALL FUNDS, 2018–19 BIENNIUM (IN MILLIONS)



FULL-TIME-EQUIVALENT POSITIONS



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

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

Funding for the Trusted Programs Within the Office of the Governor totals \$945.5 million in All Funds for the 2018–19 biennium, a decrease of \$242.8 million from the 2016–17 biennium. This decrease is largely due to the expenditure in the 2016–17 biennium of unexpended balances carried forward from the 2014–15 biennium.

## HIGHLIGHTS

- Significant funding decreases are related to the removal of one time funding items in the 2016-17 biennium, including:
  - A decrease of \$144.3 million in General Revenue Funds and General Revenue–Dedicated Funds related to unexpended balances carried forward from fiscal year 2015 into the 2016–17 biennium and removed from base appropriation levels in multiple strategies;
  - A decrease of \$85.0 million in General Revenue–Dedicated Funds balances transferred from the Emerging Technology Fund to the Texas Enterprise Fund and the Governor’s University Research Initiative; and
  - A decrease of \$30.0 million in General Revenue–Dedicated Funds for grants to fund infrastructure improvements in military communities.
- Funding includes an increase of \$159.2 million in Federal Funds primarily related to an increase in the federal allocation of Crime Victims Assistance grants.

- Funding includes a decrease of \$65.7 million in General Revenue Funds and General Revenue–Dedicated Funds across multiple strategies due to the agency’s identified reductions.
- Funding includes \$43.0 million in estimated unexpended balances remaining at the end of fiscal year 2017 in the Texas Enterprise Fund for incentive grants. The funding reflects a decrease of \$65.0 million from the 2016–17 biennium level, in the General Revenue–Dedicated account.
- Funding for Film and Music Marketing includes \$10.0 million in General Revenue Funds and reflects a reduction of \$22.0 million in General Revenue Funds, which were previously available under certain determinations by the Comptroller of Public Accounts.

# DEPARTMENT OF INFORMATION RESOURCES

**FIGURE 1**  
**DEPARTMENT OF INFORMATION RESOURCES, BY METHOD OF FINANCE**

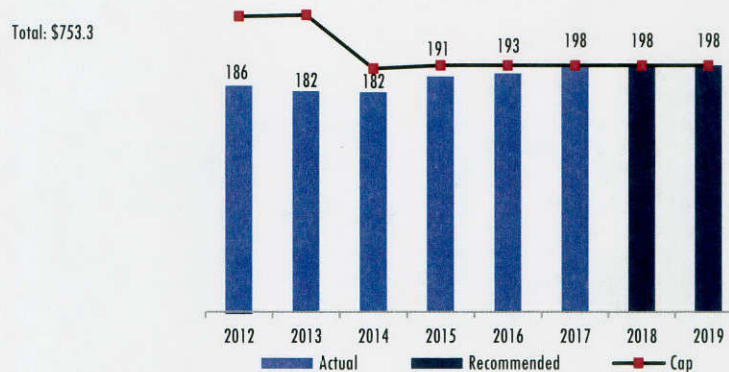
(IN MILLIONS)

| METHOD OF FINANCE                    | ESTIMATED/BUDGETED<br>2016–17 | RECOMMENDED<br>2018–19 | BIENNIAL<br>CHANGE | PERCENTAGE<br>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                  |
| Other Funds                          | \$670.4                       | \$753.3                | \$82.8             | 12.4%                |
| <b>Total, All Methods of Finance</b> | <b>\$670.4</b>                | <b>\$753.3</b>         | <b>\$82.8</b>      | <b>12.4%</b>         |

ALL FUNDS, 2018–19 BIENNIUM (IN MILLIONS)



FULL-TIME-EQUIVALENT POSITIONS



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

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

Funding for the Department of Information Resources totals \$753.3 million in All Funds (Interagency Contracts and Appropriated Receipts) for the 2018–19 biennium, an increase of \$82.8 million. The increase is primarily due to an estimated increase in consumption of telecommunications and data center services by customer agencies and local entities and a new method of finance for implementation of the Texas.gov state electronic internet portal.

## HIGHLIGHTS

- Funding levels include \$650.3 million for payments to service providers of telecommunications and data center services for cost of services for which the agency directly bills customers. This amount reflects an increase of \$45.8 million from 2016–17 funding levels for the following services:
  - Capitol Complex Telephone System: Funding provides \$6.7 million which reflects an increase of \$0.8 million due to transition to a voice over internet protocol (VoIP) platform and maintenance of the existing phone system as agencies transition to VoIP.
  - Texas Agency Network: Funding provides \$162.9 million which reflects an increase of \$16.3 million related to an estimated increased in consumption of data and voice services.
  - Data Center Services: Funding provides \$480.7 million which reflects an increase of \$28.8 million based on anticipated increased usage of data center services by customer agencies. Costs generally reflect amounts to maintain current service levels and projects initiated during the 2016–17 biennium.



- Funding reflects an estimated \$34.6 million in estimated payments to one or more vendors for operation of the Texas.gov state internet portal. The amounts remitted to the vendor currently operating Texas.gov, National Information Consortium (NICUSA), are not reflected in the 2016–17 General Appropriations Act (GAA) or in prior GAAs. Funding includes these payments beginning in fiscal year 2019 to coincide with implementation of the portal under a new contract with one or more service providers.



# ARTICLE II – HEALTH AND HUMAN SERVICES

**FIGURE 1**  
**ARTICLE II – HEALTH AND HUMAN SERVICES, BY METHOD OF FINANCE**

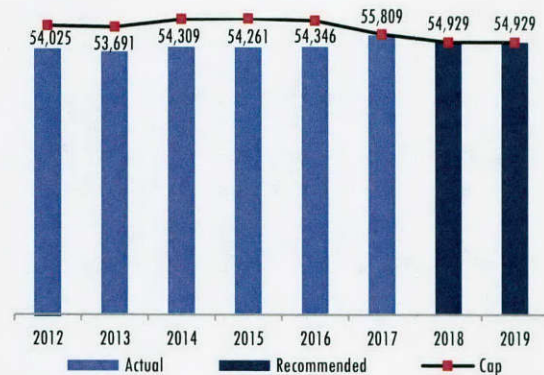
(IN MILLIONS)

| METHOD OF FINANCE                    | ESTIMATED/BUDGETED<br>2016–17 | RECOMMENDED<br>2018–19 | BIENNIAL<br>CHANGE | PERCENTAGE<br>CHANGE |
|--------------------------------------|-------------------------------|------------------------|--------------------|----------------------|
| General Revenue Funds                | \$35,621.7                    | \$34,628.6             | \$1,006.9          | 3.0%                 |
| General Revenue–Dedicated Funds      | \$1,172.4                     | \$1,041.8              | (\$130.5)          | (11.1%)              |
| Federal Funds                        | \$45,618.1                    | \$45,477.1             | (\$141.0)          | (0.3%)               |
| Other Funds                          | \$700.2                       | \$701.2                | \$1.0              | 0.1%                 |
| <b>Total, All Methods of Finance</b> | <b>\$81,112.4</b>             | <b>\$81,848.7</b>      | <b>\$736.4</b>     | <b>0.9%</b>          |

ALL FUNDS, 2013–19 BIENNIUM (IN MILLIONS)



FULL-TIME-EQUIVALENT POSITIONS



**NOTES:**

- (1) May include anticipated supplemental spending adjustments.
- (2) Excludes Interagency Contracts.
- (3) Biennial change and percentage change are calculated on actual amounts before rounding. Therefore, figure totals may not sum due to rounding.
- (4) Biennial expenditures for 2016–17 at the Department of Aging and Disability Services and the Department of Assistive and Rehabilitative Services are reflected above.

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

## MAJOR FISCAL AND POLICY ISSUES AFFECTING ARTICLE II

All Funds for Health and Human Services total \$81.8 billion, an increase of \$736.4 million from the 2016–17 biennium. General Revenue Funds and General Revenue–Dedicated Funds total \$35,670.5 million, an increase of \$876.3 million from the 2016–17 biennium.

Pursuant to Senate Bill 200, Eighty-fourth Legislature, 2015, several client services programs were consolidated into the Health and Human Services Commission (HHSC). Certain client services, regulatory services, long-term-care services, and facilities and institutions were transferred to HHSC from the Department of Aging and Disability Services (DADS) and the Department of Assistive and Rehabilitative Services (DARS), and DADS and DARS were abolished. Behavioral health services, mental health facilities, and other programs were transferred to HHSC from the Department of State Health Services (DSHS), which retains a public health focus. Child care regulatory services were transferred from the Department of Family and Protective Services (DFPS) to HHSC, and home visiting services were transferred from HHSC to DFPS. The 2016–17 biennial expenditures for DADS and DARS are included above in the \$81.1 billion All Funds total.

Appropriations for Health and Human Services encompass many different programs, but the biennial funding increase above is driven primarily by projected caseload growth and maintaining fiscal year 2017 average costs or rates for entitlement programs,

such as Medicaid, CHIP, and foster care and related programs. This increase is offset by decreases primarily related to Medicaid contracts and administration, funding for refugee services, and programs transferred from the Department of Assistive and Rehabilitation Services to the Texas Workforce Commission in fiscal year 2017.

## HIGHLIGHTS

- Funding for Medicaid client services at HHSC for the 2018–19 biennium includes \$60.7 billion in All Funds (\$25.1 billion in General Revenue Funds and General Revenue–Dedicated Funds), reflecting an increase of \$1.8 billion in All Funds (\$725.5 million in General Revenue Funds and General Revenue–Dedicated Funds) from 2016–17 spending levels. Senate Bill 200, Eighty-fourth Legislature, 2015, consolidated Medicaid long-term-care services previously provided by the Department of Aging and Disability Services into HHSC. Increased funding for Medicaid client services supports caseload growth and maintains fiscal year 2017 average costs for most services, including maintaining rate increases to support attendant wage increases; increased payments to trauma facilities, safety-net hospitals, and rural hospitals; and rate increases for the Home and Community-based Services (HCS) waiver and intermediate care facilities for individuals with intellectual disabilities (ICFs/IID). Net more favorable Federal Medical Assistance Percentages result in a higher proportion of the program being funded with Federal Funds. Full funding for anticipated increases in cost due to medical inflation, higher utilization, or increased acuity is not included.
- The 2016–17 amounts for Medicaid assume supplemental funding to complete fiscal year 2017 expenditures.
- Funding for the Children’s Health Insurance Program (CHIP) client services for the 2018–19 biennium includes \$2.0 billion in All Funds (\$149.4 million in General Revenue Funds), reflecting an increase of \$156.3 million in All Funds and a decrease of \$9.0 million in General Revenue Funds from 2016–17 spending levels. All Funds growth is related to projected caseload growth, and the maintenance of fiscal year 2017 premiums. Net more favorable Enhanced Federal Medical Assistance Percentages and a reduction in the Health Insurance Providers Fee offset increases in caseload and cost at the General Revenue Funds level. The Medicare Access and CHIP Reauthorization Act of 2015 (MACRA) extends federal funding for CHIP through federal fiscal year 2017, with those funds likely to be exhausted during state fiscal year 2018. Recommendations assume new federal funding to continue the program throughout the 2018-19 biennium. Full funding for anticipated increases in cost due to medical inflation, higher utilization, or increased acuity is not included.
- Funding for Medicaid and CHIP contracts and administration totals \$1.3 billion in All Funds (\$389.6 million in General Revenue Funds) for the 2018–19 biennium, reflecting a decrease of \$392.3 million in All Funds (\$43.1 million in General Revenue Funds) from 2016–17 spending levels related to a reduction in the Texas Medicaid Electronic Health Records Incentive Program, reduced FTE levels to align with reported filled positions and removal of persistently vacant positions, and is partially offset by increased enrollment broker contract costs in CHIP.
- Funding includes \$1.4 billion in All Funds, including \$659.2 million in General Revenue Funds, for foster care, adoption subsidies, the permanency care assistance program, and the relative caregiver programs at the Department of Family and Protective Services (DFPS). This includes an increase of \$47.2 million in All Funds (\$25.8 million General Revenue Funds) from 2016–17 spending levels primarily to support projected caseload growth in these entitlement programs.
- Funding includes \$292.8 million in All Funds and 828.8 full-time-equivalent (FTE) positions in Child Protective Services (CPS) at DFPS in order to maintain the resources provided in fiscal year 2017 to address critical needs in the CPS program and improve agency performance related to the average caseload per CPS caseworker and CPS caseworker retention and to ensure the safety of the children.
- Funding for non-Medicaid/CHIP behavioral health services at the three health and human services agencies totals \$2.8 billion in All Funds, including \$2.1 billion in General Revenue Funds and General Revenue–Dedicated Funds, which includes funding for community mental health services; mental health services for veterans; inpatient mental health services at state-owned and community hospitals; and substance abuse prevention, intervention, and treatment services.

- Funding for non-Medicaid behavioral health includes \$158.3 million in General Revenue Funds to address the current and projected waitlists for community mental health services for adults and children and to provide contingent funding for legislation to be introduced by the House Select Committee on Mental Health.
- Estimated Medicaid expenditures for behavioral health services (when including projected cost growth that is not funded), total \$3.6 billion in All Funds for the 2018–19 biennium, and estimated CHIP expenditures (when including projected cost growth that is not funded) total \$47.2 million in All Funds. Please note that this overlaps with the Medicaid and CHIP funding information (which excludes cost growth) in the first three bullets above.
- Funding for EMS and Trauma Care Systems at the Department of State Health Services is \$246.0 million in General Revenue Funds and General Revenue–Dedicated Funds for the 2018–19 biennium, which is a decrease of \$106.5 million from the 2016–17 biennium, primarily due to a one-time appropriation of \$106.0 million in balances from General Revenue–Dedicated Account No. 5111, Trauma Facility and EMS, by the Eighty-fourth Legislature, 2015, which was transferred to HHSC for Medicaid hospital add-on payments. These funds were replaced with \$105.8 million in General Revenue Funds at HHSC to continue hospital add-on payments in the 2018–19 biennium.
- No funding is included for the Refugee Assistance programs in Article II due to Texas’ withdrawal from the federal Refugee Assistance Program, resulting in a \$150.9 million decrease in Federal Funds from the 2016–17 spending levels.

**Figure 2** shows the All Funds appropriation for each agency in Article II, and **Figure 3** shows the General Revenue Funds appropriation for each agency. On the subsequent pages in this chapter are more specific details about funding levels for some of the agencies in Article II.

**FIGURE 2**  
**ARTICLE II – HEALTH AND HUMAN SERVICES, ALL FUNDS**

(IN MILLIONS)

| FUNCTION                                     | ESTIMATED/BUDGETED<br>2016–17 | RECOMMENDED<br>2018–19 | BIENNIAL<br>CHANGE | PERCENTAGE<br>CHANGE |
|--|-------------------------------|------------------------|--------------------|----------------------|
| Department of Family and Protective Services | \$3,703.9                     | \$3,799.6              | \$95.7             | 2.6%                 |
| Department of State Health Services          | \$5,617.4                     | \$1,510.8              | (\$4,106.6)        | (73.1%)              |
| Health and Human Services Commission         | \$70,949.5                    | \$74,966.4             | \$4,016.9          | 5.7%                 |
| Article II, Special Provisions               | \$0.0                         | \$0.0                  | \$0.0              | N/A                  |
| Subtotal, Health and Human Services          | \$80,270.8                    | \$80,276.8             | \$6.1              | 0.0%                 |
| Employee Benefits and Debt Service           | \$2,098.8                     | \$2,326.3              | \$227.5            | 10.8%                |
| Less Interagency Contracts                   | \$1,257.2                     | \$754.4                | (\$502.8)          | (40.0%)              |
| <b>Total, All Functions</b>                  | <b>\$81,112.4</b>             | <b>\$81,848.7</b>      | <b>\$736.4</b>     | <b>0.9%</b>          |

NOTES:

- (1) May include anticipated supplemental spending adjustments.
- (2) Excludes Interagency Contracts.
- (3) 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**  
**ARTICLE II – HEALTH AND HUMAN SERVICES, GENERAL REVENUE FUNDS**

(IN MILLIONS)

| <b>FUNCTION</b>                              | <b>ESTIMATED/BUDGETED<br/>2016–17</b> | <b>RECOMMENDED<br/>2018–19</b> | <b>BIENNIAL<br/>CHANGE</b> | <b>PERCENTAGE<br/>CHANGE</b> |
|--|---------------------------------------|--------------------------------|----------------------------|------------------------------|
| Department of Family and Protective Services | \$1,975.4                             | \$2,173.4                      | \$198.0                    | 10.0%                        |
| Department of State Health Services          | \$1,987.2                             | \$452.2                        | (\$1,535.0)                | (77.2%)                      |
| Health and Human Services Commission         | \$28,208.5                            | \$30,317.3                     | \$2,108.8                  | 7.5%                         |
| Article II, Special Provisions               | \$0.0                                 | \$0.0                          | \$0.0                      | N/A                          |
| Subtotal, Health and Human Services          | \$32,171.1                            | \$32,942.9                     | \$771.8                    | 2.4%                         |
| Employee Benefits and Debt Service           | \$1,450.7                             | \$1,685.7                      | \$235.1                    | 16.2%                        |
| <b>Total, All Functions</b>                  | <b>\$33,621.7</b>                     | <b>\$34,628.6</b>              | <b>\$1,006.9</b>           | <b>3.0%</b>                  |

## NOTES:

- (1) May include anticipated supplemental spending adjustments.  
(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.

# DEPARTMENT OF FAMILY AND PROTECTIVE SERVICES

**FIGURE 1**  
**DEPARTMENT OF FAMILY AND PROTECTIVE SERVICES, BY METHOD OF FINANCE**

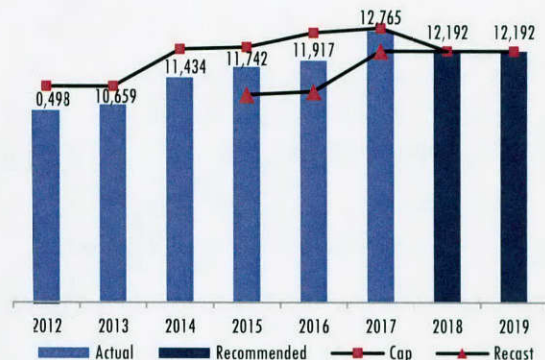
(IN MILLIONS)

| METHOD OF FINANCE                    | ESTIMATED/BUDGETED<br>2016–17 | RECOMMENDED<br>2018–19 | BIENNIAL<br>CHANGE | PERCENTAGE<br>CHANGE |
|--------------------------------------|-------------------------------|------------------------|--------------------|----------------------|
| General Revenue Funds                | \$1,975.4                     | \$2,173.4              | \$198.0            | 10.0%                |
| General Revenue–Dedicated Funds      | \$11.4                        | \$11.4                 | \$0.0              | 0.0%                 |
| Federal Funds                        | \$1,693.1                     | \$1,599.3              | (\$98.8)           | (5.8%)               |
| Other Funds                          | \$19.0                        | \$15.5                 | (\$3.5)            | (18.5%)              |
| <b>Total, All Methods of Finance</b> | <b>\$3,703.9</b>              | <b>\$3,799.6</b>       | <b>\$95.7</b>      | <b>2.6%</b>          |

ALL FUNDS, 2018–19 BIENNium (IN MILLIONS)



FULL-TIME-EQUIVALENT POSITIONS



**NOTES:**

- (1) The Recast FTEs shown above for fiscal years 2015 to 2017 reflect FTEs transferred pursuant to Senate Bill 200, Eighty-fourth Legislature, 2015, at the Department of Family and Protective Services, although the FTEs may not have transferred until fiscal year 2017 or fiscal year 2018.
- (2) May include anticipated supplemental spending adjustments.
- (3) Biennial change and percentage change are calculated on actual amounts before rounding. Therefore, figure totals may not sum due to rounding.

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

Funding for the Department of Family and Protective Services (DFPS) for the 2018–19 biennium totals \$3.8 billion in All Funds, including \$2.2 billion in General Revenue Funds and \$11.4 million in General Revenue–Dedicated Funds. This represents a \$198.0 million or 10.0 percent increase in General Revenue Funds and a \$95.7 million, or 2.6 percent increase in All Funds. DFPS is under Strategic Fiscal Review.

**HIGHLIGHTS**

- Funding for programs remaining at DFPS in 2018–19 reflect an increase of \$214.5 million in All Funds and \$258.5 million in General Revenue Funds. This represents a 6.0 percent increase in All Funds and 13.5 percent increase in General Revenue over the 2016–17 base. Highlights of funding for programs remaining at DFPS include:
  - The following is included for Child Protective Services (CPS) direct delivery in order to improve agency performance related to the average caseload per CPS caseworker and CPS caseworker retention and to ensure the safety of the children:
    - \* \$113.2 million in All Funds in fiscal year 2017 to provide 828.8 full-time-equivalent (FTE) positions and employee salary increases in order to address CPS critical needs;

- \$292.8 million in All Funds in 2018–19 to provide 828.8 FTEs and employee salary increases in order to maintain the CPS critical needs funding; and
- \$39.0 million in All Funds in 2018–19 to fully fund FTE positions that were vacant in the 2016–17 biennium.
- Funding includes a total of \$1.4 billion in All Funds and \$659.2 million in General Revenue Funds for DFPS entitlement programs. Funding includes a \$47.2 million increase in All Funds from 2016–17 spending levels, including:
  - \$3.1 million decrease in Foster Care Payments based on LBB projections that maintain total caseloads at the fiscal year 2016 level and rate at the fiscal year 2017 level, but reflect a shift in the caseload mix to lower cost settings (after accounting for an increase in child-specific contracts);
  - \$49.8 million increase in Adoption Subsidies and Permanency Care Assistance (PCA) Payments based on LBB projections for caseload growth even after accounting for discontinuation of new PCA agreements in 2018–19 as required by statute; and
  - \$0.5 million increase in the Relative Caregiver Program based on LBB projections for caseload growth.
- Funding includes \$108.5 million in General Revenue Funds and \$139.3 million in All Funds for Texas Workforce Commission (TWC) contracted day care services. Funding includes an \$11.6 million increase in All Funds from the 2016–17 base related to LBB projections for caseload and cost growth.
- Funding includes a reduction of \$12.4 million in All Funds and 1.0 FTE to reflect the anticipated loss of the federal Refugee and Entrant Assistance Grant in fiscal year 2018.
- Funding includes a reduction of \$4.8 million in All Funds for one-time capital projects.
- Funding totals \$118.8 million in All Funds, \$60.5 million in General Revenue Funds, and 571.5 FTEs, for the programs transferring to HHSC in fiscal year 2018 pursuant to Senate Bill 200, Eighty-fourth Legislature, 2015. Transferred programs include:
  - Adult Protective Services (APS) Facility Investigations; and
  - Child Care Licensing.



# DEPARTMENT OF STATE HEALTH SERVICES

**FIGURE 1**  
**DEPARTMENT OF STATE HEALTH SERVICES, BY METHOD OF FINANCE**

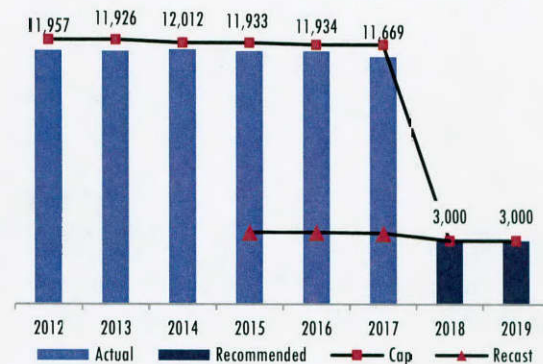
(IN MILLIONS)

| METHOD OF FINANCE                    | ESTIMATED/BUDGETED<br>2016–17 | RECOMMENDED<br>2018–19 | BIENNIAL<br>CHANGE | PERCENTAGE<br>CHANGE |
|--------------------------------------|-------------------------------|------------------------|--------------------|----------------------|
| General Revenue Funds                | \$1,987.2                     | \$452.2                | (\$1,535.0)        | (77.2%)              |
| General Revenue–Dedicated Funds      | \$875.5                       | \$318.6                | (\$556.9)          | (63.6%)              |
| Federal Funds                        | \$2,163.2                     | \$529.3                | (\$1,633.9)        | (75.5%)              |
| Other Funds                          | \$591.4                       | \$210.6                | (\$380.8)          | (64.4%)              |
| <b>Total, All Methods of Finance</b> | <b>\$5,617.4</b>              | <b>\$1,510.8</b>       | <b>(\$4,106.6)</b> | <b>(73.1%)</b>       |

ALL FUNDS, 2018–19 BIENNIUM (IN MILLIONS)



FULL-TIME-EQUIVALENT POSITIONS



**NOTES:**

- (1) Biennial change and percentage change are calculated on actual amounts before rounding. Therefore, figure totals may not sum due to rounding.
- (2) The Recast FTEs shown above for fiscal years 2015 to 2017 reflect FTEs transferred pursuant to Senate Bill 200, Eighty-fourth Legislature, 2015, at DSHS, although the FTEs may not have transferred until fiscal year 2017 or fiscal year 2018.

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

Funding for the Department of State Health Services (DSHS) for the 2018–19 biennium totals \$1.5 billion in All Funds, including \$452.2 million in General Revenue Funds and \$318.6 million in General Revenue–Dedicated Funds. This represents a \$1.5 billion, or 77.2 percent, decrease in General Revenue Funds and a \$4.1 billion, or 73.1 percent, decrease in All Funds, primarily related to several programs transferred from DSHS to the Health and Human Services Commission (HHSC) pursuant to Senate Bill 200, Eighty-fourth Legislature, 2015. DSHS is under Strategic Fiscal Review.

**HIGHLIGHTS**

- Funding reflects a decrease of \$1.5 billion in General Revenue Funds, \$450.5 million in General Revenue–Dedicated Funds, and \$3.8 billion in All Funds and 8,956.2 full-time-equivalent (FTE) positions related to programs transferred to HHSC pursuant to Senate Bill 200, Eighty-fourth Legislature, 2015. Transferred programs include:
  - Client Services, including abstinence education, kidney health care, hemophilia and epilepsy services, women’s health programs, mental health and substance abuse services, indigent health care, and the Special Supplemental Nutrition Program for Women, Infants and Children (WIC);
  - Facilities, including mental health state hospitals, the Texas Center for Infectious Disease (TCID) and the Rio Grande State Center Outpatient Clinic;

- Certain regulatory functions, including regulation of health care facilities and some health care professionals; and
- The Texas Civil Commitment Office (TCCO).
- Funding for programs not transferring to HHSC pursuant to Senate Bill 200, Eighty-fourth Legislature, 2015, reflect a decrease of \$76.3 million in General Revenue Funds, \$106.5 million in General Revenue–Dedicated Funds, and \$309.7 million in All Funds and 243.5 FTEs. Highlights of funding changes for programs remaining at DSHS include:
  - Funding for EMS and Trauma Care Systems is \$246.0 million in General Revenue Funds and General Revenue–Dedicated Funds for the 2018–19 biennium, which is a decrease of \$106.5 million from the 2016–17 biennium, primarily due to a one-time appropriation of \$106.0 million by the Eighty-fourth Legislature of General Revenue–Dedicated Trauma Facility and EMS Account No. 5111 which was transferred to the Health and Human Services Commission (HHSC) for Medicaid hospital add-on payments.
  - No funding is included for the Refugee Health Program for the 2018–19 biennium, due to Texas’ withdraw from the federal Refugee Assistance Program, resulting in a \$37.7 million decrease in Federal Funds from the 2016–17 biennium. Federal funds for other programs decreased by \$40.1 million from 2016–17 spending levels.
  - Funding for indirect administration, salaries, wages, and other personnel costs were reduced to align funding with the needs of the agency after consolidation of the HHS agencies. This includes a decrease of \$35.8 million in General Revenue Funds, and \$44.6 million in All Funds.
  - Funding for newborn screenings is directly appropriated to HHSC, resulting in a \$34.1 million decrease in Other Funds, Public Health Medicaid Reimbursements at DSHS in the 2018–19 biennium.
  - Funding includes \$0.6 million in General Revenue–Dedicated Accounts Nos. 5044 (Permanent Fund for Health and Tobacco Education and Enforcement), 5045 (Permanent Fund for Children and Public Health), and 5046 (Permanent Fund for Emergency Medical Services and Trauma Care), for public health preparedness, tobacco prevention and EMS and trauma care systems. This is a decrease of \$10.9 million from the 2016–17 biennium due to decreased interest earnings related to spending down of the corpus of the accounts for bond debt service related to the Cancer Prevention and Research Institute of Texas (CPRIT). This decrease is partially offset by an increase of \$5.5 million in General Revenue Funds in certain programs impacted by declining interest earnings.
  - Funding for several programs such as Infectious Disease and Chronic Disease Prevention, and Laboratory Services, were reduced by \$17.1 million in General Revenue Funds, and \$17.9 million in All Funds. Immunization services are maintained at 2016–17 levels.
  - Funding for several one-time capital budget items is not included, resulting in a decrease of \$8.4 million in General Revenue, and \$8.8 million in All Funds.

