



LEGISLATIVE BUDGET BOARD

Summary of Fiscal Size-up for the 2018–19 Biennium

SUBMITTED TO THE 85TH TEXAS LEGISLATURE

PREPARED BY LEGISLATIVE BUDGET BOARD STAFF

WWW.LBB.STATE.TX.US

SEPTEMBER 2018

Legislative Budget Board Summary of Fiscal Size-Up

2018–19 Biennium

**SUBMITTED TO THE 85TH TEXAS LEGISLATURE
PREPARED BY LEGISLATIVE BUDGET BOARD STAFF**

WWW.LBB.STATE.TX.US

SEPTEMBER 2018

LEGISLATIVE BUDGET BOARD

DAN PATRICK, JOINT CHAIR

Lieutenant Governor

JOE STRAUS, JOINT CHAIR

Representative District 121, San Antonio
Speaker of the House of Representatives

KELLY HANCOCK

Senatorial District 9, North Richland Hills

JOAN HUFFMAN

Senatorial District 17, Houston

JANE NELSON

Senatorial District 12, Flower Mound
Chair, Senate Committee on Finance

LARRY TAYLOR

Senatorial District 11, Friendswood

DENNIS BONNEN

Representative District 25, Angleton
Chair, House Committee on Ways and Means

DREW DARBY

Representative District 72, San Angelo

OSCAR LONGORIA

Representative District 35, Mission

JOHN ZERWAS

Representative District 28, Richmond
Chair, House Committee on Appropriations

SUMMARY OF FISCAL SIZE-UP: 2018–19 BIENNIUM

September 2018

The Legislative Budget Board (LBB) staff is pleased to present the *Summary of Fiscal Size-up: 2018–19 Biennium*.

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

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

The *Summary of Fiscal Size-up: 2018–19 Biennium* and the complete *Fiscal Size-up: 2018–19 Biennium* are available on the Legislative Budget Board's website: www.lbb.state.tx.us.

Annual and biennial budget data are also available in an interactive format online. The data can be filtered and downloaded into Microsoft Excel worksheets.

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

Ursula Parks

Director

CONTENTS

TRANSMITTAL LETTER

1. STATE BUDGET OVERVIEW.....	1
FUNDING BY ARTICLE	2
Figure 1. Funding by Article, All Funds.....	2
Figure 2. Funding by Article, All Funds.....	2
Figure 3. Funding by Article, General Revenue Funds.....	3
Figure 4. Funding by Article, General Revenue Funds.....	3
Figure 5. Funding by Article, General Revenue–Dedicated Funds.....	4
Figure 6. Funding by Article, General Revenue–Dedicated Funds.....	4
Figure 7. Funding by Article, General Revenue Funds and General Revenue–Dedicated Funds	5
Figure 8. Funding by Article, General Revenue Funds and General Revenue–Dedicated Funds	5
Figure 9. Funding by Article, Federal Funds	6
Figure 10. Funding by Article, Federal Funds.....	6
Figure 11. Funding by Article, Other Funds	7
Figure 12. Funding by Article, Other Funds	7
Figure 13. Funding by Article, General Revenue Funds, General Revenue–Dedicated Funds, and Other Funds.....	8
Figure 14. Funding by Article, General Revenue Funds, General Revenue–Dedicated Funds, and Other Funds.....	8
HIGHLIGHTS OF THE STATE BUDGET	9
Foundation School Program	9
Medicaid.....	9
Child Protective Services	9
Transportation	10
Behavioral Health.....	11
Higher Education Funding	11
Adult Incarceration	12
Border Security	12
Teacher Retirement and Health Benefits	13
Trusted Programs within the Office of the Governor	13
State Facilities.....	14
Information Technology	15
State Employee Retirement, Health Benefits, Social Security, and Full-time-equivalent Positions.....	15

Debt Service.....	16
Economic Stabilization Fund	16
Strategic Fiscal Review.....	16
BIENNIAL COMPARISON BY FUND SOURCE	17
Figure 15. Biennial Comparison by Source of 2016–17 Expended/Budgeted Funds and 2018–19 Appropriated Funds.....	17
APPROPRIATED, ESTIMATED, AND BUDGETED FUNDS COMPARISON	18
Figure 16. Reconciliation of Initial 2016–17 Biennial Appropriations to 2016–17 Expended and Budgeted Amounts	18
APPROPRIATIONS FOR ITEMS WITH 2018–19 BASELINE FUNDING EXCEPTIONS	20
Figure 17. Programmatic Exceptions to the Baseline Funding, General Revenue Funds and General Revenue–Dedicated Funds Only, 2018–19 Biennium	20
FACTORS AFFECTING THE STATE BUDGET	22
Figure 18. Population-based Indicators, Fiscal Years 2004 to 2018.....	22
TRENDS IN STATE GOVERNMENT EXPENDITURES	24
Figure 19. Trends in State Government Expenditures, 2018–19 Biennial Appropriations	24
Figure 20. Biennial Population and Inflation Growth from 2012–13 to 2018–19.....	25
RESTRICTED APPROPRIATIONS	26
Figure 21. Restricted Appropriations from General Revenue Funds and General Revenue–Dedicated Funds, 2018–19 Biennium.....	26
LIMITS ON APPROPRIATIONS	28
Figure 22. Remaining General Revenue Funds Spending Authority, 2018–19 Biennium	28
Article III, §49A, Pay-as-you-go Limit	28
Article VIII, §22, Limitation on the Growth of Certain Appropriations.....	28
Figure 23. Components of the Pay-as-you-go Limit, 2018–19 Biennium	29
Figure 24. Spending Limit Compared to the Summary of Appropriations, 2018–19 Biennium.....	29
Figure 25. General Revenue Funds Pursuant to the Spending Limit Compared to the Summary of Appropriations, 2018–19 Biennium.....	29
Article III, §49(J), Debt Limit.....	28
Article III, §51-A, Welfare Spending Limit	29

2. REVENUE SOURCES AND ECONOMIC OUTLOOK..... 31

STATE REVENUE..... 31

Sales Tax..... 31
 Figure 26. State Revenue Biennial Comparison by Source, All Funds, 2016–17 and 2018–19 Biennia.....31
 Figure 27. State Revenue by Source, Fiscal Years 2015 to 2019.....32
 Figure 28. Estimated State Revenue Collections 2018–19 Biennium.....33

Oil and Gas Production Taxes..... 32

Motor Fuel Taxes..... 33

Motor Vehicle Sales and Rental Tax..... 33

Franchise Tax..... 33

Cigarette and Tobacco Taxes..... 34

Alcoholic Beverage Taxes..... 34

Insurance Occupation Taxes..... 34

Utility Tax..... 35

Hotel Occupancy Tax..... 35

Other Taxes..... 35

NONTAX REVENUES..... 35

Federal Receipts..... 35

Licenses, Fees, Fines, and Penalties..... 35

Interest and Investment Income..... 35

Lottery Revenue..... 35

Land Income..... 36

Other Revenue..... 36
 Tobacco Settlement Revenue..... 36
 State Health Service Fees and Rebates..... 36
 Escheated Estates..... 36
 Other Sources of Revenue..... 36

STATE TAXES..... 36
 Figure 29. State Tax Revenue per \$1,000 of Personal Income, Fiscal Year 2016.....37

POPULATION..... 36
 Figure 30. Resident Population Ranking, Calendar Years 2006 and 2016.....38

PERSONAL INCOME..... 36
 Figure 31. 15 Most Populous States per Capita Personal Income, Calendar Year 2016.....38

Figure 32. 15 Most Populous States Cost of Living as Percentage of National Average, Calendar Year 2017, Second Quarter.....38
 Figure 33. Per Capita Personal Income in Texas and the U.S., Calendar Years 1997 to 2014.....39

MAJOR STATE FUNDS..... 37

General Revenue Fund..... 39

Available School Fund..... 39

Foundation School Fund..... 39

State Highway Fund..... 40

Texas Mobility Fund..... 40

Property Tax Relief Fund..... 40

Economic Stabilization Fund..... 40
 Figure 34. Economic Stabilization Fund Biennial Deposits, Expenditures, and Fund Balance 2004–05 to 2018–19 Biennia.....41

FEDERAL FUNDS APPROPRIATIONS..... 41
 Figure 35. Funding by Method of Finance, Federal Funds.....42
 Figure 36. Federal Funds as Percentage of All Funds, 2018–19 Biennium.....42
 Figure 37. Percentage of Each Function's All Funds Budget That Is Federal Funds, 2016–17 and 2018–19 Biennia.....43

Health and Human Services..... 42

Business and Economic Development..... 43

Education..... 44

Other Functions..... 44

LOCAL REVENUE..... 44

Property Taxes..... 44
 Taxable Values..... 44
 Figure 38. School District Net Taxable Property Values, Calendar Years 2015 and 2016.....45
 Figure 39. School District Property Values, Calendar Years 1996 to 2016.....45
 Figure 40. School Property Tax Exemptions, Calendar Years 2015 and 2016.....46
 Property Tax Levies..... 44
 Figure 41. Property Tax Levies, Calendar Years 1995 to 2015.....46
 Figure 42. Annual School District Tax Levy and Annual Personal Income Percentage Changes, Calendar Years 1995 to 2015.....47

Local Sales Tax..... 44
 Figure 43. Local Sales Tax Remittances, Fiscal Years 2014 to 2016.....47

ECONOMIC OUTLOOK 47

U.S. Economic Indicators 47

Texas Economic Indicators 49

Figure 44. Texas Oil Production,
Fiscal Years 2013 to 201749

Figure 45. Texas Natural Gas Production,
Fiscal Years 2013 to 201750

Figure 46. Texas Active Rotary Rigs,
Fiscal Years 2013 to 201750

Figure 47. Texas Nonfarm Employment by Sector,
Fiscal Years 2009 to 201752

Figure 48. Unemployment Rate and Nonfarm Payroll
Growth, 2016–17 Biennium53

Figure 49. Exports of 15 Largest Exporting States,
Calendar Years 2015 and 201653

Figure 50. Texas’ Export Market Shares,
Calendar Year 201654

Figure 51. Texas’ Export Markets by Country,
Calendar Years 2015 and 201654

**3. SUMMARY OF SIGNIFICANT
FISCAL LEGISLATION 55**

**BILLS WITH SIGNIFICANT BUDGETARY
OR OPERATIONAL IMPLICATIONS..... 55**

Figure 52. Supplemental Appropriations Bills,
2002–03 to 2016–17 Biennia55

Figure 53. House Bill 2 Appropriations,
Fiscal Year 201755

FISCAL MATTERS AND FUND ACCOUNTING ... 59

**INFORMATION TECHNOLOGY
AND CONTRACT OVERSIGHT 61**

TAX AND REVENUE 62

4. GENERAL GOVERNMENT 65

Figure 54. Article I – General Government,
by Method of Finance.....65

Share of Funding by Method of Finance65

Full-time-equivalent Positions.....65

Significant Developments65

TEXAS COMMISSION ON THE ARTS..... 66

Figure 55. Texas Commission on the Arts
by Method of Finance.....66

Agency Program Areas by Appropriation66

Significant Developments66

OFFICE OF THE ATTORNEY GENERAL 67

Figure 56. Office of the Attorney General
by Method of Finance.....67

Agency Program Areas by Appropriation67

Significant Developments67

BOND REVIEW BOARD..... 68

Figure 57. Bond Review Board
by Method of Finance.....68

Agency Program Areas by Appropriation68

Significant Developments68

**CANCER PREVENTION AND RESEARCH INSTITUTE
OF TEXAS 69**

Figure 58. Cancer Prevention and Research Institute
by Method of Finance.....69

Agency Program Areas by Appropriation69

Significant Developments69

COMPTROLLER OF PUBLIC ACCOUNTS..... 70

Figure 59. Comptroller of Public Accounts
by Method of Finance.....70

Agency Program Areas by Appropriation70

Significant Developments70

**FISCAL PROGRAMS WITHIN THE OFFICE
OF THE COMPTROLLER
OF PUBLIC ACCOUNTS..... 71**

Figure 60. Fiscal Programs within the Office
of the Comptroller of Public Accounts
by Method of Finance.....71

Agency Program Areas by Appropriation71

Significant Developments71

**SOCIAL SECURITY AND BENEFIT
REPLACEMENT PAY 72**

Figure 61. Social Security and Benefit Replacement
Pay by Method of Finance.....72

Agency Program Areas by Appropriation72

Significant Developments72

**COMMISSION ON STATE EMERGENCY
COMMUNICATIONS 73**

Figure 62. Commission on State Emergency
Communications by Method of Finance.....73

Agency Program Areas by Appropriation73

Significant Developments73

**TEXAS EMERGENCY SERVICES RETIREMENT
SYSTEM..... 74**

Figure 63. Texas Emergency Services Retirement
System by Method of Finance.....74

Agency Program Areas by Appropriation74

Significant Developments74

EMPLOYEES RETIREMENT SYSTEM..... 75

Figure 64. Employees Retirement System
by Method of Finance.....75

Agency Program Areas by Appropriation75

Significant Developments75

TEXAS ETHICS COMMISSION..... 76

Figure 65. Texas Ethics Commission
by Method of Finance.....76

Agency Program Areas by Appropriation76

Significant Developments76

TEXAS FACILITIES COMMISSION 77
 Figure 66. Texas Facilities Commission
 by Method of Finance.....77
 Agency Program Areas by Appropriation77
 Significant Developments77

PUBLIC FINANCE AUTHORITY 78
 Figure 67. Public Finance Authority
 by Method of Finance.....78
 Agency Program Areas by Appropriation78
 Significant Developments78

OFFICE OF THE GOVERNOR..... 79
 Figure 68. Office of the Governor
 by Method of Finance.....79
 Agency Program Areas by Appropriation79
 Significant Developments79

**TRUSTEED PROGRAMS WITHIN
 THE OFFICE OF THE GOVERNOR 80**
 Figure 69. Trusteed Programs within the Office
 of the Governor by Method of Finance.....80
 Agency Program Areas by Appropriation80
 Significant Developments80

HISTORICAL COMMISSION..... 81
 Figure 70. Historical Commission
 by Method of Finance.....81
 Agency Program Areas by Appropriation81
 Significant Developments81

DEPARTMENT OF INFORMATION RESOURCES 82
 Figure 71. Department of Information Resources
 by Method of Finance.....82
 Agency Program Areas by Appropriation82
 Significant Developments82

LIBRARY AND ARCHIVES COMMISSION..... 83
 Figure 72. Library and Archives Commission
 by Method of Finance.....83
 Agency Program Areas by Appropriation83
 Significant Developments83

PENSION REVIEW BOARD..... 84
 Figure 73. Pension Review Board
 by Method of Finance.....84
 Agency Program Areas by Appropriation84
 Significant Developments84

PRESERVATION BOARD 85
 Figure 74. Preservation Board
 by Method of Finance.....85
 Agency Program Areas by Appropriation85
 Significant Developments85

STATE OFFICE OF RISK MANAGEMENT..... 86
 Figure 75. State Office of Risk Management
 by Method of Finance.....86
 Agency Program Areas by Appropriation86
 Significant Developments86

SECRETARY OF STATE 87
 Figure 76. Secretary of State
 by Method of Finance.....87
 Agency Program Areas by Appropriation87
 Significant Developments87

VETERANS COMMISSION 88
 Figure 77. Veterans Commission
 by Method of Finance.....88
 Agency Program Areas by Appropriation88
 Significant Developments88

5. HEALTH AND HUMAN SERVICES 89

Figure 78. Article II – Health and Human Services
 by Method of Finance.....89
 Share of Funding by Method of Finance89
 Full-time-equivalent Positions.....89
 Significant Developments89

**DEPARTMENT OF FAMILY AND PROTECTIVE
 SERVICES 90**

Figure 79. Department of Family and Protective
 Services by Method of Finance.....90
 Agency Program Areas by Appropriation90
 Significant Developments90

DEPARTMENT OF STATE HEALTH SERVICES..... 91

Figure 80. Department of State Health Services
 by Method of Finance.....91
 Agency Program Areas by Appropriation91
 Significant Developments91

**HEALTH AND HUMAN SERVICES
 COMMISSION 92**

Figure 81. Health and Human Services Commission
 by Method of Finance.....92
 Agency Program Areas by Appropriation92
 Significant Developments92

6. AGENCIES OF EDUCATION..... 93

PUBLIC EDUCATION..... 93

Figure 8293
 Article III – Agencies of Education—Public Education
 by Method of Finance.....93
 Share of Funding by Method of Finance.....93
 Full-time-equivalent Positions93
 Significant Developments.....93

HIGHER EDUCATION 94

Figure 8394
 Article III – Agencies of Education—Higher Education
 by Method of Finance.....94
 Share of Funding by Method of Finance94
 Full-time-equivalent Positions94
 Significant Developments.....94

TEXAS EDUCATION AGENCY 95

- Figure 84. Texas Education Agency
- by Method of Finance.....95
- Agency Program Areas by Appropriation95
- Significant Developments95

TEXAS SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED 96

- Figure 85. Texas School for the Blind and Visually Impaired
- by Method of Finance.....96
- Institution Program Areas by Appropriation96
- Significant Developments96

TEXAS SCHOOL FOR THE DEAF 97

- Figure 86. Texas School for the Deaf
- by Method of Finance.....97
- Institution Program Areas by Appropriation97
- Significant Developments97

TEACHER RETIREMENT SYSTEM 98

- Figure 87. Teacher Retirement System
- by Method of Finance.....98
- Agency Program Areas by Appropriation98
- Significant Developments98

OPTIONAL RETIREMENT PROGRAM 99

- Figure 88. Optional Retirement Program
- by Method of Finance.....99
- Agency Program Areas by Appropriation99
- Significant Developments99

HIGHER EDUCATION COORDINATING BOARD 100

- Figure 89. Higher Education Coordinating Board
- by Method of Finance..... 100
- Agency Program Areas by Appropriation 100
- Significant Developments 100

GENERAL ACADEMIC INSTITUTIONS..... 101

- Figure 90. General Academic Institutions
- by Method of Finance..... 101
- Institution Program Areas by Appropriation 101
- Significant Developments 101

HEALTH RELATED INSTITUTIONS 102

- Figure 91. Health Related Institutions
- by Method of Finance..... 102
- Institution Program Areas by Appropriation 102
- Significant Developments 102

PUBLIC COMMUNITY/JUNIOR COLLEGES 103

- Figure 92. Public Community/Junior Colleges
- by Method of Finance..... 103
- Institution Program Areas by Appropriation 103
- Significant Developments 103

LAMAR STATE COLLEGES..... 104

- Figure 93. Lamar State Colleges
- by Method of Finance..... 104
- Institution Program Areas by Appropriation 104
- Significant Developments 104

TEXAS STATE TECHNICAL COLLEGES..... 105

- Figure 94. Texas State Technical Colleges
- by Method of Finance..... 105
- Institution Program Areas by Appropriation 105
- Significant Developments 105

AVAILABLE UNIVERSITY FUND 106

- Figure 95. Available University Fund
- by Method of Finance..... 106
- Fund Program Areas by Appropriation 106
- Significant Developments 106

HIGHER EDUCATION FUND 107

- Figure 96. Higher Education Fund
- by Method of Finance..... 107
- Fund Program Areas by Appropriation 107
- Significant Developments 107

AVAILABLE NATIONAL RESEARCH

UNIVERSITY FUND..... 108

- Figure 97. Available National Research University
- Fund by Method of Finance..... 108
- Fund Program Areas by Appropriation 108
- Significant Developments 108

SUPPORT FOR MILITARY VETERANS

EXEMPTIONS 109

- Figure 98. Support for Military Veterans Exemptions
- by Method of Finance..... 109
- Fund Program Areas by Appropriation 109
- Significant Developments 109

TEXAS A&M AGRILIFE RESEARCH 110

- Figure 99. Texas A&M Agrilife Research
- by Method of Finance..... 110
- Agency Program Areas by Appropriation 110
- Significant Developments 110

TEXAS A&M AGRILIFE EXTENSION

SERVICE 111

- Figure 100. Texas A&M Agrilife Extension Service
- by Method of Finance..... 111
- Agency Program Areas by Appropriation 111
- Significant Developments 111

TEXAS A&M ENGINEERING EXPERIMENT

STATION 112

- Figure 101. Texas A&M Engineering Experiment
- Station by Method of Finance..... 112
- Agency Program Areas by Appropriation 112
- Significant Developments 112

TEXAS A&M TRANSPORTATION INSTITUTE ... 113

- Figure 102. Texas A&M Transportation Institute
- by Method of Finance..... 113
- Agency Program Areas by Appropriation 113
- Significant Developments 113

TEXAS A&M ENGINEERING EXTENSION SERVICE 114
 Figure 103. Texas A&M Engineering Extension Service
 by Method of Finance..... 114
 Agency Program Areas by Appropriation 114
 Significant Developments 114