# HEALTH AND HUMAN SERVICES COMMISSION

**FIGURE 1**  
**HEALTH AND HUMAN SERVICES COMMISSION, BY METHOD OF FINANCE**

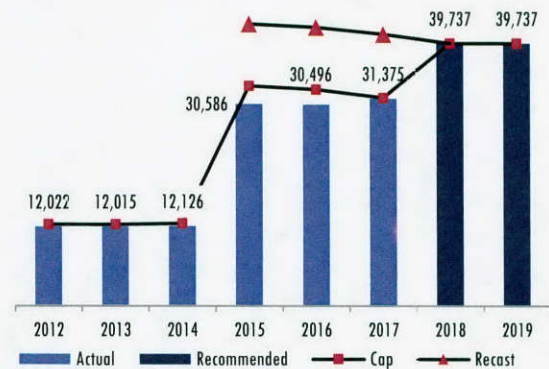
(IN MILLIONS)

| METHOD OF FINANCE                    | ESTIMATED/BUDGETED<br>2016–17 | RECOMMENDED<br>2018–19 | BIENNIAL<br>CHANGE | PERCENTAGE<br>CHANGE |
|--------------------------------------|-------------------------------|------------------------|--------------------|----------------------|
| General Revenue Funds                | \$28,208.5                    | \$30,317.3             | \$2,108.8          | 7.5%                 |
| General Revenue–Dedicated Funds      | \$256.0                       | \$697.1                | \$441.0            | 172.3%               |
| Federal Funds                        | \$41,140.4                    | \$42,724.4             | \$1,584.0          | 3.9%                 |
| Other Funds                          | \$1,344.5                     | \$1,227.6              | (\$116.9)          | (8.7%)               |
| <b>Total, All Methods of Finance</b> | <b>\$70,949.5</b>             | <b>\$74,966.4</b>      | <b>\$4,016.9</b>   | <b>5.7%</b>          |

ALL FUNDS, 2018–19 BIENNIUM (IN MILLIONS)



FULL-TIME-EQUIVALENT POSITIONS



**NOTES:**

- (1) May include anticipated supplemental spending adjustments.
- (2) Biennial change and percentage change are calculated on actual amounts before rounding. Therefore, figure totals may not sum due to rounding.
- (3) The FTE actual amounts for fiscal years 2015 to 2017 include amounts from the former Department of Aging and Disability Services (Fiscal year 2015 cap of 17,558.5 FTEs; Fiscal year 2016 cap of 16,888.3 FTEs; Fiscal year 2017 cap of 16,845.8 FTEs).
- (4) The FTE actual amounts for fiscal years 2015–17 include amounts from the former Department of Assistive and Rehabilitative Services (Fiscal year 2015 cap of 3,209.5 FTEs; Fiscal year 2016 cap of 3,030.3 FTEs; Fiscal year 2017 cap of 1,811.4 FTEs).
- (5) The Recast FTEs shown above for fiscal years 2015 to 2017 reflect FTEs transferred pursuant to Senate Bill 200, Eighty-fourth Legislature, 2015, at the Health and Human Services Commission, although the FTEs may not have transferred until fiscal year 2017 or fiscal year 2018.
- (6) Biennial expenditures for 2016–17 at the Department of Aging and Disability Services and the Department of Assistive and Rehabilitative Services are reflected above.

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

Funding for the Health and Human Services Commission (HHSC) for the 2018–19 biennium totals \$75.0 billion in All Funds, which reflects an increase of \$4.0 billion in All Funds from the 2016–17 biennium. General Revenue Funds total \$30.3 billion, an increase of \$2.1 billion from the 2016–17 biennium. The increase in funding is primarily related to the Medicaid program and programs transferring from the Department of Family and Protective Services (DFPS) and the Department of State Health Services (DSHS) to HHSC per Senate Bill 200, Eighty-fourth Legislature, 2015. Programs transferring from DFPS and DSHS represent a \$3.8 billion increase in All Funds (\$2.0 billion in General Revenue Funds and General Revenue–Dedicated Funds).

The highlights below compare 2018–19 biennial funding to 2016–17 biennial spending levels and include all program expenditures in 2016–17, although the program may not have transferred to HHSC until fiscal year 2017 or fiscal year 2018. The 2016–17 biennial expenditures for the Department of Aging and Disability Services and the Department of Assistive and Rehabilitative Services are included above in the \$71.0 billion All Funds total.

**HIGHLIGHTS**

- Funding for Medicaid client services at HHSC for the 2018–19 biennium includes \$60.7 billion in All Funds (\$25.1 billion in General Revenue Funds and General Revenue–Dedicated Funds), reflecting an increase of \$1.8 billion in All Funds (\$725.5 million in General Revenue Funds and General Revenue–Dedicated Funds) from 2016–17 spending levels. Senate Bill 200, Eighty-fourth Legislature, 2015, consolidated Medicaid long-term-care services previously provided by the Department of Aging and Disability Services into HHSC. The net increase for Medicaid is primarily related to projected caseload growth and maintaining fiscal year 2017 average cost for most services. Net more favorable Federal Medical Assistance Percentages (FMAP) result in a lower proportion of the program being funded with General Revenue Funds. Cost growth for most Medicaid services in the 2018–19 biennium is not included.
- Funding for the Children’s Health Insurance Program (CHIP) client services for the 2018–19 biennium includes \$2.0 billion in All Funds (\$149.4 million in General Revenue Funds), reflecting an increase of \$156.3 million in All Funds and a decrease of \$9.0 million in General Revenue Funds from 2016–17 spending levels. All Funds growth is related to projected caseload growth and the maintenance of fiscal year 2017 premiums. Net more favorable Enhanced Federal Medical Assistance Percentages and a reduction in the Health Insurance Providers Fee offset increases in caseload and cost at the General Revenue level. The Medicare Access and CHIP Reauthorization Act of 2015 (MACRA) extends federal funding for CHIP through federal fiscal year 2017, with those funds likely to be exhausted during state fiscal year 2018. Recommendations assume new federal funding to continue the program throughout the 2018–19 biennium. Cost growth for CHIP in the 2018–19 biennium is not included.
- Funding for non-Medicaid/CHIP behavioral health totals \$2.8 billion in All Funds (\$2.1 billion in General Revenue Funds and General Revenue–Dedicated Funds) and includes funding for inpatient client services at the state hospitals and community hospitals, outpatient services provided through Local Mental Health Authorities, substance abuse prevention, intervention, and treatment services for adults and children, mental health care services for veterans, and a variety of other services. Behavioral health-related expenditures in Medicaid, including services that were previously provided through the NorthSTAR program (discontinued on January 1, 2017), are estimated to be \$3.6 billion in All Funds for the biennium (when including cost growth that is not funded), and behavioral health-related expenditures in the Children’s Health Insurance Program (when including cost growth that is not funded) are estimated to be \$47.2 million in All Funds for the biennium. Total behavioral health-related funding at HHSC including estimated Medicaid and CHIP expenditures is estimated to be \$6.4 billion in All Funds for the biennium.
  - Behavioral health funding includes \$62.6 million for the biennium in General Revenue Funds to eliminate the current and projected waiting lists for community mental health services for adults and children, and \$95.6 million for the biennium in General Revenue Funds contingent on passage of legislation produced by the House Select Committee on Mental Health.
  - Funding for state mental health facilities totals \$834.5 million in All Funds (\$628.6 million in General Revenue Funds), reflecting a decrease of \$44.3 million in All Funds (\$42.1 million in General Revenue Funds), due primarily to the reclassification of oversight and certain administrative expenditures, as well as a reduction of \$18.3 million in General Revenue for a one-time appropriation for capital repairs and renovations to address deferred maintenance needs.
- Funding for Medicaid and CHIP contracts and administration totals \$1.3 billion in All Funds (\$389.6 million in General Revenue Funds) for the 2018–19 biennium, reflecting a decrease of \$392.3 million in All Funds (\$43.1 million in General Revenue Funds) from 2016–17 spending levels related to a reduction in the Texas Medicaid Electronic Health Records Incentive Program, reduced FTE levels to align with reported filled positions and removal of persistently vacant positions, and is partially offset by increased enrollment broker contract costs in CHIP.

- Funding for the Women, Infants, and Children (WIC) program is \$1.6 billion in All Funds (\$449.9 million in General Revenue–Dedicated Funds) for the 2018–19 biennium, reflecting an increase of \$3.3 million in All Funds (\$9.7 million in General Revenue–Dedicated Funds) from 2016–17 spending levels.
- Funding for the State Supported Living Centers (SSLCs) totals \$1.3 billion in All Funds for the 2018–19 biennium (\$558.9 million in General Revenue Funds), reflecting a decrease of \$95.9 million in All Funds (\$39.8 million in General Revenue and General Revenue–Dedicated Funds) from 2016–17 spending levels. Funding reflects the reallocation of \$70.2 million in All Funds from direct services activities to oversight and administration activities. Recommendations also include a decrease of \$5.7 million in All Funds (\$2.5 million in General Revenue Funds) reflecting projected caseload decline.
- Funding for Women’s Health Programs includes \$284.6 million in All Funds (\$260.9 million in General Revenue Funds) for the 2018–19 biennium, reflecting an increase of \$30.9 million in All Funds (\$30.4 million in General Revenue Funds) from 2016–17 spending levels. Fiscal year 2017 spending levels are maintained for each fiscal year of the 2018–19 biennium. Funding also incorporates the transfer of the Breast and Cervical Cancer Program from the Department of State Health Services to HHSC, and the consolidation of the Expanded Primary Health Care Program and the Texas Women’s Health Program into the Healthy Texas Women Program.
- Funding for the Early Childhood Intervention (ECI) Program totals \$282.4 million in All Funds (\$60.7 million in General Revenue Funds) for the 2018–19 biennium, reflecting an increase of \$5.5 million in All Funds (\$5.1 million in General Revenue Funds) from 2016–17 spending levels. The increase is primarily related to projected caseload growth in the ECI program.
- Funding for the Texas Integrated Eligibility Redesign System (TIERS) includes \$392.6 million in All Funds (\$122.4 million in General Revenue Funds), reflecting an increase of \$0.6 million in All Funds and a decrease of \$20.6 million in General Revenue Funds from 2016–17 spending levels. Funding for TIERS supports capital projects and system support staff that maintain and improve the eligibility system utilized by HHSC benefit offices throughout Texas. Total funding for TIERS capital projects includes \$114.4 million in All Funds (\$31.0 million in General Revenue Funds), for the 2018–19 biennium, reflecting a decrease of \$14.0 million in All Funds (\$22.9 million in General Revenue Funds) from 2016–17 spending levels. The overall funding for the TIERS Capital Project in the 2018–19 biennium is maintained at appropriated levels provided by the Eighty-fourth Legislature.
- No funding is included for the Refugee Assistance Program for the 2018–19 biennium, due to Texas’ withdrawal from the federal Refugee Assistance Program, resulting in a \$100.3 million decrease in Federal Funds from the 2018–19 biennium.



# ARTICLE III – EDUCATION

**FIGURE 1**  
**ARTICLE III – EDUCATION, BY METHOD OF FINANCE**

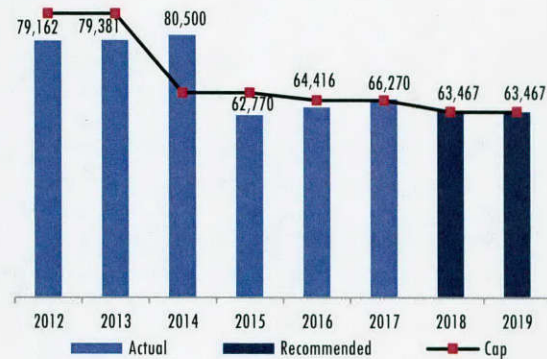
(IN MILLIONS)

| METHOD OF FINANCE                    | ESTIMATED, BUDGETED<br>2016–17 | RECOMMENDED<br>2018–19 | BIENNIAL<br>CHANGE | PERCENTAGE<br>CHANGE |
|--------------------------------------|--------------------------------|------------------------|--------------------|----------------------|
| General Revenue Funds                | \$56,283.7                     | \$56,882.8             | \$599.1            | 1.1%                 |
| General Revenue–Dedicated Funds      | \$2,913.0                      | \$2,955.6              | \$42.5             | 1.5%                 |
| Federal Funds                        | \$10,497.2                     | \$10,766.0             | \$268.8            | 2.6%                 |
| Other Funds                          | \$9,446.7                      | \$10,981.0             | \$1,534.3          | 16.2%                |
| <b>Total, All Methods of Finance</b> | <b>\$79,140.7</b>              | <b>\$81,585.4</b>      | <b>\$2,444.7</b>   | <b>3.1%</b>          |

ALL FUNDS, 2018–19 BIENNIUM (IN MILLIONS)



FULL-TIME-EQUIVALENT POSITIONS



**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.

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

## MAJOR FISCAL AND POLICY ISSUES AFFECTING ARTICLE III

Public Education All Funds appropriations, excluding the Teacher Retirement System and end-of-article benefits, total \$56.6 billion for the 2018–19 biennium, an increase of \$1.8 billion, or 3.3 percent, from the 2016–17 biennium. General Revenue Funds total \$37.7 billion, an increase of \$22.6 million, or 0.1 percent, from the 2016–17 biennium. Other Funds total \$8.4 billion for the 2018–19 biennium, an increase of \$1.5 billion, or 21.5 percent. Federal Funds total \$10.5 billion, a \$271.3 million, or a 2.7 percent increase, primarily attributable to Child Nutrition.

The majority of Public Education funding consists of state aid for school districts and charter schools through the Foundation School Program (FSP) system. FSP funding is driven by statutory formulas, amounts specified in the General Appropriations Act, and projected enrollment and district property value amounts.

- FSP funding for the 2018–19 biennium includes \$35.6 billion in General Revenue Funds and \$43.9 billion in All Funds. This represents level funding in General Revenue Funds, and an All Funds increase of \$1.5 billion, or 3.5 percent, compared to the 2016–17 biennium. The All Funds increase is attributable to projected increases in revenues from the Property Tax Relief Fund and from recapture payments, both of which are classified as Other Funds.
- The General Revenue funding for the FSP represents an increase of \$1.5 billion over what is estimated to be required to fund the current law FSP entitlement, contingent on enactment of legislation to reform the school finance system in a manner that improves equity, reduces recapture, and increases the state share of the FSP.

- Non-FSP program and administration funding for the 2018–19 biennium includes \$2,118.0 million in General Revenue Funds appropriations, a \$23.6 million increase compared to the 2016–17 biennium. The increase is due primarily to a \$64.6 million increase in funding for instructional materials and technology, offset by \$41.4 million in decreases to numerous programs.

Funding for Higher Education totals \$19.1 billion in All Funds for the 2018–19 biennium, an increase of \$213.0 million, or 1.1 percent from the 2016–17 biennium. General Revenue Funds and General Revenue–Dedicated Funds total \$16.4 billion, an increase of \$169.1 million, or 1.0 percent, from the 2016–17 biennium. The majority of Higher Education funding consists of formula funding into the General Academic Institutions, Lamar State Colleges, Texas State Technical Colleges, Health Related Institutions, and the Public Community and Junior Colleges.

- Higher Education formulas are supported by \$7.2 billion in General Revenue Funds and \$1.5 billion in statutory tuition in General Revenue–Dedicated Funds. Included in this amount are decreases of \$33.5 million in General Revenue Funds and an increase of \$145.7 million in General Revenue–Dedicated Funds, which is primarily statutory tuition. For each of the higher education formulas, either the 2016–17 General Revenue funding level or the 2016–17 rate is maintained. Formula appropriations in 2018–19 include the addition of two new medical schools into the Health Related Institution formulas for The University of Texas at Austin and The University of Texas Rio Grande Valley. Additionally, formula appropriations include Infrastructure Support for two new Texas State Technical Colleges created by the Eighty-fourth Legislature, Texas State Technical College North Texas and Texas State Technical College Fort Bend County.
- Funding for special items at all institutions in the 2018–19 biennium totals \$1.0 billion in General Revenue Funds, which reflects a decrease of \$99.7 million from the 2016–17 biennium.
- Funding in the 2018–19 biennium for tuition revenue bond debt service totals \$1.0 billion in General Revenue Funds, which is an increase of \$203.6 million from the 2016–17 biennium.
- Funding for Graduate Medical Education (GME) Expansion at the Texas Higher Education Coordinating Board provides a total of \$82.8 million in All Funds. This includes \$61.0 million in General Revenue Funds, an increase of \$8.0 million from 2016–17, and \$21.8 million in distributions from the Permanent Fund Supporting Graduate Medical Education for GME Expansion.
- Funding for the B-on-Time Program-Public includes \$18.2 million in General Revenue–Dedicated B-On-Time Account 5103 to support renewal awards for students attending public institutions of higher education, a decrease of \$43.5 million from 2016–17 levels. In addition, appropriations to the program include \$65.3 million in unexpended balances that will be distributed by the Texas Higher Education Coordinating Board to institutions to help defray the cost of tuition and fees or for student success initiatives for current students.
- Funding for the Texas Research Incentive Program provides \$64.5 million in General Revenue Funds, a decrease of \$64.6 million in General Revenue Funds and a decrease of \$9.0 million in one-time revenue in General Revenue–Dedicated Funds. The 2016–17 appropriations included \$9.0 million in one-time revenue from the General Revenue–Dedicated Emerging Technology Fund.
- Funding for the Higher Education Fund for the 2018–19 biennium totals \$787.5 million in General Revenue Funds, which represents an increase of \$131.3 million from the 2016–17 biennium. This increase is due to biennializing fiscal year 2017 appropriations for fiscal years 2018–19.

**Figure 2** shows the All Funds appropriation for each agency in Article III, and **Figure 3** shows the General Revenue Funds appropriation for each agency. On the subsequent pages in this chapter are more specific details about funding levels for some of the agencies in Article III.



**FIGURE 2**  
**ARTICLE III – EDUCATION BY AGENCY OR GROUP, ALL FUNDS**

(IN MILLIONS)

| FUNCTION   | ESTIMATED/BUDGETED<br>2016–17 | RECOMMENDED<br>2018–19 | BIENNIAL<br>CHANGE | PERCENTAGE<br>CHANGE |
|--|-------------------------------|------------------------|--------------------|----------------------|
| <b>Public Education</b>                                  |                               |                        |                    |                      |
| Texas Education Agency                                   | \$54,720.8                    | \$56,504.7             | \$1,783.9          | 3.3%                 |
| School for the Blind and Visually Impaired               | \$52.2                        | \$50.3                 | (\$1.9)            | (3.7%)               |
| School for the Deaf                                      | \$59.9                        | \$60.3                 | \$0.5              | 0.8%                 |
| <b>Subtotal, Public Education</b>                        | <b>\$54,832.8</b>             | <b>\$56,615.3</b>      | <b>\$1,782.5</b>   | <b>3.3%</b>          |
| <b>Public Higher Education</b>                           |                               |                        |                    |                      |
| General Academic Institutions                            | \$7,164.4                     | \$7,221.9              | \$57.5             | 0.8%                 |
| Health Related Institutions                              | \$3,165.5                     | \$3,147.1              | (\$18.4)           | (0.7%)               |
| Texas A&M System Agencies                                | \$1,016.4                     | \$989.4                | (\$27.0)           | (2.7%)               |
| Higher Education Coordinating Board                      | \$1,706.2                     | \$1,629.7              | (\$76.5)           | (4.5%)               |
| Higher Education Fund                                    | \$656.3                       | \$787.5                | \$131.3            | 20.0%                |
| Available University Fund                                | \$1,713.3                     | \$1,800.5              | \$87.2             | 5.1%                 |
| Available National Research University Fund              | \$52.5                        | \$46.3                 | (\$6.2)            | (11.8%)              |
| Support for Military and Veterans Exemptions             | \$20.1                        | \$47.3                 | \$27.2             | 135.7%               |
| Article III, Special Provisions                          | \$0.0                         | \$0.0                  | \$0.0              | N/A                  |
| <b>Two-Year Institutions</b>                             |                               |                        |                    |                      |
| Public Community/Junior Colleges                         | \$1,778.6                     | \$1,765.6              | (\$13.0)           | (0.7%)               |
| Lamar Lower-level Institutions                           | \$69.5                        | \$67.4                 | (\$2.1)            | (3.0%)               |
| Texas State Technical Colleges                           | \$190.4                       | \$196.9                | \$6.5              | 3.4%                 |
| <b>Subtotal, Two-Year Institutions</b>                   | <b>\$2,038.4</b>              | <b>\$2,029.8</b>       | <b>(\$8.6)</b>     | <b>(0.4%)</b>        |
| <b>Subtotal, Public Higher Education</b>                 | <b>\$17,533.1</b>             | <b>\$17,699.6</b>      | <b>\$166.5</b>     | <b>0.9%</b>          |
| Teacher Retirement System                                | \$4,435.2                     | \$4,832.9              | \$397.7            | 9.0%                 |
| Optional Retirement Program                              | \$334.4                       | \$344.6                | \$10.2             | 3.1%                 |
| Higher Education Employees Group Insurance Contributions | \$1,377.9                     | \$1,424.3              | \$46.4             | 3.4%                 |
| Retirement and Group Insurance                           | \$86.0                        | \$96.4                 | \$10.4             | 12.1%                |
| Social Security and Benefit Replacement Pay              | \$621.2                       | \$659.8                | \$38.6             | 6.2%                 |
| <b>Subtotal, Employee Benefits</b>                       | <b>\$6,854.6</b>              | <b>\$7,357.9</b>       | <b>\$503.3</b>     | <b>7.3%</b>          |
| Bond Debt Service Payments                               | \$23.1                        | \$20.8                 | (\$2.3)            | (10.0%)              |
| Lease Payments   | \$4.5                         | \$0.4                  | (\$4.1)            | (91.1%)              |
| <b>Subtotal, Debt Service</b>                            | <b>\$27.6</b>                 | <b>\$21.2</b>          | <b>(\$6.4)</b>     | <b>(23.3%)</b>       |
| Less Interagency Contracts                               | \$107.4                       | \$108.6                | \$1.2              | 1.1%                 |
| <b>Total, All Functions</b>                              | <b>\$79,140.7</b>             | <b>\$81,585.4</b>      | <b>\$2,444.7</b>   | <b>3.1%</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**  
**ARTICLE III – EDUCATION BY AGENCY OR GROUP, GENERAL REVENUE FUNDS**

(IN MILLIONS)

| FUNCTION   | ESTIMATED/BUDGETED<br>2016–17 | RECOMMENDED<br>2018–19 | BIENNIAL<br>CHANGE | PERCENTAGE<br>CHANGE |
|--|-------------------------------|------------------------|--------------------|----------------------|
| <b>Public Education</b>                                  |                               |                        |                    |                      |
| Texas Education Agency                                   | \$37,650.2                    | \$37,673.9             | \$23.6             | 0.1%                 |
| School for the Blind and Visually Impaired               | \$30.4                        | \$30.0                 | (\$0.4)            | (1.4%)               |
| School for the Deaf                                      | \$36.6                        | \$36.1                 | (\$0.6)            | (1.6%)               |
| <b>Subtotal, Public Education</b>                        | <b>\$37,717.3</b>             | <b>\$37,739.9</b>      | <b>\$22.6</b>      | <b>0.1%</b>          |
| <b>Public Higher Education</b>                           |                               |                        |                    |                      |
| General Academic Institutions                            | \$4,965.4                     | \$4,990.1              | \$24.7             | 0.5%                 |
| Health Related Institutions                              | \$2,810.8                     | \$2,839.2              | \$28.4             | 1.0%                 |
| Texas A&M System Agencies                                | \$357.8                       | \$352.5                | (\$5.3)            | (1.5%)               |
| Higher Education Coordinating Board                      | \$1,456.8                     | \$1,377.6              | (\$79.1)           | (5.4%)               |
| Higher Education Fund                                    | \$656.3                       | \$787.5                | \$131.3            | 20.0%                |
| Available University Fund                                | \$0.0                         | \$0.0                  | \$0.0              | N/A                  |
| Available National Research University Fund              | \$0.0                         | \$0.0                  | \$0.0              | N/A                  |
| Support for Military and Veterans Exemptions             | \$0.0                         | \$30.0                 | \$30.0             | N/A                  |
| Article III, Special Provisions                          | \$0.0                         | \$0.0                  | \$0.0              | N/A                  |
| <b>Two-Year Institutions</b>                             |                               |                        |                    |                      |
| Public Community/Junior Colleges                         | \$1,778.6                     | \$1,765.6              | (\$13.0)           | (0.7%)               |
| Lamar Lower-level Institutions                           | \$55.8                        | \$53.9                 | (\$1.9)            | (3.4%)               |
| Texas State Technical Colleges                           | \$141.3                       | \$142.9                | \$1.6              | 1.1%                 |
| <b>Subtotal, Two-Year Institutions</b>                   | <b>\$1,975.7</b>              | <b>\$1,962.5</b>       | <b>(\$13.3)</b>    | <b>(0.7%)</b>        |
| <b>Subtotal, Higher Education</b>                        | <b>\$12,222.7</b>             | <b>\$12,339.4</b>      | <b>\$116.6</b>     | <b>1.0%</b>          |
| Teacher Retirement System                                | \$4,127.4                     | \$4,516.0              | \$388.5            | 9.4%                 |
| Optional Retirement Program                              | \$254.1                       | \$245.8                | (\$8.3)            | (3.3%)               |
| Higher Education Employees Group Insurance Contributions | \$1,377.9                     | \$1,424.3              | \$46.4             | 3.4%                 |
| Retirement and Group Insurance                           | \$70.8                        | \$79.8                 | \$9.0              | 12.7%                |
| Social Security and Benefit Replacement Pay              | \$486.2                       | \$516.8                | \$30.6             | 6.3%                 |
| <b>Subtotal, Employee Benefits</b>                       | <b>\$6,316.4</b>              | <b>\$6,782.7</b>       | <b>\$466.3</b>     | <b>7.4%</b>          |
| Bond Debt Service Payments                               | \$22.8                        | \$20.5                 | (\$2.3)            | (10.1%)              |
| Lease Payments   | \$4.5                         | \$0.4                  | (\$4.1)            | (91.1%)              |
| <b>Subtotal, Debt Service</b>                            | <b>\$27.3</b>                 | <b>\$20.9</b>          | <b>(\$6.4)</b>     | <b>(23.6%)</b>       |
| <b>Total, All Functions</b>                              | <b>\$56,283.7</b>             | <b>\$56,882.8</b>      | <b>\$599.1</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.

# TEXAS EDUCATION AGENCY

**FIGURE 1**  
**TEXAS EDUCATION AGENCY, BY METHOD OF FINANCE**

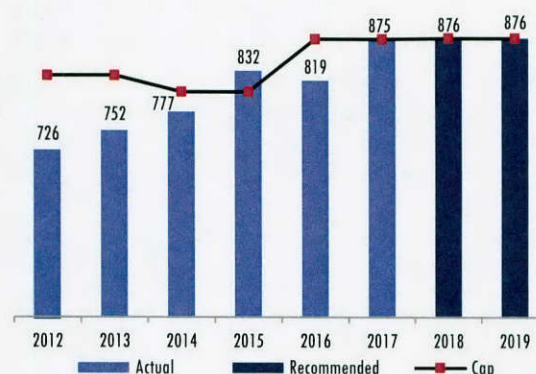
(IN MILLIONS)

| METHOD OF FINANCE                    | ESTIMATED/BUDGETED<br>2016–17 | RECOMMENDED<br>2018–19 | BIENNIAL<br>CHANGE | PERCENTAGE<br>CHANGE |
|--------------------------------------|-------------------------------|------------------------|--------------------|----------------------|
| General Revenue Funds                | \$37,650.2                    | \$37,673.9             | \$23.6             | 0.1%                 |
| General Revenue–Dedicated Funds      | \$0.0                         | \$0.0                  | \$0.0              | N/A                  |
| Federal Funds                        | \$10,187.2                    | \$10,466.2             | \$279.0            | 2.7%                 |
| Other Funds                          | \$6,883.3                     | \$8,364.6              | \$1,481.3          | 21.5%                |
| <b>Total, All Methods of Finance</b> | <b>\$54,720.8</b>             | <b>\$56,504.7</b>      | <b>\$1,783.9</b>   | <b>3.3%</b>          |

ALL FUNDS, 2018–19 BIENNIUM (IN MILLIONS)



FULL-TIME-EQUIVALENT POSITIONS



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

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

Funding for the Texas Education Agency for the 2018–19 biennium totals \$56.5 billion, a \$1.8 billion, or 3.3 percent increase compared to the 2016–17 biennium. The increase is primarily attributable to an Other Funds increase of \$1.5 billion in the Foundation School Program (FSP), a \$279.0 million Federal Funds increase, primarily in Child Nutrition, and a \$23.6 million increase in General Revenue funding for non-FSP programs and administration.

## HIGHLIGHTS

- FSP funding for the 2018–19 biennium includes \$35.6 billion in General Revenue Funds and \$43.9 billion in All Funds. This represents level funding in General Revenue Funds, and an increase of \$1.5 billion, or 3.5 percent, in All Funds compared to the 2016–17 biennium. The All Funds increase is attributable to projected increases in revenues from the Property Tax Relief Fund and from recapture payments, both of which are classified as Other Funds.
- The General Revenue funding for the FSP represents an increase of \$1.5 billion over what is estimated to be required to fund the current law FSP entitlement, contingent on enactment of legislation to reform the school finance system in a manner that improves equity, reduces recapture, and increases the state share of the FSP.
- Major cost drivers include: (1) projected enrollment growth of 82,000 to 83,000 students in average daily attendance annually (1.6 percent) at an estimated biennial cost of \$2.7 billion; (2) approximately \$3.6 billion in reductions to state obligations resulting from projections of continued growth in property values; (3) an estimated \$1.5 billion cost due to an increased Austin ISD yield, settle up costs, and other adjustments; (4) savings due to the expiration of Additional

State Aid for Tax Reduction (Hold Harmless) of an estimated \$600.0 million; and (5) savings resulting from projected increases in recapture payments and revenue from the franchise tax component of the Property Tax Relief Fund.

- Non-FSP program and administration funding for the 2018–19 biennium includes \$2,118.0 million in General Revenue appropriations, a \$23.6 million increase compared to the 2016–17 biennium. The increase is due primarily to a \$64.6 million increase in funding for instructional materials and technology, offset by \$41.4 million in decreases to numerous programs.
- Instructional materials and technology funding is \$1,233.3 million in General Revenue Funds and is based on a distribution rate of 50 percent of the Permanent School Fund (PSF) to the Available School Fund (ASF).
- Funding for Non-FSP programs increase General Revenue Funds by \$1.7 million for juvenile justice programs. Funding for Non-FSP programs and administration decrease General Revenue Funds for the Mathematics Achievement Academies by \$5.3 million; Teach for America by \$5.0 million; State Funds for Assessment by \$4.4 million; Texas Gateway (Project Share) by \$3.6 million; Texas Virtual School Network by \$3.2 million; Literacy Achievement Academies by \$2.7 million; Agency Administration by \$2.0 million, Reading to Learn Academies by \$1.8 million, Reading Excellence Team Pilot by \$1.7 million; Texas Advanced Placement Initiative by \$1.7 million; High Quality Prekindergarten Grant Program by \$1.0 million; and Incentive Aid by \$1.0 million. Funding is not included for Reasoning Mind, a computer-based math instruction program (\$4.0 million), several one-time funding items (\$2.1 million), FitnessGram (\$2.0 million), and Subsidy for Certification Examination (\$1.0 million).

# TEACHER RETIREMENT SYSTEM

**FIGURE 1**  
**TEACHERS RETIREMENT SYSTEM, BY METHOD OF FINANCE**

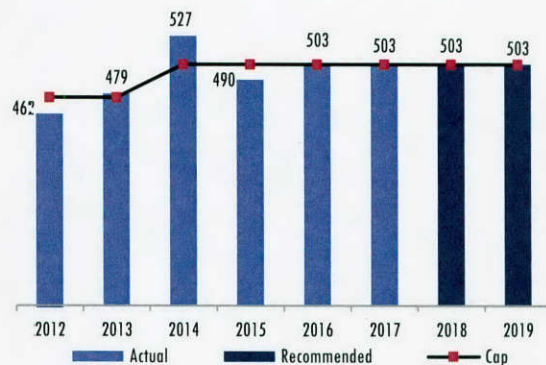
(IN MILLIONS)

| METHOD OF FINANCE                    | ESTIMATED/BUDGETED<br>2016–17 | RECOMMENDED<br>2018–19 | BIENNIAL<br>CHANGE | PERCENTAGE<br>CHANGE |
|--------------------------------------|-------------------------------|------------------------|--------------------|----------------------|
| General Revenue Funds                | \$4,127.4                     | \$4,516.0              | \$388.5            | 9.4%                 |
| General Revenue–Dedicated Funds      | \$83.4                        | \$97.5                 | \$11.1             | 12.8%                |
| Federal Funds                        | \$0.0                         | \$0.0                  | \$0.0              | N/A                  |
| Other Funds                          | \$221.4                       | \$219.4                | (\$1.9)            | (0.9%)               |
| <b>Total, All Methods of Finance</b> | <b>\$4,435.2</b>              | <b>\$4,832.9</b>       | <b>\$397.7</b>     | <b>9.0%</b>          |

ALL FUNDS, 2018–19 BIENNIUM (IN MILLIONS)



FULL-TIME-EQUIVALENT POSITIONS



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

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

Funding for the Teacher Retirement System for the 2018–19 biennium totals \$4.8 billion in All Funds. This represents an increase of \$397.7 million, or 9.0 percent, above the 2016–17 base. Funding consists of state contributions for retirement, and health care benefits for retirees and employees of public schools and institutions of higher education, based on active member payroll amounts. The increase in appropriations is due primarily to the projected growth of payroll in the 2018–19 biennium.

## HIGHLIGHTS

- Funding includes \$4.5 billion in General Revenue Funds and \$97.5 million in General Revenue–Dedicated Funds. Funding reflects a state contribution rate of 6.8 percent of active member payroll for retirement benefits. Funding for public education retirement benefits totals \$3.5 billion in All Funds for the 2018–19 biennium, a 10.5 percent increase above the 2016–17 base. The increase is attributable primarily to payroll growth, projected to be 3.5 percent each year of the 2018–19 biennium. Funding for higher education retirement benefits totals \$421.6 million in All Funds for the 2018–19 biennium, a 0.7 percent decrease from the 2015–17 base due to lower than expected growth of higher education retirement contributions covered by General Revenue Funds.
- Funding for Retiree Health, or TRS-Care, in 2018–19 totals \$647.6 million in General Revenue Funds, an 11.5 percent increase above the 2016–17 base, using the same payroll growth assumption as public education retirement. TRS-Care funding from General Revenue reflects a state contribution rate of 1.0 percent of payroll for the retiree health care program.

- Funding for administrative operations, which are supported by the TRS Pension Trust Fund (Other Funds), totals \$211.4 million, a 1.4 percent decrease from the 2016–17 base. The net decrease for administrative operations is attributable primarily to reduced needs for the final phase of the TRS Enterprise Application Modernization (TEAM) project, which is scheduled for completion in fiscal year 2018. Funding includes amounts sufficient for new capital projects as well as increased administrative needs related to growing membership and the rising costs of investment management.

# SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED

**FIGURE 1**  
**TEXAS SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED, BY METHOD OF FINANCE**

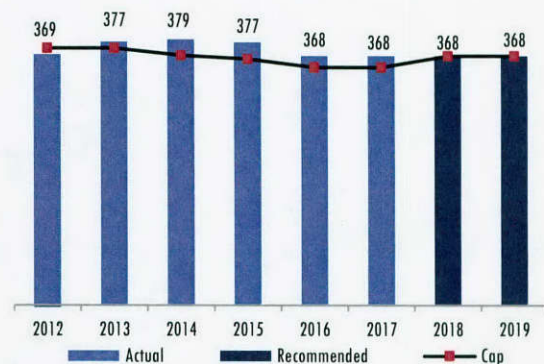
(IN MILLIONS)

| METHOD OF FINANCE                    | ESTIMATED/BUDGETED<br>2016–17 | RECOMMENDED<br>2018–19 | BIENNIAL<br>CHANGE | PERCENTAGE<br>CHANGE |
|--------------------------------------|-------------------------------|------------------------|--------------------|----------------------|
| General Revenue Funds                | \$30.4                        | \$30.0                 | (\$0.4)            | (1.4%)               |
| General Revenue–Dedicated Funds      | \$0.0                         | \$0.0                  | \$0.0              | N/A                  |
| Federal Funds                        | \$10.8                        | \$4.5                  | (\$6.2)            | (57.9%)              |
| Other Funds                          | \$11.0                        | \$15.8                 | \$4.8              | 43.1%                |
| <b>Total, All Methods of Finance</b> | <b>\$52.2</b>                 | <b>\$50.3</b>          | <b>(\$1.9)</b>     | <b>(3.7%)</b>        |

ALL FUNDS, 2018–19 BIENNIUM (IN MILLIONS)



FULL-TIME-EQUIVALENT POSITIONS



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

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

Funding for the Texas School for the Blind and Visually Impaired for the 2018–19 biennium totals \$50.3 million in All Funds. This represents a decrease of \$1.9 million, or 3.7 percent, below the 2016–17 base. The decrease in appropriations is attributable primarily to large unexpended balances of Federal Funds and Other Funds that were received in prior biennia and carried forward and encumbered or expended during the 2016–17 biennium, combined with smaller reductions of General Revenue Funds. These decreases are partially offset by anticipated increases in Other Funds, including Interagency Contracts and local revenue from school districts in 2018–19 (Appropriated Receipts) based on each district's share of costs for students attending TSBVI. Texas School for the Blind and Visually Impaired is under Strategic Fiscal Review.

## HIGHLIGHTS

- Funding includes \$30.0 million in General Revenue Funds, \$4.5 million in Federal Funds, and \$15.8 million in Other Funds (Appropriated Receipts and Interagency Contracts).
- General Revenue funding reflects a decline of \$0.4 million, or 1.4 percent, below the 2016–17 base, due to reduced funding across the strategies of Technical Assistance, Professional Education in Visual Impairment, Central Administration, and Other Support Services, as well as reduced funding for ongoing computer replacement.
- Other Funds include a decrease of \$1.0 million due to unexpended balances of revenue from local school districts (Appropriated Receipts) received in prior biennia and carried forward and encumbered or expended during the 2016–17 biennium, combined with the \$5.7 million adjustment described below.

- Federal Funds include a decrease of \$0.5 million due to unexpended balances of funds received in prior biennia and carried forward and encumbered or expended during the 2016–17 biennium, combined with the \$5.7 million adjustment described below.
- Funding for 2018–19 reflects a \$5.7 million reduction of Federal Funds and a corresponding increase of Other Funds. These funds are received from the federal government by the Health and Human Services Commission and transferred to Texas School for the Blind and Visually Impaired. These funds, formerly appropriated to TSBVI as Federal Funds, are now reflected as Interagency Contracts (Other Funds).



# SCHOOL FOR THE DEAF

**FIGURE 1**  
**TEXAS SCHOOL FOR THE DEAF, BY METHOD OF FINANCE**

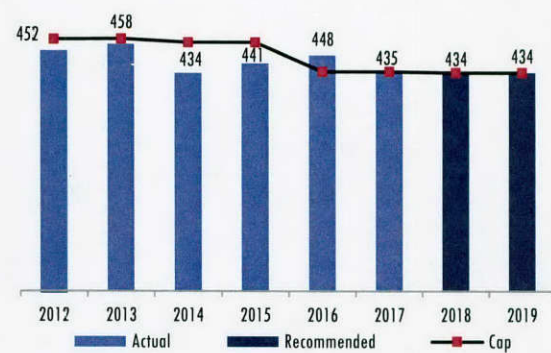
(IN MILLIONS)

| METHOD OF FINANCE                    | ESTIMATED/BUDGETED<br>2016–17 | RECOMMENDED<br>2018–19 | BIENNIAL<br>CHANGE | PERCENTAGE<br>CHANGE |
|--------------------------------------|-------------------------------|------------------------|--------------------|----------------------|
| General Revenue Funds                | \$36.6                        | \$36.1                 | (\$0.6)            | (1.6%)               |
| General Revenue–Dedicated Funds      | \$0.0                         | \$0.0                  | \$0.0              | N/A                  |
| Federal Funds                        | \$4.3                         | \$2.8                  | (\$1.5)            | (35.1%)              |
| Other Funds                          | \$18.9                        | \$21.5                 | \$2.6              | 13.5%                |
| <b>Total, All Methods of Finance</b> | <b>\$59.9</b>                 | <b>\$60.3</b>          | <b>\$0.5</b>       | <b>0.8%</b>          |

ALL FUNDS, 2018–19 BIENNIUM (IN MILLIONS)



FULL-TIME-EQUIVALENT POSITIONS



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

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

Funding for the Texas School for the Deaf (TSD) for the 2018–19 biennium totals \$60.3 million in All Funds. This represents an increase of \$0.5 million, or 0.8 percent, above the 2016–17 base. The increase in appropriations is attributable primarily to increases of Other Funds, including Interagency Contracts and local revenue from school districts (Appropriated Receipts) based on each district's share of costs for students attending the TSD. These increases are partially offset by General Revenue reductions and lower anticipated receipts of Federal Funds. TSD is under Strategic Fiscal Review.

## HIGHLIGHTS

- Funding includes \$36.1 million in General Revenue Funds, \$2.8 million in Federal Funds, and \$21.5 million in Other Funds (Appropriated Receipts and Interagency Contracts).
- General Revenue funding reflects a decline of \$0.6 million, or 1.6 percent, below the 2016–17 base, due to the elimination of funding for one full-time-equivalent position, staff merit and career progression raises, and certain one-time capital expenditures, and reduced funding for ongoing computer replacement.
- Other Funds include an increase of approximately \$1.1 million of Appropriated Receipts for the biennium due to anticipated increases of local revenue from school districts to cover the district's share of the cost for students attending TSD, as well as an increase of \$1.5 million for the adjustment described below.
- Funding for 2018–19 reflects a \$1.5 million reduction of Federal Funds and a corresponding increase of Other Funds. These funds are received from the federal government by the Health and Human Services Commission and transferred to Texas School for the Deaf. These funds, formerly appropriated to TSD as Federal Funds, are now reflected as Interagency Contracts (Other Funds).

# TEXAS HIGHER EDUCATION COORDINATING BOARD

**FIGURE 1**  
**TEXAS HIGHER EDUCATION COORDINATING, BY METHOD OF FINANCE**

(IN MILLIONS)

| METHOD OF FINANCE                    | ESTIMATED/BUDGETED<br>2016–17 | RECOMMENDED<br>2018–19 | BIENNIAL<br>CHANGE | PERCENTAGE<br>CHANGE |
|--------------------------------------|-------------------------------|------------------------|--------------------|----------------------|
| General Revenue Funds                | \$1,456.8                     | \$1,377.6              | (\$79.1)           | (5.4%)               |
| General Revenue–Dedicated Funds      | \$123.5                       | \$119.1                | (\$4.4)            | (3.6%)               |
| Federal Funds                        | \$66.5                        | \$60.8                 | (\$5.7)            | (8.6%)               |
| Other Funds                          | \$59.4                        | \$72.2                 | \$12.8             | 21.6%                |
| <b>Total, All Methods of Finance</b> | <b>\$1,706.2</b>              | <b>\$1,629.7</b>       | <b>(\$76.5)</b>    | <b>(4.5%)</b>        |

ALL FUNDS, 2018–19 BIENNIUM (IN MILLIONS)

FULL-TIME-EQUIVALENT POSITIONS



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

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

Funding for the Texas Higher Education Coordinating Board for the 2018–19 biennium totals \$1.6 billion in All Funds, a \$76.5 million, or 4.5 percent, decrease compared to 2016–17 funding levels. Funding includes \$1.4 billion in General Revenue Funds, a decrease of \$79.1 million, or 5.4 percent, compared to 2016–17 funding levels.

## HIGHLIGHTS

- Funds for the TEXAS Grant Program, \$715.0 million, maintain the General Revenue funding levels from the 2016–17 biennium.
- Funding includes a total of \$82.8 million in All Funds for GME Expansion. This includes \$61.0 million in General Revenue Funds, an increase of \$8.0 million from 2016–17 funding levels, and \$21.8 million in distributions from the Permanent Fund Supporting Graduate Medical Education (Other Funds) for Graduate Medical Education Expansion.
- Funding for the Texas Research Incentive Program totals \$64.5 million in General Revenue Funds, a decrease of \$64.6 million in General Revenue Funds and a decrease of \$9.0 million in General Revenue–Dedicated Funds. The 2016–17 appropriations included \$9.0 million in one-time revenue from the General Revenue–Dedicated Emerging Technology Fund, which was not continued in the 2018–19 biennium.
- Funding provides \$3.2 million in General Revenue Funds for the Top Ten Percent Scholarship Program, a decrease of \$15.0 million in General Revenue Funds. Appropriations support only renewal awards in the program in the 2018–19 biennium.

- Funding provides \$7.2 million in General Revenue Funds for the B-On-Time Program-Private, a decrease of \$11.5 million in General Revenue Funds. Appropriations support only renewal awards in the program at private institutions during the 2018–19 biennium.
- Funding for the B-On-Time Program-Public include \$18.2 million in General Revenue–Dedicated B-On-Time Account 5103, to support renewal awards for students attending public institutions of higher education, a decrease of \$43.5 million from 2016–17 levels. In addition, appropriations to the program include \$65.3 million in unexpended balances that will be distributed by the Higher Education Coordinating Board to institutions to help defray the cost of tuition and fees or for student success initiatives for current students.
- Funding provides \$182.7 million in General Revenue Funds for the Tuition Equalization Grant Program, a decrease of \$9.6 million in General Revenue Funds from the 2016–17 levels.
- \$17.3 million in General Revenue–Dedicated Trauma and EMS Account 5111 for the Family Practice Residency Program and Trauma Care Program is replaced with General Revenue Funds.
- Funding provides \$30.0 million in General Revenue Funds for the Professional Nursing Shortage Reduction Program, a decrease of \$3.3 million from the 2016–17 funding levels.
- Funding provides \$3.3 million in General Revenue Funds for the Nursing Faculty Loan Repayment Program.
- Funding provides \$2.7 million in General Revenue Funds for the Texas Armed Services Scholarship Program, a decrease of \$2.7 million.
- Funding provides \$76.3 million in General Revenue Funds for Baylor College of Medicine Undergraduate Medical Education, a decrease of \$1.6 million from the 2016–17 funding levels.
- Funding provides \$2.1 million in General Revenue Funds for the Bilingual Education Program.
- Funding reflects a decrease of \$1.3 million in General Revenue Funds due to the elimination of Centralized Accounting and Payroll/Personnel System funding.
- Funding reflects a \$9.8 million decrease in donations in Other Funds, primarily from the Texas Guaranteed Student Loan Corporation.

## HIGHER EDUCATION FUND

**FIGURE 1**  
**HIGHER EDUCATION FUND, BY METHOD OF FINANCE**

(IN MILLIONS)

| METHOD OF FINANCE                    | ESTIMATED/BUDGETED<br>2016–17 | RECOMMENDED<br>2018–19 | BIENNIAL<br>CHANGE | PERCENTAGE<br>CHANGE |
|--------------------------------------|-------------------------------|------------------------|--------------------|----------------------|
| General Revenue Funds                | \$656.3                       | \$787.5                | \$131.3            | 20.0%                |
| 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>\$656.3</b>                | <b>\$787.5</b>         | <b>\$131.3</b>     | <b>20.0%</b>         |

ALL FUNDS, 2018–19 BIENNIUM (IN MILLIONS)



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.

Funding for the Higher Education Fund (HEF) for the 2018–19 biennium totals \$787.5 million in General Revenue Funds, which includes an increase of \$131.3 million from the 2016–17 biennium. The increase in funding is due to biennializing fiscal year 2017 appropriations for fiscal years 2018–19.

### HIGHLIGHTS

- The HEF is a General Revenue Fund appropriation dedicated by the Texas Constitution to support certain capital costs at institutions of higher education (IHEs) that are not eligible to receive funding from the Available University Fund.
- The Texas Constitution requires the Legislature to review the HEF formula allocation every ten years and may adjust the amount and allocation of the HEF appropriation once every five years. The Eighty-fourth Legislature enacted Senate Bill 1191 which increased the annual HEF appropriation from \$262.5 million to \$393.8 million starting in fiscal year 2017, and reallocated the available HEF funding among the eligible IHEs. The annual appropriation amounts for the 2018–19 biennium for HEF-eligible IHEs are listed in the Texas Education Code, Chapter 62, Subchapter B.

## AVAILABLE UNIVERSITY FUND

**FIGURE 1**  
**AVAILABLE UNIVERSITY FUND, BY METHOD OF FINANCE**

(IN MILLIONS)

| METHOD OF FINANCE                    | ESTIMATED/BUDGETED<br>2016–17 | RECOMMENDED<br>2018–19 | BIENNIAL<br>CHANGE | PERCENTAGE<br>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                  |
| Other Funds                          | \$1,713.3                     | \$1,800.5              | \$87.2             | 5.1%                 |
| <b>Total, All Methods of Finance</b> | <b>\$1,713.3</b>              | <b>\$1,800.5</b>       | <b>\$87.2</b>      | <b>5.1%</b>          |

ALL FUNDS, 2018–19 BIENNIUM (IN MILLIONS)

Total: \$1,800.5



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.

Funding for the Available University Fund (AUF) for the 2018–19 biennium totals an estimated \$1.8 billion in All Funds, which includes an All Funds increase of \$87.2 million. The increase in funding is primarily due to anticipated growth in the value of the Permanent University Fund (PUF) through the 2018–19 biennium. The PUF is a state endowment fund that contributes to the support of most institutions and agencies of The University of Texas (UT) and Texas A&M University (TAMU) systems. Annual distributions are made from the PUF to the AUF as approved by the UT System's Board of Regents in accordance with Texas Constitution requirements and Board of Regents' policy. The estimated \$1.8 billion in AUF appropriations for the 2018–19 biennium are based on the default Board of Regents' policy rate of 4.75 percent for the annual distributions.

### HIGHLIGHTS

- The AUF is an Other Funds appropriation dedicated by the Texas Constitution to support most institutions and agencies of the UT and TAMU systems. The AUF appropriations provide for the support and maintenance of The University of Texas at Austin, Texas A&M University, Prairie View University, and the administration of the UT and TAMU systems. Also, AUF appropriations are used to pay debt service on bonds for acquiring land, constructing and equipping buildings, major repair of buildings, acquisition of capital equipment, and other permanent improvements for eligible institutions.
- The bill pattern for the AUF does not include any full-time-equivalent (FTE) positions. FTEs whose salaries and wages are paid with AUF appropriations are included in the bill patterns of the UT and TAMU systems, The University of Texas at Austin, Texas A&M University, and Prairie View A&M University, respectively.

# SUPPORT FOR MILITARY AND VETERANS EXEMPTIONS

**FIGURE 1**  
**SUPPORT FOR MILITARY AND VETERANS EXEMPTIONS, BY METHOD OF FINANCE**

(IN MILLIONS)

| METHOD OF FINANCE                    | ESTIMATED/BUDGETED<br>2016–17 | RECOMMENDED<br>2018–19 | BIENNIAL<br>CHANGE | PERCENTAGE<br>CHANGE |
|--------------------------------------|-------------------------------|------------------------|--------------------|----------------------|
| General Revenue Funds                | \$0.0                         | \$30.0                 | \$30.0             | 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                          | \$20.1                        | \$17.3                 | (\$2.8)            | (13.9%)              |
| <b>Total, All Methods of Finance</b> | <b>\$20.1</b>                 | <b>\$47.3</b>          | <b>\$27.2</b>      | <b>135.7%</b>        |

ALL FUNDS, 2018–19 BIENNIUM (IN MILLIONS)



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.

Funding for the Support for Military and Veterans Exemptions for the 2018–19 biennium totals an estimated \$47.3 million in All Funds, which includes \$17.3 million in Other Funds from the Permanent Fund Supporting Military and Veterans Exemptions (MVE) and \$30.0 million in General Revenue Funds. For the 2016–17 biennium, \$30.0 million in General Revenue Funds was appropriated to Texas Veterans Commission (TVC) for the Hazlewood Legacy Program (HLP). Recommendations for the 2018–19 biennium continue these appropriations at \$15.0 million in General Revenue Funds per fiscal year, but are moved from TVC to Support for Military and Veterans Exemptions. The General Revenue Funds supporting HLP must be distributed to eligible institutions of higher educations (IHEs) consistent with the annual funding distribution from the MVE.

## HIGHLIGHTS

- The Eighty-third Legislature, Regular Session, 2013, created the MVE to help IHEs offset the waived tuition and fee revenue from the HLP as defined in the Texas Education Code. The Texas Treasury Safekeeping Trust Company (TTSTC) administers the MVE and determines the amount available for annual distribution and appropriation from the fund in accordance with policy adopted by the Texas Comptroller of Public Accounts. For fiscal year 2016, TTSTC determined the distribution rate to be 4.5 percent, and reduced the rate to 3.5 percent for fiscal years 2017 to 2019 due to lower expected market returns in the coming decade. The reduced rate for the 2018–19 biennium results in a \$2.8 million decrease of estimated appropriations from the MVE as compared to the 2016–17 biennium.

# GENERAL ACADEMIC INSTITUTIONS

**FIGURE 1**  
**GENERAL ACADEMIC INSTITUTIONS, BY METHOD OF FINANCE**

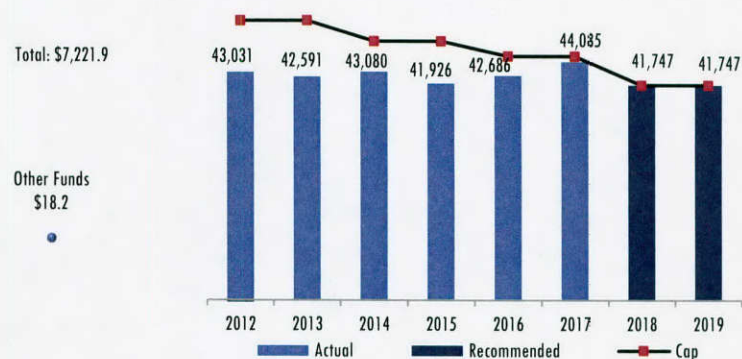
(IN MILLIONS)

| METHOD OF FINANCE                    | ESTIMATED/BUDGETED<br>2016–17 | RECOMMENDED<br>2018–19 | BIENNIAL<br>CHANGE | PERCENTAGE<br>CHANGE |
|--------------------------------------|-------------------------------|------------------------|--------------------|----------------------|
| General Revenue Funds                | \$4,965.4                     | \$4,990.1              | \$24.7             | 0.5%                 |
| General Revenue–Dedicated Funds      | \$2,181.2                     | \$2,213.6              | \$32.4             | 1.5%                 |
| Federal Funds                        | \$0.0                         | \$0.0                  | \$0.0              | N/A                  |
| Other Funds                          | \$17.8                        | \$18.2                 | \$0.4              | 2.1%                 |
| <b>Total, All Methods of Finance</b> | <b>\$7,164.4</b>              | <b>\$7,221.9</b>       | <b>\$57.5</b>      | <b>0.8%</b>          |

ALL FUNDS, 2018–19 BIENNIUM (IN MILLIONS)



FULL-TIME-EQUIVALENT POSITIONS



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

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

Funding for the General Academic Institutions and University System Offices for the 2018–19 biennium totals \$7.2 billion in All Funds, a \$57.5 million, or 0.8 percent, increase compared to the 2016–17 base. Included in this funding is \$5.0 billion in General Revenue Funds, which is a \$24.7 million, or 0.5 percent, increase compared to 2016–17 funding levels. Each flagship institution of the six university systems are under Strategic Fiscal Review.

## HIGHLIGHTS

- Appropriations provide \$3.4 billion in General Revenue Funds for the Instruction and Operations and the Infrastructure Support formulas, a decrease of \$47.7 million from the 2016–17 biennium. Formula amounts for 2018–19 provide the same All Funds Instruction and Operations Formula rate of \$55.39 per weighted semester credit hour as 2016–17. Formula amounts for the Infrastructure Formula decrease the 2016–17 rate of \$5.62 per predicted square feet to \$5.57.
- Funding in 2018–19 includes \$125.2 million in General Revenue appropriations to The University of Texas at Austin and Texas A&M University through the Texas Research University Fund (TRUF). Appropriations to the TRUF are \$13.9 million less in General Revenue Funds, or 10.0 percent, below the General Revenue Funds amounts in 2016–17 and do not include appropriations from General Revenue–Dedicated Emerging Technology Account No. 5124.
- Funding provides state support for the eight emerging research universities through: (1) \$64.5 million in General Revenue Funds for the Texas Research Incentive Program (TRIP); and (2) \$105.4 million in General Revenue Funds for the Core Research Support Fund (CRS). Appropriations for TRIP are made to the Texas Higher Education Coordinating Board and awarded to the institutions based on the receipt of private donations. Funding for CRS is appropriated directly to

the eight emerging research universities within their respective bill patterns. CRS funding in 2018–19 is \$11.7 million, or 10.0 percent, below the amounts provided in 2016–17.

- Funding also provides for \$12.8 million in General Revenue Funds for the Comprehensive Research Fund (CRF) to support research at General Academic Institutions, excluding The University of Texas at Austin, Texas A&M University, and the eight emerging research universities. CRF appropriations are \$1.4 million, or 10 percent, below 2016–17 funding levels.
- Special item funding totals \$527.3 million, a decrease of \$42.3 million in General Revenue Funds for special items at General Academic Institutions and University System Offices.
- Funding includes \$713.9 million in General Revenue Funds for tuition revenue bond debt service for previously authorized debt and annualize the debt service on projects authorized by House Bill 100, Eighty-fourth Legislature, Regular Session.