TEXAS A&M FOREST SERVICE 115
 Figure 104. Texas A&M Forest Service
 by Method of Finance..... 115
 Agency Program Areas by Appropriation 115
 Significant Developments 115

TEXAS A&M VETERINARY MEDICAL DIAGNOSTIC LABORATORY 116
 Figure 105. Texas A&M Veterinary Medical
 Diagnostic Laboratory by Method of Finance 116
 Agency Program Areas by Appropriation 116
 Significant Developments 116

HIGHER EDUCATION EMPLOYEES GROUP INSURANCE 117
 Figure 106. Higher Education Employees Group
 Insurance by Method of Finance..... 117
 Agency Program Areas by Appropriation 117
 Significant Developments 117

7. JUDICIARY 119
 Figure 107. Article IV – Judiciary
 by Method of Finance..... 119
 Share of Funding by Method of Finance 119
 Full-time-equivalent Positions..... 119
 Significant Developments 119

SUPREME COURT OF TEXAS..... 120
 Figure 108. Supreme Court of Texas
 by Method of Finance..... 120
 Court Program Areas by Appropriation 120
 Significant Developments 120

COURT OF CRIMINAL APPEALS 121
 Figure 109. Court of Criminal Appeals
 by Method of Finance..... 121
 Court Program Areas by Appropriation 121
 Significant Developments 121

COURTS OF APPEALS 122
 Figure 110. Courts of Appeals
 by Method of Finance..... 122
 Court Program Areas by Appropriation 122
 Significant Developments 122

OFFICE OF COURT ADMINISTRATION, TEXAS JUDICIAL COUNCIL..... 123
 Figure 111. Office of Court Administration,
 Texas Judicial Council by Method of Finance 123
 Agency Program Areas by Appropriation 123
 Significant Developments 123

OFFICE OF CAPITAL AND FORENSIC WRITS .. 124
 Figure 112. Office of Capital and Forensic Writs
 by Method of Finance..... 124
 Agency Program Areas by Appropriation 124
 Significant Developments 124

OFFICE OF THE STATE PROSECUTING ATTORNEY..... 125
 Figure 113. Office of the State Prosecuting Attorney
 by Method of Finance..... 125
 Agency Program Areas by Appropriation 125
 Significant Developments 125

STATE LAW LIBRARY 126
 Figure 114. State Law Library
 by Method of Finance..... 126
 Agency Program Areas by Appropriation 126
 Significant Developments 126

STATE COMMISSION ON JUDICIAL CONDUCT..... 127
 Figure 115. State Commission on Judicial Conduct
 by Method of Finance..... 127
 Agency Program Areas by Appropriation 127
 Significant Developments 127

JUDICIARY SECTION, COMPTROLLER’S DEPARTMENT 128
 Figure 116. Judiciary Section, Comptroller’s
 Department by Method of Finance..... 128
 Agency Program Areas by Appropriation 128
 Significant Developments 128

8. PUBLIC SAFETY AND CRIMINAL JUSTICE .. 129
 Figure 117. Article V – Public Safety and
 Criminal Justice by Method of Finance..... 129
 Share of Funding by Method of Finance 129
 Full-time-equivalent Positions..... 129
 Significant Developments 129

ALCOHOLIC BEVERAGE COMMISSION..... 130
 Figure 118. Alcoholic Beverage Commission
 by Method of Finance..... 130
 Agency Program Areas by Appropriation 130
 Significant Developments 130

DEPARTMENT OF CRIMINAL JUSTICE..... 131
 Figure 119. Department of Criminal Justice
 by Method of Finance..... 131
 Agency Program Areas by Appropriation 131
 Significant Developments 131

COMMISSION ON FIRE PROTECTION..... 132
 Figure 120. Commission on Fire Protection
 by Method of Finance..... 132
 Agency Program Areas by Appropriation 132
 Significant Developments 132

COMMISSION ON JAIL STANDARDS	133		
Figure 121. Commission on Jail Standards			
by Method of Finance.....	133		
Agency Program Areas by Appropriation	133		
Significant Developments	133		
TEXAS JUVENILE JUSTICE DEPARTMENT.....	134		
Figure 122. Juvenile Justice Department			
by Method of Finance.....	134		
Agency Program Areas by Appropriation	134		
Significant Developments	134		
TEXAS COMMISSION ON LAW			
ENFORCEMENT	135		
Figure 123. Texas Commission on Law Enforcement			
by Method of Finance.....	135		
Agency Program Areas by Appropriation	135		
Significant Developments	135		
TEXAS MILITARY DEPARTMENT	136		
Figure 124. Texas Military Department			
by Method of Finance.....	136		
Agency Program Areas by Appropriation	136		
Significant Developments	136		
DEPARTMENT OF PUBLIC SAFETY	137		
Figure 125. Department of Public Safety			
by Method of Finance.....	137		
Agency Program Areas by Appropriation	137		
Significant Developments	137		
<hr/>			
9. NATURAL RESOURCES.....	139		
Figure 126. Article VI – Natural Resources,			
by Method of Finance.....	139		
Share of Funding by Method of Finance	139		
Full-time-equivalent Positions.....	139		
Significant Developments	139		
TEXAS DEPARTMENT OF AGRICULTURE	140		
Figure 127. Texas Department of Agriculture			
by Method of Finance.....	140		
Agency Program Areas by Appropriation	140		
Significant Developments	140		
TEXAS ANIMAL HEALTH COMMISSION	141		
Figure 128. Texas Animal Health Commission			
by Method of Finance.....	141		
Agency Program Areas by Appropriation	141		
Significant Developments	141		
TEXAS COMMISSION ON ENVIRONMENTAL			
QUALITY	142		
Figure 129. Texas Commission on Environmental			
Quality by Method of Finance.....	142		
Agency Program Areas by Appropriation	142		
Significant Developments	142		
GENERAL LAND OFFICE			
AND VETERANS' LAND BOARD	143		
Figure 130. General Land Office			
and Veteran's Land Board			
by Method of Finance.....	143		
Agency Program Areas by Appropriation	143		
Significant Developments	143		
TEXAS LOW-LEVEL RADIOACTIVE WASTE			
DISPOSAL COMPACT COMMISSION	144		
Figure 131. Texas Low-level Radioactive Waste			
Disposal Compact Commission			
by Method of Finance.....	144		
Agency Program Areas by Appropriation	144		
Significant Developments	144		
PARKS AND WILDLIFE DEPARTMENT.....	145		
Figure 132. Parks and Wildlife Department			
by Method of Finance.....	145		
Agency Program Areas by Appropriation	145		
Significant Developments	145		
RAILROAD COMMISSION OF TEXAS.....	146		
Figure 133. Railroad Commission of Texas			
by Method of Finance.....	146		
Agency Program Areas by Appropriation	146		
Significant Developments	146		
STATE SOIL AND WATER CONSERVATION			
BOARD	147		
Figure 134. State Soil and Water Conservation			
Board by Method of Finance	147		
Agency Program Areas by Appropriation	147		
Significant Developments	147		
TEXAS WATER DEVELOPMENT BOARD.....	148		
Figure 135. Texas Water Development Board			
by Method of Finance.....	148		
Agency Program Areas by Appropriation	148		
Significant Developments	148		
<hr/>			
10. BUSINESS AND ECONOMIC			
DEVELOPMENT	149		
Figure 136. Article VII – Business and Economic			
Development, by Method of Finance.....	149		
Share of Funding by Method of Finance	149		
Full-time-equivalent Positions.....	149		
Significant Developments	149		
TEXAS DEPARTMENT OF HOUSING			
AND COMMUNITY AFFAIRS	150		
Figure 137. Texas Department of Housing and			
Community Affairs, by Method of Finance	150		
Agency Program Areas by Appropriation	150		
Significant Developments	150		

TEXAS LOTTERY COMMISSION..... 151

- Figure 138. Texas Lottery Commission
- by Method of Finance..... 151
- Agency Program Areas by Appropriation 151
- Significant Developments 151

DEPARTMENT OF MOTOR VEHICLES..... 152

- Figure 139. Department of Motor Vehicles
- by Method of Finance..... 152
- Agency Program Areas by Appropriation 152
- Significant Developments 152

TEXAS DEPARTMENT

OF TRANSPORTATION 153

- Figure 140. Texas Department of Transportation
- by Method of Finance..... 153
- Agency Program Areas by Appropriation 153
- Significant Developments 153

TEXAS WORKFORCE COMMISSION..... 154

- Figure 141. Texas Workforce Commission
- by Method of Finance..... 154
- Agency Program Areas by Appropriation 154
- Significant Developments 154

11. REGULATORY..... 155

- Figure 142. Article VIII – Regulatory
- by Method of Finance..... 155
- Share of Funding by Method of Finance 155
- Full-time-equivalent Positions..... 155
- Significant Developments 155

STATE OFFICE OF ADMINISTRATIVE

HEARINGS 156

- Figure 143. State Office of Administrative Hearings
- by Method of Finance..... 156
- Agency Program Areas by Appropriation 156
- Significant Developments 156

OFFICE OF INJURED EMPLOYEE COUNSEL..... 157

- Figure 144. Office of Injured Employee Counsel
- by Method of Finance..... 157
- Agency Program Areas by Appropriation 157
- Significant Developments 157

TEXAS DEPARTMENT OF INSURANCE 158

- Figure 145. Texas Department of Insurance
- by Method of Finance..... 158
- Agency Program Areas by Appropriation 158
- Significant Developments 158

OFFICE OF PUBLIC INSURANCE COUNSEL 159

- Figure 146. Office of Public Insurance Counsel
- by Method of Finance..... 159
- Agency Program Areas by Appropriation 159
- Significant Developments 159

DEPARTMENT OF LICENSING

AND REGULATION 160

- Figure 147. Department of Licensing and Regulation
- by Method of Finance..... 160
- Agency Program Areas by Appropriation 160
- Significant Developments 160

RACING COMMISSION 161

- Figure 148. Racing Commission
- by Method of Finance..... 161
- Agency Program Areas by Appropriation 161
- Significant Developments 161

STATE SECURITIES BOARD 162

- Figure 149. State Securities Board
- by Method of Finance..... 162
- Agency Program Areas by Appropriation 162
- Significant Developments 162

PUBLIC UTILITY COMMISSION OF TEXAS..... 163

- Figure 150. Public Utility Commission of Texas
- by Method of Finance..... 163
- Agency Program Areas by Appropriation 163
- Significant Developments 163

OFFICE OF PUBLIC UTILITY COUNSEL..... 164

- Figure 151. Office of Public Utility Counsel
- by Method of Finance..... 164
- Agency Program Areas by Appropriation 164
- Significant Developments 164

HEALTH-RELATED LICENSING AGENCIES 165

- Figure 152. Health-related Licensing Agencies
- by Method of Finance..... 165
- Agency Program Areas by Appropriation 165
- Significant Developments 165

OTHER REGULATORY AGENCIES 166

- Figure 153. Other Regulatory Agencies
- by Method of Finance..... 166
- Agency Program Areas by Appropriation 166
- Significant Developments 166

12. LEGISLATURE 167

- Figure 154. Article X – Legislature,
- by Method of Finance..... 167
- Share of Funding by Method of Finance 167
- Full-time-equivalent Positions..... 167
- Significant Developments 167

1. STATE BUDGET OVERVIEW

This chapter provides an overview of Senate Bill 1, Eighty-fifth Legislature, Regular Session, 2017, referred to as the General Appropriations Act (GAA). This overview includes the Governor's vetoes and other bills passed by the Eighty-fifth Legislature, 2017, that appropriate funds. These combined appropriations are referred to as the state budget for the 2018–19 biennium. The overview highlights major changes in the budget from the previous biennium, and incorporates the adjustments to 2016–17 biennial appropriations included in House Bill 2, the supplemental appropriations bill.

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

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

- **General Revenue Funds** include the nondedicated portion of the General Revenue Fund, which is the state's primary operating fund. General Revenue Funds also include the Available School Fund, the State Instructional Materials Fund, and the Foundation School Fund;
- **General Revenue–Dedicated Funds** include approximately 200 accounts within the General Revenue Fund that are dedicated for specific purposes by statute or by the funds-consolidation process. For example, Account No. 151, Clean Air, 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;

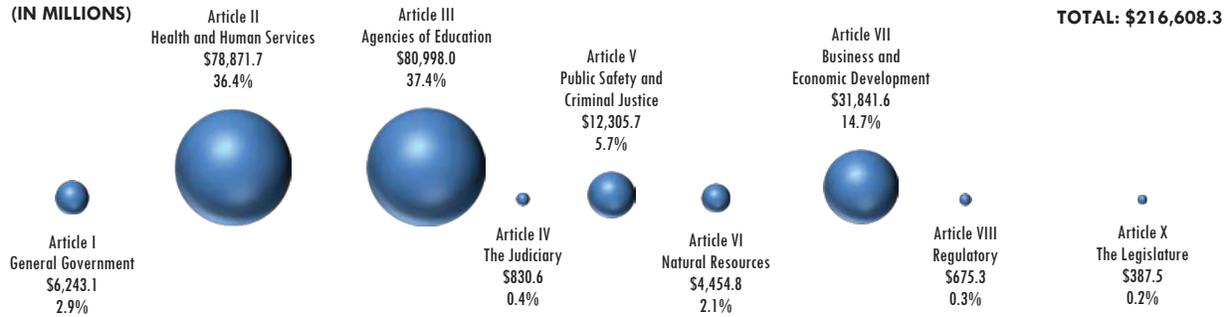
- **Federal Funds** include grants, allocations, payments, or reimbursements received from the federal government by state agencies and institutions. The largest portion of federal funding appropriations are for the Medicaid program in Article II. Other examples of Federal Funds appropriations include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

Figures 1 to 14 show the total appropriations for the 2018–19 biennium by each method of finance for each article compared to the 2016–17 biennium expenditure or budgeted level of funding. Included are highlights of major funding items or significant policy or fiscal issues across the state; a reconciliation of the base that explains how the previous biennium's appropriations have been adjusted during the 2016–17 biennium; an itemization of exceptions to 2018–19 baseline funding; and examples of factors affecting the state budget, including budget drivers such as correctional population and public school daily attendance.

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

FUNDING BY ARTICLE

FIGURE 1
FUNDING BY ARTICLE, ALL FUNDS



SOURCE: Legislative Budget Board.

FIGURE 2
FUNDING BY ARTICLE, ALL FUNDS

(IN MILLIONS)

ALL FUNCTIONS	EXPENDED/BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE
Article I – General Government	\$7,046.0	\$6,243.1	(\$802.9)	(11.4%)
Article II – Health and Human Services	\$80,872.3	\$78,871.7	(\$2,000.6)	(2.5%)
Article III – Agencies of Education	\$79,140.1	\$80,998.0	\$1,857.9	2.3%
<i>Public Education</i>	\$58,895.8	\$60,510.4	\$1,614.7	2.7%
<i>Higher Education</i>	\$20,244.3	\$20,487.6	\$243.3	1.2%
Article IV – The Judiciary	\$813.3	\$830.6	\$17.3	2.1%
Article V – Public Safety and Criminal Justice	\$12,575.4	\$12,305.7	(\$269.8)	(2.1%)
Article VI – Natural Resources	\$4,537.7	\$4,454.8	(\$82.8)	(1.8%)
Article VII – Business and Economic Development	\$29,649.6	\$31,841.6	\$2,192.0	7.4%
Article VIII – Regulatory	\$956.4	\$675.3	(\$281.1)	(29.4%)
Article IX – General Provisions	\$0.0	\$0.0	\$0.0	N/A
Article X – The Legislature	\$400.9	\$387.5	(\$13.3)	(3.3%)
Total, All Articles	\$215,991.7	\$216,608.3	\$616.6	0.3%

NOTES:

(1) Excludes Interagency Contracts.

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

SOURCE: Legislative Budget Board.

FIGURE 3
FUNDING BY ARTICLE, GENERAL REVENUE FUNDS



SOURCE: Legislative Budget Board.

FIGURE 4
FUNDING BY ARTICLE, GENERAL REVENUE FUNDS

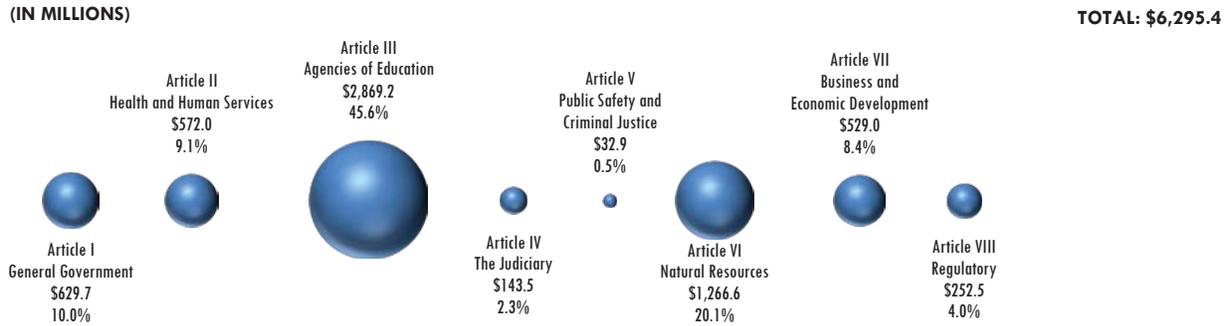
(IN MILLIONS)

ALL FUNCTIONS	EXPENDED/BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE
Article I – General Government	\$3,317.7	\$3,273.8	(\$43.9)	(1.3%)
Article II – Health and Human Services	\$33,569.2	\$32,888.4	(\$680.7)	(2.0%)
Article III – Agencies of Education	\$56,283.1	\$56,459.8	\$176.7	0.3%
<i>Public Education</i>	\$41,593.5	\$41,523.2	(\$70.3)	(0.2%)
<i>Higher Education</i>	\$14,689.6	\$14,936.6	\$247.0	1.7%
Article IV – The Judiciary	\$503.3	\$491.4	(\$11.9)	(2.4%)
Article V – Public Safety and Criminal Justice	\$11,606.6	\$11,411.4	(\$195.3)	(1.7%)
Article VI – Natural Resources	\$827.0	\$890.3	\$63.4	7.7%
Article VII – Business and Economic Development	\$1,162.6	\$513.6	(\$649.0)	(55.8%)
Article VIII – Regulatory	\$337.1	\$347.2	\$10.1	3.0%
Article IX – General Provisions	\$0.0	\$0.0	\$0.0	N/A
Article X – The Legislature	\$400.8	\$387.3	(\$13.4)	(3.4%)
Total, All Articles	\$108,007.3	\$106,663.2	(\$1,344.1)	(1.2%)

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

SOURCE: Legislative Budget Board.

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



SOURCE: Legislative Budget Board.

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

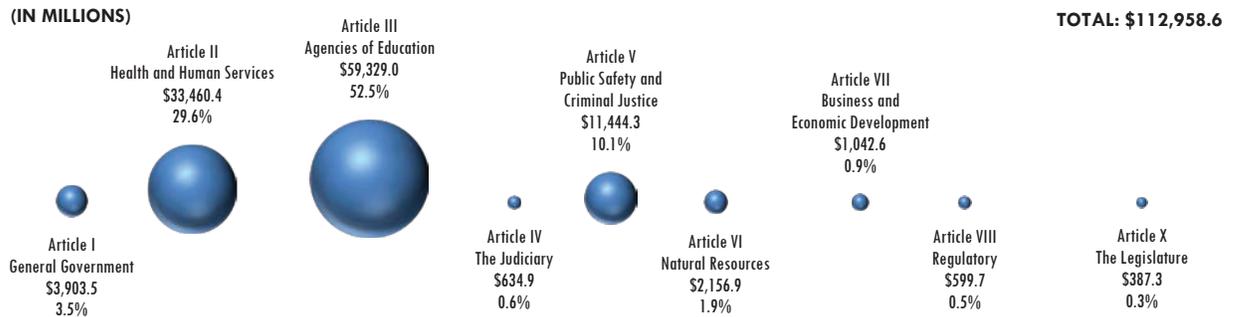
(IN MILLIONS)

ALL FUNCTIONS	EXPENDED/BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE
Article I – General Government	\$1,056.0	\$629.7	(\$426.3)	(40.4%)
Article II – Health and Human Services	\$1,172.4	\$572.0	(\$600.4)	(51.2%)
Article III – Agencies of Education	\$2,913.0	\$2,869.2	(\$43.8)	(1.5%)
<i>Public Education</i>	\$0.0	\$0.0	\$0.0	N/A
<i>Higher Education</i>	\$2,913.0	\$2,869.2	(\$43.8)	(1.5%)
Article IV – The Judiciary	\$143.2	\$143.5	\$0.3	0.2%
Article V – Public Safety and Criminal Justice	\$132.2	\$32.9	(\$99.2)	(75.1%)
Article VI – Natural Resources	\$1,502.3	\$1,266.6	(\$235.8)	(15.7%)
Article VII – Business and Economic Development	\$505.9	\$529.0	\$23.1	4.6%
Article VIII – Regulatory	\$577.8	\$252.5	(\$325.3)	(56.3%)
Article IX – General Provisions	\$0.0	\$0.0	\$0.0	N/A
Article X – The Legislature	\$0.0	\$0.0	\$0.0	N/A
Total, All Articles	\$8,002.8	\$6,295.4	(\$1,707.4)	(21.3%)

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

SOURCE: Legislative Budget Board.