## HEALTH RELATED INSTITUTIONS

**FIGURE 1**  
**HEALTH RELATED INSTITUTIONS, BY METHOD OF FINANCE**

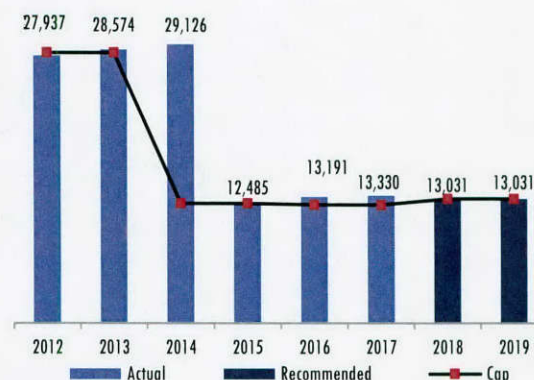
(IN MILLIONS)

| METHOD OF FINANCE                    | ESTIMATED/BUDGETED<br>2016–17 | RECOMMENDED<br>2018–19 | BIENNIAL<br>CHANGE | PERCENTAGE<br>CHANGE |
|--------------------------------------|-------------------------------|------------------------|--------------------|----------------------|
| General Revenue Funds                | \$2,810.8                     | \$2,839.2              | \$28.4             | 1.0%                 |
| General Revenue–Dedicated Funds      | \$206.0                       | \$204.4                | (\$1.5)            | (0.7%)               |
| Federal Funds                        | \$0.0                         | \$0.0                  | \$0.0              | N/A                  |
| Other Funds                          | \$148.7                       | \$103.5                | (\$45.3)           | (30.4%)              |
| <b>Total, All Methods of Finance</b> | <b>\$3,165.5</b>              | <b>\$3,147.1</b>       | <b>(\$18.4)</b>    | <b>(0.6%)</b>        |

ALL FUNDS, 2018–19 BIENNIUM. (IN MILLIONS)



FULL-TIME-EQUIVALENT POSITIONS



**NOTES:**

- (1) Biennial change and percentage change are calculated on actual amounts before rounding. Therefore, figure totals may not sum due to rounding.
- (2) The actual FTE amounts in fiscal years 2012 to 2014 include FTEs funded with patient income.

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

Funding for the health related institutions for the 2018–19 biennium totals \$3.1 billion in All Funds, a decrease of \$18.4 million from the 2016–17 biennium. Of this funding, \$2.8 billion is composed of General Revenue Funds, an increase of \$28.4 million over the 2016–17 biennium. The increase in General Revenue Funds is primarily tied to formula funding for the new medical schools at The University of Texas at Austin and The University of Texas Rio Grande Valley.

### HIGHLIGHTS

- Funding for the health related institutions include appropriations to 13 institutions. Included in these appropriations is funding for The University of Texas at Austin Dell Medical School and The University of Texas Rio Grande Valley School of Medicine through The University of Texas at Austin and The University of Texas Rio Grande Valley bill patterns, respectively. Appropriations to Baylor College of Medicine are made in the bill pattern for the Higher Education Coordinating Board but are included in formula amounts discussed below.
- Formula funding recommendations maintain total 2016–17 General Revenue Funds for the ten legacy institutions that received formula funding in the 2016–17 biennium and also fund The University of Texas at Austin Dell Medical School and The University of Texas Rio Grande Valley School of Medicine at the resulting rate for each of the health related institution formulas.

- Funding provides \$1.9 billion in General Revenue Funds for the six formulas for the health related institutions: the Instruction and Operations (I&O) Support formula, Infrastructure Support formula, Research Enhancement formula, Graduate Medical Education (GME) formula, and two mission specific formulas (The University of Texas M.D. Anderson’s Cancer Center Operations formula and The University of Texas Health Science Center at Tyler’s Chest Disease formula). Formula funding is an increase of \$20.4 million in General Revenue Funds, or 1.1 percent, from the 2016–17 biennium.
- Funding provides \$1.1 billion in General Revenue Funds for the I&O Support formula, an increase of \$8.5 million from the 2016–17 biennium. The 2018–19 formula amounts reduce the I&O rate to \$9,531 from \$9,829 in the 2016–17 biennium. The I&O formula includes \$42.3 million in General Revenue Funds for a small class supplement. The supplement provides additional funding for instructional programs with enrollments of fewer than 200 students at remote locations and for instructional programs at The University of Texas Health Science Center at Tyler’s main campus. Appropriations provide \$250.1 million in General Revenue Funds for the Infrastructure formula, an increase of \$3.3 million from the 2016–17 biennium. The 2018–19 formula amounts reduce the Infrastructure rate to \$6.37 from \$6.65 for all institutions. The University of Texas M.D. Anderson Cancer Center and The University of Texas Health Science Center at Tyler were previously funded at a lower rate as the two institutions did not contribute statutory tuition to the Infrastructure formula when it was established.
- Funding at the Higher Education Coordinating Board includes \$76.3 million in General Revenue Funds for Baylor College of Medicine Undergraduate Medical Education, a decrease of \$1.7 million from the 2016–17 biennium.
- Funding provides \$80.6 million in General Revenue Funds for the Research Enhancement formula, an increase of \$6.1 million from the 2016–17 biennium. The 2018–19 formula amounts decrease the Research Enhancement rate to 1.21 percent plus the base rate of \$1.4 million, a decrease from the 2016–17 rate of 1.23 percent plus the base rate of \$1.4 million.
- Funding provides \$90.1 million in General Revenue Funds appropriated to health related institutions and Baylor College of Medicine for the GME formula, an increase of \$4.3 million from the 2016–17 biennium. The 2018–19 formula amounts decrease the GME rate to \$5,824 from \$6,266 per medical resident in the 2016–17 biennium.
- Funding provides \$264.8 million in General Revenue Funds for the Cancer Center Operations formula for The University of Texas M.D. Anderson Cancer Center and \$58.4 million in General Revenue Funds for the Chest Disease Center Operations formula for The University of Texas Health Science Center at Tyler, maintaining the 2016–17 funding levels.
- Funding for special item funding totals \$417.1 million, a reduction of \$50.4 million from 2016–17 General Revenue base funding.
- Funding provides \$292.7 million in General Revenue Funds for tuition revenue bond debt service, an increase of \$56.7 million from the 2016–17 biennium. The increase is due to increased tuition revenue bond debt service associated with projects authorized in House Bill 100, Eighty-fourth Regular Session.

## PUBLIC COMMUNITY AND JUNIOR COLLEGES

**FIGURE 1**  
**PUBLIC COMMUNITY/JUNIOR COLLEGES, BY METHOD OF FINANCE**

(IN MILLIONS)

| METHOD OF FINANCE                    | ESTIMATED/BUDGETED<br>2016–17 | RECOMMENDED<br>2018–19 | BIENNIAL<br>CHANGE | PERCENTAGE<br>CHANGE |
|--------------------------------------|-------------------------------|------------------------|--------------------|----------------------|
| General Revenue Funds                | \$1,773.6                     | \$1,765.6              | (\$13.0)           | (0.7%)               |
| 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>\$1,773.6</b>              | <b>\$1,765.6</b>       | <b>(\$13.0)</b>    | <b>(0.7%)</b>        |

ALL FUNDS, 2018–19 BIENNIUM (IN MILLIONS)



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.

Funding for the Public Community and Junior Colleges for the 2018–19 biennium totals \$1.8 billion in General Revenue Funds, which includes a reduction of \$13.0 million. The reduction is primarily due to a decrease in contact hour formula funding, as well as a decrease in special item funding.

### HIGHLIGHTS

- Formula funding totals \$1.7 billion for the 2018–19 biennium, a decrease of \$10.5 million from the 2016–17 biennium. Formula funding amounts maintain core operations funding at \$1.0 million for each community college district, and maintain the contact hour rate of \$2.69 and the percentage split for formula funding at 90 percent for contact hour funding and 10.0 percent for success point funding. The decrease in funding is primarily due to a 0.4 percent decrease in contact hours from the 2016–17 biennium.
- Special items funding totals \$23.0 million in General Revenue Funds for the 2018–19 biennium, a decrease of \$2.8 million from the 2016–17 biennium.
- Funding for Bachelor of Applied Technology programs total \$2.4 million for the 2018–19 biennium, an increase of \$0.3 million, or 12.0 percent, from the 2016–17 biennium due to a 19.7 percent increase in semester credit hours in these programs. Appropriations maintain funding at the same Instruction & Operations General Revenue rate used by General Academic Institutions.
- No information on full-time-equivalent (FTEs) positions is included because FTEs are not appropriated in the Public Community and Junior Colleges bill pattern, as they are local employees.

# TEXAS A&M SYSTEM AGENCIES

**FIGURE 1**  
**TEXAS A&M SYSTEM AGENCIES, BY METHOD OF FINANCE**

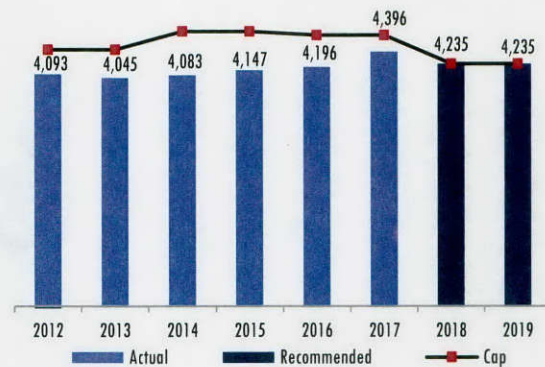
(IN MILLIONS)

| METHOD OF FINANCE                    | ESTIMATED/BUDGETED<br>2016–17 | RECOMMENDED<br>2018–19 | BIENNIAL<br>CHANGE | PERCENTAGE<br>CHANGE |
|--------------------------------------|-------------------------------|------------------------|--------------------|----------------------|
| General Revenue Funds                | \$357.8                       | \$352.5                | (\$5.3)            | (1.5%)               |
| General Revenue–Dedicated Funds      | \$66.9                        | \$41.9                 | (\$25.1)           | (37.5%)              |
| Federal Funds                        | \$212.8                       | \$214.9                | \$2.1              | 1.0%                 |
| Other Funds                          | \$378.9                       | \$380.2                | \$1.3              | 0.3%                 |
| <b>Total, All Methods of Finance</b> | <b>\$1,016.4</b>              | <b>\$989.4</b>         | <b>(\$27.0)</b>    | <b>(2.7%)</b>        |

ALL FUNDS, 2018–19 BIENNIUM (IN MILLIONS)



FULL-TIME-EQUIVALENT POSITIONS



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

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

Funding for the Texas A&M System Agencies for the 2018–19 biennium totals \$989.4 million in All Funds, a decrease of \$27.0 million from the 2016–17 biennium. Of this funding, \$394.4 million is composed of General Revenue Funds and General Revenue–Dedicated Funds, a decrease of \$30.4 million from the 2016–17 biennium. Texas A&M AgriLife Research and Texas A&M AgriLife Extension Service are under Strategic Fiscal Review.

## HIGHLIGHTS

- The Texas A&M System Agencies include: Texas A&M Engineering Experiment Station, Texas A&M Engineering Extension Service, Texas A&M Transportation Institute, Texas A&M Forest Service, Texas A&M Veterinary Medical Diagnostic Laboratory, Texas A&M AgriLife Research, and Texas A&M AgriLife Extension Service.
- Funding for Texas A&M Engineering Experiment Station includes a \$4.6 million increase in General Revenue Funds for biennialized debt service costs for the Center for Infrastructure Renewal; and a \$0.9 million decrease in General Revenue Funds and General Revenue–Dedicated Funds from research and workforce development programs.
- Funding for Texas A&M Forest Service includes a \$3.4 million decrease in General Revenue Funds related to firefighting equipment replacement, the forestry leadership program, and resource marketing; and a \$23.0 million decrease in General Revenue–Dedicated Funds due to a one-time contingency appropriation for volunteer fire department grants.
- Funding for Texas A&M AgriLife Extension Service includes a \$3.5 million decrease in General Revenue Funds related to indirect administration, education and leadership activities, and livestock and crop protection programs; and a

\$0.9 million increase in General Revenue Funds due to the transfer of the Feral Hog Abatement Program from Texas Department of Agriculture to Texas A&M AgriLife Extension Service.

- Funding for Texas A&M Transportation Institute includes a \$0.6 million decrease in General Revenue Funds related to research programs and operations of the Center for International Intelligent Transportation and the Transportation Safety Center.
- Funding for Texas A&M AgriLife Research includes a \$3.9 million decrease in General Revenue Funds and General Revenue–Dedicated Funds related to indirect administration, agricultural and life sciences research, and the agency’s honey bee regulation program.
- Funding includes a \$0.9 million decrease in General Revenue Funds for Texas A&M Veterinary Medical Diagnostic Laboratory’s testing, surveillance, and response to high consequence disease events; and Texas A&M Engineering Extension Service’s expansion of facilities and improvement of training curriculum.
- Funding for all seven agencies includes infrastructure support inside Brazos County that aligns with the General Academic Institutions’ Infrastructure Formula rate, which results in a \$1.4 million increase in General Revenue Funds for 2018–19 as compared to 2016–17.



# ARTICLE IV – THE JUDICIARY

**FIGURE 1**  
**ARTICLE IV – THE JUDICIARY, BY METHOD OF FINANCE**

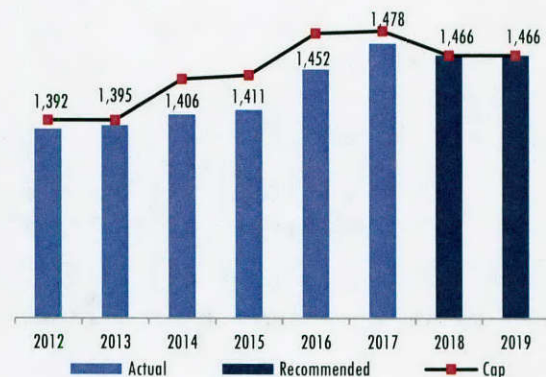
(IN MILLIONS)

| METHOD OF FINANCE                    | ESTIMATED/BUDGETED<br>2016–17 | RECOMMENDED<br>2018–19 | BIENNIAL<br>CHANGE | PERCENTAGE<br>CHANGE |
|--------------------------------------|-------------------------------|------------------------|--------------------|----------------------|
| General Revenue Funds                | \$503.3                       | \$508.8                | \$5.6              | 1.1%                 |
| General Revenue–Dedicated Funds      | \$143.2                       | \$132.7                | (\$10.5)           | (7.3%)               |
| Federal Funds                        | \$3.3                         | \$3.2                  | (\$0.1)            | (3.3%)               |
| Other Funds                          | \$163.5                       | \$161.8                | (\$1.7)            | (1.0%)               |
| <b>Total, All Methods of Finance</b> | <b>\$813.3</b>                | <b>\$806.5</b>         | <b>(\$6.8)</b>     | <b>(0.8%)</b>        |

ALL FUNDS, 2018–19 BIENNIUM (IN MILLIONS)



FULL-TIME-EQUIVALENT POSITIONS



**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.

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

## MAJOR FISCAL AND POLICY ISSUES AFFECTING ARTICLE IV

All Funds for the Judiciary total \$806.5 million in All Funds for the 2018–19 biennium, which is a decrease of \$6.8 million, or 0.8 percent, from the 2016–17 biennium. General Revenue Funds total \$508.8 million, which is an increase of \$5.6 million, or 1.1 percent from the 2016–17 biennium.

Funding for the Judiciary supports administration of the Texas court system. This includes the operations of 16 appellate courts and 67 children's courts, district judge salaries and county-level judge salary supplements, the judicial retirement system, prosecutor salaries and payments, judicial branch service agencies, indigent defense, basic civil legal services, juror pay, and judicial education.

## HIGHLIGHTS

- Funding provides \$230.7 million in All Funds, an increase of \$0.7 million, for judicial salaries. The increase is primarily due to biennializing funding for new statutory county courts and new district courts.
- Funding continues \$109.4 million in All Funds for Appellate Court Operations among the 16 appellate courts, and is funded at 2016–17 baseline levels. This includes \$12.8 million for the Supreme Court of Texas, \$2.8 million for the Court of Criminal Appeals, and \$83.8 million for the 14 Courts of Appeals Districts.

- Funding provides an estimated \$66.5 million in All Funds, a decrease of \$5.3 million from 2016–17 levels, for the Texas Indigent Defense Commission to assist counties in establishing, developing, and maintaining cost-effective indigent defense services. Decreases in General Revenue–Dedicated funding include \$2.4 million due to anticipated declines in court cost revenues each fiscal year.
- Funding provides an estimated \$63.0 million in All Funds, a decrease of \$3.3 million from 2016–17 levels, to the Supreme Court of Texas to provide basic civil legal services to eligible recipients. This decrease is primarily due to one-time civil penalties awarded to the State in the Judicial Fund 573 (Other Funds) during the 2016–17 biennium that are not anticipated in 2018–19.
- Funding provides \$59.6 million in All Funds, a decrease of \$4.3 million from 2016–17 levels, for programs that support court administration and for information technology services within the Office of Court Administration. This includes a General Revenue Funds decrease of \$2.4 million for the removal of one-time funding for the Guardianship Compliance Pilot Project, Timothy Cole Exoneration Review Commission, and the Judicial Branch Certification Commission Legacy Technology Capital Project.
- Funding provides \$15.9 million in All Funds, a decrease of \$3.6 million from 2016–17 levels, to the Court of Criminal Appeals for its Judicial Education grant program for the purpose of continuing legal education and technical assistance of judges, court staff, prosecuting attorneys and their staff, criminal defense attorneys that regularly represent indigent defendants in criminal matters, and provides innocence training.
- Funding provides an increase of \$4.8 million in All Funds, which includes \$2.4 million in General Revenue Funds and \$2.4 million in General Revenue–Dedicated Funds for the State Fraud Unit within the Travis County District Attorney’s Office to investigate and prosecute state tax and insurance fraud cases.

**Figure 2** shows the All Funds appropriation for each agency in Article IV, and **Figure 3** shows the General Revenue Funds appropriation for each agency.



**FIGURE 2**  
**ARTICLE IV – THE JUDICIARY, ALL FUNDS**

(IN MILLIONS)

| <b>FUNCTION</b>   | <b>ESTIMATED/BUDGETED<br/>2016–17</b> | <b>RECOMMENDED<br/>2018–19</b> | <b>BIENNIAL<br/>CHANGE</b> | <b>PERCENTAGE<br/>CHANGE</b> |
|---|---------------------------------------|--------------------------------|----------------------------|------------------------------|
| Supreme Court of Texas  | \$82.6                                | \$79.1                         | (\$3.5)                    | (4.2%)                       |
| Court of Criminal Appeals                                     | \$32.4                                | \$28.8                         | (\$3.6)                    | (11.2%)                      |
| First Court of Appeals District, Houston                      | \$9.4                                 | \$9.4                          | (\$0.0)                    | (0.2%)                       |
| Second Court of Appeals District, Fort Worth                  | \$7.3                                 | \$7.3                          | \$0.0                      | 0.1%                         |
| Third Court of Appeals District, Austin                       | \$6.1                                 | \$6.1                          | \$0.0                      | 0.2%                         |
| Fourth Court of Appeals District, San Antonio                 | \$7.3                                 | \$7.3                          | \$0.0                      | 0.1%                         |
| Fifth Court of Appeals District, Dallas                       | \$12.9                                | \$12.9                         | \$0.0                      | 0.0%                         |
| Sixth Court of Appeals District, Texarkana                    | \$3.3                                 | \$3.3                          | (\$0.0)                    | (0.1%)                       |
| Seventh Court of Appeals District, Amarillo                   | \$4.1                                 | \$4.1                          | (\$0.0)                    | (0.1%)                       |
| Eighth Court of Appeals District, El Paso                     | \$3.4                                 | \$3.4                          | \$0.0                      | 0.2%                         |
| Ninth Court of Appeals District, Beaumont                     | \$4.2                                 | \$4.2                          | \$0.0                      | 0.0%                         |
| Tenth Court of Appeals District, Waco                         | \$3.4                                 | \$3.4                          | \$0.0                      | 0.0%                         |
| Eleventh Court of Appeals District, Eastland                  | \$3.3                                 | \$3.3                          | \$0.0                      | 0.0%                         |
| Twelfth Court of Appeals District, Tyler                      | \$3.1                                 | \$3.3                          | \$0.2                      | 5.8%                         |
| Thirteenth Court of Appeals District, Corpus Christi-Edinburg | \$6.1                                 | \$6.1                          | \$0.0                      | 0.2%                         |
| Fourteenth Court of Appeals District, Houston                 | \$9.7                                 | \$9.7                          | (\$0.0)                    | (0.2%)                       |
| Office of Court Administration, Texas Judicial Council        | \$162.2                               | \$152.3                        | (\$9.9)                    | (6.1%)                       |
| Office of Capital Writs                                       | \$2.8                                 | \$2.7                          | (\$0.1)                    | (4.0%)                       |
| Office of the State Prosecuting Attorney                      | \$0.9                                 | \$0.8                          | (\$0.0)                    | (3.8%)                       |
| State Law Library   | \$2.1                                 | \$2.0                          | (\$0.1)                    | (4.7%)                       |
| State Commission on Judicial Conduct                          | \$2.3                                 | \$2.2                          | (\$0.1)                    | (4.0%)                       |
| Judiciary Section, Comptroller's Department                   | \$313.5                               | \$318.5                        | \$5.1                      | 1.6%                         |
| <b>Subtotal, The Judiciary</b>                                | <b>\$682.3</b>                        | <b>\$670.2</b>                 | <b>(\$12.1)</b>            | <b>(1.8%)</b>                |
| Employee Benefits and Debt Service                            | \$152.1                               | \$157.2                        | \$5.1                      | 3.3%                         |
| Less Interagency Contracts                                    | \$21.1                                | \$20.9                         | (\$0.2)                    | (0.9%)                       |
| <b>Total, All Functions</b>                                   | <b>\$813.3</b>                        | <b>\$806.5</b>                 | <b>(\$6.8)</b>             | <b>(0.8%)</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**  
**ARTICLE IV – THE JUDICIARY, GENERAL REVENUE FUNDS**

(IN MILLIONS)

| FUNCTION  | ESTIMATED/BUDGETED<br>2016–17 | RECOMMENDED<br>2018–19 | BIENNIAL<br>CHANGE | PERCENTAGE<br>CHANGE |
|---|-------------------------------|------------------------|--------------------|----------------------|
| Supreme Court of Texas  | \$32.2                        | \$31.2                 | (\$0.9)            | (2.9%)               |
| Court of Criminal Appeals   | \$12.1                        | \$12.5                 | \$0.4              | 3.1%                 |
| First Court of Appeals District, Houston                          | \$8.8                         | \$8.8                  | \$0.0              | 0.0%                 |
| Second Court of Appeals District, Fort Worth                      | \$6.7                         | \$6.7                  | \$0.0              | 0.0%                 |
| Third Court of Appeals District, Austin                           | \$5.7                         | \$5.7                  | \$0.0              | 0.0%                 |
| Fourth Court of Appeals District, San Antonio                     | \$6.7                         | \$6.7                  | \$0.0              | 0.0%                 |
| Fifth Court of Appeals District, Dallas                           | \$12.0                        | \$12.0                 | \$0.0              | 0.0%                 |
| Sixth Court of Appeals District, Texarkana                        | \$3.1                         | \$3.1                  | \$0.0              | 0.0%                 |
| Seventh Court of Appeals District, Amarillo                       | \$3.9                         | \$3.9                  | \$0.0              | 0.0%                 |
| Eighth Court of Appeals District, El Paso                         | \$3.1                         | \$3.1                  | \$0.0              | 0.0%                 |
| Ninth Court of Appeals District, Beaumont                         | \$3.9                         | \$3.9                  | \$0.0              | 0.0%                 |
| Tenth Court of Appeals District, Waco                             | \$3.2                         | \$3.2                  | \$0.0              | 0.0%                 |
| Eleventh Court of Appeals District, Eastland                      | \$3.1                         | \$3.1                  | \$0.0              | 0.0%                 |
| Twelfth Court of Appeals District, Tyler                          | \$2.9                         | \$3.1                  | \$0.2              | 6.3%                 |
| Thirteenth Court of Appeals District, Corpus Christi-<br>Edinburg | \$5.6                         | \$5.6                  | \$0.0              | 0.0%                 |
| Fourteenth Court of Appeals District, Houston                     | \$8.8                         | \$8.8                  | \$0.0              | 0.0%                 |
| Office of Court Administration, Texas Judicial Council            | \$40.3                        | \$36.7                 | (\$3.6)            | (8.8%)               |
| Office of Capital Writs   | \$0.0                         | \$0.0                  | \$0.0              | N/A                  |
| Office of the State Prosecuting Attorney                          | \$0.8                         | \$0.8                  | (\$0.0)            | (4.0%)               |
| State Law Library   | \$2.1                         | \$2.0                  | (\$0.1)            | (4.0%)               |
| State Commission on Judicial Conduct                              | \$2.3                         | \$2.2                  | (\$0.1)            | (4.0%)               |
| Judiciary Section, Comptroller's Department                       | \$199.5                       | \$204.1                | \$4.6              | 2.3%                 |
| <b>Subtotal, The Judiciary</b>                                    | <b>\$366.8</b>                | <b>\$367.3</b>         | <b>\$0.5</b>       | <b>0.1%</b>          |
| Employee Benefits and Debt Service                                | \$136.5                       | \$141.5                | \$5.1              | 3.7%                 |
| <b>Total, All Functions</b>                                       | <b>\$503.3</b>                | <b>\$508.8</b>         | <b>\$5.6</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.

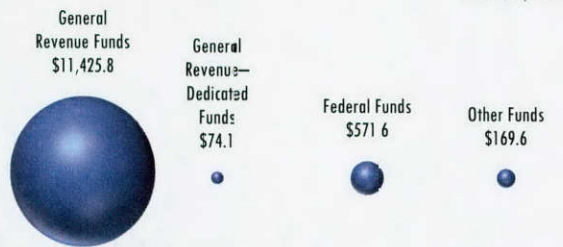
# ARTICLE V – PUBLIC SAFETY AND CRIMINAL JUSTICE

**FIGURE 1**  
**ARTICLE V – PUBLIC SAFETY AND CRIMINAL JUSTICE, BY METHOD OF FINANCE**

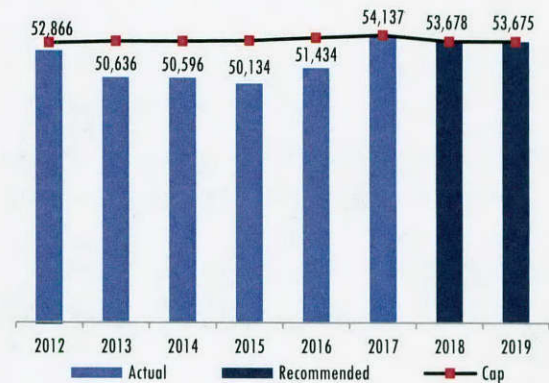
( IN MILLIONS)

| METHOD OF FINANCE                    | ESTIMATED/BUDGETED<br>2016–17 | RECOMMENDED<br>2018–19 | BIENNIAL<br>CHANGE | PERCENTAGE<br>CHANGE |
|--------------------------------------|-------------------------------|------------------------|--------------------|----------------------|
| General Revenue Funds                | \$11,534.7                    | \$11,425.8             | (\$108.9)          | (0.9%)               |
| General Revenue–Dedicated Funds      | \$132.2                       | \$74.1                 | (\$58.1)           | (43.9%)              |
| Federal Funds                        | \$647.0                       | \$571.6                | (\$75.4)           | (11.7%)              |
| Other Funds                          | \$189.6                       | \$169.6                | (\$20.0)           | (10.6%)              |
| <b>Total, All Methods of Finance</b> | <b>\$12,503.5</b>             | <b>\$12,241.2</b>      | <b>(\$262.4)</b>   | <b>(2.1%)</b>        |

ALL FUNDS, 2018–19 BIENNIUM (IN MILLIONS)



FULL-TIME-EQUIVALENT POSITIONS



**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.

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

## MAJOR FISCAL AND POLICY ISSUES AFFECTING ARTICLE V

All Funds for the Public Safety and Criminal Justice agencies for the 2018–19 biennium total \$12.2 billion, which represents a decrease of \$262.4 million or 2.1 percent from the 2016–17 biennium. All Funds decreases are primarily the result of General Revenue Funds and General Revenue–Dedicated Funds decreases for border security and deferred maintenance, and decreases in estimated Federal Funds.

General Revenue Funds for the 2018–19 biennium total \$11.4 billion, which represents a \$108.9 million decrease, or 0.9 percent from the 2016–17 biennium. General Revenue Fund decreases are primarily the result of elimination of funding for one-time items and funding adjustments associated with correctional population projections.

## HIGHLIGHTS

- Funding for the Department of Public Safety (DPS) for the 2018–19 biennium totals \$2.3 billion in All Funds, which represents an All Funds decrease of \$258.6 million, or 10.0 percent.
  - Funding for border security at DPS totals \$595.8 million in General Revenue Funds and General Revenue–Dedicated Funds, \$353.7 million of which is in the agency's Goal B, Secure Texas. An additional \$242.2 million for border security operations and activities is provided in other agency goals. This is a \$154.0 million decrease from the

2016–17 biennium. This funding maintains support for DPS personnel at fiscal year 2017 full deployment levels, while eliminating funding for one-time and transitional expenditures.