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



SOURCE: Legislative Budget Board.

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

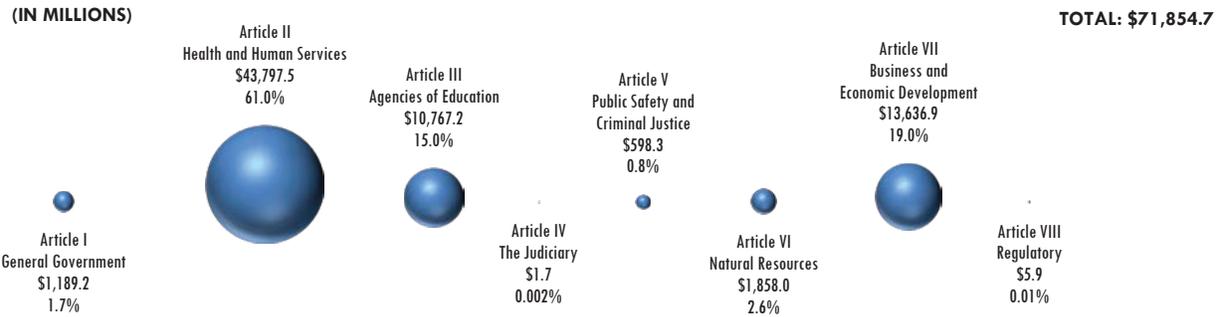
(IN MILLIONS)

ALL FUNCTIONS	EXPENDED/BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE
Article I – General Government	\$4,373.7	\$3,903.5	(\$470.2)	(10.8%)
Article II – Health and Human Services	\$34,741.5	\$33,460.4	(\$1,281.1)	(3.7%)
Article III – Agencies of Education	\$59,196.2	\$59,329.0	\$132.9	0.2%
<i>Public Education</i>	\$41,593.5	\$41,523.2	(\$70.3)	(0.2%)
<i>Higher Education</i>	\$17,602.6	\$17,805.8	\$203.2	1.2%
Article IV – The Judiciary	\$646.5	\$634.9	(\$11.6)	(1.8%)
Article V – Public Safety and Criminal Justice	\$11,738.8	\$11,444.3	(\$294.5)	(2.5%)
Article VI – Natural Resources	\$2,329.3	\$2,156.9	(\$172.4)	(7.4%)
Article VII – Business and Economic Development	\$1,668.5	\$1,042.6	(\$625.9)	(37.5%)
Article VIII – Regulatory	\$914.9	\$599.7	(\$315.2)	(34.5%)
Article IX – General Provisions	\$0.0	\$0.0	\$0.0	N/A
Article X – The Legislature	\$400.8	\$387.3	(\$13.4)	(3.4%)
Total, All Articles	\$116,010.1	\$112,958.6	(\$3,051.5)	(2.6%)

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

SOURCE: Legislative Budget Board.

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



SOURCE: Legislative Budget Board.

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

(IN MILLIONS)

ALL FUNCTIONS	EXPENDED/BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE
Article I – General Government	\$1,005.3	\$1,189.2	\$183.9	18.3%
Article II – Health and Human Services	\$45,436.8	\$43,797.5	(\$1,639.4)	(3.6%)
Article III – Agencies of Education	\$10,497.2	\$10,767.2	\$270.0	2.6%
<i>Public Education</i>	\$10,217.9	\$10,491.6	\$273.7	2.7%
<i>Higher Education</i>	\$279.3	\$275.6	(\$3.7)	(1.3%)
Article IV – The Judiciary	\$3.3	\$1.7	(\$1.6)	(48.7%)
Article V – Public Safety and Criminal Justice	\$647.0	\$598.3	(\$48.7)	(7.5%)
Article VI – Natural Resources	\$1,860.7	\$1,858.0	(\$2.7)	(0.1%)
Article VII – Business and Economic Development	\$12,326.1	\$13,636.9	\$1,310.8	10.6%
Article VIII – Regulatory	\$8.6	\$5.9	(\$2.8)	(32.2%)
Article IX – General Provisions	\$0.0	\$0.0	\$0.0	N/A
Article X – The Legislature	\$0.0	\$0.0	\$0.0	N/A
Total, All Articles	\$71,785.1	\$71,854.7	\$69.5	0.1%

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

SOURCE: Legislative Budget Board.

FIGURE 11
FUNDING BY ARTICLE, OTHER FUNDS



SOURCE: Legislative Budget Board.

FIGURE 12
FUNDING BY ARTICLE, OTHER FUNDS

(IN MILLIONS)

ALL FUNCTIONS	EXPENDED/BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE
Article I – General Government	\$1,667.1	\$1,150.5	(\$516.6)	(31.0%)
Article II – Health and Human Services	\$693.9	\$1,613.8	\$919.9	132.6%
Article III – Agencies of Education	\$9,446.7	\$10,901.7	\$1,455.0	15.4%
<i>Public Education</i>	\$7,084.4	\$8,495.7	\$1,411.3	19.9%
<i>Higher Education</i>	\$2,362.4	\$2,406.0	\$43.7	1.8%
Article IV – The Judiciary	\$163.5	\$194.0	\$30.5	18.6%
Article V – Public Safety and Criminal Justice	\$189.6	\$263.1	\$73.4	38.7%
Article VI – Natural Resources	\$347.6	\$439.9	\$92.3	26.5%
Article VII – Business and Economic Development	\$15,655.1	\$17,162.1	\$1,507.1	9.6%
Article VIII – Regulatory	\$32.8	\$69.7	\$36.9	112.5%
Article IX – General Provisions	\$0.0	\$0.0	\$0.0	N/A
Article X – The Legislature	\$0.1	\$0.2	\$0.1	97.2%
Total, All Articles	\$28,196.4	\$31,795.0	\$3,598.6	12.8%

NOTES:

(1) Excludes Interagency Contracts.

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

SOURCE: Legislative Budget Board.

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



SOURCE: Legislative Budget Board.

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

(IN MILLIONS)

ALL FUNCTIONS	EXPENDED/BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE
Article I – General Government	\$6,040.7	\$5,053.9	(\$986.8)	(16.3%)
Article II – Health and Human Services	\$35,435.5	\$35,074.2	(\$361.3)	(1.0%)
Article III – Agencies of Education	\$68,642.9	\$70,230.8	\$1,587.9	2.3%
<i>Public Education</i>	\$48,677.9	\$50,018.9	\$1,341.0	2.8%
<i>Higher Education</i>	\$19,964.9	\$20,211.8	\$246.9	1.2%
Article IV – The Judiciary	\$810.0	\$828.9	\$18.9	2.3%
Article V – Public Safety and Criminal Justice	\$11,928.4	\$11,707.4	(\$221.1)	(1.9%)
Article VI – Natural Resources	\$2,676.9	\$2,596.8	(\$80.1)	(3.0%)
Article VII – Business and Economic Development	\$17,323.5	\$18,204.7	\$881.2	5.1%
Article VIII – Regulatory	\$947.7	\$669.4	(\$278.3)	(29.4%)
Article IX – General Provisions	\$0.0	\$0.0	\$0.0	N/A
Article X – The Legislature	\$400.9	\$387.5	(\$13.3)	(3.3%)
Total, All Articles	\$144,206.5	\$144,753.6	\$547.1	0.4%

NOTES:

(1) Excludes Interagency Contracts.

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

SOURCE: Legislative Budget Board.

HIGHLIGHTS OF THE STATE BUDGET

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

FOUNDATION SCHOOL PROGRAM

- Foundation School Program (FSP) funding for the 2018–19 biennium includes \$38.4 billion in state funds, including General Revenue Funds and Other Funds from the Property Tax Relief Fund, and \$43.0 billion in All Funds. Program funding represents an All Funds net increase of \$584.6 million, resulting from an estimated \$1.4 billion increase in Other Funds and a \$0.8 billion decrease in General Revenue Funds. The Other Funds increase is attributable to projected increases in revenues from the Property Tax Relief Fund and from local revenue recapture payments.
- General Revenue Funds appropriations for FSP include \$433.5 million greater than amounts estimated to be necessary to fund pre-existing current law obligations. Appropriations include \$150.0 million to fund a new hardship grant program for districts that otherwise would experience a significant revenue loss, \$75.0 million for school districts experiencing rapid property value decline, \$60.0 million for an increase in the guaranteed yield for the Existing Debt Allotment, \$60.0 million for charter school facilities, \$47.5 million for the New Instructional Facilities Allotment, and \$41.0 million for an increase in the small district adjustment for districts of less than 300 square miles.
- FSP appropriations are supported by a \$300.0 million distribution from the Permanent School Fund to the Available School Fund authorized by the School Land Board.

MEDICAID

- Funding of \$61.8 billion in All Funds, including \$25.0 billion in General Revenue Funds and \$0.2 billion in General Revenue–Dedicated Funds, is provided for Medicaid. This amount is a biennial decrease of \$2.5 billion in All Funds, including \$1.0 billion in General Revenue Funds.
- Included in these amounts is \$56.9 billion in All Funds for Medicaid client services, \$1.7 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 decrease in Medicaid funding is due to decreases of \$1.8 billion in All Funds in Medicaid client services, \$0.6 billion in All Funds in administrative funding, and \$0.1 billion in All Funds for other programs supported by Medicaid funding.

- Funding for Medicaid client services supports caseload growth at fiscal year 2017 average costs for most services during fiscal year 2018. Fiscal year 2019 funding was maintained at the fiscal year 2018 level for each method of financing; however, this level of funding was decreased by \$563.0 million in General Revenue Funds pursuant to House Bill 21 and House Bill 30, Eighty-fifth Legislature, First Called Session, 2017. The only other exception to this level of funding is for long-term-care waivers, which are maintained at the August 2017 level throughout the 2018–19 biennium except for the Texas Home Living (TxHmL) and Home and Community-based Services (HCS) waivers. An additional 735 HCS waiver slots for promoting independence are funded by the end of fiscal year 2019. TxHmL slots are assumed to continue decreasing throughout the 2018–19 biennium. Funding levels include amounts to restore approximately 25.0 percent of decreases made to therapy reimbursement rates during the 2016–17 biennium and to phase in decreases associated with reimbursement policy for therapy assistants. Funding levels for the 2018–19 biennium assume \$1.0 billion in All Funds (\$0.4 billion in General Revenue Funds) in cost containment for Medicaid client services, which includes amounts related to reducing risk margin for Medicaid managed care, and includes specific direction to the Health and Human Services Commission to contain costs and execute savings.
- Funding amounts for the 2016–17 biennium for Medicaid include supplemental funding of \$2.4 billion in All Funds for fiscal year 2017 provided in House Bill 2, Eighty-fifth Legislature, Regular Session, 2017.

CHILD PROTECTIVE SERVICES

- Funding of \$3.5 billion in All Funds, including \$2.0 billion in General Revenue Funds, is provided for Child Protective Services (CPS) functions at the Department of Family and Protective Services

- (DFPS). This amount is an increase of \$494.2 million in All Funds and \$315.5 million in General Revenue Funds from the 2016–17 biennial base.
- The following amounts are included in CPS funding to improve agency performance related to the average caseload per CPS caseworker and CPS caseworker retention, and to ensure the safety of children:
 - \$292.8 million in All Funds to maintain 828.8 full-time-equivalent (FTE) positions and salary increases provided during fiscal year 2017 to address critical needs in the CPS program; and
 - \$88.0 million in All Funds to support an additional 509.5 caseworker positions for fiscal year 2018 and 597.9 caseworker positions for fiscal year 2019.
 - Funding includes an increase of \$79.5 million in All Funds and \$15.5 million in General Revenue Funds to further support foster care payments, including funding to increase rates for foster care services providers in the legacy and redesigned systems, and to expand Foster Care Redesign to three additional regions by the end of fiscal year 2019.
 - Funding includes an increase of \$1.2 million in General Revenue Funds to the Preparation for Adult Living Purchased Services Program to expand the aid provided to foster care youth transitioning into independent living.
 - Funding includes an increase of \$6.4 million in All Funds to continue Permanency Care Assistance payments into the 2018–19 biennium, pursuant to Senate Bill 203, Eighty-fifth Legislature, Regular Session, 2017.
 - Funding includes an increase of \$32.5 million in All Funds to expand Relative Caregiver payments for the 2018–19 biennium, pursuant to House Bill 4, Eighty-fifth Legislature, Regular Session, 2017.
 - DFPS entitlement program funding for CPS services, including funds contingent upon enactment of legislation previously identified, totals \$1.6 billion in All Funds and \$0.7 billion in General Revenue Funds, including the following amounts:
 - \$936.2 million in All Funds and \$379.9 million in General Revenue Funds for the Foster Care Payment Program;
 - \$568.4 million in All Funds and \$288.6 million in General Revenue Funds for the Adoption Subsidy and Permanency Care Assistance Payment Programs; and
 - \$77.6 million in All Funds and \$23.5 million in General Revenue Funds for the Relative Caregiver Program.
 - Funding includes a total of \$142.7 million in All Funds and \$91.5 million in General Revenue Funds for the direct delivery of services in Day Care Purchased Services Program.

TRANSPORTATION

- Funding includes \$26.6 billion in All Funds for all functions of the Department of Transportation. This funding includes \$2.9 billion from anticipated state sales tax deposits to the State Highway Fund (SHF) associated with voter approval of Proposition 7, November 2015; \$2.5 billion from oil and natural gas tax-related transfers to the SHF (Proposition 1, 2014); and all available SHF funding from traditional transportation tax and fee revenue sources (estimated to be \$8.8 billion for the 2018–19 biennium).
- Funding of \$23.0 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; \$2.5 billion from Proposition 1, 2014, proceeds and \$2.3 billion from estimated Proposition 7, 2015, proceeds for constructing, maintaining, and acquiring rights-of-way for nontolled public roadways; \$2.3 billion for transportation system planning, design, and management; and \$1.7 billion for right-of-way acquisition.
- Funding provides \$2.3 billion in All Funds for debt service payments and other financing costs, including \$1.6 billion in Other Funds from the SHF and the 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 (a decrease of \$0.5 billion in General Revenue Funds); and \$0.1 billion in Federal Funds from interest payment subsidies associated with federal Build America Bonds.

BEHAVIORAL HEALTH

- Funding includes \$4.0 billion in All Funds (\$2.9 billion in General Revenue Funds and General Revenue–Dedicated Funds) for non-Medicaid behavioral health services and related expenditures. Funding supports programs at 18 agencies across six articles of the General Appropriations Act, 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 includes \$62.7 million in All Funds for the biennium to address the current and projected waitlists for community mental health services for adults and children, \$69.0 million in General Revenue Funds in contingency funding for several bills that would provide grants to community entities for behavioral health services and expand access to peer supports for individuals with mental illness, \$10.3 million to increase maximum-security forensic bed capacity at the North Texas State Hospital – Vernon Campus, and \$24.8 million to maintain purchased inpatient bed capacity and state hospital bed capacity. In addition, funding includes \$300.0 million in Other Funds from the Economic Stabilization Fund (ESF) for new construction and significant repair projects at the state hospitals and other inpatient mental health facilities, and approximately \$66.3 million from the ESF for immediate maintenance needs at state hospitals.
- Estimated Medicaid expenditures for behavioral health services total \$3.5 billion in All Funds for the 2018–19 biennium, and estimated Children’s Health Insurance Program (CHIP) expenditures total \$48.7 million in All Funds. These amounts include cost growth that is not funded for both programs and Medicaid caseload growth for fiscal year 2019,

which also is not funded. Total behavioral health funding, including estimated Medicaid and CHIP expenditures, is estimated to be \$7.6 billion in All Funds for the biennium.

HIGHER EDUCATION FUNDING

- Higher education formulas are supported by \$7.2 billion in General Revenue Funds and \$1.5 billion in General Revenue–Dedicated Funds for statutory tuition. Included in this amount are decreases of \$2.9 million in General Revenue Funds and an increase of \$124.9 million in General Revenue–Dedicated Funds, which is primarily statutory tuition.
- The general academic institutions (GAI) Instruction and Operations (I&O) formula rate increases from \$55.39 to \$55.82, and the Lamar State Colleges (LSC) I&O formula 2016–17 biennial rate is maintained. The Texas State Technical Colleges (TSTC) I&O formula level of General Revenue Funds is maintained at the 2016–17 biennial funding level. Hold harmless funding of \$145.5 million in General Revenue Funds is included for the GAIs, LSCs, and TSTCs. Additionally, formula appropriations include Infrastructure Support for two TSTC campuses established by the Eighty-fourth Legislature, 2015: Texas State Technical College – North Texas and Texas State Technical College – Fort Bend County.
- The health related institutions (HRI) formula appropriations include the addition of medical schools at The University of Texas at Austin and The University of Texas Rio Grande Valley. Although all HRI formulas either receive an increase in General Revenue Funds or maintain 2016–17 biennial levels of this funding, each formula rate decreases from the 2016–17 biennial level. Hold harmless funding of \$35.3 million in General Revenue Funds also is included in HRI appropriations.
- Formula funding for the public community and junior colleges includes an additional \$18.0 million in General Revenue Funds for core operations and an additional \$10.8 million in General Revenue Funds for success points funding. The contact hour rate increases to \$2.70 from the 2016–17 biennial rate of \$2.69.
- Higher education appropriations replace \$1.1 billion in All Funds for special item funding in the

2016–17 biennium with \$0.9 billion in funding for nonformula support items at all institution types.

- A rider is added to Special Provisions Relating Only to State Agencies of Higher Education that establishes a special joint legislative committee during the interim to prepare recommendations to realign or possibly eliminate nonformula support items, and to consider funding modifications for institutions of higher education.

ADULT INCARCERATION

- Funding of \$6.6 billion in All 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. This amount represents an All Funds decrease of \$285.4 million from the 2016–17 biennium and includes the following:
 - a \$128.6 million decrease for the transfer of state contributions for Community Supervision and Corrections Department health insurance to the Employees Retirement System;
 - a \$20.0 million decrease for deferred maintenance;
 - a \$49.5 million decrease for the closure of correctional facilities;
 - a \$7.9 million decrease to fund community supervision and parole; and
 - a \$4.8 million increase to fund pretrial diversion.
- Funding for Correctional Managed Health Care totals \$1.1 billion, which represents a \$70.4 million decrease from the 2016–17 biennial funding level. Cost-containment strategies include the following amounts:
 - a \$60.9 million increase to expand unit infirmary capacity and retain unit nursing staff, which is estimated to result in a \$68.0 million cost avoidance related to hospital costs and correctional officer and nurse overtime;
 - a \$30.0 million decrease related to changing the methodology used to reimburse Hospital Galveston; and

- a \$13.7 million decrease to cap indirect administrative charges at 2.75 percent for The University of Texas Medical Branch at Galveston and Texas Tech University Health Sciences Center.

BORDER SECURITY

- Funding includes \$800.0 million in state funds for border security at the Department of Public Safety (DPS), the Trusteed Programs within the Office of the Governor, the Texas Parks and Wildlife Department, the Texas Alcoholic Beverage Commission, the Department of Motor Vehicles, the Texas Soil and Water Conservation Board, the Office of the Attorney General, the Texas Department of Criminal Justice, and the Texas Commission on Law Enforcement.
- The majority of this funding (\$694.3 million in General Revenue Funds and General Revenue–Dedicated Funds) is provided to DPS, \$445.8 million of which is in the agency’s bill pattern for Goal B, Secure Texas. Other goals in the DPS budget contain additional funding in General Revenue Funds for border security-related functions and activities (\$248.6 million). This funding maintains support for DPS personnel at fiscal year 2017 full deployment levels, eliminates funding for onetime and transitional expenditures, and adds additional personnel to the border security initiative. Significant funding items include the following:
 - \$428.4 million for routine border security operations and other baseline border security-related activities;
 - \$145.6 million to fund overtime sufficient to attain a 50-hour work week for DPS commissioned law enforcement officers;
 - \$97.1 million to recruit, train, and equip 250 new troopers and 126 support staff;
 - \$8.8 million to fund extraordinary operations through surge funding;
 - \$7.0 million to fund cameras and other equipment primarily relating to Operation Drawbridge;
 - \$1.3 million to establish and help operate the border auto theft information center;
 - \$3.2 million to construct and operate a law enforcement center in Penitas;

- \$2.2 million to support the University of North Texas missing persons database; and
- \$0.7 million to provide training for the National Incident Based Reporting System.
- Funding for border security at agencies other than DPS includes the following:
 - \$52.7 million at Trusteed Programs within the Office of the Governor for grants to local entities and other support;
 - \$33.0 million at the Texas Parks and Wildlife Department for game warden activity, extraordinary operations, and a 65-foot patrol vessel;
 - \$6.9 million at the Texas Alcoholic Beverage Commission for six Special Investigation Unit agents and other support;
 - \$5.6 million at the Texas Department of Motor Vehicles for automobile burglary and theft prevention authority grants;
 - \$3.0 million at the Texas Soil and Water Conservation Board to remove Carrizo cane from certain areas of the border region;
 - \$2.6 million at the Office of the Attorney General for border prosecutions;
 - \$1.6 million at the Texas Department of Criminal Justice to provide antigang intelligence; and
 - \$0.3 million at the Texas Commission on Law Enforcement for investigators at the border.

TEACHER RETIREMENT AND HEALTH BENEFITS

- Funding of \$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 \$8.3 million in Other Funds (Teacher Retirement System Pension Trust Fund). Funding reflects a state contribution rate of 6.8 percent of employee payroll during each fiscal year of the 2018–19 biennium. Funding assumes an annual payroll growth rate of 3.5 percent for public education and growth of 2.9 percent for

higher education for each fiscal year of the biennium, based on payroll trend data.

- Funding of \$1.2 billion in General Revenue Funds is provided for retiree health insurance (TRS-Care), an increase of \$628.7 million, or 108.2 percent, from the 2016–17 biennium. This amount includes funding to implement the significant TRS-Care reforms of House Bill 3976, Eighty-fifth Legislature, Regular Session, 2017. Appropriations provide for an increase of the statutorily required state contribution to TRS-Care from 1.0 percent to 1.25 percent of public education payroll, and for additional onetime funding to offset the projected TRS-Care 2018–19 biennial shortfall, which together account for \$350.0 million of the biennial increase after cost-containment savings are considered. Included in the \$628.7 million increase for TRS-Care is \$212.0 million in General Revenue Funds to partially offset increasing retiree premiums and deductibles and to offset costs for certain enrollees. The Legislature also increased the school district contribution rate from 0.55 percent to 0.75 percent of public education payroll, which is expected to generate an additional \$133.9 million of local funding for the TRS-Care Program.

TRUSTEED PROGRAMS WITHIN THE OFFICE OF THE GOVERNOR

- Funding for the Trusteed Programs within the Office of the Governor totals \$1,201.4 million in All Funds for the 2018–19 biennium, an increase of \$13.1 million, or 1.1 percent, from the 2016–17 biennium.
- Funding of \$155.0 million in Other Funds from the Economic Stabilization Fund includes \$110.0 million for disaster grants, \$25.0 million for grants to law enforcement agencies for bullet-resistant personal body armor, and \$20.0 million for Defense Economic Adjustment Assistance Grants to military communities.
- Funding for economic development and jobs creation is reflected in the new Strategy C.1.1 Create Jobs and Promote Texas, which combines the funding associated with the previous strategies for Economic Development, Tourism, Film and Music Marketing, the Texas Enterprise Fund, Military Preparedness, and the University Research Initiative.

Funding in the new strategy for various economic development programs totals \$317.0 million in All Funds for the 2018–19 biennium, including the following specific amounts:

- \$86.0 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 \$22.0 million in General Revenue–Dedicated Funds from the 2016–17 biennial level;
- \$32.0 million in General Revenue Funds for Film and Music Marketing. Funding includes \$22.0 million contingent on certification by the Comptroller of Public Accounts that unexpended balances are available out of other economic development funds appropriated to the Trusteed Programs within the Office of the Governor in an amount sufficient to offset the cost of the appropriation. The Office of the Governor has indicated that it would allocate an additional \$10.0 million in General Revenue Funds to the film program from within Strategy C.1.1 Create Jobs and Promote Texas;
- \$40.0 million for the Governor’s University Research Initiative, including \$5.6 million in estimated unexpended balances remaining at the end of fiscal year 2017 and estimated revenues for the 2018–19 biennium from the Governor’s University Research Initiative Fund. The Office of the Governor has indicated that it would allocate an additional \$34.4 million in General Revenue Funds to this program from within Strategy C.1.1 Create Jobs and Promote Texas; and
- \$34.2 million in General Revenue–Dedicated Funds from Hotel Occupancy Tax deposits for tourism promotion for the 2018–19 biennium. In addition, the tourism program is directed to seek matching funds through collaborative partnerships with the tourism industry, local governments, and nonprofit organizations to increase marketing activities that promote Texas tourism.
- 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.

STATE FACILITIES

- The Eighty-fifth Legislature, General Appropriations Act (GAA), 2018–19 Biennium, appropriates \$949.0 million (\$769.7 million from the Economic Stabilization Fund (ESF), \$99.3 million in General Revenue Funds and General Revenue–Dedicated Funds, and \$80.0 million from the State Highway Fund) for projects to address the repair, renovation, and new construction of state facilities and historic sites, to address health and safety issues, maintenance, and other state needs. Funding for state agency deferred maintenance needs includes \$458.7 million, which is subject to oversight by the Joint Oversight Committee on Government Facilities. Among the major funded projects are the following amounts from the ESF, unless otherwise noted:
 - \$300.0 million at the Health and Human Services Commission (HHSC) for new construction and repair at state hospitals and other inpatient mental health facilities;
 - \$160.0 million at HHSC to address critical health and safety needs at State Supported Living Centers and state hospitals;
 - \$117.9 million at the Facilities Commission for emergency repairs and deferred maintenance at state facilities;
 - \$80.0 million from the State Highway Fund at the Department of Transportation for deferred maintenance and consolidation of the Austin campus;
 - \$75.0 million at the General Land Office for the preservation of the Alamo and surrounding complex;
 - \$66.2 million in General Revenue Funds and General Revenue–Dedicated Funds at the Parks and Wildlife Department, including \$49.2 million for weather-related construction and \$17.0 million for maintenance needs at state parks;
 - \$40.0 million at the Department of Criminal Justice and \$12.1 million at the Juvenile Justice Department for health and safety projects; and
 - \$20.2 million at the Historical Commission for courthouse preservations grants, and \$6.4 million

for historic sites, including \$7.4 million in General Revenue Funds and \$19.2 million from the ESF.

INFORMATION TECHNOLOGY

- Additional funding of \$17.6 million is included for 15 agencies to deploy the statewide Centralized Accounting and Payroll/Personnel System (CAPPS) and for the Department of Transportation to upgrade its agency-managed CAPPS hub system. In addition to this amount, the Comptroller of Public Accounts (CPA) is appropriated \$95.9 million for ongoing CAPPS operations and agency transitions. Although agencies deploying the statewide version of CAPPS do not pay direct costs to CPA, the funding provides for internal costs associated with the deployment process, such as temporary staff to backfill permanent staff that are redirected to the transition process, programming services to modify interfacing information technology systems, and costs to migrate or maintain legacy data.
- A total of \$0.6 million is provided to six agencies to purchase equipment and provide for upgrades to local area networks related to transitions of the Capitol Complex Telephone System, managed by the Department of Information Resources (DIR), to a voice over Internet protocol platform.
- Additional funding for information technology projects and services totals \$113.8 million for 23 agencies, which provides for hardware and software acquisition and maintenance, application development, end-user services, data network services, infrastructure services, and additional staffing. Of this new funding, \$27.4 million is provided to 12 agencies for cybersecurity efforts and initiatives, including \$3.4 million to DIR for additional security assessment and vulnerability testing services for state agencies and institutions of higher education, pursuant to requirements in House Bill 8 and Senate Bill 1910, Eighty-fifth Legislature, Regular Session, 2017.
- DIR is also appropriated \$21.5 million in All Funds for ongoing cybersecurity services. Services include providing statewide policy and guidelines, training, vulnerability assessment and testing, and network monitoring and intrusion prevention.

STATE EMPLOYEE RETIREMENT, HEALTH BENEFITS, SOCIAL SECURITY, AND FULL-TIME-EQUIVALENT POSITIONS

- Funding includes \$1.3 billion in All Funds (\$978.3 million in General Revenue Funds and General Revenue–Dedicated Funds) provided for the state contribution to the Employees Retirement System (ERS) retirement program. This amount includes an increase of \$36.2 million in All Funds (\$30.3 million in General Revenue Funds and General Revenue–Dedicated Funds) for state employees' retirement benefits. Funding provides for a 9.5 percent state contribution rate for each fiscal year of the 2018–19 biennium. This funding also continues 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 pursuant to the Texas Constitution, Article XVI, Section 67 (b)(3).
- Funding provides \$4.0 billion in All Funds (\$2.9 billion in General Revenue Funds and General Revenue–Dedicated Funds) for the state contribution for group insurance benefits for general state employees, retirees, and their dependents. The funding provides an annual 0.8 percent increase in the state's contribution due to targeted healthcare cost-savings measures and spend-down from the contingency reserve fund. Combined, these changes reflect a net increase of \$355.6 million in All Funds (\$273.9 million in General Revenue Funds and General Revenue–Dedicated Funds) from the 2016–17 biennium.
- Funding includes targeted cost-savings measures such as disincentivizing the use of freestanding emergency rooms, maximizing benefit coordination with Medicare, and directing ERS to reduce its contracted provider rates with health related institutions. These measures total \$97.9 million in All Funds (\$61.0 million in General Revenue Funds and General Revenue–Dedicated Funds) in estimated savings, of which \$86.1 million is decreased from appropriations for Employees Retirement System Group Insurance and \$11.8 million is decreased from appropriations for Higher Education Group Insurance.

- Funding decisions assume that ERS will partially spend down the contingency reserve fund, leaving an estimated \$175.0 million in balances at the end of fiscal year 2019. Appropriation amounts also assume that retiree membership will grow by 4.7 percent annually and assume changes in full-time-equivalent positions at certain state agencies.
- The state's contribution (\$129.5 million in General Revenue Funds) for local Community Supervision and Correctional Department officers' group health insurance is appropriated to ERS instead of to the Department of Criminal Justice, pursuant to House Bill 1526, Eighty-fifth Legislature, Regular Session, 2017.
- Appropriations of \$1.8 billion in All Funds (\$1.5 billion in General Revenue Funds and General Revenue–Dedicated Funds) are provided for the state contribution for Social Security payroll taxes for employees of state agencies and institutions of higher education. Funding is sufficient to provide the 6.2 percent employer contribution for Social Security and the 1.45 percent employer contribution for Medicare. Funding also provides for 2.9 percent and 3.0 percent annual payroll growth for fiscal years 2018 and 2019, respectively, for higher education employees.
- Funding provides for 215,446.7 FTE positions for fiscal year 2018, and 215,726.0 positions for fiscal year 2019. The number of positions for fiscal year 2019 is an overall decrease of 1,543.2, or 0.7 percent, from fiscal year 2017 budgeted levels. Higher education, health and human services, and public safety and criminal justice agencies had slight decreases to position levels, and remaining areas of the budget had position increases from fiscal years 2017 to 2019.

DEBT SERVICE

- Appropriations for the 2018–19 biennium fully fund debt service and total \$4.3 billion in All Funds. Funding of \$2.1 billion for fiscal year 2018 and \$2.2 billion for fiscal year 2019 includes a decrease of \$269.6 million, or 5.9 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 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

- Appropriations include \$988.9 million from the Economic Stabilization Fund for the 2018–19 biennium. These appropriations are identified in the 2018–19 GAA, Article IX, Section 17.16. After appropriations, the cash balance of the fund plus the total asset value of investments are estimated to be \$11.2 billion at the end of fiscal year 2019.

STRATEGIC FISCAL REVIEW

- Sixteen state agencies were subject to the Strategic Fiscal Review (SFR) in preparation for the Eighty-fifth Legislature, Regular Session, 2017. The SFR provided an in-depth analysis of the selected state agency programs and their relationships to the agencies' missions and statutes. Legislative Budget Board staff analysis resulting from this review was made available to the members of the Legislature to aid in their budget and policy deliberations.

The following agencies were subject to the Strategic Fiscal Review:

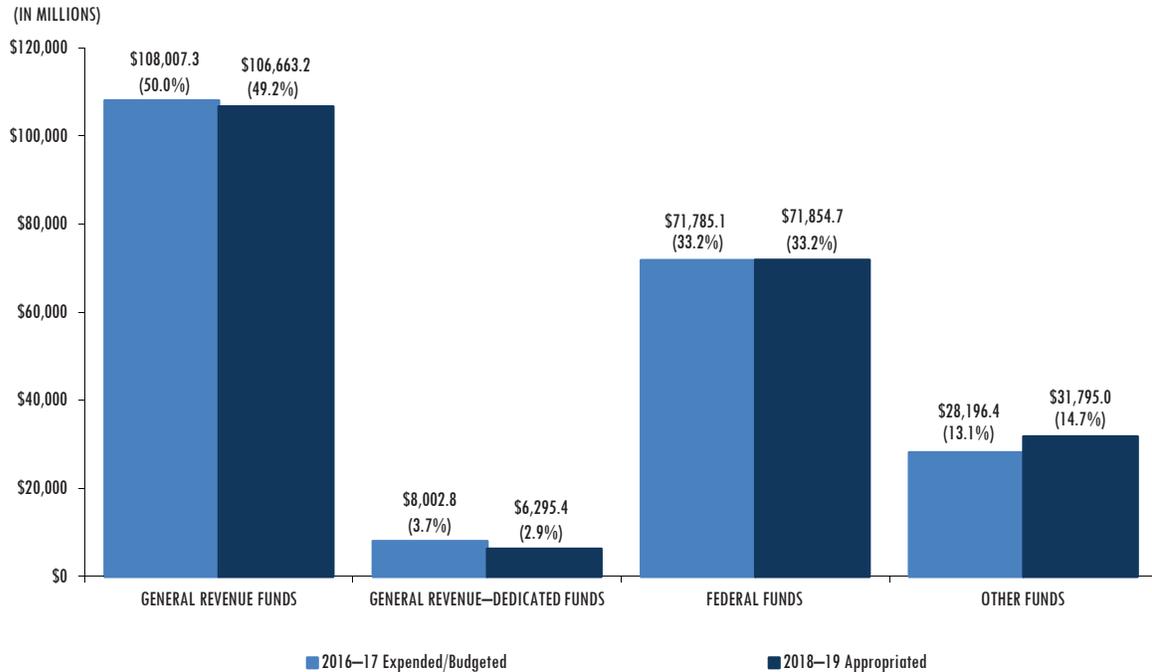
- Facilities Commission;
- Department of Family and Protective Services;
- Department of State Health Services;
- School for the Deaf;
- School for the Blind and Visually Impaired;
- University of Texas at Austin;
- Texas A&M University at College Station;
- Texas Tech University;
- University of Houston;
- University of North Texas;
- Texas State University;
- Texas A&M AgriLife Extension;
- Texas A&M AgriLife Research;
- Texas Department of Criminal Justice – Correctional Managed Health Care;
- Department of Agriculture; and
- Lottery Commission.

BIENNIAL COMPARISON BY FUND SOURCE

Figure 15 shows a comparison of biennial amounts for each of the four fund sources, or methods of finance, in the state budget. Expended or budgeted amounts for the 2016–17

biennium refer to agency expenditures for fiscal year 2016 and agency-budgeted amounts for fiscal year 2017. Amounts for the 2018–19 biennium refer to all appropriations made for the biennium. Percentage amounts show the percentage of the entire biennial budget represented by that fund source.

FIGURE 15
BIENNIAL COMPARISON BY SOURCE OF 2016–17 EXPENDED/BUDGETED FUNDS AND 2018–19 APPROPRIATED FUNDS



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

APPROPRIATED, ESTIMATED, AND BUDGETED FUNDS COMPARISON

During each biennium, circumstances may result in variances to state agency expenditures (i.e., expended and budgeted amounts) from the amounts appropriated by the Legislature. Typically, these changes result from shifts in population, client demands, or unforeseen events such as natural disasters, changes to federal formulas, grant requirements, or increased or decreased 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 increased by approximately \$6.9 billion, or 3.3 percent, in All Funds. This amount consists of a net increase of \$2.2 billion (1.9 percent) in General Revenue Funds and General Revenue–Dedicated Funds, and a net increase of \$4.7 billion (4.9 percent) in other funding sources (Federal Funds and Other Funds). **Figure 16** shows the most significant changes.

FIGURE 16
RECONCILIATION OF INITIAL 2016–17 BIENNIAL APPROPRIATIONS TO 2016–17 EXPENDED AND BUDGETED AMOUNTS

(IN MILLIONS)	GENERAL REVENUE FUNDS AND GENERAL REVENUE– DEDICATED FUNDS	ALL FUNDS
2016–17 Biennial Appropriations as Published in 2016–17 <i>Fiscal Size-up</i>	\$113,815.9	\$209,103.0
BUDGET ADJUSTMENTS		
General Government		
Office of the Attorney General: lapse of federal receipts for Crime Victims' Compensation program	\$0.0	(\$44.3)
Fiscal Programs within the Office of the Comptroller of Public Accounts: increase in payment of unclaimed property claims	\$155.0	\$155.0
Trusted Programs within the Office of the Governor: unexpended balances from fiscal year 2015	\$226.0	\$255.5
Trusted Programs within the Office of the Governor: increased Crime Victims grants and transfer of Homeland Security grants	\$0.0	\$315.2
Health and Human Services		
Department of Family and Protective Services: net increase in All Funds related to supplemental needs and internal transfers for Foster Care, Adoption Subsidy and Permanency Care Assistance, Relative Caregiver, and Day Care (\$55.8 million increase in General Revenue Funds and \$53.3 million increase in All Funds); Child Protective Services critical needs (\$101.7 million increase in General Revenue Funds and \$113.2 million increase in All Funds); and reduction to federal grant funds (\$21.4 million)	\$157.4	\$145.1
Department of State Health Services: increase related to supplemental appropriations for state hospital staffing, maintenance, and repair (\$15.1 million increase in General Revenue Funds); decreases in revenue primarily related to collections at lower levels than appropriated (\$9.3 million in General Revenue-Related Funds); and increases in Other Funds (\$57.8 million) and Federal Funds (\$146.4 million) appropriated by rider	\$5.8	\$210.0
Health and Human Services Commission: increase in All Funds related to supplemental appropriations for Medicaid acute care services (\$793.6 million increase in General Revenue Funds and \$1.6 billion increase in matching Federal Funds); the Early Childhood Intervention program (\$4.5 million increase in General Revenue Funds); State Supported Living Centers (\$13.7 million increase in General Revenue Funds); and Comprehensive Rehabilitation Services (\$2.4 million increase in General Revenue Funds)	\$814.2	\$2,414.1
Health and Human Services Commission: increase in program-generated revenue related to the Medicaid and Children's Health Insurance Program (CHIP) programs	\$219.9	\$219.9
Health and Human Services Commission: other adjustments including unexpended balances in CHIP, additional federal matching funds, federal funding for Health Information Technology projects, and lapses related to revenue collections at lower levels than appropriated	\$6.5	\$631.2

FIGURE 16 (CONTINUED)
RECONCILIATION OF INITIAL 2016–17 BIENNIAL APPROPRIATIONS TO 2016–17 EXPENDED AND BUDGETED AMOUNTS

(IN MILLIONS)	GENERAL REVENUE FUNDS AND GENERAL REVENUE- DEDICATED FUNDS	ALL FUNDS
BUDGET ADJUSTMENTS		
Health and Human Services (continued)		
Health and Human Services Agencies: increase in General Revenue Funds and Federal Funds for appropriated salary increases	\$55.1	\$97.9
Public and Higher Education		
Texas Education Agency: unexpended balances from fiscal year 2015 of instructional material allotments	\$109.0	\$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	\$51.6
Teacher Retirement System: adjustments for increased public education retirement contributions	\$74.6	\$74.6
Public Safety and Criminal Justice		
Department of Criminal Justice: increase for appropriated salary increases (\$69.7 million in General Revenue Funds) and supplemental appropriations (\$80.0 million in General Revenue Funds)	\$149.7	\$149.7
Department of Public Safety: increase for appropriated salary increases (\$21.5 million in General Revenue Funds), lapses (decrease of \$42.3 million), and decrease of federal receipts (decrease of \$34.7 million in Federal Funds)	(\$20.8)	(\$55.5)
Business and Economic Development		
Texas Department of Transportation: revised estimate of federal reimbursements from increased obligation authority	\$0.0	\$1,051.0
Texas Department of Transportation: repayment of short-term borrowing payable from the State Highway Fund	\$0.0	\$746.9
Texas Department of Transportation: lapsed appropriations of State Highway Fund and Texas Mobility Fund Bond debt service (decrease of \$143.5 million), and State Highway Fund appropriations for Proposition 1, 2014, for Highway Projects (decrease of \$781.6 million)	\$0.0	(\$925.1)
Texas Department of Transportation: General Revenue Funds decrease for General Obligation bond debt service payments	(\$14.2)	(\$14.2)
Texas Department of Transportation: unexpended balances from fiscal year 2015 (increase of \$228.2 million) and other estimated appropriations (increase of \$590.3 million)	\$6.8	\$818.5
Texas Workforce Commission: adjustment for increased Federal Funds	\$0.0	\$187.8
State Contributions for Employee Benefits and Debt Service		
Contributions for employee health insurance (decrease of \$35.7 million), retirement (increase of \$58.6 million), Social Security (increase of \$84.1 million), and benefit replacement pay (decrease of \$3.8 million)	\$185.9	\$103.2
Texas Public Finance Authority: General Obligation bond debt service payments (decrease of \$43.0 million) and lease payments (increase of \$20.6 million)	(\$22.4)	(\$22.4)
Other Adjustments	\$36.4	\$214.0
Total, Adjustments	\$2,194.2	\$6,888.7
Total, Expended/Budgeted Funds for the 2016–17 Biennium	\$116,010.1	\$215,991.7

NOTES:

(1) Totals may not sum due to rounding.