- Funding includes \$282.7 million in General Revenue Funds for the Department of Public Safety’s Driver License Division, which represents a decrease of \$7.9 million from the 2016–17 biennium. Of this amount, \$133.0 million is for the Driver License Improvement Program, an ongoing initiative to realize more efficient processes and shorter waiting periods for driver license applications.
- Funding for the Department of Criminal Justice for the 2018–19 biennium totals \$6.8 billion in All Funds, which includes an All Funds decrease of \$51.1 million or 0.7 percent. The decrease in funding is primarily the result of the closure of an Intermediate Sanction Facility (\$13.1 million), elimination of funding for video surveillance cameras (\$10.0 million), decreased funding associated with population projections (\$3.8 million), and a decrease in deferred maintenance funding (\$20.0 million).
- Funding for the Juvenile Justice Department for the 2018–19 biennium totals \$654.5 million in All Funds, which represents an All Funds increase of \$4.9 million, or 0.7 percent. The All Funds increase is primarily attributable to an increase of \$8.3 million for projected populations, and an additional \$7.9 million to fund a diversion program established by the Eighty-fourth Legislature for a full biennium, offset by decreases in Federal Funds estimates and General Obligation bond proceeds fully expended in the 2016–17 biennium.

**Figure 2** shows the All Funds appropriation for each agency in Article V, and **Figure 3** shows the General Revenue Funds appropriation for each agency. On the subsequent pages in this chapter are more specific details about funding levels for some of the agencies in Article V.

**FIGURE 2**  
**ARTICLE V – PUBLIC SAFETY AND CRIMINAL JUSTICE BY AGENCY, ALL FUNDS**

(IN MILLIONS)

| FUNCTION  | ESTIMATED/BUDGETED<br>2016–17 | RECOMMENDED<br>2018–19 | BIENNIAL<br>CHANGE | PERCENTAGE<br>CHANGE |
|---|-------------------------------|------------------------|--------------------|----------------------|
| Alcoholic Beverage Commission                       | \$101.4                       | \$97.8                 | (\$3.6)            | (3.5%)               |
| Department of Criminal Justice                      | \$6,822.5                     | \$6,771.4              | (\$51.1)           | (0.7%)               |
| Commission on Fire Protection                       | \$4.1                         | \$3.9                  | (\$0.2)            | (4.5%)               |
| Commission on Jail Standards                        | \$1.9                         | \$2.5                  | \$0.5              | 26.3%                |
| Juvenile Justice Department                         | \$649.6                       | \$654.5                | \$4.9              | 0.7%                 |
| Commission on Law Enforcement                       | \$7.8                         | \$7.4                  | (\$0.4)            | (4.8%)               |
| Military Department                                 | \$227.3                       | \$141.9                | (\$85.4)           | (37.6%)              |
| Department of Public Safety                         | \$2,582.2                     | 2,323.6                | (\$258.6)          | (10.0%)              |
| <b>Subtotal, Public Safety and Criminal Justice</b> | <b>\$10,396.9</b>             | <b>\$10,002.9</b>      | <b>(\$394.0)</b>   | <b>(3.8%)</b>        |
| Employee Benefits and Debt Service                  | \$2,269.8                     | \$2,376.4              | \$106.6            | 4.7%                 |
| Less Interagency Contracts                          | \$163.1                       | \$138.1                | (\$25.0)           | (15.3%)              |
| <b>Total, All Functions</b>                         | <b>\$12,503.5</b>             | <b>\$12,241.2</b>      | <b>(\$262.4)</b>   | <b>(2.1%)</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**  
**ARTICLE V – PUBLIC SAFETY AND CRIMINAL JUSTICE BY AGENCY, GENERAL REVENUE FUNDS**

(IN MILLIONS)

| FUNCTION  | ESTIMATED/BUDGETED<br>2016–17 | RECOMMENDED<br>2018–19 | BIENNIAL<br>CHANGE | PERCENTAGE<br>CHANGE |
|---|-------------------------------|------------------------|--------------------|----------------------|
| Alcoholic Beverage Commission                       | \$100.0                       | \$96.3                 | (\$3.7)            | (3.7%)               |
| Department of Criminal Justice                      | \$6,603.4                     | \$6,573.7              | (\$29.7)           | (0.5%)               |
| Commission on Fire Protection                       | \$3.9                         | \$3.8                  | (\$0.2)            | (4.0%)               |
| Commission on Jail Standards                        | \$1.9                         | \$2.5                  | \$0.5              | 26.3%                |
| Juvenile Justice Department                         | \$595.6                       | \$607.1                | \$11.5             | 1.9%                 |
| Commission on Law Enforcement                       | \$0.0                         | \$0.0                  | \$0.0              | N/A                  |
| Military Department                                 | \$34.5                        | \$32.7                 | (\$1.7)            | (5.1%)               |
| Department of Public Safety                         | \$1,971.5                     | \$1,777.1              | (\$194.4)          | (9.9%)               |
| <b>Subtotal, Public Safety and Criminal Justice</b> | <b>\$9,310.8</b>              | <b>\$9,093.1</b>       | <b>(\$217.7)</b>   | <b>(2.3%)</b>        |
| Employee Benefits and Debt Service                  | \$2,223.9                     | \$2,332.7              | \$108.8            | 4.9%                 |
| <b>Total, All Functions</b>                         | <b>\$11,534.7</b>             | <b>\$11,425.8</b>      | <b>(\$108.9)</b>   | <b>(0.9%)</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.

# DEPARTMENT OF CRIMINAL JUSTICE

**FIGURE 1**  
**DEPARTMENT OF CRIMINAL JUSTICE, BY METHOD OF FINANCE**

(IN MILLIONS)

| METHOD OF FINANCE                    | ESTIMATED/BUDGETED<br>2016–17 | RECOMMENDED<br>2018–19 | BIENNIAL<br>CHANGE | PERCENTAGE<br>CHANGE |
|--------------------------------------|-------------------------------|------------------------|--------------------|----------------------|
| General Revenue Funds                | \$6,603.4                     | \$6,573.7              | (\$29.7)           | (0.5%)               |
| General Revenue–Dedicated Funds      | \$60.4                        | \$40.4                 | (\$20.0)           | (33.1%)              |
| Federal Funds                        | \$18.8                        | \$18.2                 | (\$0.7)            | (3.5%)               |
| Other Funds                          | \$139.9                       | \$139.2                | (\$0.8)            | (0.5%)               |
| <b>Total, All Methods of Finance</b> | <b>\$6,822.5</b>              | <b>\$6,771.4</b>       | <b>(\$51.1)</b>    | <b>(0.7%)</b>        |

ALL FUNDS, 2018–19 BIENNIUM (IN MILLIONS)

FULL-TIME-EQUIVALENT POSITIONS



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

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

Funding for the Department of Criminal Justice (TDCJ) for the 2018–19 biennium totals \$6.8 billion in All Funds, which includes an All Funds decrease of \$51.1 million or 0.7 percent. The decrease in funding is the net result of several increases and decreases to various budget items. Funding for the Board of Pardons and Paroles is included within the appropriations for the Department of Criminal Justice. Correctional Managed Health Care is under Strategic Fiscal Review.

## HIGHLIGHTS

- Funding includes \$5.5 billion in All Funds for the incarceration and treatment of adult offenders in state correctional institutions, which represents a \$11.9 million All Funds decrease from the 2016–17 biennium. Significant funding shifts within the net decrease include:
  - \$10.0 million decrease for video surveillance cameras;
  - \$2.0 million decrease for a one-time re-entry pilot program.
- Funding includes \$622.9 million in All Funds for the supervision of adult offenders on community supervision or probation, which represents a \$1.9 million decrease from the 2016–17 biennium. A total of \$128.6 million in General Revenue Funds is provided for health insurance for Community Supervision and Corrections Department (CSCD) employees and was placed in a new strategy to more transparently reflect health insurance costs. The net decrease in funding includes:
  - a \$0.9 million increase for CSCD health insurance to fund at the 2016–17 agency estimated need;

- a \$3.8 million decrease to fund basic supervision at 2018–19 LBB projected levels; and
- a \$1.1 million increase in Appropriated Receipts related to probation department refunds.
- Funding includes \$369.5 million in All Funds for parole processing, parole supervision, and residential facilities, which represents an All Funds decrease of \$14.3 million from the 2016–17 biennium. The net funding decrease includes:
  - a \$13.1 million decrease for the closure of an Intermediate Sanction Facility; and
  - a \$1.2 million decrease in interagency contracts as the result of a one-time Criminal Justice Grant.
- Projected felony direct community supervision populations are 157,212 in fiscal year 2018 and 157,853 in fiscal year 2019. Projected incarceration populations are 147,668 in fiscal year 2018 and 147,659 in fiscal year 2019. Projected parole populations are 87,849 in fiscal year 2018 and 88,055 in fiscal year 2019.
- Funding for the 2018–19 biennium includes \$40.0 million for deferred maintenance, a decrease of \$20.0 million from the 2016–17 biennium.
- Funding includes \$1,107.5 million for Correctional Managed Health Care (CMHC) which is equal to the 2016–17 base funding level. CMHC provides medical, dental, nursing, pharmacy, hospital, and mental health services to offenders incarcerated in TDCJ facilities.

## JUVENILE JUSTICE DEPARTMENT

**FIGURE 1**  
**JUVENILE JUSTICE DEPARTMENT, BY METHOD OF FINANCE**

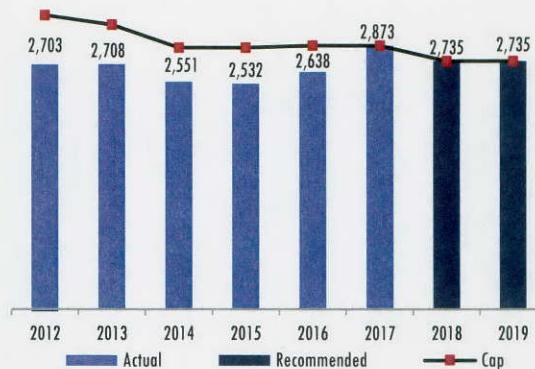
(IN MILLIONS)

| METHOD OF FINANCE                    | ESTIMATED/BUDGETED<br>2016–17 | RECOMMENDED<br>2018–19 | BIENNIAL<br>CHANGE | PERCENTAGE<br>CHANGE |
|--------------------------------------|-------------------------------|------------------------|--------------------|----------------------|
| General Revenue Funds                | \$595.6                       | \$607.1                | \$11.5             | 1.9%                 |
| General Revenue–Dedicated Funds      | \$0.0                         | \$0.0                  | \$0.0              | N/A                  |
| Federal Funds                        | \$21.8                        | \$21.3                 | (\$0.5)            | (2.3%)               |
| Other Funds                          | \$32.3                        | \$26.1                 | (\$6.2)            | (19.1%)              |
| <b>Total, All Methods of Finance</b> | <b>\$649.6</b>                | <b>\$654.5</b>         | <b>\$4.9</b>       | <b>0.7%</b>          |

ALL FUNDS, 2018–19 BIENNIUM (IN MILLIONS)



FULL-TIME-EQUIVALENT POSITIONS



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

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

Funding for the Juvenile Justice Department (TJJD) for the 2018–19 biennium totals \$654.5 million in All Funds, which represents an All Funds increase of \$4.9 million, or 0.7 percent. Included in the All Funds increase is a General Revenue Funds increase of \$11.5 million, an estimated Federal Funds decrease of \$0.5 million, and an Other Funds decrease of \$6.2 million. The All Funds increase is primarily attributable to funding projected populations and funding a diversion program established by the Eighty-fourth Legislature, Regular Session, 2015 for a full biennium, offset by decreases in Federal Funds estimates and General Obligation Bond Proceeds fully expended in the 2016–17 biennium.

### HIGHLIGHTS

- Funding for the 2018–19 biennium includes an increase of \$8.3 million across five areas of juvenile corrections to align funds with juvenile population projections:
  - Probation basic supervision – \$0.9 million increase for supervision of juvenile offenders in local communities;
  - State-operated Secure Facilities – \$9.2 million increase for supervision, food, and basic needs of juvenile offenders in secure state facilities;
  - Halfway Houses – \$1.0 million increase for supervision, food, and basic needs of juvenile offenders in halfway houses;
  - Contract Residential Placements – \$2.7 million decrease attributable to TJJD's anticipated reduction in use of contract residential facilities; and



- Parole Supervision – \$0.1 million decrease for basic supervision of juvenile parole offenders.
- Projections for juvenile populations for the 2018–19 biennium are as follows:
  - Projected state residential populations are 1,403 in fiscal year 2018 and 1,386 in fiscal year 2019. This population includes juveniles housed in state secure facilities, halfway houses, and contracted residential placements.
  - Projected juvenile probation supervision populations are 22,571 in fiscal year 2018 and 22,773 in fiscal year 2019. This population includes juveniles supervised on adjudicated probation, deferred prosecution, and conditional release.
  - Projected parole supervision populations are 428 in fiscal year 2018 and 425 in fiscal year 2019.
- Funding for the 2018–19 biennium includes a \$7.9 million increase to biennialize the Regional Diversion Alternatives Program established in Senate Bill 1630, Eighty-fourth Legislature, Regular Session, 2015.

## DEPARTMENT OF PUBLIC SAFETY

**FIGURE 1**  
**DEPARTMENT OF PUBLIC SAFETY, BY METHOD OF FINANCE**

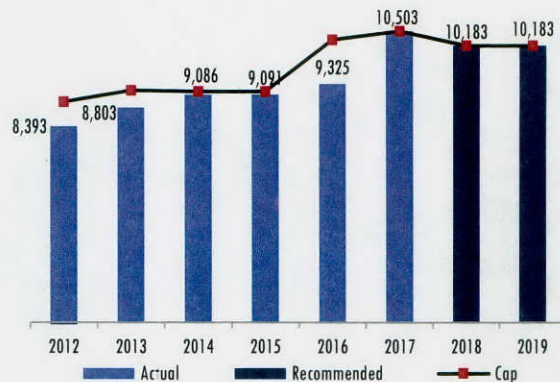
(IN MILLIONS)

| METHOD OF FINANCE                    | ESTIMATED/BUDGETED<br>2016–17 | RECOMMENDED<br>2018–19 | BIENNIAL<br>CHANGE | PERCENTAGE<br>CHANGE |
|--------------------------------------|-------------------------------|------------------------|--------------------|----------------------|
| General Revenue Funds                | \$1,971.5                     | \$1,777.1              | (\$194.4)          | (9.9%)               |
| General Revenue–Dedicated Funds      | \$34.4                        | \$18.2                 | (\$16.2)           | (47.2%)              |
| Federal Funds                        | \$440.7                       | \$406.0                | (\$34.7)           | (7.9%)               |
| Other Funds                          | \$135.6                       | \$122.3                | (\$13.3)           | (9.8%)               |
| <b>Total, All Methods of Finance</b> | <b>\$2,582.2</b>              | <b>\$2,323.6</b>       | <b>(\$258.6)</b>   | <b>(10.0%)</b>       |

ALL FUNDS, 2018–19 BIENNIUM (IN MILLIONS)



FULL-TIME-EQUIVALENT POSITIONS



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

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

Funding for the Department of Public Safety for the 2018–19 biennium totals \$2.3 billion in All Funds, which represents an All Funds decrease of \$258.6 million, or 10.0 percent. Funding includes \$1.8 billion in General Revenue Funds and General Revenue–Dedicated Funds, a decrease of \$210.6 million, or 10.5 percent, compared to 2016–17 funding levels.

### HIGHLIGHTS

- Funding includes \$595.8 million in General Revenue Funds and General Revenue–Dedicated Funds in the 2018–19 biennium for border security in the border region, including \$353.7 million in Goal B, Secure Texas, and an additional \$242.2 million in other agency goals. This is a \$154.0 million decrease from the 2016–17 biennium. This funding maintains support for Department of Public Safety (DPS) personnel at fiscal year 2017 full deployment levels, while eliminating funding for one-time and transitional expenditures. The funding includes:
  - \$301.4 million to fund routine border security operations and other baseline border security-related activities;
  - \$145.6 million to fund a 50-hour work week for all DPS' commissioned law enforcement officers;
  - \$143.4 million to fund the full biennial costs of the 22 Texas Rangers (\$9.5 million), 250 troopers (\$133.9 million), and 115 support staff added by the Eighty-fourth Legislature, Regular Session, 2015;
  - \$4.4 million to fund fuel, travel, and support staff costs for Operation Secure Texas; and

- \$1.0 million to fund training for local law enforcement agencies on transitioning crime reporting methodology to the National Incident Based Reporting System.
- The remainder of the All Funds decrease is primarily attributable to an estimated Federal Funds decrease of \$34.7 million (primarily Hazard Mitigation Grants), a decrease of \$13.3 million in Other Funds (primarily General Obligation bond proceeds), and a General Revenue Funds and General Revenue–Dedicated Funds decrease of \$56.6 million, which includes the following:
  - \$45.6 million decrease primarily from eliminating vacant positions across multiple agency functions;
  - \$15.7 million decrease to eliminate funding for one-time items;
  - \$4.2 million increase to fund the outsourced testing of Sexual Assault Kits submitted after August 1, 2011; and
  - \$1.4 million increase to raise the pay level for certain state employees paid under the Schedule C Classification Salary Schedule.
- Funding includes \$282.7 million in General Revenue Funds for the agency’s Driver License Division, which represents a decrease of \$7.9 million from the 2016–17 biennium. Funding is intended to realize more efficient processes and shorter waiting periods for driver license applications through funding the Driver License Improvement Program (DLIP). Funding includes \$133.0 million for the DLIP in the 2018–19 biennium.
- Funding includes \$65.8 million in General Revenue Funds to acquire 1,400 new and replacement vehicles over the course of the 2018–19 biennium. This funding includes \$51.3 million for the acquisition of 894 Sports Utility Vehicles (SUVs), which allows the agency to continue its transition from sedans for use as patrol vehicles.
- Funding includes \$27.5 million for deferred maintenance to continue to fund the projects contained in the agency’s most recent quarterly reports to the Eighty-fourth Legislature’s Joint Select Committee on Government Facilities.



# ARTICLE VI – NATURAL RESOURCES

**FIGURE 1**  
**ARTICLE VI NATURAL RESOURCES, BY METHOD OF FINANCE**

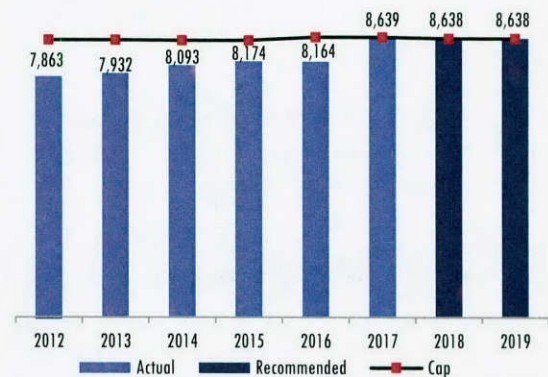
(IN MILLIONS)

| METHOD OF FINANCE                    | ESTIMATED/BUDGETED<br>2016–17 | RECOMMENDED<br>2018–19 | BIENNIAL<br>CHANGE | PERCENTAGE<br>CHANGE |
|--------------------------------------|-------------------------------|------------------------|--------------------|----------------------|
| General Revenue Funds                | \$835.0                       | \$853.0                | \$17.9             | 2.1%                 |
| General Revenue–Dedicated Funds      | \$1,534.4                     | \$1,495.0              | (\$39.4)           | (2.6%)               |
| Federal Funds                        | \$1,860.8                     | \$1,856.6              | (\$4.3)            | (0.2%)               |
| Other Funds                          | \$347.6                       | \$302.3                | (\$45.3)           | (13.0%)              |
| <b>Total, All Methods of Finance</b> | <b>\$4,577.9</b>              | <b>\$4,506.9</b>       | <b>(\$71.0)</b>    | <b>(1.6%)</b>        |

ALL FUNDS, 2018–19 BIENNIUM (IN MILLIONS)



FULL-TIME-EQUIVALENT POSITIONS



**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.

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

## MAJOR FISCAL AND POLICY ISSUES AFFECTING ARTICLE VI

All Funds for the Natural Resources agencies total \$4.5 billion for the 2018–19 biennium, which is a decrease of \$71.0 million, or 1.6 percent, from the 2016–17 biennium. General Revenue Funds total \$853.0 million, which is an increase of \$17.9 million, or 2.1 percent from the 2016–17 biennium. General Revenue–Dedicated Funds total \$1.5 billion, which is a decrease of \$39.4 million, or 2.6 percent from the 2016–17 biennium.

## HIGHLIGHTS

- Funding for the General Land Office and Veteran's Land Board includes \$83.5 million in All Funds to preserve, maintain, and operate the Alamo and facilities within the Alamo Complex. A General Revenue Fund increase of \$75.0 million is included in this amount to continue the development and implementation of the Master Plan for the Alamo and the Alamo Complex.
- Funding for the Commission on Environmental Quality provides \$236.3 million from the General Revenue–Dedicated Texas Emissions Reductions Plan (TERP) Account to continue to fund TERP at the 2016–17 funding level. TERP is a set of programs that provide financial incentives to limit pollution from vehicles and equipment.
- Funding for the Parks and Wildlife Department includes \$154.7 million from General Revenue Sporting Goods Sales Tax (SGST) transfers, which is a decrease of \$0.4 million from the 2016–17 biennium. In addition to the amounts in

the agency's bill pattern, \$72.4 million from SGST is utilized for payroll-related benefits and debt service payments, which brings the total appropriated and estimated amount for the agency to \$227.1 million, or \$34.0 million less than the 2016–17 amount.

- Funding for the Parks and Wildlife Department includes \$61.4 million from All Funds for deferred maintenance and capital construction. This is a decrease of \$78.8 million below 2016–17 funding levels. The decrease is primarily due to the reduction of \$76.5 million from the General Revenue–Dedicated Deferred Maintenance Account No. 5166 for one-time expenditures.
- Funding for the Railroad Commission includes \$44.0 million in General Revenue–Dedicated funding, contingent upon the enactment of legislation by the Eighty-fifth Legislature redirecting the deposit of revenues generated by the Gas Utility Pipeline Tax to the General Revenue–Dedicated Oil and Gas Regulation and Cleanup Account No. 5155.
- Funding for the Department of Agriculture includes \$10.0 million in General Revenue Funds, which is a \$4.1 million increase, for the Texans Feeding Texans Surplus Agricultural Product Grant Program. The program was established to provide surplus agricultural products to food banks and other charitable organizations that serve needy or low-income individuals. The agency awards grant funding to help offset the costs of harvesting, gleaning and transporting Texas products to Texas food banks.

Figure 2 shows the All Funds appropriations for each agency in Article VI, and Figures 3 and 4 show the appropriations for each agency in General Revenue Funds and General Revenue–Dedicated Funds, respectively. On the subsequent pages in this chapter are more specific details about funding levels for selected agencies in Article VI.

**FIGURE 2**  
**ARTICLE VI – NATURAL RESOURCES RECOMMENDATIONS BY AGENCY, ALL FUNDS**

(IN MILLIONS)

| FUNCTION  | ESTIMATED/BUDGETED<br>2016–17 | RECOMMENDED<br>2018–19 | BIENNIAL<br>CHANGE | PERCENTAGE<br>CHANGE |
|---|-------------------------------|------------------------|--------------------|----------------------|
| Department of Agriculture                               | \$1,336.3                     | \$1,477.2              | \$140.9            | 10.5%                |
| Animal Health Commission                                | \$26.8                        | \$24.8                 | (\$2.0)            | (7.6%)               |
| Commission on Environmental Quality                     | \$941.5                       | \$913.9                | (\$27.6)           | (2.9%)               |
| General Land Office and Veterans' Land Board            | \$405.1                       | \$337.6                | (\$67.5)           | (16.7%)              |
| Low-level Radioactive Waste Disposal Compact Commission | \$0.9                         | \$1.2                  | \$0.3              | 32.2%                |
| Parks and Wildlife Department                           | \$829.2                       | \$680.7                | (\$148.4)          | (17.9%)              |
| Railroad Commission                                     | \$176.4                       | \$211.4                | \$35.0             | 19.8%                |
| Soil and Water Conservation Board                       | \$77.7                        | 71.8                   | (\$5.9)            | (7.6%)               |
| Water Development Board                                 | \$394.7                       | \$358.7                | (\$36.0)           | (9.1%)               |
| <b>Subtotal, Natural Resources</b>                      | <b>\$4,188.6</b>              | <b>\$4,077.2</b>       | <b>(\$111.4)</b>   | <b>(2.7%)</b>        |
| Employee Benefits and Debt Service                      | \$423.6                       | \$450.3                | \$26.7             | 6.3%                 |
| Less Interagency Contracts                              | \$34.4                        | \$20.7                 | (\$13.7)           | (39.9%)              |
| <b>Total, All Functions</b>                             | <b>\$4,577.9</b>              | <b>\$4,506.9</b>       | <b>(\$71.0)</b>    | <b>(1.6%)</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**  
**ARTICLE VI – NATURAL RESOURCES BY AGENCY, GENERAL REVENUE FUNDS**

(IN MILLIONS)

| FUNCTION  | ESTIMATED/BUDGETED<br>2016–17 | RECOMMENDED<br>2018–19 | BIENNIAL<br>CHANGE | PERCENTAGE<br>CHANGE |
|---|-------------------------------|------------------------|--------------------|----------------------|
| Department of Agriculture                               | \$113.1                       | \$108.8                | (\$4.3)            | (3.8%)               |
| Animal Health Commission                                | \$22.3                        | \$21.1                 | (\$1.2)            | (5.4%)               |
| Commission on Environmental Quality                     | \$24.4                        | \$20.1                 | (\$4.3)            | (17.5%)              |
| General Land Office and Veterans' Land Board            | \$64.2                        | \$103.4                | \$39.2             | 61.1%                |
| Low-level Radioactive Waste Disposal Compact Commission | \$0.0                         | \$0.0                  | \$0.0              | N/A                  |
| Parks and Wildlife Department                           | \$198.7                       | \$197.2                | (\$1.5)            | (0.8%)               |
| Railroad Commission                                     | \$22.5                        | \$21.0                 | (\$1.4)            | (6.3%)               |
| Soil and Water Conservation Board                       | \$42.9                        | \$41.2                 | (\$1.7)            | (4.0%)               |
| Water Development Board                                 | \$151.7                       | \$134.8                | (\$17.0)           | (11.2%)              |
| <b>Subtotal, Natural Resources</b>                      | <b>\$639.9</b>                | <b>\$647.7</b>         | <b>\$7.9</b>       | <b>1.2%</b>          |
| Employee Benefits and Debt Service                      | \$195.2                       | \$205.2                | \$10.1             | 5.2%                 |
| <b>Total, All Functions</b>                             | <b>\$835.0</b>                | <b>\$853.0</b>         | <b>\$17.9</b>      | <b>2.1%</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 4**  
**ARTICLE VI – NATURAL RESOURCES BY AGENCY, GENERAL REVENUE–DEDICATED FUNDS**

(IN MILLIONS)

| FUNCTION  | ESTIMATED/BUDGETED<br>2016–17 | RECOMMENDED<br>2018–19 | BIENNIAL<br>CHANGE | PERCENTAGE<br>CHANGE |
|---|-------------------------------|------------------------|--------------------|----------------------|
| Department of Agriculture                               | \$4.7                         | \$4.6                  | (\$0.1)            | (2.4%)               |
| Animal Health Commission                                | \$0.0                         | \$0.0                  | \$0.0              | N/A                  |
| Commission on Environmental Quality                     | \$811.4                       | \$803.1                | (\$8.3)            | (1.0%)               |
| General Land Office and Veterans' Land Board            | \$29.9                        | \$29.2                 | (\$0.7)            | (2.5%)               |
| Low-level Radioactive Waste Disposal Compact Commission | \$0.9                         | \$1.2                  | \$0.3              | 32.2%                |
| Parks and Wildlife Department                           | \$392.1                       | \$312.2                | (\$79.9)           | (20.4%)              |
| Railroad Commission                                     | \$134.7                       | \$171.1                | \$36.4             | 27.0%                |
| Soil and Water Conservation Board                       | \$0.0                         | \$0.0                  | \$0.0              | N/A                  |
| Water Development Board                                 | \$0.0                         | \$0.0                  | \$0.0              | N/A                  |
| <b>Subtotal, Natural Resources</b>                      | <b>\$1,373.7</b>              | <b>\$1,321.4</b>       | <b>(\$52.4)</b>    | <b>(3.8%)</b>        |
| Employee Benefits and Debt Service                      | \$160.7                       | \$173.6                | \$13.0             | 8.1%                 |
| <b>Total, All Functions</b>                             | <b>\$1,534.4</b>              | <b>\$1,495.0</b>       | <b>(\$39.4)</b>    | <b>(2.6%)</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.