(2) Excludes Interagency Contracts.

SOURCE: Legislative Budget Board.

APPROPRIATIONS FOR ITEMS WITH 2018–19 BASELINE FUNDING EXCEPTIONS

In June 2016, the Governor, Lieutenant Governor, and Speaker of the House provided guidance to state agencies and institutions of higher education regarding the preparation of their legislative appropriations requests. As a starting point, agencies and institutions were directed to decrease their baseline requests for General Revenue Funds and

General Revenue–Dedicated Funds by 4.0 percent from the amounts expended during fiscal year 2016 and budgeted for fiscal year 2017. Authorized exceptions to this restriction include amounts necessary to fund entitlement programs, debt service, employee benefits, and certain other programs. **Figure 17** shows the 2018–19 biennial appropriated amounts for those program exceptions identified in the June correspondence and subsequent *2018–19 Legislative Appropriation Request Detailed Instructions for Agencies for the Biennium Beginning September 1, 2017*.

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

BUDGET ADJUSTMENTS (IN MILLIONS)	2016–17 EXPENDED/ BUDGETED	2018–19 APPROPRIATED	BIENNIAL CHANGE	PERCENTAGE CHANGE
Health and Human Services				
Medicaid, Non-waiver Client Services	\$22,989.1	\$22,014.8	(\$974.3)	(4.2%)
Children’s Health Insurance Program	\$161.0	\$153.1	(\$7.9)	(4.9%)
Foster Care	\$364.3	\$379.9	\$15.5	4.3%
Adoption Subsidies	\$254.7	\$263.0	\$8.3	3.3%
Permanency Care Assistance	\$18.3	\$25.6	\$7.3	40.1%
Child Protective Services	\$1,008.0	\$1,292.4	\$284.4	28.2%
Behavioral Health Services (3)	\$2,749.5	\$2,899.0	\$149.4	5.4%
Public Education				
Foundation School Program	\$35,590.2	\$34,806.9	(\$783.3)	(2.2%)
Employer Contributions for State Pension Systems (Teacher Retirement System (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	\$1,209.6	\$628.7	108.2%
Public Safety and Criminal Justice				
Maintain Public Safety Resources in Border Region	\$800.1	\$800.0	(\$0.1)	(0.0%)
State Employee Benefits				
Employer Contributions for State Pension Systems (Employees Retirement System of Texas (ERS) only)	\$1,031.3	\$1,061.6	\$30.3	2.9%
Employer Contributions to Employee Health Insurance (ERS only)	\$2,657.5	\$2,913.4	\$273.9	10.3%
Employer Contributions to Social Security	\$1,393.9	\$1,462.8	\$68.9	4.9%
Benefit Replacement Pay	\$23.4	\$19.1	(\$4.3)	(18.2%)
State Employee and Public Safety Death Benefits	\$49.0	\$42.7	(\$6.3)	(12.9%)
Higher Education Employees Group Insurance	\$1,377.9	\$1,412.2	\$34.3	2.5%
Debt Service Payments				
Debt Service Requirements for General Obligation (GO) and Revenue Bond Authorizations (Texas Department of Transportation – Proposition 12, Highway Improvement GO Bond Debt Service) (4)	\$486.7	\$0.0	(\$486.7)	(100.0%)
GO Bonds (Public Finance Authority)	\$605.2	\$621.7	\$16.5	2.7%

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

BUDGET ADJUSTMENTS (IN MILLIONS)	2016–17 EXPENDED/ BUDGETED	2018–19 APPROPRIATED	BIENNIAL CHANGE	PERCENTAGE CHANGE
Debt Service Payments (continued)				
Revenue Bonds (Public Finance Authority)	\$98.0	\$101.3	\$3.3	3.4%
Master Lease Purchase Program (Public Finance Authority)	\$11.5	\$11.8	\$0.3	2.8%
Tuition Revenue Bond Debt Service	\$810.9	\$1,014.4	\$203.6	25.1%
Other				
Comptroller of Public Accounts – Functions impacting fiscal matters	\$484.1	\$496.6	\$12.6	2.6%
Total, Programmatic Exceptions to Baseline Funding	\$77,178.3	\$76,985.8	(\$192.6)	(0.2%)

NOTES:

- (1) Totals may not sum due to rounding.
- (2) Amounts include only General Revenue Funds and General Revenue–Dedicated Funds amounts and exclude funds not subject to the baseline limitations.
- (3) Behavioral Health Services totals include appropriations across all articles but exclude appropriations included in Medicaid totals.
- (4) 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.

SOURCE: Legislative Budget Board.

FACTORS AFFECTING THE STATE BUDGET

Two significant factors affecting the state budget are changes in the population served and the cost of that service.

Population-based budget drivers include Medicaid, the 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 affects Medicaid and CHIP, and it also affects healthcare costs for inmates, state employees, and teachers. Statutory requirements also may affect cost.

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

FIGURE 18
POPULATION-BASED INDICATORS, FISCAL YEARS 2004 TO 2018

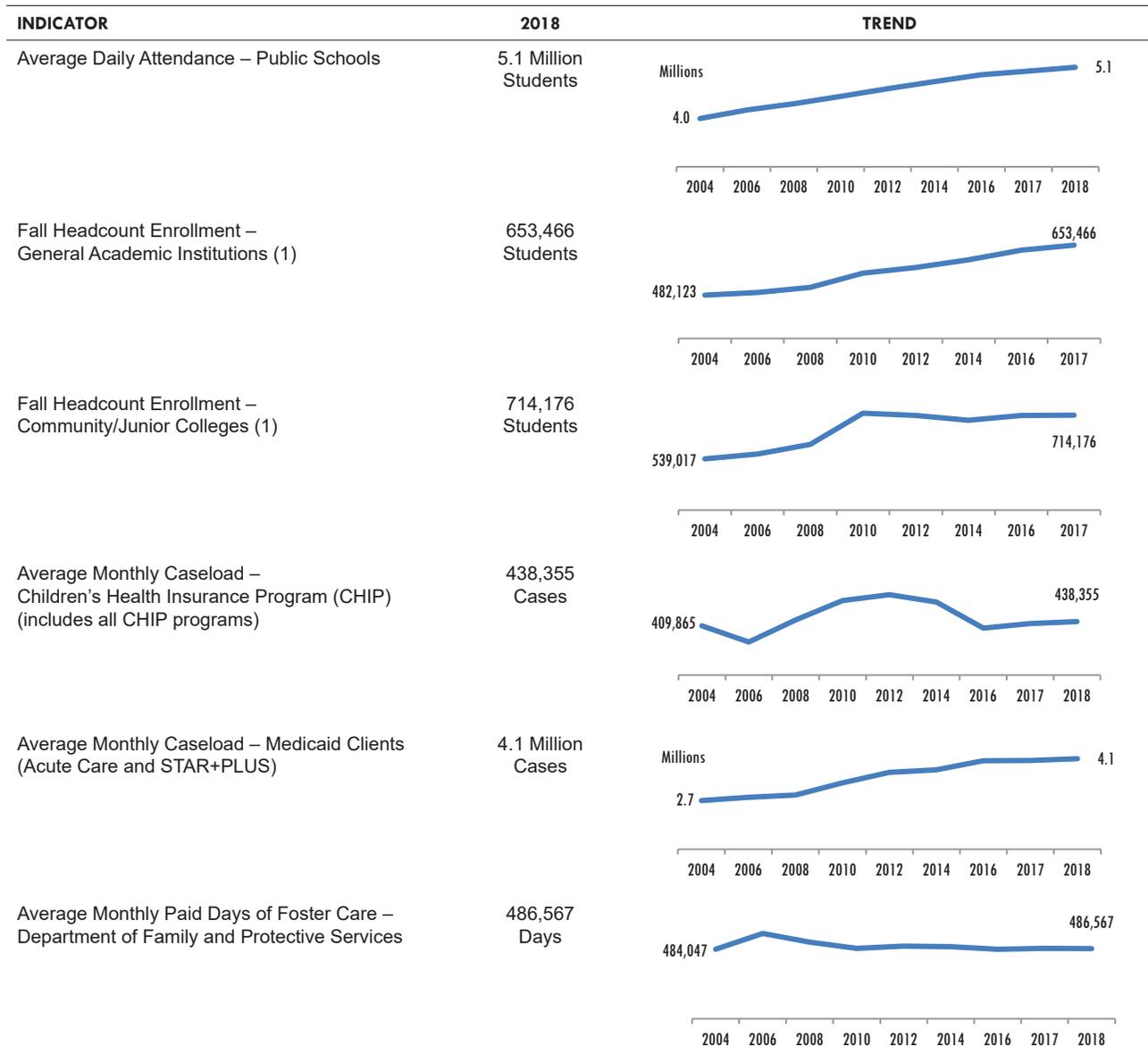
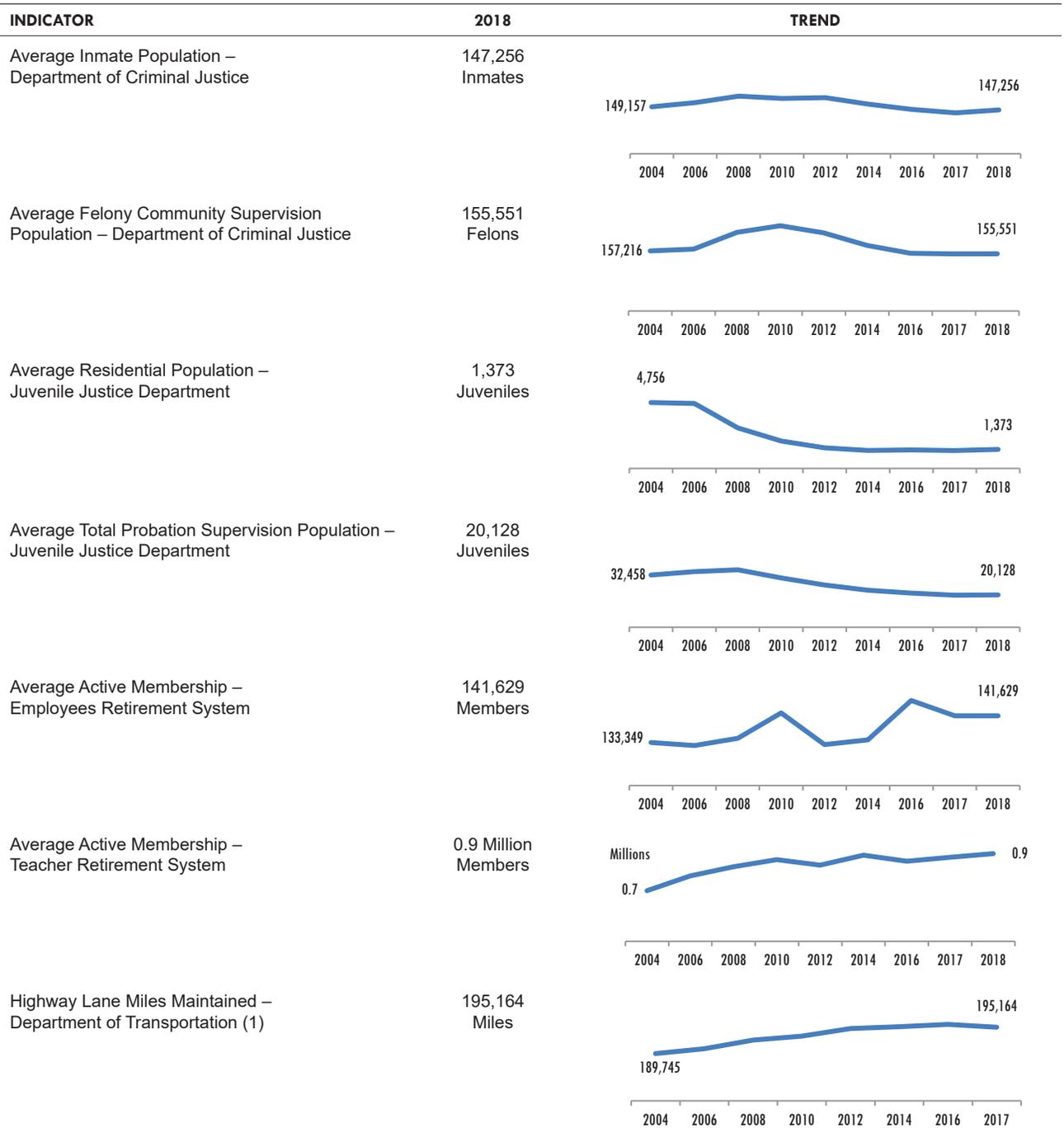


FIGURE 18 (CONTINUED)
POPULATION-BASED INDICATORS, FISCAL YEARS 2004 TO 2018



NOTE: (1) Fiscal year 2018 estimates for these indicators are not available; numbers shown include actual data from fiscal year 2017.
 SOURCE: Legislative Budget Board.

TRENDS IN STATE GOVERNMENT EXPENDITURES

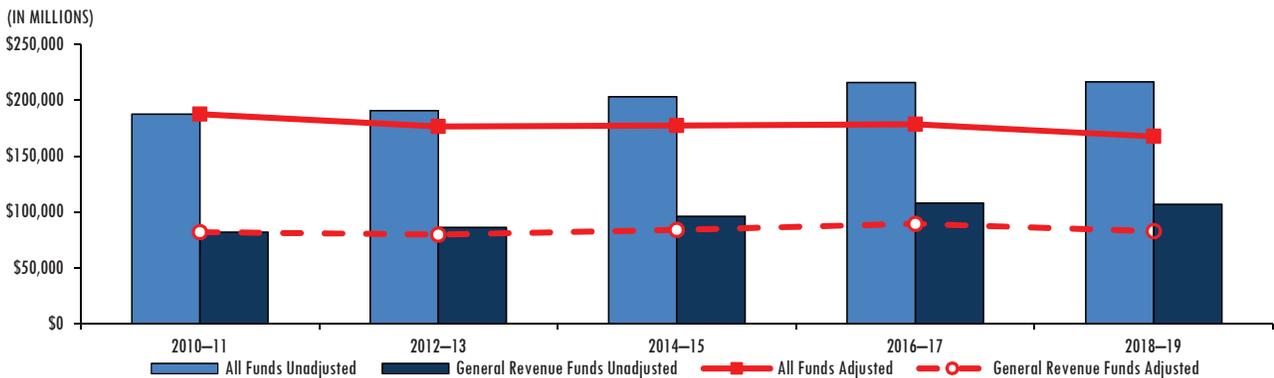
Figure 19 shows biennial All Funds and General Revenue Funds expenditures and appropriations since the 2010–11 biennium. The figure also shows adjusted current and historical expenditure and appropriation totals into 2010–11 dollars based on compounded population and inflation growth. All Funds expenditures increased by 15.5 percent from the 2010–11 to 2018–19 biennia, but biennial expenditures decreased 10.6 percent after adjusting for population and inflation. General Revenue Funds appropriations increased by 30.2 percent during the same period and increased by 0.7 percent when adjusted.

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 **Figure 19** is based on data in the Comptroller’s Fall 2017 Economic Forecast as published in the 2018–19 Certification Revenue Estimate, and identified in **Figure 20**, which included a biennial growth rate of 6.86 percent from the 2016–17 to 2018–19 biennia. Population and inflation growth estimates submitted to the Legislative Budget Board in advance of the November 2016 LBB Board meeting ranged from 7.73 percent to 8.73 percent.

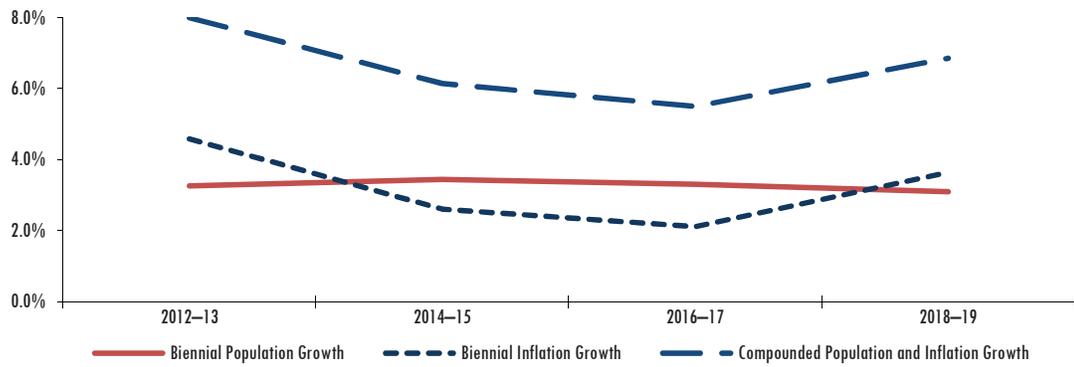
FIGURE 19
TRENDS IN STATE GOVERNMENT EXPENDITURES, 2018–19 BIENNIAL APPROPRIATIONS

BIENNIUM	ALL FUNDS				GENERAL REVENUE FUNDS			
	UNADJUSTED		ADJUSTED FOR POPULATION AND INFLATION		UNADJUSTED		ADJUSTED FOR POPULATION AND INFLATION	
	AMOUNT	PERCENTAGE CHANGE	AMOUNT	PERCENTAGE CHANGE	AMOUNT	PERCENTAGE CHANGE	AMOUNT	PERCENTAGE CHANGE
2010–11	\$187,517	N/A	\$187,517	N/A	\$81,931	N/A	\$81,931	N/A
2012–13	\$190,755	1.7%	\$176,634	(5.8%)	\$86,016	5.0%	\$79,649	(2.8%)
2014–15	\$203,301	6.6%	\$177,358	0.4%	\$96,073	11.7%	\$83,813	5.2%
2016–17	\$215,992	6.2%	\$178,608	0.7%	\$108,007	12.4%	\$89,314	6.6%
2018–19	\$216,608	0.3%	\$167,624	(6.2%)	\$106,663	(1.2%)	\$82,542	(7.6%)



SOURCE: Legislative Budget Board.

FIGURE 20
BIENNIAL POPULATION AND INFLATION GROWTH FROM 2012–13 TO 2018–19



SOURCE: Texas Comptroller of Public Accounts.

RESTRICTED APPROPRIATIONS

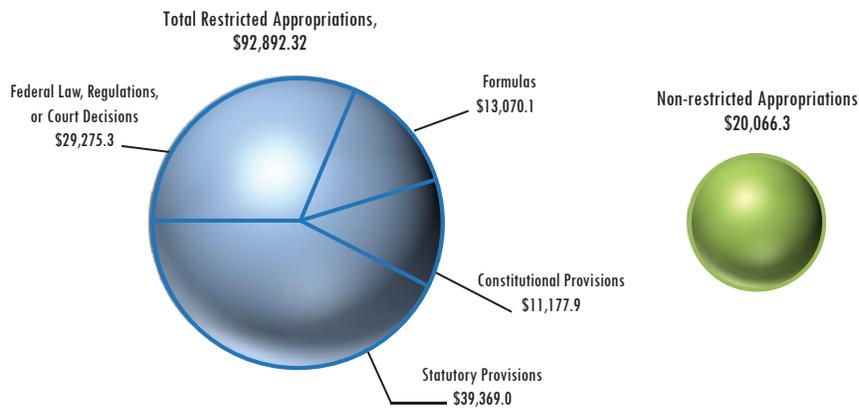
The 2018–19 biennial appropriations from General Revenue Funds and General Revenue–Dedicated Funds total \$113.0 billion. **Figure 21** shows that \$20.1 billion of that total, 17.8 percent, is appropriated by the Legislature without restriction. The remaining \$92.9 billion is restricted by pre-existing 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, it would need to revise statutes outside of the appropriations process to change the restrictions. **Figure 21** shows 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. During the previous five biennia, this percentage has remained relatively constant.

FIGURE 21
RESTRICTED APPROPRIATIONS FROM GENERAL REVENUE FUNDS AND GENERAL REVENUE–DEDICATED FUNDS
2018–19 BIENNIUM

(IN MILLIONS)

TOTAL=\$112,958.6



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

(IN MILLIONS)	2018–19 APPROPRIATIONS	PERCENTAGE OF TOTAL
Appropriations Restricted by Constitutional Provisions	\$11,177.9	9.9%
Teacher Retirement System: \$3,965.8 million		
Foundation School Program (Available School Fund): \$3,443.9 million		
Public Education (Instructional Materials): \$1,103.4 million		
Appropriations Restricted by Statutory Provisions	\$39,369.0	34.9%
Public Education (Foundation School Program): \$31,362.9 million		
Teacher Retirement System, Health Insurance Programs for Public School Retiree Health Insurance: \$1,209.6 million		
Bond Debt Service: \$1,033.5 million		
Appropriations Restricted by Federal Law, Regulations, or Court Decisions	\$29,275.3	25.9%
Medicaid Programs: \$25,176.2 million		
Social Security Match: \$1,462.8 million		
Children’s Health Insurance Program: \$152.1 million		
Appropriations Restricted by Formulas	\$13,070.1	11.6%
Higher Education Formulas: \$8,726.5 million		
Group Health Insurance (General State Employees): \$2,931.4 million		
Group Health Insurance (Higher Education Employees): \$1,412.2 million		

FIGURE 21 (CONTINUED)
RESTRICTED APPROPRIATIONS FROM GENERAL REVENUE FUNDS AND GENERAL REVENUE–DEDICATED FUNDS
2018–19 BIENNIUM

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

(IN MILLIONS)	2018–19 APPROPRIATIONS	PERCENTAGE OF TOTAL
Total Restricted Appropriations	\$92,892.3	82.2%
Non-restricted Appropriations	\$20,066.3	17.8%
Department of Criminal Justice: \$6,417.8 million		
Department of Public Safety: \$1,859.4 million		
Higher Education Coordinating Board: \$1,442.2 million		
Juvenile Justice Department: \$605.2 million		
Total, General Revenue Funds and General Revenue–Dedicated Funds Appropriations	\$112,958.6	100.0%

NOTES:

(1) Appropriations shown are selected examples and are not intended to total to specific restricted appropriation.

(2) Totals may not sum due to rounding.

SOURCE: Legislative Budget Board.

LIMITS ON APPROPRIATIONS

Texas has four constitutional limits on spending: the balanced budget limit, which commonly is 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 2018–19 biennial budget is within all of these limits.

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

General Revenue Funds appropriations for the 2018–19 biennium total \$106.7 billion. This amount is \$0.1 billion less than the pay-as-you-go limit after adjusting for the Comptroller of Public Accounts' (CPA) costing adjustments (**Figure 22**). Furthermore, General Revenue Funds are \$9.2 billion less than the calculated General Revenue capacity of the spending limit. 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	\$0.1
Spending Limit	\$9.2

SOURCE: Legislative Budget Board.

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

The Texas Constitution, Article III, Section 49a, establishes the pay-as-you-go limit. The constitution requires that bills making appropriations 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 Fund appropriations as \$107.3 billion in the 2018–

19 Certification Revenue Estimate (CRE). This total includes estimated 2018–19 biennial General Revenue Fund revenue collections of \$108.6 billion, less the amount of \$3.4 billion in General Revenue Fund deposits reserved for transfer to the Economic Stabilization Fund (ESF) and the State Highway Fund (SHF). This total also includes the beginning General Revenue Fund balance and General Revenue–Dedicated Funds account balances available for certification totaling \$2.1 billion (see **Figure 23**).

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

The Texas Constitution, Article VIII, Section 22, prohibits appropriations funded with state tax revenues that are not dedicated by the constitution from growing faster than the estimated rate of growth of the state's economy. Consequently, the revenue source that funds 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 2018–19 biennial spending limit equals total 2016–17 biennial appropriations funded with state tax revenues not dedicated by the constitution, \$92.3 billion, grown by the adopted growth rate of 8.0 percent. The 2018–19 biennial spending limit totals \$99.7 billion after updating to account for supplemental appropriations passed by the Eighty-fifth Legislature, Regular Session, 2017, and final fiscal year 2017 appropriation and revenue data. Appropriations for the 2018–19 biennium that are subject to the spending limit total \$92.0 billion, \$7.7 billion less than the spending limit (**Figure 24**) after accounting for all legislation passed by the Eighty-fifth Legislature, Regular and First Called Sessions, 2017, and revenue estimates in the CPA's 2018–19 Certification Revenue Estimate.

Revenue deposits to the General Revenue Fund also include revenue not subject to the spending limit; therefore, the maximum 2018–19 biennial General Revenue Fund appropriations associated with the \$99.7 billion limit is \$115.9 billion, leaving \$9.2 billion in remaining General Revenue Fund spending capacity less than the spending limit, shown in **Figure 25**.

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

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

(IN MILLIONS)



NOTES:

(1) Franchise Tax shown includes the General Revenue Fund portion only.

(2) ESF=Economic Stabilization Fund; SHF=State Highway Fund.

SOURCE: Legislative Budget Board.

FIGURE 24
SPENDING LIMIT COMPARED TO THE SUMMARY OF APPROPRIATIONS, 2018–19 BIENNIUM

(IN MILLIONS)	AMOUNT
Spending Limit	\$99,672.9
Appropriations Subject to the Spending Limit	(\$91,987.0)
Total Less Than the Spending Limit	\$7,685.9

SOURCE: Legislative Budget Board.

FIGURE 25
GENERAL REVENUE FUNDS PURSUANT TO THE SPENDING LIMIT COMPARED TO THE SUMMARY OF APPROPRIATIONS, 2018–19 BIENNIUM

(IN MILLIONS)	AMOUNT
Maximum General Revenue Fund Appropriations Pursuant to the Spending Limit	\$115,902.0
General Revenue Fund Appropriations	(\$106,663.2)
Total Less Than the Maximum General Revenue Fund Appropriations	\$9,238.8

SOURCE: Legislative Budget Board.

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 funding for the previous three years. To monitor where the state stands in relation to the constitutional debt limit (CDL), the Bond Review Board (BRB) calculates two debt ratios. The first ratio is the debt service on outstanding or issued debt as a

percentage of unrestricted General Revenue Funds. At the end of fiscal year 2017, BRB reported that the issued debt ratio is 1.43 percent. The second debt ratio is the debt service on outstanding debt plus estimated debt service for authorized but unissued bonds. For this ratio, BRB has reported that the state is at 2.35 percent of unrestricted General Revenue Funds at the end of fiscal year 2017. The latter calculation represents a 0.9 percent decrease from the 2.37 percent calculated for outstanding and authorized but unissued debt for fiscal year 2016. BRB expects the CDL ratio to continue to decrease with the issuance of authorized debt and as the state's unrestricted General Revenue Fund increases with the continued improvement in the state's economy. However, the CDL ratio could be affected by changes to any of the following factors: the three-year average of unrestricted General Revenue Funds, the amount of debt outstanding and unissued debt authorizations, and actual and assumed interest rates.

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 \$216.6 billion. Therefore, the welfare spending limit is \$2.2 billion. The biennial

amount appropriated in the Eighty-fifth Legislature, General Appropriations Act, 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.

2. REVENUE SOURCES AND ECONOMIC OUTLOOK

This chapter examines Texas' state and local government revenue structure for the Eighty-fifth Legislature, General Appropriations Act (GAA), 2018–19 Biennium. This chapter discusses state revenue by examining the Comptroller of Public Accounts' (CPA) Certification Revenue Estimate, released in October 2017 for the 2018–19 biennium. Total All Funds net revenue for the 2018–19 biennium is estimated to be \$224.5 billion, an increase of \$2.1 billion, or 0.9 percent from the 2016–17 biennial level. Growth in tax collections of 9.2 percent is projected to be offset partially by a decrease in nontax revenue sources of 5.6 percent for the 2018–19 biennium.

STATE REVENUE

According to CPA, state tax collections for the 2018–19 biennium are estimated to total \$107.1 billion, an increase of \$9.0 billion, or 9.2 percent, from the 2016–17 biennial collection levels.

SALES TAX

The sales and use tax continues to contribute most of the state's tax revenue (**Figures 26, 27, and 28**). CPA estimates that sales tax revenue for the 2018–19 biennium will be \$62.5 billion, a 9.4 percent increase from 2016–17 biennial collections of

FIGURE 26
STATE REVENUE BIENNIAL COMPARISON BY SOURCE, ALL FUNDS, 2016–17 AND 2018–19 BIENNIA

SOURCE	(IN MILLIONS)		PERCENTAGE CHANGE	PERCENTAGE OF 2018–19 TOTAL REVENUE	PERCENTAGE OF 2018–19 TOTAL TAXES
	2016–17 BIENNium	2018–19 BIENNium			
Tax collections	\$98,119.6	\$107,113.6	9.2%	47.7%	100.0%
Federal receipts	\$77,839.5	\$74,914.7	(3.8%)	33.4%	N/A
Licenses, fees, fines, and penalties	\$12,386.0	\$12,632.4	2.0%	5.6%	N/A
Interest and investment income	\$3,053.5	\$3,166.2	3.7%	1.4%	N/A
Lottery	\$4,273.2	\$4,155.0	(2.8%)	1.9%	N/A
Land income	\$2,833.6	\$2,820.2	(0.5%)	1.3%	N/A
Other revenue sources	\$23,970.7	\$19,746.5	(17.6%)	8.8%	N/A
Total, Net Revenue	\$222,476.1	\$224,548.6	0.9%	100.0%	N/A
Sales tax	\$57,145.8	\$62,530.1	9.4%	27.8%	58.4%
Oil production taxes	\$3,811.6	\$4,944.9	29.7%	2.2%	4.6%
Natural gas production tax	\$1,561.6	\$1,818.2	16.4%	0.8%	1.7%
Motor fuel taxes	\$7,097.5	\$7,297.7	2.8%	3.2%	6.8%
Motor vehicle sales and rental taxes	\$9,148.4	\$9,927.7	8.5%	4.4%	9.3%
Franchise tax	\$7,123.4	\$7,374.1	3.5%	3.3%	6.9%
Cigarette and tobacco taxes	\$2,911.2	\$2,882.0	(1.0%)	1.3%	2.7%
Alcoholic beverage taxes	\$2,400.3	\$2,613.4	8.9%	1.2%	2.4%
Insurance occupation taxes	\$4,602.8	\$5,279.7	14.7%	2.4%	4.9%
Utility taxes	\$874.0	\$894.6	2.4%	0.4%	0.8%
Hotel occupancy tax	\$1,051.9	\$1,093.0	3.9%	0.5%	1.0%
Other taxes	\$391.2	\$458.1	17.1%	0.2%	0.4%
Total, Tax Collections	\$98,119.6	\$107,113.6	9.2%	47.7%	100.0%

NOTES: Biennial change and percentage change have been calculated on actual amounts before rounding in all tables and graphics in this chapter. Totals may not sum due to rounding. Totals shown for the 2018–19 biennium are estimates from the Comptroller of Public Accounts' October 10, 2017, *Certification Revenue Estimate*.

SOURCE: Comptroller of Public Accounts.

FIGURE 27
STATE REVENUE BY SOURCE, FISCAL YEARS 2015 TO 2019

SOURCE	REVENUE (IN MILLIONS)					PERCENTAGE CHANGE				PERCENTAGE OF TOTAL	
	2015	2016	2017	2018	2019	2016	2017	2018	2019	2015	2019
Tax collections	\$51,683.1	\$48,476.2	\$49,643.4	\$52,300.6	\$54,813.0	(6.2%)	2.4%	5.4%	4.8%	47.2%	48.5%
Federal receipts	\$36,701.0	\$39,473.8	\$38,365.6	\$37,470.3	\$37,444.4	7.6%	(2.8%)	(2.3%)	(0.1%)	33.5%	33.1%
Licenses, fees, fines, and penalties	\$9,649.6	\$6,127.6	\$6,258.4	\$6,297.0	\$6,335.5	(36.5%)	2.1%	0.6%	0.6%	8.8%	5.6%
Interest and investment income	\$1,393.6	\$1,362.3	\$1,691.2	\$1,506.9	\$1,659.4	(2.2%)	24.1%	(10.9%)	10.1%	1.3%	1.5%
Lottery	\$1,893.5	\$2,220.0	\$2,053.2	\$2,058.9	\$2,096.0	17.2%	(7.5%)	0.3%	1.8%	1.7%	1.9%
Land income	\$1,547.8	\$1,139.5	\$1,694.1	\$1,416.3	\$1,404.0	(26.4%)	48.7%	(16.4%)	(0.9%)	1.4%	1.2%
Other revenue sources	\$6,559.6	\$12,481.5	\$11,489.2	\$10,418.2	\$9,328.2	90.3%	(7.9%)	(9.3%)	(10.5%)	6.0%	8.2%
Total, Net Revenue	\$109,428.3	\$111,280.9	\$111,195.2	\$111,468.2	\$113,080.4	1.7%	(0.1%)	0.2%	1.4%	100.0%	100.0%
Sales tax	\$28,910.9	\$28,245.8	\$28,900.0	\$30,490.0	\$32,040.1	(2.3%)	2.3%	5.5%	5.1%	26.4%	28.3%
Oil production taxes	\$2,879.1	\$1,704.3	\$2,107.3	\$2,314.8	\$2,630.1	(40.8%)	23.6%	9.8%	13.6%	2.6%	2.3%
Natural gas production tax	\$1,280.4	\$578.8	\$982.8	\$889.1	\$929.0	(54.8%)	69.8%	(9.5%)	4.5%	1.2%	0.8%
Motor fuel taxes	\$3,446.2	\$3,513.7	\$3,583.7	\$3,603.3	\$3,694.5	2.0%	2.0%	0.5%	2.5%	3.1%	3.3%
Motor vehicle sales and rental taxes	\$4,514.2	\$4,616.1	\$4,532.3	\$4,996.8	\$4,930.9	2.3%	(1.8%)	10.2%	(1.3%)	4.1%	4.4%
Franchise tax	\$4,656.3	\$3,881.2	\$3,242.2	\$3,581.4	\$3,792.7	(16.6%)	(16.5%)	10.5%	5.9%	4.3%	3.4%
Cigarette and tobacco taxes	\$1,532.4	\$1,388.4	\$1,522.8	\$1,375.2	\$1,506.8	(9.4%)	9.7%	(9.7%)	9.6%	1.4%	1.3%
Alcoholic beverage taxes	\$1,138.8	\$1,182.5	\$1,217.7	\$1,274.1	\$1,339.3	3.8%	3.0%	4.6%	5.1%	1.0%	1.2%
Insurance occupation taxes	\$2,049.4	\$2,226.7	\$2,376.1	\$2,567.4	\$2,712.3	8.7%	6.7%	8.1%	5.6%	1.9%	2.4%
Utility taxes	\$480.8	\$435.0	\$439.1	\$443.8	\$450.8	(9.5%)	0.9%	1.1%	1.6%	0.4%	0.4%
Hotel occupancy tax	\$525.8	\$521.2	\$530.7	\$541.1	\$551.9	(0.9%)	1.8%	2.0%	2.0%	0.5%	0.5%
Other taxes	\$272.7	\$182.6	\$208.6	\$223.5	\$234.7	(33.0%)	14.2%	7.1%	5.0%	0.2%	0.2%
Total, Tax Collections	\$51,683.1	\$48,476.2	\$49,643.4	\$52,300.6	\$54,813.0	(6.2%)	2.4%	5.4%	4.8%	47.2%	48.5%

NOTE: Totals shown for the 2018–19 biennium are estimates from the Comptroller of Public Accounts' October 10, 2017, *Certification Revenue Estimate*.

SOURCE: Comptroller of Public Accounts.

\$57.2 billion. Sales taxes are expected to contribute 58.4 percent of total tax collections for the 2018–19 biennium.

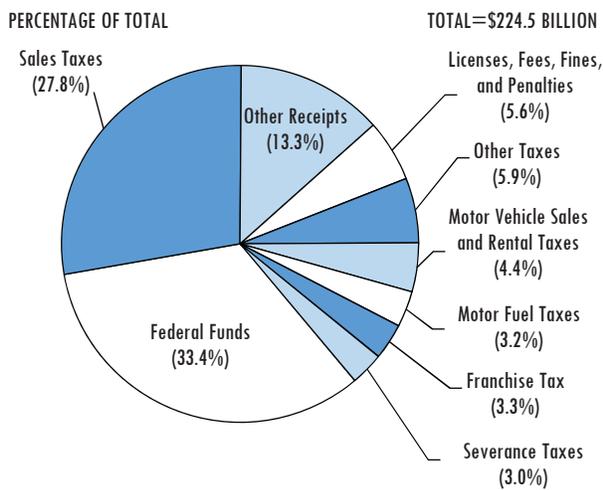
The state tax rate is 6.25 percent, which has been in place since 1990. Subject to certain exemptions, the state sales and use tax is imposed on retail sales, leases, and rentals of goods purchased within or brought into the state, and some taxable services. The largest exemptions include property used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

manufacturing, food purchased for home consumption, agricultural items, gas and electricity, and water.

OIL AND GAS PRODUCTION TAXES

The state levies an oil production tax at 4.6 percent of market value and a natural gas production tax at 7.5 percent of market value, less certain deductions. During the 2016–17

FIGURE 28
ESTIMATED STATE REVENUE COLLECTIONS
2018–19 BIENNIUM



SOURCE: Comptroller of Public Accounts.

biennium, annual oil production was approximately 1,037.9 million barrels for fiscal year 2016 and 1,057.4 million barrels for fiscal year 2017. Oil was priced on the NYMEX exchange at an average of \$41.40 per barrel for fiscal year 2016 and \$48.77 per barrel for fiscal year 2017. Annual natural gas production was 7.5 trillion cubic feet for fiscal year 2016 and 7.0 trillion cubic feet for fiscal year 2017, and NYMEX natural gas prices averaged \$2.30 per 1,000 cubic feet (Mcf) for fiscal year 2016, and approximately \$3.00 per Mcf for fiscal year 2017.

Oil production taxes are expected to increase during the 2018–19 biennium due to stabilization in the price per barrel and increasing production. Whereas 2016–17 biennial revenues from oil production and regulation taxes were \$3.8 billion, CPA estimates the 2018–19 biennial revenues will be \$4.9 billion, an increase of 29.7 percent.

For the 2016–17 biennium, natural gas tax collections totaled \$1.6 billion. CPA estimates 2018–19 biennial revenues from natural gas will increase to \$1.8 billion, a gain of 16.4 percent.

MOTOR FUEL TAXES

Texas taxes three major types of motor fuel: gasoline, diesel, and liquefied and compressed natural gas. Gasoline and diesel fuel are taxed \$0.20 per gallon; liquefied and compressed natural gas is taxed at a rate of \$0.15 per gasoline or diesel gallon equivalent. The 2016–17 biennial motor fuels tax collections totaled \$7.1 billion. CPA estimates that

fuel tax collections will grow 2.8 percent, forecasting \$7.3 billion in revenue for the 2018–19 biennium.

Of the net balance, 75.0 percent of motor fuel tax revenues are deposited to the State Highway Fund, and the remaining 25.0 percent of collections is dedicated to public education.

MOTOR VEHICLE SALES AND RENTAL TAX

The motor vehicle sales tax is levied at a rate of 6.25 percent on the price of a vehicle, less the value of any trade-in. The rental tax rate is 10.0 percent for rentals of 30 days or fewer, and 6.25 percent for rentals exceeding 30 days. Also included in motor vehicle sales and rental taxes is the tax on manufactured housing. This tax is levied at a rate of 5.0 percent of 65.0 percent of the manufacturer's selling price.

Motor vehicle sales and rental taxes increased during the 2016–17 biennium, generating \$9.2 billion in revenue, 4.9 percent more than during the previous biennium. CPA estimates that revenue from motor vehicle sales and rental taxes will increase 8.5 percent to \$9.9 billion for the 2018–19 biennium.