# DEPARTMENT OF AGRICULTURE

**FIGURE 1**  
**TEXAS DEPARTMENT OF AGRICULTURE, BY METHOD OF FINANCE**

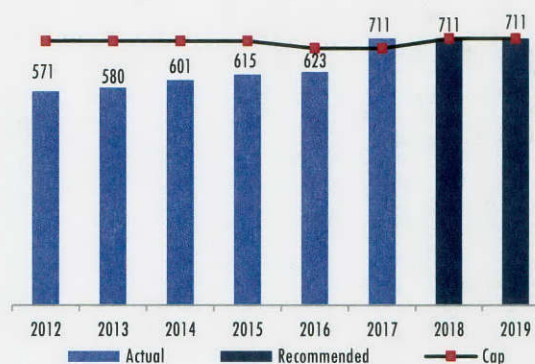
(IN MILLIONS)

| METHOD OF FINANCE                    | ESTIMATED/BUDGETED<br>2016–17 | RECOMMENDED<br>2018–19 | BIENNIAL<br>CHANGE | PERCENTAGE<br>CHANGE |
|--------------------------------------|-------------------------------|------------------------|--------------------|----------------------|
| General Revenue Funds                | \$113.1                       | \$108.8                | (\$4.3)            | (3.8%)               |
| General Revenue–Dedicated Funds      | \$4.7                         | \$4.6                  | (\$0.1)            | (2.4%)               |
| Federal Funds                        | \$1,190.0                     | \$1,348.5              | \$158.5            | 13.3%                |
| Other Funds                          | \$28.5                        | \$15.2                 | (\$13.2)           | (46.5%)              |
| <b>Total, All Methods of Finance</b> | <b>\$1,336.3</b>              | <b>\$1,477.2</b>       | <b>\$140.9</b>     | <b>10.5%</b>         |

ALL FUNDS, 2018–19 BIENNIUM (IN MILLIONS)



FULL-TIME-EQUIVALENT POSITIONS



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

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

Funding for the Department of Agriculture for the 2018–19 biennium totals \$1.5 billion in All Funds, which is an increase of \$140.9 million, or 10.5 percent, from the 2016–17 biennium. General Revenue Funds and General Revenue–Dedicated funding totals \$113.4 million, a decrease of \$4.4 million, or 3.7 percent. Federal Funds and Other Funds funding totals \$1.4 billion, an increase of \$145.2 million, or 11.9 percent. The increase is primarily due to an increase in Federal Funds for the Child Nutrition programs administered by the agency. The Department of Agriculture is under Strategic Fiscal Review.

## HIGHLIGHTS

- Funding includes \$1,215.1 million in All Funds for the Child and Adult Nutrition programs. This includes an increase of \$178.6 million in Federal Funds as a result of increased population projections.
- Funding includes \$133.4 million in Federal Funds from various other Federal Funding sources, a decrease of \$20.2 million in funding not anticipated to continue in 2018-19. This reduction is primarily due to the ending of a \$17.0 million one-time Biofuel Infrastructure Partnership Grant, and a reduction of \$1.0 million in the Community Development Block Grant program.
- Funding includes \$39.9 million in General Revenue funding contingent on the agency generating sufficient revenue to cover both the direct and indirect costs for the agency's 13 cost recovery programs. "Other direct and indirect costs" total \$12.2 million for the biennium.



- Funding includes \$10.0 million in General Revenue Funds, a \$4.1 million increase, for the Texans Feeding Texans (Surplus Agricultural Product Grant Program). The program awards grant funding to help offset the costs of harvesting, gleaning and transporting Texas products to Texas food banks.
- Funding includes \$9.8 million in General Revenue funding for the Boll Weevil Eradication program, a decrease of \$4.2 million from 2016–17 funding levels. The program works to eradicate and suppress the boll weevil and pink bollworm from Texas cotton fields. All regions except for the Lower Rio Grande Valley region have entered the maintenance phase of the eradication program.
- Funding includes \$9.0 million in Other Funds from the Texas Economic Development Fund No. 183, a reduction of \$6.7 million due to depletion of the fund's original balances. The account funds investments in small businesses, including loans to small businesses focused on rural Texas.
- Funding is reduced by \$0.8 million in General Revenue Funds to eliminate funding for the Zebra Chip Research Grant program.
- Funding is reduced by \$0.9 million in General Revenue Funds to transfer the responsibilities and associated funding for the Feral Hog Abatement program to the Texas A&M AgriLife Extension Service.

# COMMISSION ON ENVIRONMENTAL QUALITY

**FIGURE 1**  
**TEXAS COMMISSION ON ENVIRONMENTAL QUALITY, BY METHOD OF FINANCE**

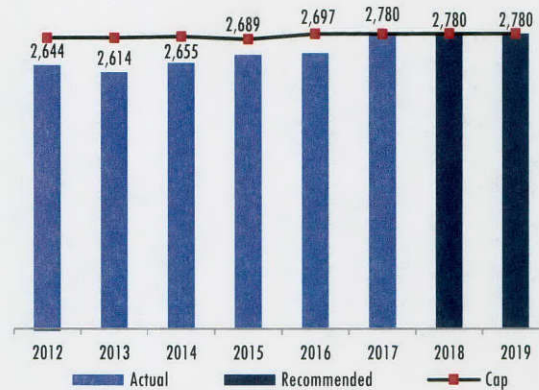
(IN MILLIONS)

| METHOD OF FINANCE                    | ESTIMATED/BUDGETED<br>2016–17 | RECOMMENDED<br>2018–19 | BIENNIAL<br>CHANGE | PERCENTAGE<br>CHANGE |
|--------------------------------------|-------------------------------|------------------------|--------------------|----------------------|
| General Revenue Funds                | \$24.4                        | \$20.1                 | (\$4.3)            | (17.5%)              |
| General Revenue–Dedicated Funds      | \$811.4                       | \$803.1                | (\$8.3)            | (1.0%)               |
| Federal Funds                        | \$82.0                        | \$74.8                 | (\$7.2)            | (8.8%)               |
| Other Funds                          | \$23.7                        | \$15.8                 | (\$7.9)            | (33.2%)              |
| <b>Total, All Methods of Finance</b> | <b>\$941.5</b>                | <b>\$913.9</b>         | <b>(\$27.6)</b>    | <b>(2.9%)</b>        |

ALL FUNDS, 2018–19 BIENNIUM (IN MILLIONS)



FULL-TIME-EQUIVALENT POSITIONS



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

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

Funding for the Commission on Environmental Quality (TCEQ) for the 2018–19 biennium totals \$913.9 million in All Funds, which is a reduction of \$27.6 million, or 2.9 percent, from the 2016–17 biennium. General Revenue Funds and General Revenue–Dedicated funding total \$823.2 million, a decrease of \$12.6 million, or 1.5 percent.

## HIGHLIGHTS

- Funding provides \$236.3 million from the General Revenue–Dedicated Texas Emissions Reduction Plan (TERP) Account No. 5071 to fund TERP, a set of programs that provide financial incentives to limit pollution from vehicles and equipment. This continues funding at the 2016–17 level. Three TERP programs will expire at the end of fiscal year 2017, while one program will expire at the end of fiscal year 2018; this results in the Emissions Reduction Incentive Grant program receiving a larger allocation in 2018–19 than in 2016–17.
- Funding provides \$74.8 million in Federal Funds for environmental programs, a decrease of \$7.2 million in funding not anticipated to continue in 2018–19. Funding includes \$41.4 million in Performance Partnership Grants, which combine funds from multiple U.S. Environmental Protection Agency environmental programs.
- Funding includes \$2.3 million in Appropriated Receipts, a decrease of \$4.4 million from the 2016–17 biennium due primarily to the depletion of funding available for groundwater filtration systems for the West County Road 112 Superfund Site. Funding also includes \$13.5 million in Interagency Contracts, a decrease of \$4.5 million from the 2016–17 biennium. This includes a decrease of \$3.3 million from the Texas Water Development Board in Drinking Water State Revolving Funds.

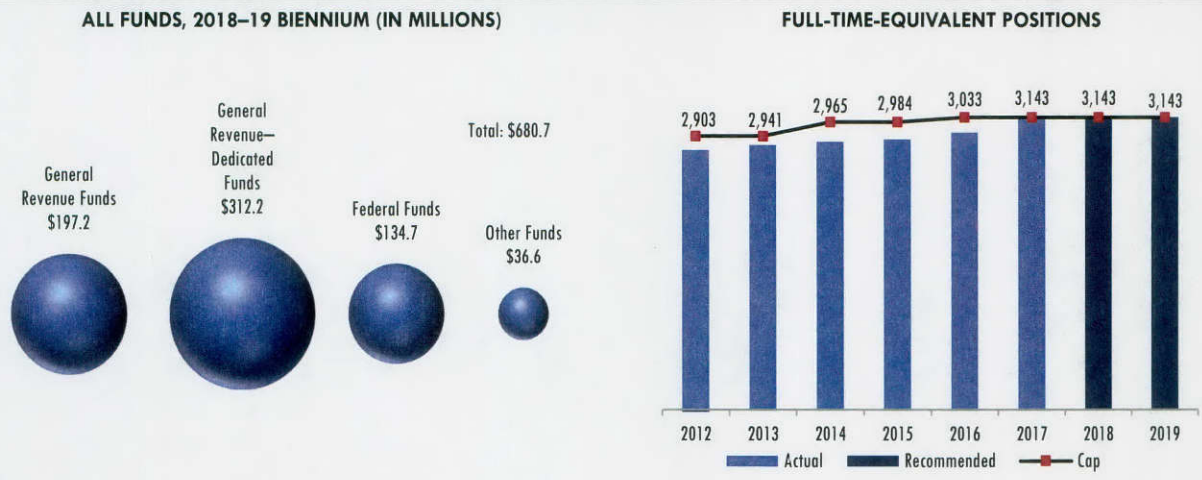
- Funding includes \$1.0 million in General Revenue Funds, a decrease of \$4.0 million from the 2016–17 biennium, for the Rio Grande Compact Commission litigation expenses. Texas has filed a motion with the U.S. Supreme Court concerning disputed water rights to the Rio Grande between Texas and New Mexico. TCEQ has indicated that it is unlikely that the case will be resolved by the end of fiscal year 2019, and that significant portions of the trial could extend into the 2020–21 biennium, reducing the need for funding in the 2018–19 biennium for this purpose.

# PARKS AND WILDLIFE DEPARTMENT

**FIGURE 1**  
**TEXAS PARKS AND WILDLIFE DEPARTMENT, BY METHOD OF FINANCE**

(IN MILLIONS)

| METHOD OF FINANCE                    | ESTIMATED/BUDGETED<br>2016–17 | RECOMMENDED<br>2018–19 | BIENNIAL<br>CHANGE | PERCENTAGE<br>CHANGE |
|--------------------------------------|-------------------------------|------------------------|--------------------|----------------------|
| General Revenue Funds                | \$198.7                       | \$197.2                | (\$1.5)            | (0.8%)               |
| General Revenue–Dedicated Funds      | \$392.1                       | \$312.2                | (\$79.9)           | (20.4%)              |
| Federal Funds                        | \$171.0                       | \$134.7                | (\$36.3)           | (21.2%)              |
| Other Funds                          | \$67.3                        | \$36.6                 | (\$30.7)           | (45.6%)              |
| <b>Total, All Methods of Finance</b> | <b>\$829.2</b>                | <b>\$680.7</b>         | <b>(\$148.4)</b>   | <b>(17.9%)</b>       |



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

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

Funding for the Parks and Wildlife Department (TPWD) for the 2018–19 biennium totals \$680.7 million in All Funds. This amount is a decrease of \$148.4 million, or 17.9 percent, below the 2016–17 biennium. The decrease is primarily due to reductions in appropriations for deferred maintenance and capital construction projects, Federal Funds available in 2016–17 not anticipated to be available in 2018–19, and projected declines from donations and project reimbursements.

## HIGHLIGHTS

- Funding includes \$154.7 million from General Revenue Sporting Goods Sales Tax (SGST) transfers, which is a decrease of \$0.4 million from the 2016–17 biennium. In addition to the amounts in the agency’s bill pattern, \$72.4 million from SGST is utilized for payroll-related benefits and debt service payments, which brings the total appropriated and estimated amount for the agency to \$227.1 million. This is \$34.0 million less than the 2016–17 total appropriated and estimated amount.
- SGST appropriations to the agency are transferred to four General Revenue–Dedicated accounts:
  - State Parks Account No. 64: \$123.7 million is transferred to the State Parks Account No. 64, an increase of \$3.5 million, for state parks operations and capital improvements.
  - Texas Recreation and Parks Account No. 467: \$18.5 million, a decrease of \$0.2 million, for grants to counties and municipalities with populations under 500,000 for local parks and other outdoor recreation opportunities.

- Large County and Municipality Recreation and Parks Account No. 5150: \$10.0 million, a decrease of \$4.3 million, for grants to counties and municipalities with populations over 500,000 for local parks and other outdoor recreation opportunities.
- Parks and Wildlife Conservation and Capital Account No. 5004: \$2.6 million, an increase of \$0.5 million, for capital improvements at state parks.
- Funding includes \$61.4 million in All Funds for deferred maintenance and capital construction. This is a decrease of \$78.8 million below 2016–17 funding levels. The decrease is primarily due to the removal of \$76.5 million from the General Revenue–Dedicated Deferred Maintenance Account No. 5166 (Fund 5166) for one-time expenditures. Amounts include \$51.1 million from unexpended balances carried forward from 2016–17 to 2018–19, including \$13.7 million from Fund 5166.
- Funding includes \$212.3 million from the General Revenue–Dedicated Game, Fish, and Water Safety Account No. 9 (Fund 9), a decrease of \$16.1 million, or 7.1 percent. Fund 9 supports operations and capital improvements related to wildlife and fisheries management as well as enforcement of game, fish, and water safety laws.
- Funding includes \$171.6 million in All Funds, which is a decrease of \$6.4 million, or 3.6 percent, below the 2016–17 funding level, for state park operations, minor repairs, and support. This includes increases of \$1.7 million from the General Revenue–Dedicated State Parks Account No. 64 and \$0.6 million from Sporting Goods Sales Tax transfers to the State Parks Account No. 64, offset by decreases in Federal Funds and Other Funds. These funds are used to operate 91 state parks, historic sites, and natural areas anticipated to be open to the public during the 2018–19 biennium.
- Funding includes \$164.0 million in All Funds for wildlife and fisheries conservation and management operations, which is a decrease of \$25.3 million below 2016–17 funding levels. Of this amount, \$90.1 million is from Federal Funds and \$64.6 million is from Fund 9.
- Funding includes \$134.7 million in Federal Funds, which is a decrease of \$36.3 million, or 21.2 percent from the 2016–17 level. The agency receives funding from various federal sources for wildlife and fisheries conservation and management, developing outdoor recreation opportunities, law enforcement, and outreach and education efforts. Additional Federal Funds may be secured by the agency over the course of the 2018–19 biennium that are not reflected in the appropriations.
- Funding includes \$36.6 million in Other Funds, a decrease of \$30.7 million, or 45.6 percent from the 2016–17 biennium. Funding includes \$16.7 million in donations and project reimbursements, a reduction of \$21.9 million, or 56.7 percent, that is not expected to continue in 2018–19 which is based upon estimates provided by the agency. Funding also includes \$12.1 million from General Obligation bond proceeds, a decrease of \$11.0 million, or 47.6 percent.



# ARTICLE VII – BUSINESS AND ECONOMIC DEVELOPMENT

**FIGURE 1**  
**ARTICLE VII – BUSINESS AND ECONOMIC DEVELOPMENT, BY METHOD OF FINANCE**

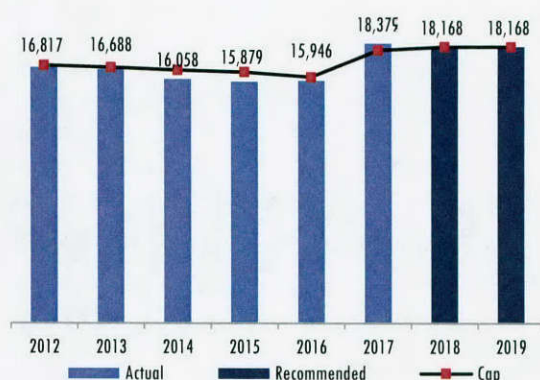
(IN MILLIONS)

| METHOD OF FINANCE                    | ESTIMATED/BUDGETED<br>2016–17 | RECOMMENDED<br>2018–19 | BIENNIAL<br>CHANGE | PERCENTAGE<br>CHANGE |
|--------------------------------------|-------------------------------|------------------------|--------------------|----------------------|
| General Revenue Funds                | \$1,176.9                     | \$553.4                | (\$623.5)          | (53.0%)              |
| General Revenue–Dedicated Funds      | \$505.9                       | \$494.0                | (\$11.8)           | (2.3%)               |
| Federal Funds                        | \$12,326.1                    | \$13,642.3             | \$1,316.2          | 10.7%                |
| Other Funds                          | \$15,655.1                    | \$18,720.7             | \$3,065.6          | 19.6%                |
| <b>Total, All Methods of Finance</b> | <b>\$29,663.9</b>             | <b>\$33,410.5</b>      | <b>\$3,746.5</b>   | <b>12.6%</b>         |

ALL FUNDS, 2018–19 BIENNIUM (IN MILLIONS)



FULL-TIME-EQUIVALENT POSITIONS



**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.

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

## MAJOR FISCAL AND POLICY ISSUES AFFECTING ARTICLE VII

All Funds for the Business and Economic Development agencies total \$33.4 billion for the 2018–19 biennium, an increase of \$3.7 billion, or 12.6 percent, from the 2016–17 biennium. General Revenue Funds total \$553.4 million, a decrease of \$623.5 million, or 53.0 percent, from the 2016–17 biennium. The decrease in General Revenue Funds is primarily due to the replacement of \$0.5 billion in General Revenue Funds at the Texas Department of Transportation with funding from state sales tax deposits to the State Highway Fund (SHF) pursuant to Proposition 7, 2015, for debt service payments on Proposition 12 General Obligation bonds.

## HIGHLIGHTS

- Funding for the Texas Department of Transportation for the 2018–19 biennium includes \$28.2 billion in All Funds, an increase of \$3.4 billion from the 2016–17 biennium primarily due to an increase of \$5.0 billion in Other Funds from anticipated state sales tax deposits to the SHF pursuant to Proposition 7, 2015. Funding includes an estimated \$2.2 billion from oil and natural gas tax-related deposits to the SHF pursuant to Proposition 1, 2014; an increase of \$0.6 billion from the 2016–17 biennium. These increases are offset by a decrease of \$1.7 billion in Other Funds for bond proceeds and a decrease of \$0.5 billion in General Revenue Funds primarily due to the replacement of General Revenue with SHF Proposition 7, 2015, proceeds for debt service payments on Proposition 12 General Obligation bonds. See the agency bill summary for additional details.

- Funding for the Texas Workforce Commission includes a net increase in All Funds of \$245.0 million primarily to biennialize funding for the Vocational Rehabilitation and Business Enterprises of Texas programs transferred from the Department of Assistive and Rehabilitative Services to the agency in fiscal year 2017 pursuant to legislation passed by the Eighty-fourth Legislature, 2015. See the agency bill summary for additional details.
- Funding for the Department of Motor Vehicles includes a decrease in General Revenue Funds of \$156.0 million primarily due to a method of financing swap to replace General Revenue Funds with Other Funds from the Texas Department of Motor Vehicles Fund pursuant to legislation passed by the Eighty-fourth Legislature, 2015. Funding for the agency includes \$321.1 million in All Funds, a net decrease of \$28.9 million from the 2016–17 biennium. The decrease in funding is primarily related to one-time appropriations of General Revenue Funds and State Highway Funds (Other Funds) for information technology projects offset by an increase of Texas Department of Motor Vehicles Funds (Other Funds) for processing online vehicle registration transactions.
- Funding for the Texas Lottery Commission includes a decrease in All Funds of \$8.9 million attributable primarily to a decrease in General Revenue–Dedicated Funds of \$2.6 million for mass media advertising contracts, \$2.1 million in estimated funding due to an anticipated decrease in gross lottery ticket sales, and \$0.9 million for market research.

Figure 2 shows the All Funds appropriation for each agency in Article VII, and Figure 3 shows the General Revenue Funds appropriation for each agency. On the subsequent pages in this chapter are more specific details about funding levels for some of the agencies in Article VII.

**FIGURE 2**  
**ARTICLE VII – BUSINESS AND ECONOMIC DEVELOPMENT, ALL FUNDS**

(IN MILLIONS)

| FUNCTION   | ESTIMATED/BUDGETED<br>2016–17 | RECOMMENDED<br>2018–19 | BIENNIAL<br>CHANGE | PERCENTAGE<br>CHANGE |
|--|-------------------------------|------------------------|--------------------|----------------------|
| Department of Housing and Community Affairs                        | \$477.1                       | \$474.3                | (\$2.7)            | (0.6%)               |
| Texas Lottery Commission   | \$496.7                       | \$487.8                | (\$8.9)            | (1.8%)               |
| Department of Motor Vehicles                                       | \$350.0                       | \$321.1                | (\$28.9)           | (8.3%)               |
| Department of Transportation                                       | \$24,746.1                    | \$28,185.8             | \$3,439.7          | 13.9%                |
| Texas Workforce Commission   | \$2,844.5                     | \$3,089.5              | \$245.0            | 8.6%                 |
| Reimbursements to the Unemployment Compensation<br>Benefit Account | \$38.8                        | \$36.1                 | (\$2.6)            | (6.7%)               |
| <b>Subtotal, Business and Economic Development</b>                 | <b>\$28,953.2</b>             | <b>\$32,594.8</b>      | <b>\$3,641.6</b>   | <b>12.6%</b>         |
| Retirement and Group Insurance                                     | \$708.3                       | \$819.0                | \$110.8            | 15.6%                |
| Social Security and Benefits Replacement Pay                       | \$141.4                       | \$147.8                | \$6.4              | 4.5%                 |
| Bond Debt Service Payments   | \$30.8                        | \$26.6                 | (\$4.2)            | (13.6%)              |
| Lease Payments   | \$2.7                         | 0.6                    | (\$2.0)            | (76.9%)              |
| <b>Subtotal, Employee Benefits and Debt Service</b>                | <b>\$883.1</b>                | <b>\$994.0</b>         | <b>\$110.9</b>     | <b>12.6%</b>         |
| Less Interagency Contracts   | \$172.4                       | \$178.4                | \$6.0              | 3.5%                 |
| <b>Total, All Functions</b>  | <b>\$29,663.9</b>             | <b>\$33,410.5</b>      | <b>\$3,746.5</b>   | <b>12.6%</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**  
**ARTICLE VII – BUSINESS AND ECONOMIC DEVELOPMENT, GENERAL REVENUE FUNDS**

(IN MILLIONS)

| FUNCTION   | ESTIMATED/BUDGETED<br>2016–17 | RECOMMENDED<br>2018–19 | BIENNIAL<br>CHANGE | PERCENTAGE<br>CHANGE |
|--|-------------------------------|------------------------|--------------------|----------------------|
| Department of Housing and Community Affairs                        | \$26.6                        | \$24.4                 | (\$2.1)            | (8.0%)               |
| Texas Lottery Commission   | \$30.9                        | \$30.7                 | (\$0.2)            | (0.7%)               |
| Department of Motor Vehicles                                       | \$184.7                       | \$28.6                 | (\$156.0)          | (84.5%)              |
| Department of Transportation                                       | \$514.2                       | \$5.4                  | (\$508.7)          | (98.9%)              |
| Texas Workforce Commission   | \$339.9                       | \$384.4                | \$44.5             | 13.1%                |
| Reimbursements to the Unemployment<br>Compensation Benefit Account | \$0.0                         | \$0.0                  | \$0.0              | N/A                  |
| <b>Subtotal, Business and Economic Development</b>                 | <b>\$1,096.2</b>              | <b>\$473.6</b>         | <b>(\$622.7)</b>   | <b>(56.8%)</b>       |
| Retirement and Group Insurance                                     | \$38.6                        | \$43.5                 | \$5.0              | 12.8%                |
| Social Security and Benefit Replacement Pay                        | \$9.3                         | \$9.8                  | \$0.5              | 5.3%                 |
| Bond Debt Service Payments   | \$30.1                        | \$25.9                 | (\$4.2)            | (13.9%)              |
| Lease Payments   | \$2.7                         | \$0.6                  | (\$2.0)            | (76.9%)              |
| <b>Subtotal, Employee Benefits and Debt Service</b>                | <b>\$80.6</b>                 | <b>\$79.9</b>          | <b>(\$0.8)</b>     | <b>(1.0%)</b>        |
| <b>Total, All Functions</b>  | <b>\$1,176.9</b>              | <b>\$553.4</b>         | <b>(\$623.5)</b>   | <b>(53.0%)</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.

# TEXAS LOTTERY COMMISSION

**FIGURE 1**  
**TEXAS LOTTERY COMMISSION, BY METHOD OF FINANCE**

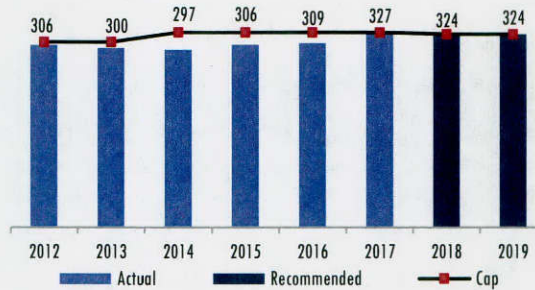
(IN MILLIONS)

| METHOD OF FINANCE                    | ESTIMATED/BUDGETED<br>2016–17 | RECOMMENDED<br>2018–19 | BIENNIAL<br>CHANGE | PERCENTAGE<br>CHANGE |
|--------------------------------------|-------------------------------|------------------------|--------------------|----------------------|
| General Revenue Funds                | \$30.9                        | \$30.7                 | (\$0.2)            | (0.7%)               |
| General Revenue–Dedicated Funds      | \$465.8                       | \$457.1                | (\$8.6)            | (1.9%)               |
| 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>\$496.7</b>                | <b>\$487.8</b>         | <b>(\$8.9)</b>     | <b>(1.8%)</b>        |

ALL FUNDS, 2018–19 BIENNIUM (IN MILLIONS)



FULL-TIME-EQUIVALENT POSITIONS



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

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

Funding for the Texas Lottery Commission for the 2018–19 biennium totals \$487.8 million in All Funds, which includes an All Funds reduction of \$8.9 million from the 2016–17 biennium. The Texas Lottery Commission is under Strategic Fiscal Review.

## HIGHLIGHTS

- Funding includes \$30.7 million in General Revenue Funds for the agency’s bingo operations, a decrease of \$0.2 million for the reduction of two bingo auditors.
- Funding includes \$457.1 million from the State Lottery Account (General Revenue–Dedicated Fund 5025) for lottery operations, a decrease of \$8.6 million primarily due to a reduction in funding of \$2.6 million for mass media advertising contracts, \$2.1 million for the agency’s estimated funding outlined below, and \$0.9 million for market research.
- Funding includes a decrease of \$2.1 million for the lottery operator contract and retailer incentives. This funding is estimated and based on a percentage of gross lottery ticket proceeds.

# DEPARTMENT OF TRANSPORTATION

**FIGURE 1**  
**DEPARTMENT OF TRANSPORTATION, BY METHOD OF FINANCE**

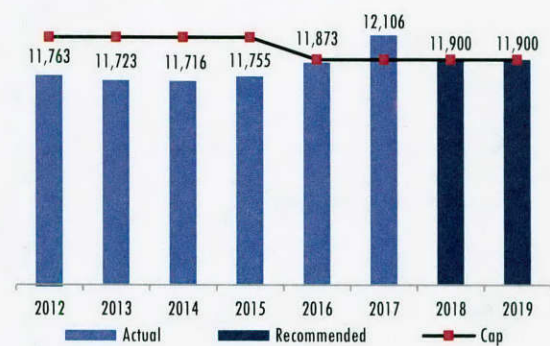
(IN MILLIONS)

| METHOD OF FINANCE                    | ESTIMATED/BUDGETED<br>2016–17 | RECOMMENDED<br>2018–19 | BIENNIAL<br>CHANGE | PERCENTAGE<br>CHANGE |
|--------------------------------------|-------------------------------|------------------------|--------------------|----------------------|
| General Revenue Funds                | \$514.2                       | \$5.4                  | (\$508.7)          | (98.9%)              |
| General Revenue–Dedicated Funds      | \$0.0                         | \$0.0                  | \$0.0              | N/A                  |
| Federal Funds                        | \$9,410.1                     | \$10,486.6             | \$1,076.6          | 11.4%                |
| Other Funds                          | \$14,821.9                    | \$17,693.8             | \$2,871.9          | 19.4%                |
| <b>Total, All Methods of Finance</b> | <b>\$24,746.1</b>             | <b>\$28,185.8</b>      | <b>\$3,439.7</b>   | <b>13.9%</b>         |

ALL FUNDS, 2018–19 BIENNIUM (IN MILLIONS)



FULL-TIME-EQUIVALENT POSITIONS



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

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

Funding for the Department of Transportation for the 2018–19 biennium totals \$28.2 billion in All Funds, which includes an All Funds increase of \$3.4 billion. The increase in funding is primarily related to anticipated state sales tax deposits to the State Highway Fund (Proposition 7, 2015) of \$2.5 billion each fiscal year beginning in fiscal year 2018.

## HIGHLIGHTS

- Funding for the 2018–19 biennium includes \$17.7 billion in Other Funds for an increase of \$2.9 billion from the 2016–17 biennium and includes:
  - \$8.6 billion in State Highway Funds (SHF) from traditional transportation tax and fee revenue sources for a decrease of \$472.5 million;
  - \$5.0 billion from state sales tax deposits to the SHF (Proposition 7, 2015), including \$4.4 billion for the development and delivery of non-tolled roadway projects and \$0.5 billion for debt service payments on Highway Improvement General Obligation bonds (Proposition 12);
  - \$2.2 billion from oil and natural gas tax-related deposits to the SHF (Proposition 1, 2014) for non-tolled roadway projects (an increase of \$0.6 billion), including \$1.2 billion for payments on ongoing projects from Proposition 1 balances remaining from prior fiscal years and \$1.0 billion from estimated Proposition 1 deposits to the SHF for the 2018–19 biennium for new projects;

- \$1.0 billion from the Texas Mobility Fund for transportation project development and delivery and bond debt service payments;
- \$0.6 billion in bond proceeds for a decrease of \$1.7 billion, including:
  - \* A decrease of \$1.3 billion in Proposition 12 General Obligation bond proceeds;
  - \* A decrease of \$0.4 billion in Texas Mobility Fund bond proceeds;
  - \* A decrease of \$17.1 million in SHF Revenue bond proceeds (Proposition 14); and
  - \* A decrease of \$6.5 million in General Obligation bond proceeds for border colonia access roadway projects.
- General Revenue funding is decreased by \$0.5 billion primarily due to the replacement of General Revenue Funds with SHF Proposition 7, 2015, proceeds for debt service payments on Proposition 12 General Obligation bonds.
- \$24.7 billion in All Funds is provided for highway planning and design, right-of-way acquisition, construction, and maintenance and preservation, including:
  - \$10.0 billion in Federal Funds;
  - \$6.9 billion in SHF (Other Funds) from traditional transportation tax and fee revenue sources;
  - \$4.4 billion from state sales tax deposits to the SHF (Proposition 7, 2015);
  - \$2.2 billion from oil and natural gas tax-related deposits to the SHF (Proposition 1, 2014);
  - \$0.6 billion from bond proceeds (Other Funds);
  - \$0.3 billion in SHF from regional toll project proceeds; and
  - \$0.2 billion in Texas Mobility Funds (Other Funds).
- \$2.3 billion in All Funds is provided for debt service payments and other financing costs associated with the agency's borrowing programs, including:
  - \$0.8 billion in SHF (Other Funds) for Proposition 14 bonds;
  - \$0.8 billion in Texas Mobility Funds (Other Funds) for Texas Mobility Fund bonds;
  - \$0.6 billion in SHF Proposition 7, 2015, proceeds for Proposition 12 General Obligation bonds;
  - \$0.1 billion in Federal Funds from Build America Bond interest payment subsidies; and
  - \$4.0 million in SHF for credit agreements associated with the agency's short-term borrowing program.

# TEXAS WORKFORCE COMMISSION

**FIGURE 1**  
**TEXAS WORKFORCE COMMISSION, BY METHOD OF FINANCE**

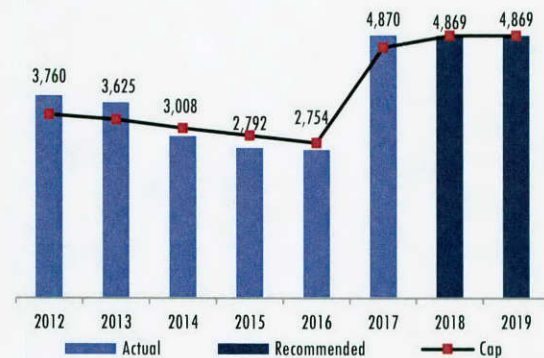
(IN MILLIONS)

| METHOD OF FINANCE                    | ESTIMATED/BUDGETED<br>2016–17 | RECOMMENDED<br>2018–19 | BIENNIAL<br>CHANGE | PERCENTAGE<br>CHANGE |
|--------------------------------------|-------------------------------|------------------------|--------------------|----------------------|
| General Revenue Funds                | \$339.9                       | \$384.4                | \$44.5             | 13.1%                |
| General Revenue–Dedicated Funds      | \$15.6                        | \$12.6                 | (\$3.0)            | (19.5%)              |
| Federal Funds                        | \$2,349.9                     | \$2,546.8              | \$196.9            | 8.4%                 |
| Other Funds                          | \$139.0                       | \$145.7                | \$6.7              | 4.8%                 |
| <b>Total, All Methods of Finance</b> | <b>\$2,844.5</b>              | <b>\$3,089.5</b>       | <b>\$245.0</b>     | <b>8.6%</b>          |

ALL FUNDS, 2018–19 BIENNIUM (IN MILLIONS)



FULL-TIME-EQUIVALENT POSITIONS



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

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

Funding for the Texas Workforce Commission (TWC) for the 2018–19 biennium totals \$3.1 billion in All Funds, which includes an All Funds increase of \$245.0 million from the 2016–17 biennium. The increase in funding is primarily related to the transfer of programs from the Department of Assistive and Rehabilitative Services (DARS) to TWC, pursuant to legislation passed by the Eighty-fourth Legislature.

## HIGHLIGHTS

- Funding includes an increase of \$311.1 million in All Funds to biennialize funding for the Vocational Rehabilitation and Business Enterprises of Texas programs transferred from DARS to TWC in fiscal year 2017. The increase includes \$56.7 million in General Revenue Funds, \$1.1 million in General Revenue–Dedicated Funds, \$252.2 million in Federal Funds, and \$1.1 million in Other Funds.
- Traditional federal funding at TWC for non-transferred programs includes a net decrease of \$55.3 million primarily related to funding not anticipated to be available for the Adult Education and Child Care programs in the 2018–19 biennium, offset by anticipated increases in funding for the Unemployment Insurance and Employment Services grants.
- Funding includes \$140.6 million in General Revenue Funds, \$948.9 million in Federal Funds, and \$2.0 million in Other Funds for child care services provided to low income families in the 2018–19 biennium. The federal Child Care and Development Block Grant Act of 2014 was reauthorized for the first time since 1996 and represents significant changes to the Child Care and Development Fund program, including the establishment of a 12-month eligibility re-determination period.

- Funding includes an increase of \$11.6 million in Interagency Contracts to fund the Department of Family and Protective Services child care services for foster care and protective service populations.
- Funding for the Skills Development program totals \$57.2 million in General Revenue Funds, a decrease of \$1.7 million from the 2016–17 biennium.

# ARTICLE VIII – REGULATORY

**FIGURE 1**  
**ARTICLE VIII – REGULATORY, BY METHOD OF FINANCE**

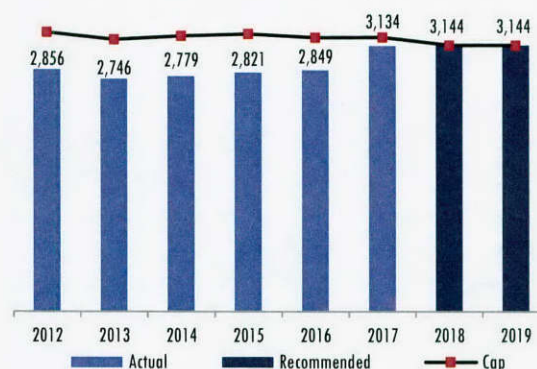
(IN MILLIONS)

| METHOD OF FINANCE                    | ESTIMATED/BUDGETED<br>2016–17 | RECOMMENDED<br>2018–19 | BIENNIAL<br>CHANGE | PERCENTAGE<br>CHANGE |
|--------------------------------------|-------------------------------|------------------------|--------------------|----------------------|
| General Revenue Funds                | \$337.1                       | \$344.1                | \$6.9              | 2.1%                 |
| General Revenue–Dedicated Funds      | \$579.0                       | \$252.6                | (\$326.4)          | (56.4%)              |
| Federal Funds                        | \$8.6                         | \$5.9                  | (\$2.7)            | (31.6%)              |
| Other Funds                          | \$32.8                        | \$28.6                 | (\$4.2)            | (12.8%)              |
| <b>Total, All Methods of Finance</b> | <b>\$957.6</b>                | <b>\$631.2</b>         | <b>(\$326.4)</b>   | <b>(34.1%)</b>       |

ALL FUNDS, 2018–19 BIENNIUM (IN MILLIONS)



FULL-TIME-EQUIVALENT POSITIONS



**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.

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

## MAJOR FISCAL AND POLICY ISSUES AFFECTING ARTICLE VIII

All Funds for the Regulatory agencies total \$631.2 million for the 2018–19 biennium, a reduction of \$326.4 million, or 34.1 percent from the 2016–17 biennium. The reduction in funding is primarily related to the expiration of the General Revenue–Dedicated System Benefit Account No. 5100 (System Benefit Fund) and the spend down of the balance of the fund during the 2016–17 biennium. The regulatory agencies regulate a variety of industries, including health-related occupations, non-health-related occupations, securities, and pari-mutuel racing, and the appropriations and indirect costs for 20 of these regulatory agencies are supported by fees generated from the industries and occupations they regulate.

## HIGHLIGHTS

- Funding for the Public Utility Commission includes a reduction of \$326.9 million, primarily due to a reduction of \$334.4 million from the spend down of the System Benefit Fund offset by an increase in General Revenue Funds of \$8.9 million for operational expenses previously funded by the System Benefit Fund in the 2016–17 biennium. See the agency bill summary for additional details.
- Funding for the Department of Insurance includes a net All Funds decrease of \$5.8 million for the 2018–19 biennium. Funding for the Three-Share Premium Assistance program, which allows the Department of Insurance to award small grants to programs that help provide and subsidize low-cost small business health insurance plans includes a \$4.0 million decrease in All Funds; however, authority to fund grant awards through the use of available fines collected from regulated

entities is continued for the agency. Funding also includes a \$2.9 million decrease in General Revenue Funds and General Revenue–Dedicated Funds for reductions in administrative support, the production of reports and data calls related to regulatory policy, ongoing costs for data center services and one-time expenditures for information technology security in the 2016–17 biennium and a \$2.3 million decrease in Federal Funds for the elimination of a federal Affordable Care Act Health Insurance Premium Review Grant that is not expected in fiscal years 2018 and 2019. These decreases are offset by an increase of \$4.4 million in General Revenue Funds to continue the agency’s State Regulatory Response Rider which allows the agency to respond to unexpected changes in the insurance market, including emergencies and natural and man-made disasters.

- Funding for the Texas Department of Licensing and Regulation includes an increase of \$3.5 million in General Revenue Funds and 25.0 full-time-equivalent (FTE) positions for the regulation of occupations and programs transferred to the agency from the Department of State Health Services during the 2018–19 biennium pursuant to legislation passed by the Eighty-fourth Legislature, 2015. This increase in funding is offset by a decrease of \$1.6 million in General Revenue Funds for one-time expenses incurred during the 2016–17 biennium for information technology security, the implementation of Centralized Accounting and Payroll/Personnel System, and start-up costs for the regulation of programs and occupations transferred to the agency during the 2016–17 biennium and a decrease of \$1.6 million in General Revenue Funds for the reduction of 14.0 FTEs in agency operations and administration.
- Funding for the Board of Pharmacy includes an increase of \$0.8 million in General Revenue Funds to biennialize funding for the Prescription Drug Monitoring Program transferred to the agency in fiscal year 2017 pursuant to legislation passed by the Eighty-fourth Legislature, 2015. This increase is offset by decreases of \$0.6 million in General Revenue Funds for 3.0 FTEs in licensing and inspections, testing of compound products, and other operating expenses, and \$0.5 million in Federal Funds for a one-time federal grant to assist with startup costs related to the Prescription Drug Monitoring Program in the 2016–17 biennium.
- Funding for the State Office of Administrative Hearings includes a net decrease of \$0.3 million in All Funds. This includes a decrease of \$2.2 million in General Revenue Funds requested by the agency offset by an increase of \$2.0 million in Other Funds related to higher interagency contract funding for anticipated increased workload and the full implementation of a higher hourly rate for the agency’s services.
- Funding for other regulatory agencies incorporate reductions to agency operations and administration.

**Figure 2** shows the All Funds appropriation for each agency in Article VIII, and **Figure 3** shows the General Revenue Funds appropriation for each agency. On the subsequent pages in this chapter are more specific details about funding levels for the Public Utility Commission.



**FIGURE 2**  
**ARTICLE VIII – REGULATORY, ALL FUNDS**

(IN MILLIONS)

| <b>FUNCTION</b>   | <b>ESTIMATED/BUDGETED<br/>2016–17</b> | <b>RECOMMENDED<br/>2018–19</b> | <b>BIENNIAL<br/>CHANGE</b> | <b>PERCENTAGE<br/>CHANGE</b> |
|---|---------------------------------------|--------------------------------|----------------------------|------------------------------|
| State Office of Administrative Hearings                             | \$23.5                                | \$23.3                         | (\$0.3)                    | (1.1%)                       |
| Board of Chiropractic Examiners                                     | \$1.7                                 | \$1.6                          | (\$0.1)                    | (3.8%)                       |
| State Board of Dental Examiners                                     | \$8.8                                 | \$8.5                          | (\$0.4)                    | (4.1%)                       |
| Texas Funeral Service Commission                                    | \$1.7                                 | \$1.6                          | (\$0.1)                    | (3.4%)                       |
| Board of Professional Geoscientists                                 | \$1.2                                 | \$1.1                          | (\$0.0)                    | (4.0%)                       |
| Health Professions Council  | \$2.2                                 | \$2.1                          | (\$0.1)                    | (2.9%)                       |
| Office of Injured Employee Counsel                                  | \$17.6                                | \$17.6                         | \$0.0                      | 0.0%                         |
| Department of Insurance   | \$232.6                               | \$226.8                        | (\$5.8)                    | (2.5%)                       |
| Office of Public Insurance Counsel                                  | \$2.2                                 | \$2.1                          | (\$0.1)                    | (3.3%)                       |
| Board of Professional Land Surveyors                                | \$0.9                                 | \$0.9                          | (\$0.0)                    | (0.7%)                       |
| Department of Licensing and Regulation                              | \$67.0                                | \$67.8                         | \$0.8                      | 1.1%                         |
| Texas Medical Board   | \$28.3                                | \$27.3                         | (\$1.0)                    | (3.6%)                       |
| Board of Nursing  | \$24.1                                | \$23.4                         | (\$0.7)                    | (2.8%)                       |
| Texas Optometry Board   | \$1.0                                 | \$0.9                          | (\$0.0)                    | (3.3%)                       |
| State Board of Pharmacy   | \$15.4                                | \$15.1                         | (\$0.2)                    | (1.6%)                       |
| Executive Council of Physical and Occupational Therapy<br>Examiners | \$2.9                                 | \$2.8                          | (\$0.1)                    | (3.9%)                       |
| Board of Plumbing Examiners   | \$5.4                                 | \$5.2                          | (\$0.2)                    | (4.0%)                       |
| State Board of Podiatric Medical Examiners                          | \$0.6                                 | \$0.6                          | (\$0.0)                    | (4.3%)                       |
| Board of Examiners of Psychologists                                 | \$1.8                                 | \$1.8                          | (\$0.0)                    | (0.3%)                       |
| Texas Racing Commission   | \$14.7                                | \$15.6                         | \$0.9                      | 6.4%                         |
| Texas State Securities Board  | \$14.6                                | \$14.0                         | (\$0.6)                    | (4.0%)                       |
| Public Utility Commission   | \$359.5                               | \$32.6                         | (\$326.9)                  | (90.9%)                      |
| Office of Public Utility Counsel                                    | \$4.5                                 | \$4.3                          | (\$0.2)                    | (4.0%)                       |
| Board of Veterinary Medical Examiners                               | \$2.6                                 | \$2.5                          | (\$0.1)                    | (3.9%)                       |
| <b>Subtotal, Regulatory</b>   | <b>\$834.7</b>                        | <b>\$499.6</b>                 | <b>(\$335.1)</b>           | <b>(40.1%)</b>               |
| Retirement and Group Insurance                                      | \$105.2                               | \$116.6                        | \$11.4                     | 10.8%                        |
| Social Security and Benefits Replacement Pay                        | \$26.2                                | \$26.2                         | \$0.0                      | 0.1%                         |
| Lease Payments  | \$1.0                                 | \$0.3                          | (\$0.7)                    | (68.2%)                      |
| <b>Subtotal, Employee Benefits and Debt Service</b>                 | <b>\$132.4</b>                        | <b>\$143.1</b>                 | <b>\$10.7</b>              | <b>8.1%</b>                  |
| Less Interagency Contracts  | \$9.5                                 | \$11.5                         | \$1.9                      | 20.3%                        |
| <b>Total, All Functions</b>   | <b>\$957.6</b>                        | <b>\$631.2</b>                 | <b>(\$326.4)</b>           | <b>(34.1%)</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**  
**ARTICLE VIII – REGULATORY, GENERAL REVENUE FUNDS**

(IN MILLIONS)

| FUNCTION  | ESTIMATED/BUDGETED<br>2016–17 | RECOMMENDED<br>2018–19 | BIENNIAL<br>CHANGE | PERCENTAGE<br>CHANGE |
|---|-------------------------------|------------------------|--------------------|----------------------|
| State Office of Administrative Hearings                             | \$16.6                        | \$14.3                 | (\$2.3)            | (13.7%)              |
| Board of Chiropractic Examiners                                     | \$1.6                         | \$1.5                  | (\$0.1)            | (4.0%)               |
| State Board of Dental Examiners                                     | \$8.3                         | \$7.9                  | (\$0.3)            | (3.9%)               |
| Texas Funeral Service Commission                                    | \$1.6                         | \$1.5                  | (\$0.1)            | (3.7%)               |
| Board of Professional Geoscientists                                 | \$1.2                         | \$1.1                  | (\$0.0)            | (4.0%)               |
| Health Professions Council  | \$0.0                         | \$0.0                  | \$0.0              | N/A                  |
| Office of Injured Employee Counsel                                  | \$0.0                         | \$0.0                  | \$0.0              | N/A                  |
| Department of Insurance   | \$82.9                        | \$84.8                 | \$1.9              | 2.3%                 |
| Office of Public Insurance Counsel                                  | \$1.8                         | \$1.7                  | (\$0.1)            | (4.0%)               |
| Board of Professional Land Surveyors                                | \$0.9                         | \$0.9                  | \$0.0              | 0.0%                 |
| Department of Licensing and Regulation                              | \$58.2                        | \$59.0                 | \$0.8              | 1.4%                 |
| Texas Medical Board   | \$23.6                        | \$20.1                 | (\$3.5)            | (14.7%)              |
| Board of Nursing  | \$17.4                        | \$16.8                 | (\$0.6)            | (3.6%)               |
| Texas Optometry Board   | \$0.9                         | \$0.9                  | (\$0.0)            | (3.7%)               |
| State Board of Pharmacy   | \$14.9                        | \$15.1                 | \$0.3              | 1.7%                 |
| Executive Council of Physical and Occupational Therapy<br>Examiners | \$2.7                         | \$2.7                  | (\$0.0)            | (1.6%)               |
| Board of Plumbing Examiners   | \$5.3                         | \$5.1                  | (\$0.2)            | (4.0%)               |
| State Board of Podiatric Medical Examiners                          | \$0.6                         | \$0.6                  | (\$0.0)            | (4.0%)               |
| Board of Examiners of Psychologists                                 | \$1.6                         | \$1.6                  | (\$0.0)            | (0.3%)               |
| Texas Racing Commission   | \$0.0                         | \$0.0                  | \$0.0              | N/A                  |
| Texas State Securities Board  | \$14.6                        | \$14.0                 | (\$0.6)            | (4.0%)               |
| Public Utility Commission   | \$18.8                        | \$26.5                 | \$7.7              | 41.2%                |
| Office of Public Utility Counsel                                    | \$3.4                         | \$3.3                  | (\$0.1)            | (4.0%)               |
| Board of Veterinary Medical Examiners                               | \$2.6                         | \$2.5                  | (\$0.1)            | (3.9%)               |
| <b>Subtotal, Regulatory</b>   | <b>\$279.2</b>                | <b>\$281.9</b>         | <b>\$2.6</b>       | <b>0.9%</b>          |
| Retirement and Group Insurance                                      | \$45.3                        | \$50.0                 | \$4.7              | 10.3%                |
| Social Security and Benefits Replacement Pay                        | \$11.9                        | \$12.0                 | \$0.2              | 1.3%                 |
| Lease Payments  | \$0.7                         | \$0.2                  | (\$0.5)            | (76.5%)              |
| <b>Subtotal, Employee Benefits and Debt Service</b>                 | <b>\$57.9</b>                 | <b>\$62.2</b>          | <b>\$4.3</b>       | <b>7.4%</b>          |
| <b>Total, All Functions</b>   | <b>\$337.1</b>                | <b>\$344.1</b>         | <b>\$6.9</b>       | <b>2.1%</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.

# PUBLIC UTILITY COMMISSION

**FIGURE 1**  
**PUBLIC UTILITY COMMISSION, BY METHOD OF FINANCE**

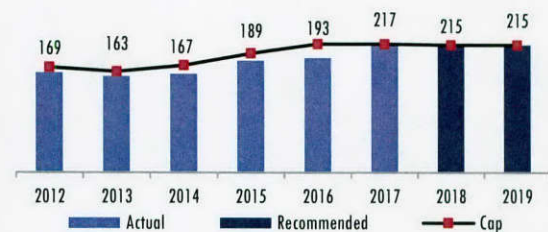
(IN MILLIONS)

| METHOD OF FINANCE                    | ESTIMATED/BUDGETED<br>2016–17 | RECOMMENDED<br>2018–19 | BIENNIAL<br>CHANGE | PERCENTAGE<br>CHANGE |
|--------------------------------------|-------------------------------|------------------------|--------------------|----------------------|
| General Revenue Funds                | \$18.8                        | \$26.5                 | \$7.7              | 41.2%                |
| General Revenue–Dedicated Funds      | \$339.8                       | \$5.1                  | (\$334.6)          | (98.5%)              |
| Federal Funds                        | \$0.0                         | \$0.0                  | \$0.0              | N/A                  |
| Other Funds                          | \$1.0                         | \$1.0                  | \$0.0              | 0.0%                 |
| <b>Total, All Methods of Finance</b> | <b>\$359.5</b>                | <b>\$32.6</b>          | <b>(\$326.9)</b>   | <b>(90.9%)</b>       |

ALL FUNDS, 2018–19 BIENNIUM (IN MILLIONS)



FULL-TIME-EQUIVALENT POSITIONS



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

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

Funding for the Public Utility Commission for the 2018–19 biennium totals \$32.6 million in All Funds, which includes an All Funds reduction of \$326.9 million. The reduction in funding is primarily related to the expiration of the General Revenue–Dedicated System Benefit Account No. 5100 (System Benefit Fund), which was established in 1999 to support the agency's Low Income Discount program. The Eighty-third Legislature passed House Bill 7, 2013, to eliminate the fee which funded the System Benefit Fund and set the expiration of the fund to the end of fiscal year 2016. Projecting that a balance would remain at that time, the Eighty-fourth Legislature passed House Bill 1101, 2015 to set the expiration of the fund at the end of fiscal year 2017. The appropriation of the System Benefit Fund, along with the provisions of HB 1101, allows for the spend down of the fund by the end of the 2016–17 biennium.

## HIGHLIGHTS

- Due to the spend down of the System Benefit Fund, appropriations include a decrease of \$334.4 million in General Revenue–Dedicated Funds. This includes a decrease of \$325.5 million for the expiration of the Low Income Discount Program and \$8.9 million for non-Low Income Discount Program components of the fund, outlined below.
- Funding includes a method of finance swap of \$8.9 million of General Revenue Funds in the 2018–19 biennium to replace operational expenses for electric oversight, customer education, and agency administration previously funded in a like amount through the System Benefit Fund during the 2016–17 biennium.
- Funding includes a decrease of \$1.3 million in All Funds for customer education outreach contracts, 2.0 full-time equivalents in water regulation, and other operating expenses.



# READER'S GUIDE TO GENERAL APPROPRIATIONS BILLS

This guide explains certain key elements of a General Appropriations Bill. The version of the General Appropriations Bill that becomes law is referred to as the General Appropriations Act (GAA). The GAA is the state's budget for a two-year period referred to as a biennium.

General Appropriations Bills are categorized by articles that cover a certain area of government. For example, Article I applies to areas of General Government, Article II covers Health and Human Services, and Article III applies to Public and Higher Education. Six additional articles cover other areas of government. Article IX, General Provisions, contains additional limitations, authority, and requirements applicable to other articles.

Articles contain agency bill patterns that all follow a similar format. Article-specific summary information is included at the end of each article.

The following sample shows a bill pattern for the Office of Attorney General.

**A** Agency names are followed by their bill patterns, which consist of items of appropriations and riders.

**B** Methods of Finance (MOF) describe different fund types in an agency's appropriations. The four MOF categories are General Revenue (GR), General Revenue-Dedicated (GR-D), Federal Funds, and Other Funds. Each of these four may contain subcategories.

**C** The Number of Full-Time Equivalents (FTE) shows the maximum number of FTE positions, or FTE cap, for the agency

**D** The Schedule of Exempt Positions indicates annual salary caps for certain agency executives.

**E** Agency Items of Appropriation consist of goals with multiple strategies. Each strategy has its own appropriation.

**F** The left footer shows the version of the appropriations bill. This is the LBB recommended version for the House.

**G** The center footer shows the article number followed by its page number. This is the third page of Article I, General Government.

| <b>A</b> OFFICE OF THE ATTORNEY GENERAL  |              | For the Years Ending |                    |
|--|--------------|----------------------|--------------------|
|  |              | August 31,<br>2018   | August 31,<br>2019 |
| <b>B</b> Method of Financing:  |              |                      |                    |
| <u>General Revenue Fund</u>  |              |                      |                    |
| General Revenue Fund   | \$           | 109,135,254          | \$ 112,718,415     |
| Child Support Retained Collection Account  |              | 97,005,072           | 97,005,072         |
| Attorney General Debt Collection Receipts  |              | 8,300,000            | 8,300,000          |
| General Revenue - Insurance Companies Maintenance Tax and Insurance Department Fees                                      |              | 3,411,343            | 3,411,343          |
| Subtotal, General Revenue Fund   | \$           | 217,851,669          | \$ 221,434,830     |
| <u>General Revenue Fund - Dedicated</u>  |              |                      |                    |
| Compensation to Victims of Crime Account No. 469   |              | 60,751,951           | 61,775,611         |
| Compensation to Victims of Crime Auxiliary Account No. 494   |              | 161,349              | 161,349            |
| AG Law Enforcement Account No. 5006  |              | 301,402              | 301,402            |
| Sexual Assault Program Account No. 5010  |              | 15,188,546           | 5,188,546          |
| Subtotal, General Revenue Fund - Dedicated   | \$           | 76,403,248           | \$ 67,426,908      |
| Federal Funds  |              | 213,366,403          | 220,889,946        |
| <u>Other Funds</u>   |              |                      |                    |
| Interagency Contracts - Criminal Justice Grants  |              | 551,250              | 551,250            |
| Appropriated Receipts  |              | 33,043,026           | 33,035,204         |
| Interagency Contracts  |              | 31,980,957           | 31,980,957         |
| License Plate Trust Fund Account No. 0802  |              | 30,970               | 30,970             |
| Subtotal, Other Funds  | \$           | 65,606,203           | \$ 65,598,381      |
| <b>Total, Method of Financing</b>  | \$           | 573,227,523          | \$ 575,350,065     |
| <b>This bill pattern represents an estimated 100% of this agency's estimated total available funds for the biennium.</b> |              |                      |                    |
| <b>C</b> Number of Full-Time-Equivalents (FTE):  |              | 4,197.4              | 4,197.4            |
| <b>D</b> Schedule of Exempt Positions:   |              |                      |                    |
| Attorney General, Group 6  |              | \$153,750            | \$153,750          |
| <b>E</b> Items of Appropriation:   |              |                      |                    |
| <b>A. Goal:</b> PROVIDE LEGAL SERVICES   |              |                      |                    |
| Provide General Legal Services to the State and Authorized Entities.   |              |                      |                    |
| <b>A.1.1. Strategy:</b> LEGAL SERVICES   |              |                      |                    |
| Provide Legal Counsel/Litigation/Alternative Dispute Resolution Svcs.  | \$           | 102,107,328          | \$ 102,099,506     |
| <b>F</b> A813-LBB House-1-A  | <b>G</b> I-3 | December 27, 2016    |                    |

**H** **Grand Total** amounts are the sum of all individual agency strategy appropriations. Note that Grand Total amounts exactly match the Total, Method of Financing line above, as well as the Total, Object-of-Expense Informational Listing at the top of the next page.