FRANCHISE TAX

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

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

The name franchise tax remains in the new statute, but it is more commonly called the margins tax because a business entity's taxable base is redefined as the taxable margin. The taxable margin is the lesser value of four methods of calculation: (1) 70.0 percent of total revenue; (2) total revenue minus costs of goods sold; (3) total revenue minus

total compensation and benefits; or (4) total revenue minus \$1.0 million. Beginning in fiscal year 2016, most entities pay at a rate of 0.75 percent of their taxable margins. The exception is a lower tax rate of 0.375 percent applied to any taxable entity engaged primarily in retail or wholesale trade. These rates were originally 1.0 percent and 0.5 percent, respectively. The Eighty-third Legislature, Regular Session, 2013, temporarily lowered the rates by 2.5 percent in fiscal 2014, and 5.0 percent in fiscal year 2015. The Eighty-fourth Legislature, 2015, permanently lowered the rates by 25.0 percent.

After decreasing by 16.6 percent for fiscal year 2016 and 16.5 percent for fiscal 2017, CPA estimates that the margins tax will increase 10.5 percent for fiscal year 2018 and will generate \$3.6 billion; for fiscal year 2019, the tax is estimated to increase by 5.9 percent and generate \$3.8 billion. The companion legislation House Bill 2, Seventy-ninth Legislature, Third Called Session, 2006, established the Property Tax Relief Fund. This legislation stipulated that the amount that would have been collected in accordance with the previous franchise tax rate every fiscal year would be deposited to the General Revenue Fund, and the remainder of the margins tax would be dedicated to the Property Tax Relief Fund. Thus, of the \$3.2 billion collected in accordance with the margins tax for fiscal year 2017, \$2.7 billion was allocated to the General Revenue Fund, and \$0.5 billion was allocated to the Property Tax Relief Fund.

CIGARETTE AND TOBACCO TAXES

Excise tax revenue related to cigarettes, cigars, and tobacco totaled \$2.91 billion for the 2016–17 biennium. CPA estimates revenue for the 2018–19 biennium to total \$2.88 billion, a 1.0 percent decrease from the 2016–17 biennial level.

Since the Seventy-ninth Legislature, Third Called Session, 2006, established the Property Tax Relief Fund, revenue that would have been collected in accordance with the previous tax rates before January 1, 2007, is credited to the General Revenue Fund. The excess revenue greater than this amount that is generated by the increased tax rates is dedicated to the Property Tax Relief Fund. The 2016–17 biennial transfers to the Property Tax Relief Fund from cigarette tax revenue totaled \$1.7 billion. CPA estimates transfers from cigarette tax revenue to be \$1.7 billion for the 2018–19 biennium.

The tobacco products tax is levied on cigars, snuff, chewing tobacco, and smoking tobacco. Legislation passed by the Eighty-first Legislature, Regular Session, 2009, amended the

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

The 2016–17 biennial transfers to the Property Tax Relief Fund of cigar and tobacco products tax revenue totaled \$34.0 million. CPA estimates transfers for the 2018–19 biennium to be \$36.3 million.

ALCOHOLIC BEVERAGE TAXES

Alcoholic beverage taxes consist of the mixed-beverage gross receipts tax; the mixed-beverage sales tax; and volume-based excise taxes imposed on ale, beer, liquor, and wine. The 2016–17 biennial alcoholic beverage tax revenue totaled \$2.4 billion. CPA estimates revenue for the 2018–19 biennium to increase to \$2.6 billion, or 8.9 percent, from the 2016–17 biennial level.

INSURANCE OCCUPATION TAXES

Insurance occupation taxes include insurance premium taxes and insurance maintenance taxes. Insurance-related entities must remit a percentage of their gross premiums to pay insurance premium taxes. Insurers pay 1.75 percent of accident, health, and life insurance gross premiums; 1.6 percent of property and casualty insurance gross premiums; 1.35 percent of title insurance premiums; and 4.85 percent of independently procured insurance premiums.

Insurance maintenance taxes are also based on premiums. Insurance maintenance taxes are levied on insurance-related entities to cover the state's cost of regulating the industry. The Texas Department of Insurance primarily incurs these regulatory costs. Maintenance tax rates are reviewed annually and are based on the funding needs of the regulatory agencies.

In addition to these taxes, retaliatory taxes are imposed on insurers from outside Texas to assist Texas-based companies that are operating in other states. If a Texas-based company pays a higher proportion of taxes to another state than domestic companies pay to that state, the insurance companies from the other state that compete in Texas must pay a retaliatory tax.

CPA forecasts insurance taxes and fees to total \$5.3 billion for the 2018–19 biennium, an increase of 14.7 percent from the 2016–17 biennial level of \$4.6 billion.

UTILITY TAX

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

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

During the 2016–17 biennium, utility taxes generated \$874.0 million in revenue. CPA estimates that utility taxes will generate \$894.6 million for the 2018–19 biennium, a 2.4 percent increase.

HOTEL OCCUPANCY TAX

Texas imposes a hotel occupancy tax on a person who pays for the use or possession of a room or space in a hotel. For purposes of the tax, the definition of a hotel includes the short-term rental of all or part of a residential property. The rate of tax is 6.0 percent of the price paid for a room in the hotel.

CPA estimated the hotel occupancy tax to generate \$1.09 billion for the 2018–19 biennium, which is 3.9 percent greater than the 2016–17 biennial collections of \$1.05 billion.

OTHER TAXES

Other taxes are levied on a variety of items such as cement, coin-operated amusement machines, and oil well service receipts. CPA estimates that these taxes will generate \$458.1 million during the 2018–19 biennium, an increase of 17.1 percent from the 2016–17 biennial collections of \$391.2 million.

NONTAX REVENUES

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

FEDERAL RECEIPTS

Federal receipts constitute the state's largest source of nontax revenue. CPA estimates that collections for the 2018–19 biennium will total \$74.9 billion, 33.4 percent of all revenue for the biennium, which is a decrease of 3.8 percent from 2016–17 biennial receipts.

LICENSES, FEES, FINES, AND PENALTIES

Licenses, fees, fines, and penalties contribute the state's second-largest source of nontax revenue. According to CPA, the state is projected to receive \$12.6 billion from this revenue category for the 2018–19 biennium. This amount represents an increase of 2.0 percent from 2016–17 biennial collections of \$12.4 billion.

This revenue category is expected to contribute 5.6 percent of all state revenue during the 2018–19 biennium.

INTEREST AND INVESTMENT INCOME

Most interest on fund balances and investment revenue in General Revenue Funds is composed of income deposited to the Available School Fund (ASF) from Permanent School Fund (PSF) investments. Funds distributed from the PSF to the ASF during a 10-year period may not exceed the total return on all PSF investment assets during the same period. Transfers to the ASF totaled \$1.1 billion for each of fiscal years 2016 and 2017. CPA estimates that \$1.2 billion will be transferred for fiscal year 2018, and \$1.5 billion will be transferred for fiscal year 2019.

All Funds total interest and investment revenue for the 2018–19 biennium is expected to be \$3.2 billion, an increase of 3.7 percent, from the 2016–17 biennial interest and investment revenue of \$3.1 billion.

LOTTERY REVENUE

Texas Lottery ticket sales totaled \$5.1 billion for fiscal year 2017, an increase of \$9.9 million or 0.2 percent greater than the fiscal year 2016 sales.

Of the fiscal year total sales, \$3.3 billion was paid out to players; \$276.3 million was paid to retailers in the form of commissions, bonuses, and incentive payments; \$1,201 million was transferred on a cash basis to the Foundation School Fund; \$17.8 million was transferred to the Texas Veterans Commission; and \$75.8 million of unclaimed prizes was transferred to the state.

Of the remaining fiscal year 2015 sales, \$220.3 million was used to fund administrative expenses.

CPA estimates that \$1.30 billion for fiscal year 2018 and \$1.32 billion for fiscal year 2019 will be available for transfer to the Foundation School Fund.

LAND INCOME

Land income is derived from mineral royalties and leases, land sales, and the sale of timber and sand. CPA estimates that the state will collect \$2.82 billion in income from state lands for the 2018–19 biennium. This amount reflects a decrease of 0.5 percent from 2016–17 biennial collections of \$2.83 billion.

OTHER REVENUE

TOBACCO SETTLEMENT REVENUE

In January 1998, Texas entered into a settlement agreement with the defendants in the state's action against tobacco manufacturers. One result of the agreement was the establishment of a series of payments to the state and a number of political subdivisions to be made by the defendants named in the agreement. The schedule of these payments is outlined in the settlement agreement. Future payments are subject to price, sales volume, and profitability adjustments at tobacco companies. These adjustment factors may cause actual Tobacco Settlement revenue collections to deviate from the original payment schedule.

During the 2016–17 biennium, the state received \$966.4 million as a result of the federal Tobacco Settlement agreement. For the 2018–19 biennium, \$916.5 million in revenue is expected as the volume of domestic cigarette sales decreases.

STATE HEALTH SERVICE FEES AND REBATES

Most state health service fees and rebates are from federally mandated and state-supplemental Medicaid vendor drug programs. These revenues consist of rebates that the state collects from manufacturers of drugs that are covered by state Medicaid programs. CPA estimates that the state will collect \$9.7 billion in state health service fees and rebates for the 2018–19 biennium, 34.0 percent less than the 2016–17 biennial collections of \$14.8 billion.

ESCHEATED ESTATES

Escheated estates include unclaimed property submitted to the state. This revenue source is derived from proceeds of abandoned personal property such as checking accounts, savings accounts, certificates of deposit, safe deposit boxes, stocks, bonds, mutual funds, mineral proceeds, and other

types of property. CPA estimates that collections of escheated estates during the 2018–19 biennium will total \$1.4 billion, 9.1 percent less than the 2016–17 biennial collections of \$1.5 billion.

OTHER SOURCES OF REVENUE

The remaining \$8.6 billion, or 3.8 percent, of state revenue is from a variety of sources, including the following: sales of goods and services, child support collections, settlement of claims including tobacco settlement revenue previously mentioned, and various federal programs. Collections of other revenue will total 12.3 percent more than the 2016–17 biennial collections of \$7.7 billion.

STATE TAXES

Two measures are commonly used to compare state tax burdens across state lines: state tax revenue per \$1,000 of personal income, and per-capita state tax revenues. Texas ranks low relative to other states on both measures. For 2016, Texans paid \$40.43 in state taxes for each \$1,000 of personal income, or 69.2 percent of the \$58.46 national level (**Figure 29**).

POPULATION

The annual growth rate of Texas' population remained relatively constant since calendar year 2006. **Figure 30** shows that the state's population grew by 19.3 percent from calendar years 2006 to 2016. This growth rate was a compounded annual rate of 1.8 percent. Of the most populous states, Texas was the fastest growing state in the U.S. during this period. Moody's Analytics, a national econometric forecasting firm, estimates that Texas' population will increase approximately 1.5 percent per year from calendar years 2017 to 2027. During the same period, Moody's Analytics projects the total U.S. population will increase about 0.7 percent per year.

PERSONAL INCOME

Personal income is a widely used measure of economic well-being. It consists of wages and salaries, other labor income, proprietors' income, dividends, interest, rent, and transfer payments (e.g., Social Security and unemployment insurance benefits). Per capita personal income (total personal income divided by resident population) is commonly used to compare the relative economic well-being of residents in the states. It is affected by growth or decrease in the wage-earning

FIGURE 29
STATE TAX REVENUE PER \$1,000 OF PERSONAL INCOME FISCAL YEAR 2016

RANKING	STATE	TAX REVENUE PER \$1,000 OF PERSONAL INCOME	RANKING	STATE	TAX REVENUE PER \$1,000 OF PERSONAL INCOME
1	Vermont	\$98.84	27	Montana	\$58.69
2	Hawaii	\$96.17	28	Kansas	\$58.69
3	North Dakota	\$89.58	29	Illinois	\$58.65
4	Minnesota	\$87.69	30	Pennsylvania	\$57.65
5	Arkansas	\$79.64	31	New Jersey	\$57.37
6	Delaware	\$77.29	32	Utah	\$56.72
7	West Virginia	\$76.47	33	Washington	\$56.01
8	Mississippi	\$72.23	34	Ohio	\$55.40
9	Maine	\$70.42	35	Nebraska	\$53.63
10	California	\$70.15	36	Alabama	\$52.44
11	New York	\$69.17	37	Arizona	\$52.39
12	New Mexico	\$68.22	38	Oklahoma	\$50.69
13	Kentucky	\$68.20	39	Georgia	\$49.36
14	Iowa	\$66.29	40	South Carolina	\$48.72
15	Wisconsin	\$65.16	41	Virginia	\$47.64
16	Idaho	\$63.36	42	Louisiana	\$47.01
17	Nevada	\$62.65	43	Missouri	\$46.82
18	Michigan	\$62.45	44	Tennessee	\$46.45
19	Massachusetts	\$62.35	45	Colorado	\$44.41
20	Indiana	\$61.53	46	South Dakota	\$42.21
21	Connecticut	\$61.50	47	TEXAS	\$40.43
22	Rhode Island	\$61.30	48	Florida	\$39.74
23	North Carolina	\$61.13	49	New Hampshire	\$35.37
24	Maryland	\$59.82	50	Alaska	\$25.24
25	Oregon	\$59.42		U.S. Average	\$58.46
26	Wyoming	\$59.30			

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

population (ages 18 to 64) relative to overall population. Texas' per capita personal income was \$46,274 in 2016, and the state ranked twenty-fifth among the states (**Figure 31**).

Texas' cost of living is also relatively low, at 90.6 percent of the national average in the second quarter of 2017 (see **Figure 32**). Texas ranked forty-second among the states and ranked thirteenth among the 15 most-populous states on this measure.

The ratio of Texas per capita income to U.S. per capita income is an important driver of the Texas state budget. Specifically, this ratio is the determining factor of Texas' Federal Medical Assistance Percentage (FMAP) and, thus, the state's share of the cost of the Medicaid program. Typically, when this ratio increases, Texas' FMAP and the

federal share of the cost decreases and the state share increases, and vice versa. During the past 20 years, per capita personal income in Texas has fluctuated; it has remained less than the U.S. total (**Figure 33**), but the trend of the ratio has increased during this period. However, the ratio decreased during calendar years 2015 and 2016 primarily because of decreased earnings in the oil and gas industry. For 2016, the per capita personal income in Texas was approximately 94.0 percent of the U.S. total.

MAJOR STATE FUNDS

Although more than 400 funds are held in the state Treasury, the General Revenue Fund and a few closely related special funds and accounts play key roles in state finance. Funds and

**FIGURE 30
RESIDENT POPULATION RANKING, CALENDAR YEARS 2006 AND 2016**

RANKING	STATE	POPULATION (IN MILLIONS)			PERCENTAGE CHANGE
		2006 CENSUS	2016 CENSUS	CHANGE	
1	California	36.0	39.3	3.23	9.0%
2	TEXAS	23.4	27.9	4.50	19.3%
3	Florida	18.2	20.6	2.45	13.5%
4	New York	19.1	19.7	0.64	3.4%
5	Illinois	12.6	12.8	0.16	1.2%
6	Pennsylvania	12.5	12.8	0.27	2.2%
7	Ohio	11.5	11.6	0.13	1.2%
8	Georgia	9.2	10.3	1.15	12.6%
9	North Carolina	8.9	10.1	1.23	13.8%
10	Michigan	10.0	9.9	(0.11)	(1.1%)
11	New Jersey	8.7	8.9	0.28	3.3%
12	Virginia	7.7	8.4	0.74	9.6%
13	Washington	6.4	7.3	0.92	14.4%
14	Arizona	6.0	6.9	0.90	15.0%
15	Massachusetts	6.4	6.8	0.40	6.3%
	U.S. Total	298.4	323.1	24.75	8.3%

SOURCE: U.S. Census Bureau.

**FIGURE 31
15 MOST POPULOUS STATES PER CAPITA PERSONAL INCOME, CALENDAR YEAR 2016**

RANKING	STATE	PER CAPITA PERSONAL INCOME
2	Massachusetts	\$64,235
3	New Jersey	\$61,472
4	New York	\$59,563
6	California	\$56,374
11	Washington	\$54,579
12	Virginia	\$52,957
15	Illinois	\$51,817
16	Pennsylvania	\$50,742
25	TEXAS	\$46,274
27	Florida	\$45,953
29	Ohio	\$44,593
30	Michigan	\$44,253
39	North Carolina	\$42,244
40	Georgia	\$42,159
42	Arizona	\$40,415
1	Highest: Connecticut	\$69,311
50	Lowest: Mississippi	\$35,484
	U.S. Total	\$49,246

SOURCE: U.S. Bureau of Economic Analysis.

**FIGURE 32
15 MOST POPULOUS STATES COST OF LIVING AS PERCENTAGE OF NATIONAL AVERAGE CALENDAR YEAR 2017, SECOND QUARTER**

RANKING	STATE	PERCENTAGE COST OF LIVING
2	California	145.6%
4	New York	131.6%
5	Massachusetts	130.5%
8	New Jersey	122.5%
14	Washington	108.0%
17	Virginia	102.2%
19	Pennsylvania	101.6%
25	Florida	98.5%
27	Illinois	97.2%
29	Arizona	96.5%
32	North Carolina	94.6%
36	Ohio	92.3%
42	TEXAS	90.6%
43	Georgia	90.6%
44	Michigan	90.3%
1	Highest: Hawaii	166.4%
50	Lowest: Mississippi	85.5%
	U.S. Average	100.0%

SOURCE: Missouri Economic Research and Information Center.

FIGURE 33
PER CAPITA PERSONAL INCOME IN TEXAS AND THE U.S.,
CALENDAR YEARS 1997 TO 2014

YEAR	INCOME		TEXAS AS PERCENTAGE OF U.S.
	TEXAS	U.S.	
1997	\$23,825	\$25,950	91.8%
1998	\$25,435	\$27,510	92.5%
1999	\$26,307	\$28,627	91.9%
2000	\$28,145	\$30,602	92.0%
2001	\$29,394	\$31,540	93.2%
2002	\$29,204	\$31,815	91.8%
2003	\$29,789	\$32,692	91.1%
2004	\$30,551	\$34,316	89.0%
2005	\$32,793	\$35,904	91.3%
2006	\$35,008	\$38,144	91.8%
2007	\$36,630	\$39,821	92.0%
2008	\$39,534	\$41,082	96.2%
2009	\$36,695	\$39,376	93.2%
2010	\$37,892	\$40,277	94.1%
2011	\$40,825	\$42,461	96.1%
2012	\$43,178	\$44,282	97.5%
2013	\$43,399	\$44,493	97.5%
2014	\$45,878	\$46,494	98.7%
2015	\$46,830	\$48,451	96.7%
2016	\$46,274	\$49,246	94.0%

SOURCE: U.S. Bureau of Economic Analysis.

accounts in the state Treasury are not directly equivalent to methods of finance in the GAA.

GENERAL REVENUE FUND

The General Revenue Fund consists of nondedicated General Revenue Funds and General Revenue–Dedicated Funds accounts. The nondedicated portion of the General Revenue Fund serves as the state’s primary operating fund. Most state tax revenue, many state fees, and various other sources of revenue are deposited as nondedicated General Revenue Funds.

Among the taxes deposited initially to the nondedicated General Revenue Fund are the state sales tax, the franchise tax, motor vehicle sales taxes, alcohol and tobacco taxes, the oil production tax, the natural gas tax, and motor fuel taxes. Expenditures may be made directly from nondedicated General Revenue Funds, or in some cases, revenue may be transferred from nondedicated General Revenue Funds to special funds or accounts.

Before 1991, most of the accounts that now compose dedicated General Revenue Funds existed as separate special

funds outside the General Revenue Fund. A fund consolidation process initiated in 1991 brought almost 200 special funds into the General Revenue Fund as General Revenue–Dedicated accounts.

An important distinction among special funds and General Revenue–Dedicated accounts is that cash balances in the General Revenue–Dedicated accounts are counted as part of the General Revenue Fund balance in determining the amount of cash available for certification of appropriations from the General Revenue Fund; account balances for special funds do not affect the amount of cash available for certification for the General Revenue Fund.

AVAILABLE SCHOOL FUND

The ASF receives a total distribution from the PSF and one-quarter of net motor fuel taxes. The distribution amount is based upon a total return methodology, which is a percentage of the average market value of the PSF. The distribution rate cannot exceed 6.0 percent of the average market value. The rate is established by the State Board of Education (SBOE), or by the Texas Legislature in biennia when the SBOE fails to establish a rate. Additionally, the General Land Office has authority to make direct deposits into the ASF up to \$300.0 million per year.

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

CPA estimates revenue deposited to the ASF for the 2018–19 biennium to total \$2.1 billion for fiscal year 2018 and \$2.4 billion for fiscal year 2019.

FOUNDATION SCHOOL FUND

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

school districts using Foundation School Program formulas, and via multiple methods of finance in the GAA. CPA estimates total revenue from occupation taxes, lottery proceeds, and attendance credits to total \$4.8 billion for fiscal year 2018 and \$5.4 billion for fiscal year 2019.