**I** **Object-of-Expense (OOE) Informational Listing** categorizes the use of the agency's appropriation made above. It is not a separate appropriation.

**J** **Entries for Employee Benefits and Debt Service** are not specific agency appropriations, but rather an estimate of the amounts needed for this agency that are appropriated elsewhere.

| <b>OFFICE OF THE ATTORNEY GENERAL</b>  |  |                       |                       |
|--|--|-----------------------|-----------------------|
| (Continued)  |  |                       |                       |
| <b>B. Goal: ENFORCE CHILD SUPPORT LAW</b>  |  |                       |                       |
| Enforce State/Federal Child Support Laws.  |  |                       |                       |
| <b>B.1.1. Strategy: CHILD SUPPORT ENFORCEMENT</b>  | \$ 335,024,074   | \$ 345,562,782        |                       |
| Establish Paternity/Obligations, Enforce Orders and Distribute Monies.   |  |                       |                       |
| <b>B.1.2. Strategy: STATE DISBURSEMENT UNIT</b>  | \$ 13,812,653  | \$ 13,812,653         |                       |
| <b>Total, Goal B: ENFORCE CHILD SUPPORT LAW</b>  | <u>\$ 348,836,727</u>  | <u>\$ 359,375,435</u> |                       |
| <b>C. Goal: CRIME VICTIMS' SERVICES</b>  |  |                       |                       |
| Investigate/Process Applications for Compensation to Crime Victims.  |  |                       |                       |
| <b>C.1.1. Strategy: CRIME VICTIMS' COMPENSATION</b>  | \$ 64,764,500  | \$ 66,279,156         |                       |
| Review Claims, Determine Eligibility/State Liability, Pay Correctly.   |  |                       |                       |
| <b>C.1.2. Strategy: VICTIMS ASSISTANCE</b>   | \$ 38,239,267  | \$ 28,316,267         |                       |
| Provide Grants & Contracts for Victims Svcs/Sexual Asslt Victims.  |  |                       |                       |
| <b>Total, Goal C: CRIME VICTIMS' SERVICES</b>  | <u>\$ 103,003,767</u>  | <u>\$ 94,595,423</u>  |                       |
| <b>D. Goal: REFER MEDICAID CRIMES</b>  |  |                       |                       |
| Investigate/Refer for Prosecution Fraud/Misconduct Involving Medicaid.   |  |                       |                       |
| <b>D.1.1. Strategy: MEDICAID INVESTIGATION</b>   | \$ 18,640,452  | \$ 18,640,452         |                       |
| Conduct Investigation Supporting Prosecution of Alleged Medicaid Crime.  |  |                       |                       |
| <b>E. Goal: ADMINISTRATIVE SUPPORT FOR SORM</b>  |  |                       |                       |
| Provide Administrative Support for the State Office of Risk Management.  |  |                       |                       |
| <b>E.1.1. Strategy: ADMINISTRATIVE SUPPORT FOR SORM</b>  | \$ 639,249   | \$ 639,249            |                       |
| Provide Administrative Support to the State Office of Risk Management.   |  |                       |                       |
| <b>H</b>   | <b>Grand Total, OFFICE OF THE ATTORNEY GENERAL</b>   | <u>\$ 573,227,523</u> | <u>\$ 575,350,065</u> |
| <b>I</b>   | <b>Object-of-Expense Informational Listing:</b>  |                       |                       |
|  | Salaries and Wages   | \$ 236,200,273        | \$ 236,200,273        |
|  | Other Personnel Costs  | 7,945,677             | 7,945,677             |
|  | Professional Fees and Services   | 74,151,609            | 85,890,341            |
|  | Fuels and Lubricants   | 306,385               | 306,385               |
|  | Consumable Supplies  | 1,711,577             | 1,711,577             |
|  | Utilities  | 3,356,564             | 3,356,564             |
|  | Travel   | 5,160,548             | 5,160,548             |
|  | Rent - Building  | 18,063,647            | 18,063,647            |
|  | Rent - Machine and Other   | 1,742,017             | 1,734,195             |
|  | Other Operating Expense  | 144,842,656           | 146,121,901           |
|  | Grants   | 52,331,027            | 42,402,355            |
|  | Capital Expenditures   | <u>27,415,543</u>     | <u>26,456,602</u>     |
|  | <b>Total, Object-of-Expense Informational Listing</b>  | <u>\$ 573,227,523</u> | <u>\$ 575,350,065</u> |
| <b>Estimated Allocations for Employee Benefits and Debt Service Appropriations Made Elsewhere in this Act:</b> |  |                       |                       |
| <b>J</b>   | <b>Employee Benefits</b>   |                       |                       |
|  | Retirement   | \$ 20,801,617         | \$ 20,801,617         |
|  | Group Insurance  | 47,647,574            | 50,489,677            |
|  | Social Security  | 16,542,349            | 16,542,349            |
|  | Benefits Replacement   | <u>473,380</u>        | <u>407,107</u>        |
|  | Subtotal, Employee Benefits  | <u>\$ 85,464,920</u>  | <u>\$ 88,240,750</u>  |
| <b>J</b>   | <b>Debt Service</b>  |                       |                       |
|  | Lease Payments   | \$ 280,248            | \$ 218,372            |
|  | <b>Total, Estimated Allocations for Employee Benefits and Debt Service Appropriations Made Elsewhere in this Act</b> | <u>\$ 85,745,168</u>  | <u>\$ 88,459,122</u>  |

**K** Performance Measure Targets instruct agencies on specific desired results within their strategies. There are four types of measures: outcome; output; efficiency; and explanatory/ input.

The Performance Measure Targets section is also the beginning of the Rider Section of an agency bill pattern. Riders inform agencies on their use of items of appropriations. They may authorize, direct, or limit the use of items of appropriation.

**L** An agency's second rider is its **Capital Budget**. Capital Budgets do not make additional appropriations, but rather direct the use of items of appropriation made above for specific uses. Capital Budgets direct the agency purchase or lease of vehicles, information resources, real property, or certain road construction or building repair.

**OFFICE OF THE ATTORNEY GENERAL**  
(Continued)

**K** 1. **Performance Measure Targets.** The following is a listing of the key performance target levels for the Office of the Attorney General. It is the intent of the Legislature that appropriations made by this Act be utilized in the most efficient and effective manner possible to achieve the intended mission of the Office of the Attorney General. In order to achieve the objectives and service standards established by this Act, the Office of the Attorney General shall make every effort to attain the following designated key performance target levels associated with each item of appropriation.

|   | 2018       | 2019       |
|---|------------|------------|
| <b>A. Goal: PROVIDE LEGAL SERVICES</b>  |            |            |
| <b>Outcome (Results/Impact):</b>  |            |            |
| Delinquent State Fee/venue Collected  | 45,000,000 | 45,000,000 |
| <b>A.1.1. Strategy: LEGAL SERVICES</b>  |            |            |
| <b>Output (Volume):</b>   |            |            |
| Legal Hours Filled to Litigation and Legal Counsel                                      | 1,053,655  | 1,053,655  |
| <b>Efficiencies:</b>  |            |            |
| Average Cost Per Legal Hour   | 96.93      | 96.92      |
| <b>B. Goal: ENFORCE CHILD SUPPORT LAW</b>   |            |            |
| <b>Outcome (Results/Impact):</b>  |            |            |
| Percent of Title IV-D Cases That Have Court Orders for Child Support                    | 82%        | 82%        |
| Percent of All Current Child Support Amounts Due That Are Collected                     | 65%        | 65%        |
| Percent of Title IV-D Cases with Arrears Due in Which Any Amount Is Paid Toward Arrears | 65%        | 65%        |
| Percent of Paternity Establishments for Out of Wedlock Births                           | 95%        | 95%        |
| <b>B.1.1. Strategy: CHILD SUPPORT ENFORCEMENT</b>                                       |            |            |
| <b>Output (Volume):</b>   |            |            |
| Amount of Title IV-D Child Support Collected (in Millions)                              | 4,160      | 4,210      |
| <b>Efficiencies:</b>  |            |            |
| Ratio of Total Dollars Collected Per Dollar Spent                                       | 12.42      | 12.18      |
| <b>B.1.2. Strategy: STATE DISBURSEMENT UNIT</b>   |            |            |
| <b>Output (Volume):</b>   |            |            |
| Number of Payment Receipts Processed by the SDU Vendor                                  | 23,700,000 | 24,900,000 |
| <b>C. Goal: CRIME VICTIMS' SERVICES</b>   |            |            |
| <b>Outcome (Results/Impact):</b>  |            |            |
| Amount of Crime Victims' Compensation Awarded   | 56,957,876 | 58,470,374 |
| <b>C.1.1. Strategy: CRIME VICTIMS' COMPENSATION</b>                                     |            |            |
| <b>Efficiencies:</b>  |            |            |
| Average Number of Days to Analyze a Claim and Make an Award                             | 46         | 46         |
| <b>D. Goal: REFER MEDICAID CRIMES</b>   |            |            |
| <b>D.1.1. Strategy: MEDICAID INVESTIGATION</b>  |            |            |
| <b>Output (Volume):</b>   |            |            |
| Number of Investigations Concluded  | 500        | 500        |

**L** 2. **Capital Budget.** Funds appropriated above may be expended for capital budget items listed below. The amounts identified for each item may be adjusted or may be expended on other non-capital expenditures within the strategy to which the funds were appropriated. However, any amounts spent on capital items are subject to the aggregate dollar restrictions on capital budget expenditures provided in the General Provisions of this Act.

|  | 2016          | 2017          |
|--|---------------|---------------|
| <b>a. Acquisition of Information Resource Technologies</b> |               |               |
| <b>(1) Child Support Hardware/Software Enhancements</b>    |               |               |
|  | \$ 100,000    | \$ 100,000    |
| (2) Child Support TXCSES 2.0 Release 1                     | 25,803,812    | 741,174       |
| (3) Child Support TXCSES 2.0 Release 2                     | 9,560,050     | 6,692,474     |
| Total, Acquisition of Information Resource Technologies    | \$ 35,463,862 | \$ 7,533,648  |
| <b>b. Transportation Items</b>                             |               |               |
| (1) Child Support Motor Vehicles                           | \$ 163,494    | \$ 163,494    |
| <b>c. Data Center Consolidation</b>                        |               |               |
| (1) Data Center Consolidation                              | \$ 46,734,045 | \$ 53,062,011 |

**M** The **Method of Financing (Capital Budget)** section directs agencies in the use of MOFs for Capital Budget expenses.

**N** Additional riders follow an agency’s Performance Measure Targets (Rider 1) and Capital Budget (Rider 2). Riders may provide general direction on the use of agency appropriation or may provide direction relating to a specific strategy.

**OFFICE OF THE ATTORNEY GENERAL**  
(Continued)

|  |                      |                      |
|--|----------------------|----------------------|
| d. Centralized Accounting and Payroll/Personnel System (CAPPS) |                      |                      |
| (1) Converted PeopleSoft Licenses                              | \$ 55,662            | \$ 55,662            |
| <b>Total, Capital Budget</b>                                   | <b>\$ 82,417,063</b> | <b>\$ 60,814,815</b> |

|  |                      |                      |
|--|----------------------|----------------------|
| Method of Financing (Capital Budget):                              |                      |                      |
| General Revenue Fund   | \$ 29,730,384        | \$ 22,380,228        |
| GR Dedicated – Compensation to Victims of Crime<br>Account No. 469 | 186,654              | 186,654              |
| Federal Funds  | 51,595,178           | 37,343,086           |
| Other Funds  |                      |                      |
| Appropriated Receipts  | 789,449              | 789,449              |
| Interagency Contracts  | 115,398              | 115,398              |
| Subtotal, Other Funds  | \$ 904,847           | \$ 904,847           |
| <b>Total, Method of Financing</b>                                  | <b>\$ 82,417,063</b> | <b>\$ 60,814,815</b> |

|  |      |      |
|--|------|------|
|  | 2018 | 2019 |
|--|------|------|

|  |                      |                      |
|--|----------------------|----------------------|
| a. Acquisition of Information Resource Technologies                |                      |                      |
| (1) Child Support Hardware/Software<br>Enhancements                | \$ 100,000           | \$ 100,000           |
| (2) Child Support TXCSES 2.0 Single Release                        | \$ 30,690,829        | \$ 26,406,435        |
| <b>Total, Acquisition of Information<br/>Resource Technologies</b> | <b>\$ 30,790,829</b> | <b>\$ 26,506,435</b> |

|                                  |            |            |
|----------------------------------|------------|------------|
| b. Transportation Items          |            |            |
| (1) Child Support Motor Vehicles | \$ 288,000 | \$ 192,000 |

|                               |               |               |
|-------------------------------|---------------|---------------|
| c. Data Center Consolidation  |               |               |
| (1) Data Center Consolidation | \$ 51,636,341 | \$ 51,981,462 |

|  |                      |                      |
|--|----------------------|----------------------|
| d. Centralized Accounting and Payroll/Personnel System (CAPPS) |                      |                      |
| (1) Converted PeopleSoft Licenses                              | \$ 57,055            | \$ 57,055            |
| <b>Total, Capital Budget</b>                                   | <b>\$ 82,772,225</b> | <b>\$ 78,736,952</b> |

**M**

|  |                      |                      |
|--|----------------------|----------------------|
| Method of Financing (Capital Budget):                              |                      |                      |
| General Revenue Fund   | \$ 30,044,584        | \$ 28,869,771        |
| GR Dedicated - Compensation to Victims of Crime<br>Account No. 469 | 201,294              | 201,388              |
| Federal Funds  | 51,934,855           | 49,074,255           |
| Appropriated Receipts  | 493,677              | 493,677              |
| Interagency Contracts  | 97,815               | 97,861               |
| <b>Total, Method of Financing</b>                                  | <b>\$ 82,772,225</b> | <b>\$ 78,736,952</b> |

**N**

**3. Cost Allocation, Reporting Requirement.** The Office of the Attorney General is directed to continue an accounting and billing system by which the costs of legal services provided to each agency may be determined. This cost information shall be provided to the Legislative Budget Board and the Governor within 60 days after the close of the fiscal year.

**4. Child Support Collections.**

a. The Office of the Attorney General shall deposit Child Support Retained Collections in a special account in the Comptroller's Office. The account shall be called the Child Support Retained Collection Account. Child Support Retained Collections shall include the state share of funds collected by the Office of the Attorney General which were previously paid by the State as Aid to Families with Dependent Children (AFDC) or Temporary Assistance for Needy Families (TANF) or foster care payments, all child support enforcement incentive



## COMPARISON OF RECOMMENDATIONS

**FIGURE B-1  
ALL FUNDS**

(IN MILLIONS)

| ALL FUNCTIONS                                   | ESTIMATED/BUDGETED<br>2015-17 | RECOMMENDED<br>2018-19 | BIENNIAL<br>CHANGE | PERCENTAGE<br>CHANGE |
|---|-------------------------------|------------------------|--------------------|----------------------|
| Article I – General Government                  | \$7,073.8                     | \$5,920.1              | (\$1,153.8)        | (16.3%)              |
| Article II – Health and Human Services          | \$81,112.4                    | \$81,848.7             | \$736.4            | 0.9%                 |
| Article III – Agencies of Education             | \$79,140.7                    | \$81,585.4             | \$2,444.7          | 3.1%                 |
| <i>Public Education</i>                         | \$58,896.4                    | \$61,073.1             | \$2,176.7          | 3.7%                 |
| <i>Higher Education</i>                         | \$20,244.3                    | \$20,512.3             | \$268.0            | 1.3%                 |
| Article IV – The Judiciary                      | \$813.3                       | \$806.5                | (\$6.8)            | (0.8%)               |
| Article V – Public Safety and Criminal Justice  | \$12,503.5                    | \$12,241.2             | (\$262.4)          | (2.1%)               |
| Article VI – Natural Resources                  | \$4,577.9                     | \$4,506.9              | (\$71.0)           | (1.6%)               |
| Article VII – Business and Economic Development | \$29,663.9                    | \$33,410.5             | \$3,746.5          | 12.6%                |
| Article VIII – Regulatory                       | \$957.6                       | \$631.2                | (\$326.4)          | (34.1%)              |
| Article IX – General Provisions                 | \$0.0                         | \$0.0                  | \$0.0              | N/A                  |
| Article X – The Legislature                     | \$400.9                       | \$384.3                | (\$16.6)           | (4.1%)               |
| <b>Total, All Functions</b>                     | <b>\$216,243.9</b>            | <b>\$221,334.7</b>     | <b>\$5,090.8</b>   | <b>2.4%</b>          |

NOTES:

(1) May include anticipated supplemental spending adjustments.

(2) Excludes Interagency Contracts.

(3) 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 B-2  
GENERAL REVENUE FUNDS**

(IN MILLIONS)

| ALL FUNCTIONS                                   | ESTIMATED/BUDGETED<br>2015-17 | RECOMMENDED<br>2018-19 | BIENNIAL<br>CHANGE | PERCENTAGE<br>CHANGE |
|---|-------------------------------|------------------------|--------------------|----------------------|
| Article I – General Government                  | \$3,345.5                     | \$3,280.3              | (\$65.2)           | (1.9%)               |
| Article II – Health and Human Services          | \$33,621.7                    | \$34,628.6             | \$1,006.9          | 3.0%                 |
| Article III – Agencies of Education             | \$56,283.7                    | \$56,882.8             | \$599.1            | 1.1%                 |
| <i>Public Education</i>                         | \$41,594.1                    | \$42,018.4             | \$424.3            | 1.0%                 |
| <i>Higher Education</i>                         | \$14,689.6                    | \$14,864.4             | \$174.8            | 1.2%                 |
| Article IV – The Judiciary                      | \$503.3                       | \$508.8                | \$5.6              | 1.1%                 |
| Article V – Public Safety and Criminal Justice  | \$11,534.7                    | \$11,425.8             | (\$108.9)          | (0.9%)               |
| Article VI – Natural Resources                  | \$835.0                       | \$853.0                | \$17.9             | 2.1%                 |
| Article VII – Business and Economic Development | \$1,176.9                     | \$553.4                | (\$623.5)          | (53.0%)              |
| Article VIII – Regulatory                       | \$337.1                       | \$344.1                | \$6.9              | 2.1%                 |
| Article IX – General Provisions                 | \$0.0                         | \$0.0                  | \$0.0              | N/A                  |
| Article X – The Legislature                     | \$400.8                       | \$384.1                | (\$16.7)           | (4.2%)               |
| <b>Total, All Functions</b>                     | <b>\$108,038.7</b>            | <b>\$108,860.9</b>     | <b>\$822.1</b>     | <b>0.8%</b>          |

NOTES:

(1) May include anticipated supplemental spending adjustments.

(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 B-3  
RECOMMENDATIONS BY ARTICLE, GENERAL REVENUE-DEDICATED FUNDS**

(IN MILLIONS)

| ALL FUNCTIONS                                   | ESTIMATED/BUDGETED<br>2016-17 | RECOMMENDED<br>2018-19 | BIENNIAL<br>CHANGE | PERCENTAGE<br>CHANGE |
|---|-------------------------------|------------------------|--------------------|----------------------|
| Article I – General Government                  | \$1,056.0                     | \$587.2                | (\$468.8)          | (44.4%)              |
| Article II – Health and Human Services          | \$1,172.4                     | \$1,041.8              | (\$130.5)          | (11.1%)              |
| Article III – Agencies of Education             | \$2,913.0                     | \$2,955.6              | \$42.5             | 1.5%                 |
| <i>Public Education</i>                         | \$0.0                         | \$0.0                  | \$0.0              | N/A                  |
| <i>Higher Education</i>                         | \$2,913.0                     | \$2,955.6              | \$42.5             | 1.5%                 |
| Article IV – The Judiciary                      | \$143.2                       | \$132.7                | (\$10.5)           | (7.3%)               |
| Article V – Public Safety and Criminal Justice  | \$132.2                       | \$74.1                 | (\$58.1)           | (43.9%)              |
| Article VI – Natural Resources                  | \$1,534.4                     | \$1,495.0              | (\$39.4)           | (2.6%)               |
| Article VII – Business and Economic Development | \$505.9                       | \$494.0                | (\$11.8)           | (2.3%)               |
| Article VIII – Regulatory                       | \$579.0                       | \$252.6                | (\$326.4)          | (56.4%)              |
| Article IX – General Provisions                 | \$0.0                         | \$0.0                  | \$0.0              | N/A                  |
| Article X – The Legislature                     | \$0.0                         | \$0.0                  | \$0.0              | N/A                  |
| <b>Total, All Functions</b>                     | <b>\$8,036.0</b>              | <b>\$7,033.1</b>       | <b>(\$1,002.9)</b> | <b>(12.5%)</b>       |

NOTES:

- (1) May include anticipated supplemental spending adjustments.
- (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 B-4  
GENERAL REVENUE FUNDS AND GENERAL REVENUE-DEDICATED FUNDS**

(IN MILLIONS)

| ALL FUNCTIONS                                   | ESTIMATED/BUDGETED<br>2016-17 | RECOMMENDED<br>2018-19 | BIENNIAL<br>CHANGE | PERCENTAGE<br>CHANGE |
|---|-------------------------------|------------------------|--------------------|----------------------|
| Article I – General Government                  | \$4,401.5                     | \$3,867.5              | (\$534.0)          | (12.1%)              |
| Article II – Health and Human Services          | \$34,794.1                    | \$35,670.5             | \$876.3            | 2.5%                 |
| Article III – Agencies of Education             | \$59,196.8                    | \$59,838.4             | \$641.6            | 1.1%                 |
| <i>Public Education</i>                         | \$41,594.1                    | \$42,018.4             | \$424.3            | 1.0%                 |
| <i>Higher Education</i>                         | \$17,602.6                    | \$17,819.9             | \$217.3            | 1.2%                 |
| Article IV – The Judiciary                      | \$646.5                       | \$641.6                | (\$4.9)            | (0.8%)               |
| Article V – Public Safety and Criminal Justice  | \$11,666.9                    | \$11,499.9             | (\$167.0)          | (1.4%)               |
| Article VI – Natural Resources                  | \$2,369.4                     | \$2,348.0              | (\$21.4)           | (0.9%)               |
| Article VII – Business and Economic Development | \$1,682.7                     | \$1,047.5              | (\$635.3)          | (37.8%)              |
| Article VIII – Regulatory                       | \$916.1                       | \$596.7                | (\$319.4)          | (34.9%)              |
| Article IX – General Provisions                 | \$0.0                         | \$0.0                  | \$0.0              | N/A                  |
| Article X – The Legislature                     | \$400.8                       | \$384.1                | (\$16.7)           | (4.2%)               |
| <b>Total, All Functions</b>                     | <b>\$116,074.8</b>            | <b>\$115,894.0</b>     | <b>(\$180.8)</b>   | <b>(0.2%)</b>        |

NOTES:

- (1) May include anticipated supplemental spending adjustments.
- (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 B-5  
FEDERAL FUNDS**

(IN MILLIONS)

| ALL FUNCTIONS                                   | ESTIMATED/BUDGETED<br>2016-17 | RECOMMENDED<br>2018-19 | BIENNIAL<br>CHANGE | PERCENTAGE<br>CHANGE |
|---|-------------------------------|------------------------|--------------------|----------------------|
| Article I – General Government                  | \$1,005.3                     | \$1,191.2              | \$185.9            | 18.5%                |
| Article II – Health and Human Services          | \$45,618.1                    | \$45,477.1             | (\$141.0)          | (0.3%)               |
| Article III – Agencies of Education             | \$10,497.2                    | \$10,766.0             | \$268.8            | 2.6%                 |
| <i>Public Education</i>                         | \$10,217.9                    | \$10,490.3             | \$272.4            | 2.7%                 |
| <i>Higher Education</i>                         | \$279.3                       | \$275.7                | (\$3.6)            | (1.3%)               |
| Article IV – The Judiciary                      | \$3.3                         | \$3.2                  | (\$0.1)            | (3.3%)               |
| Article V – Public Safety and Criminal Justice  | \$647.0                       | \$571.6                | (\$75.4)           | (11.7%)              |
| Article VI – Natural Resources                  | \$1,860.8                     | \$1,856.6              | (\$4.3)            | (0.2%)               |
| Article VII – Business and Economic Development | \$12,326.1                    | \$13,642.3             | \$1,316.2          | 10.7%                |
| Article VIII – Regulatory                       | \$8.6                         | \$5.9                  | (\$2.7)            | (31.6%)              |
| Article IX – General Provisions                 | \$0.0                         | \$0.0                  | \$0.0              | N/A                  |
| Article X – The Legislature                     | \$0.0                         | \$0.0                  | \$0.0              | N/A                  |
| <b>Total, All Functions</b>                     | <b>\$71,966.5</b>             | <b>\$73,513.9</b>      | <b>\$1,547.4</b>   | <b>2.2%</b>          |

## NOTES:

- (1) May include anticipated supplemental spending adjustments.
- (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 B-6  
OTHER FUNDS**

(IN MILLIONS)

| ALL FUNCTIONS                                   | ESTIMATED/BUDGETED<br>2016-17 | RECOMMENDED<br>2018-19 | BIENNIAL<br>CHANGE | PERCENTAGE<br>CHANGE |
|---|-------------------------------|------------------------|--------------------|----------------------|
| Article I – General Government                  | \$1,667.1                     | \$861.3                | (\$805.7)          | (48.3%)              |
| Article II – Health and Human Services          | \$700.2                       | \$701.2                | \$1.0              | 0.1%                 |
| Article III – Agencies of Education             | \$9,446.7                     | \$10,981.0             | \$1,534.3          | 16.2%                |
| <i>Public Education</i>                         | \$7,084.4                     | \$8,564.3              | \$1,480.0          | 20.9%                |
| <i>Higher Education</i>                         | \$2,362.4                     | \$2,416.7              | \$54.3             | 2.3%                 |
| Article IV – The Judiciary                      | \$163.5                       | \$161.8                | (\$1.7)            | (1.0%)               |
| Article V – Public Safety and Criminal Justice  | \$189.6                       | \$169.6                | (\$20.0)           | (10.6%)              |
| Article VI – Natural Resources                  | \$347.6                       | \$302.3                | (\$45.3)           | (13.0%)              |
| Article VII – Business and Economic Development | \$15,655.1                    | \$18,720.7             | \$3,065.6          | 19.6%                |
| Article VIII – Regulatory                       | \$32.8                        | \$28.6                 | (\$4.2)            | (12.8%)              |
| Article IX – General Provisions                 | \$0.0                         | \$0.0                  | \$0.0              | N/A                  |
| Article X – The Legislature                     | \$0.1                         | \$0.2                  | \$0.1              | 97.2%                |
| <b>Total, All Functions</b>                     | <b>\$28,202.6</b>             | <b>\$31,926.8</b>      | <b>\$3,724.1</b>   | <b>13.2%</b>         |

## NOTES:

- (1) May include anticipated supplemental spending adjustments.
- (2) Excludes Interagency Contracts.
- (3) 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 B-7**  
**GENERAL REVENUE FUNDS, GENERAL REVENUE-DEDICATED FUNDS, AND OTHER FUNDS**

(IN MILLIONS)

| ALL FUNCTIONS                                   | ESTIMATED/BUDGETED<br>2016-17 | RECOMMENDED<br>2018-19 | BIENNIAL<br>CHANGE | PERCENTAGE<br>CHANGE |
|---|-------------------------------|------------------------|--------------------|----------------------|
| Article I – General Government                  | \$6,068.5                     | \$4,728.8              | (\$1,339.7)        | (22.1%)              |
| Article II – Health and Human Services          | \$35,494.3                    | \$36,371.6             | \$877.4            | 2.5%                 |
| Article III – Agencies of Education             | \$68,643.5                    | \$70,819.4             | \$2,175.9          | 3.2%                 |
| <i>Public Education</i>                         | \$48,678.5                    | \$50,582.8             | \$1,904.3          | 3.9%                 |
| <i>Higher Education</i>                         | \$19,965.0                    | \$20,236.6             | \$271.7            | 1.4%                 |
| Article IV – The Judiciary                      | \$810.0                       | \$803.3                | (\$6.7)            | (0.8%)               |
| Article V – Public Safety and Criminal Justice  | \$11,856.5                    | \$11,669.5             | (\$187.0)          | (1.6%)               |
| Article VI – Natural Resources                  | \$2,717.0                     | \$2,650.3              | (\$66.7)           | (2.5%)               |
| Article VII – Business and Economic Development | \$17,337.8                    | \$19,768.2             | \$2,430.4          | 14.0%                |
| Article VIII – Regulatory                       | \$948.9                       | \$625.3                | (\$323.6)          | (34.1%)              |
| Article IX – General Provisions                 | \$0.0                         | \$0.0                  | \$0.0              | N/A                  |
| Article X – The Legislature                     | \$400.9                       | \$384.3                | (\$16.6)           | (4.1%)               |
| <b>Total, All Functions</b>                     | <b>\$144,277.4</b>            | <b>\$147,820.8</b>     | <b>\$3,543.4</b>   | <b>2.5%</b>          |

## NOTES:

- (1) May include anticipated supplemental spending adjustments.
- (2) Excludes Interagency Contracts.
- (3) 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.