STATE HIGHWAY FUND

The State Highway Fund (SHF) may be used for highway construction and maintenance, acquisition of rights-of-way, and the policing of public roads. The major revenue sources deposited directly to the fund include motor vehicle registration fees, federal highway funds, and the sales tax on motor lubricants. Motor fuel tax revenue is deposited to the General Revenue Fund, and a significant portion of that amount is allocated to the State Highway Fund. Voter approval of amendments to the Texas Constitution proposed by Senate Joint Resolution 1, Eighty-third Legislature, Third Called Session, 2013, directed additional General Revenue Fund allocations to the State Highway Fund based on the performance of oil and gas production taxes. Voter approval of amendments to the Texas Constitution proposed by Senate Joint Resolution 5, Eighty-fourth Legislature, 2015, directed that a portion of sales tax and motor vehicle sales tax are to be deposited to the State Highway Fund beginning in fiscal years 2018 (sales tax) and 2020 (motor vehicle sales tax). CPA estimates revenue deposited to the SHF for the 2018–19 biennium to total \$10.4 billion for fiscal year 2018 and \$13.6 billion for fiscal year 2019.

TEXAS MOBILITY FUND

The Texas Constitution, Article III, Section 49-k, was added by amendment in November 2001, establishing the Texas Mobility Fund (TMF). The fund is a revolving fund in the state Treasury and is administered by the Texas Transportation Commission and the Texas Department of Transportation for the design, construction, reconstruction, acquisition, and expansion of state highways. The TMF can also be used in the construction of publicly owned toll roads and other public transportation projects. Subject to CPA's approval and the implementation of a strategic plan that outlines the use of TMF revenues, the Texas Transportation Commission was authorized to sell debt obligations of the state to construct highways, toll roads, or other transportation projects. The Eighty-fourth Legislature, 2015, prohibited the issuance of new TMF obligations, with certain exceptions, after January 1, 2015. Bond obligations are guaranteed with a pledge of the state's full faith and credit if the TMF balance proves insufficient to

pay outstanding obligations. In that circumstance, the Legislature must appropriate funds from the Treasury to pay any outstanding obligations. The Legislature may dedicate any taxes or other revenues to the TMF that otherwise are not dedicated by the constitution, namely, motor fuel taxes, lubricant sales taxes, title fees, and motor vehicle registration fees. Deposits include portions of fees for the registration, titling, and inspection of motor vehicles; driver record information; driver licenses; and for state traffic fines and penalties.

PROPERTY TAX RELIEF FUND

A portion of all revenue collected through the motor vehicle sales and use tax, cigarette and tobacco products tax, and the franchise/business margins tax is deposited to the Property Tax Relief Fund. Fiscal year 2017 transfers to the Property Tax Relief Fund totaled \$1.4 billion. CPA estimates amounts transferred to the fund for the 2018–19 biennium to total \$1.6 billion for fiscal year 2018 and \$1.7 billion for fiscal year 2019.

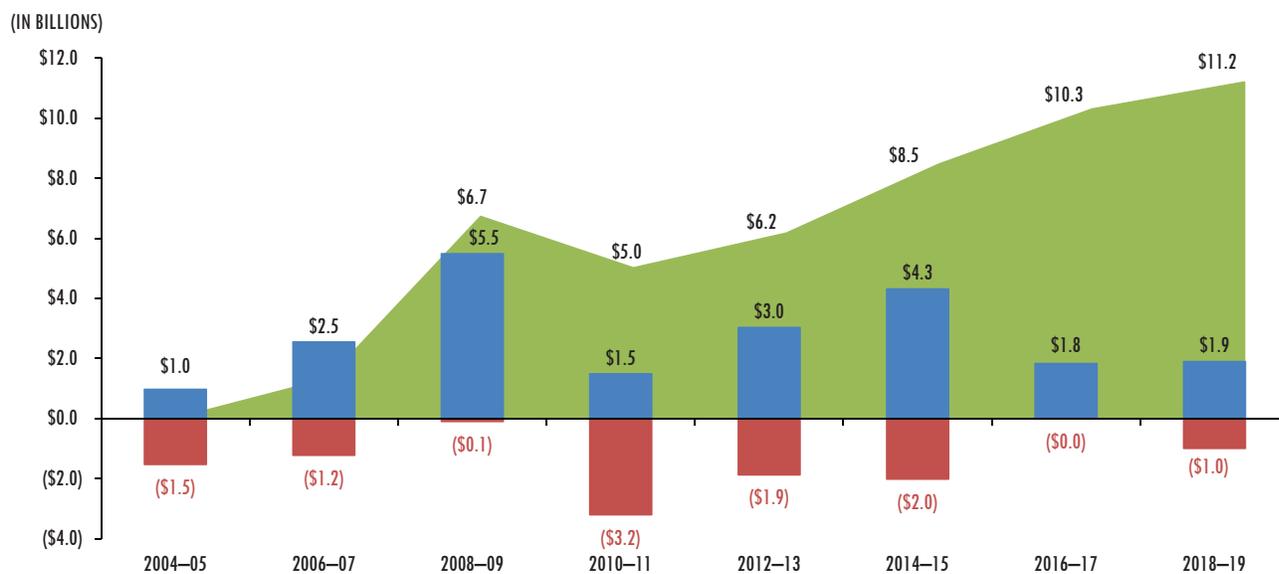
ECONOMIC STABILIZATION FUND

The Economic Stabilization Fund (ESF) is a constitutional fund approved by voters in 1988. Whenever collections are sufficient and the balance of the fund is greater than a sufficient balance amount set by the Legislature, the fund receives an amount of General Revenue Funds. This amount is equal to 37.5 percent of the amount of tax collections from oil production in excess of 1987 levels, and 37.5 percent of the amount of tax collections from natural gas in excess of 1987 levels. If the fund balance is less than the sufficient balance, the fund can receive up to 75.0 percent of these excess tax collections. The fund also receives one-half of any unencumbered General Revenue Funds balance at the end of each biennium. The Legislature may also appropriate revenue to the ESF.

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

The ESF ended fiscal year 2017 with a balance of \$10.3 billion. The Eighty-fifth Legislature, Regular Session, 2017, made appropriations of \$988.9 million from the ESF for the

FIGURE 34
ECONOMIC STABILIZATION FUND BIENNIAL DEPOSITS, EXPENDITURES, AND FUND BALANCE
2004–05 TO 2018–19 BIENNIA



NOTE: Fiscal years 2018 and 2019 are projections based on the Comptroller of Public Accounts' 2017 *Certification Revenue Estimate*.
 SOURCES: Legislative Budget Board; Texas Comptroller of Public Accounts.

2018–19 biennium. After transfers to the fund based on oil and natural gas production tax revenue, interest income, and investment earnings, CPA estimates the ESF to end the 2018–19 biennium with a balance of \$11.2 billion. **Figure 34** shows the revenue, expenditure, and balance history of the ESF since fiscal year 2004, and projections for the 2018–19 biennium.

FEDERAL FUNDS APPROPRIATIONS

Appropriated Federal Funds for the 2018–19 biennium total \$71,854.7 million, a 0.1 percent increase from the 2016–17 biennial total of \$71,785.1 million (**Figure 35**). The largest shifts in federal funding include a decrease of \$1.6 billion in the Health and Human Services function offset by an increase of \$1.6 billion in the Education and Business and Economic Development functions. Federal Funds make up 33.2 percent of the 2018–19 biennial All Funds budget (**Figure 36**), equal to the percentage share (33.2 percent) during the 2016–17 biennium. These amounts differ from those shown in **Figure 26** due to the state's receipt of federal dollars after agency appropriations are finalized. These amounts usually are new federal grants or larger grant awards than originally projected.

Not all federal funding streams directed to Texas are included in these totals. For example, Earned Federal Funds are reimbursements to the state for expenditures already paid with state funds; these funds are included in General Revenue Funds. Most Federal Funds received by higher education institutions and a portion of Medicaid Disproportionate Share Hospital payments also are not included in the Federal Funds totals. Supplemental Nutrition Assistance Program benefits are not appropriated, nor are in-kind federal contributions such as the vaccines the federal government distributes to Texas. Expenditures for federal government salaries and wages, procurement, and direct payments to entities and individuals are not received by the state and, therefore, also are not included in the Federal Funds total.

Most of the Federal Funds that Texas receives (94.9 percent) are for services provided through the Health and Human Services, Business and Economic Development, and Education functions within the 2018–19 GAA. **Figure 36** shows the amount of Federal Funds received by each of the functions as a percentage of Federal Funds included in the 2018–19 GAA. **Figure 37** shows each function's Federal Funds as a percentage of the function's All Funds budget.

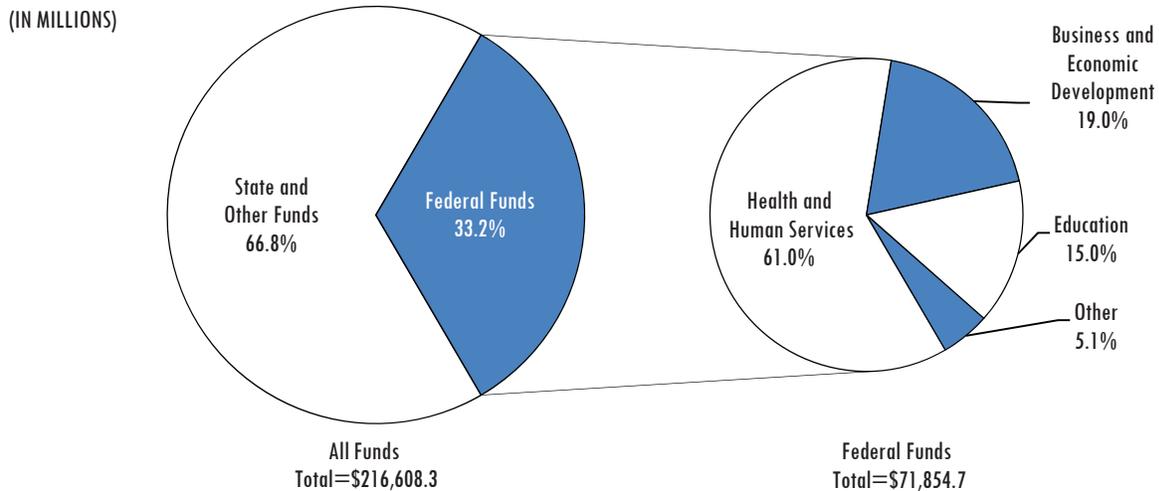
**FIGURE 35
FUNDING BY METHOD OF FINANCE, FEDERAL FUNDS**

(IN MILLIONS) ALL FUNCTIONS	EXPENDED/BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE
Article I – General Government	\$1005.3	\$1,189.2	\$183.9	18.3%
Article II – Health and Human Services	\$44,436.8	\$43,797.4	\$(1,639.4)	(3.6%)
Article III – Agencies of Education	\$10,497.2	\$10,767.2	\$270.0	2.3%
<i>Public Education</i>	\$10,202.3	\$10,474.5	\$272.2	2.7%
<i>Higher Education</i>	\$294.9	\$292.7	\$(2.2)	(0.7%)
Article IV – Judiciary	\$3.3	\$1.4	\$(1.6)	(48.7%)
Article V – Public Safety and Criminal Justice	\$647.0	\$598.3	\$(48.7)	(7.5%)
Article VI – Natural Resources	\$1,860.7	\$1,858.0	\$(2.7)	(0.1%)
Article VII – Business and Economic Development	\$12,326.1	\$13,636.9	\$1,310.8	10.6%
Article VIII – Regulatory	\$8.6	\$5.8	\$(2.8)	(32.2%)
Article IX – General Provisions	\$0.0	\$0.0	\$0.0	N/A
Article X – Legislature	\$0.0	\$0.0	\$0.0	N/A
Total, All Articles	\$71,785.1	\$71,854.7	\$69.5	0.1%

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 36
FEDERAL FUNDS AS PERCENTAGE OF ALL FUNDS, 2018–19 BIENNIUM**



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

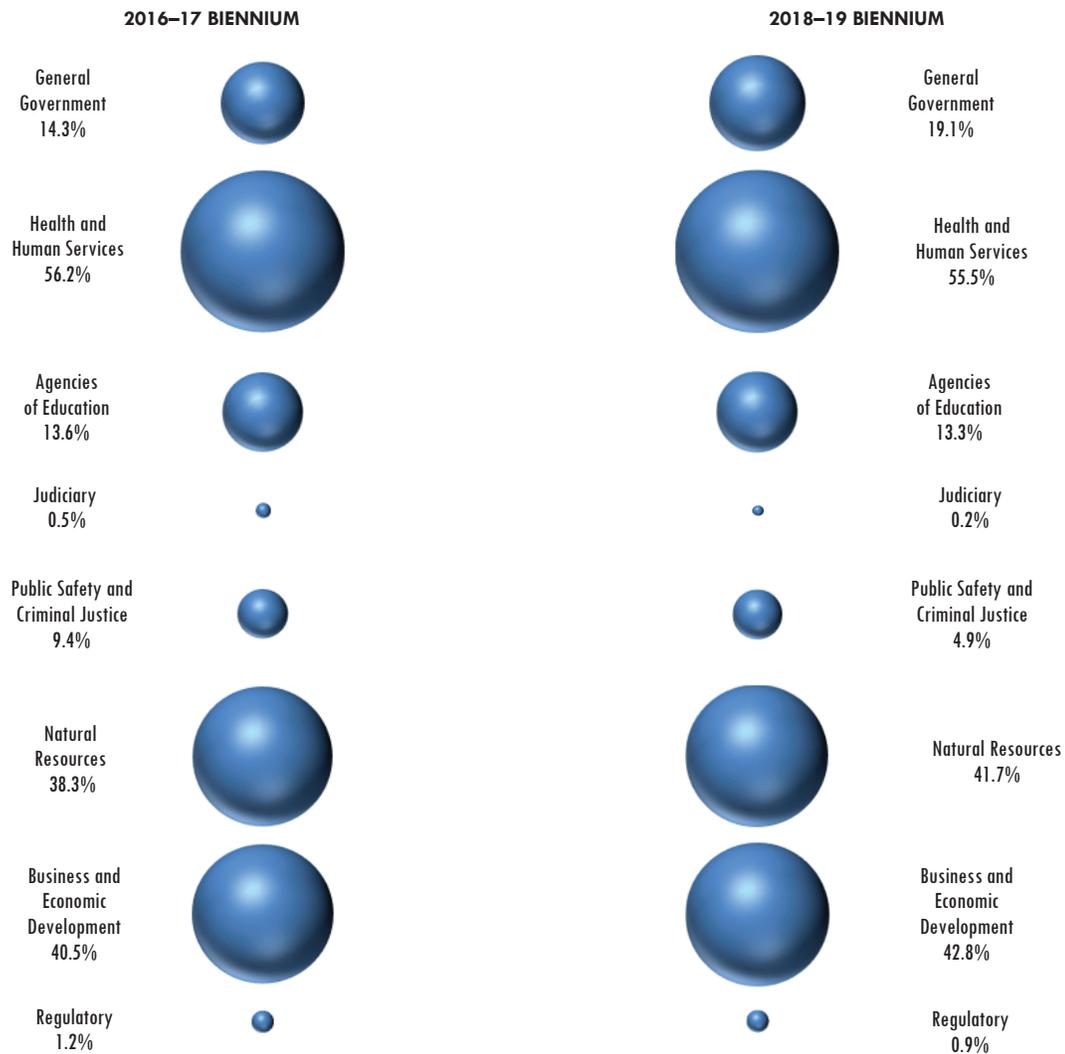
SOURCE: Legislative Budget Board.

HEALTH AND HUMAN SERVICES

In the 2018–19 GAA, it is estimated that Health and Human Services agencies will receive \$43.8 billion in Federal Funds, which is 55.5 percent of the state’s total Federal Funds. Federal Funds for these agencies are expected to

decrease \$1.6 billion from the 2016–17 biennial levels. This decrease is attributable largely to the Medicaid program, where Federal Funds decrease by \$1.4 billion. A decrease in Medicaid funding for administrative support, related primarily to a reduction in the Texas Medicaid

FIGURE 37
PERCENTAGE OF EACH FUNCTION'S ALL FUNDS BUDGET THAT IS FEDERAL FUNDS
2016–17 AND 2018–19 BIENNIA



SOURCE: Legislative Budget Board.

Electronic Health Records Incentive Program and the transition of certain projects to a less favorable match rate, accounts for \$635.8 million of the decrease. A reduction in Medicaid client services, which can be attributed primarily to not fully funding projected program costs for the 2018–19 biennium, accounts for approximately \$718.1 million of the decrease. See Chapter 5, Health and Human Services, for additional information related to Medicaid funding. The Health and Human Services Commission, which administers the state's Medicaid program and the federal Children's Health Insurance Program, receives 93.4 percent of the function's total Federal Funds. Additional

decreases in federal funding are attributable to the state's decision to end participation in the federal Refugee and Entrant Assistance Program.

BUSINESS AND ECONOMIC DEVELOPMENT

It is estimated that Business and Economic Development agencies will receive \$13.6 billion in Federal Funds during the 2018–19 biennium, an increase of \$1.3 billion from 2016–17 biennial levels. Federal transportation funds to support highway and construction planning account for most of the increase from the 2016–17

biennium. Approximately 42.8 percent of the total budget for the Business and Economic Development function is expected to come from federal sources. Two agencies, the Texas Department of Transportation and the Texas Workforce Commission, receive 95.6 percent of the function's Federal Funds.

EDUCATION

The Education agencies account for the third-largest portion of Federal Funds in the state budget. Education agencies are expected to receive \$10.8 billion in Federal Funds during the 2018–19 biennium (15.0 percent of the state's total Federal Funds), an increase of \$270.0 million from 2016–17 biennial levels. Most of the increase is attributable to school nutrition programs. One agency, the Texas Education Agency, receives 97.2 percent of the function's appropriated Federal Funds.

OTHER FUNCTIONS

Federal Funds for the remaining functions (General Government, Judiciary, Public Safety and Criminal Justice, Natural Resources, and Regulatory), are estimated to total \$3.6 billion (5.1 percent) of the state's federal receipts during the 2018–19 biennium.

LOCAL REVENUE

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

PROPERTY TAXES

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

TAXABLE VALUES

Gross taxable property values, adjusted for productivity valuation, totaled \$754.3 billion for calendar year 1996. Productivity valuation is a measure of land value based on the land's ability to produce income from agriculture or timber operations. By calendar year 2016, adjusted gross property values were at \$2,598.1 billion, an increase of 244.4 percent from the 1996 level. For calendar year

2016, net taxable school district property values increased \$105.4 billion, or 5.0 percent from the 2015 amount, shown in **Figure 38**. Net taxable school district property values have decreased for one calendar year since 1996, shown in **Figure 39**.

For calendar year 1996, school district exemptions accounted for \$93.3 billion of reduced taxable value. By calendar year 2016, this amount grew to \$369.1 billion, a \$275.8 billion increase from 1996 levels. For calendar year 2016, approximately 76.6 percent of the total exemption amount was attributable to the state-mandated residential homestead exemptions, the 10.0 percent residential homestead appraisal valuation cap, and the property tax freeze for qualified homeowners age 65 or older, shown in **Figure 40**.

PROPERTY TAX LEVIES

For calendar year 2015, the most recent year for which complete property tax data is available, 4,171 local taxing units levied \$52.2 billion in property taxes, an increase of \$3.1 billion, or 6.3 percent from the 2014 level. As shown in **Figure 41**, school districts levied the highest amount of property taxes for calendar year 2015 at \$28.2 billion, followed by counties at \$8.7 billion, cities at \$8.4 billion, and special districts at \$7.0 billion. The levy imposed by school districts for calendar year 2015 was 5.2 percent higher than for 2014.

From calendar years 1995 to 2015, statewide property tax levies increased by \$36.2 billion, or 227.2 percent. School district levies increased by the largest amount, \$18.8 billion, accounting for 52.0 percent of the total increase. For calendar year 1995, school districts levied approximately \$9.3 billion in property taxes, 58.5 percent of property taxes levied in the state. By calendar year 2015, school districts levied \$28.2 billion in property taxes, for 54.0 percent of total property taxes. From calendar years 1995 to 2015, school district levies increased at an average annual rate of 5.8 percent, which is 0.3 percent less than the 6.1 percent average annual increase in personal income in Texas, shown in **Figure 42**.

LOCAL SALES TAX

Local governmental entities, such as cities, counties, metropolitan transit authorities, and special districts, may impose local sales and use taxes. State law caps the combined rate set by local jurisdictions at 2.0 percent. The taxes are administered and collected by CPA and then remitted back to the local jurisdiction. **Figure 43** shows the remittances for fiscal years 2014 to 2016.

FIGURE 38
SCHOOL DISTRICT NET TAXABLE PROPERTY VALUES, CALENDAR YEARS 2015 AND 2016

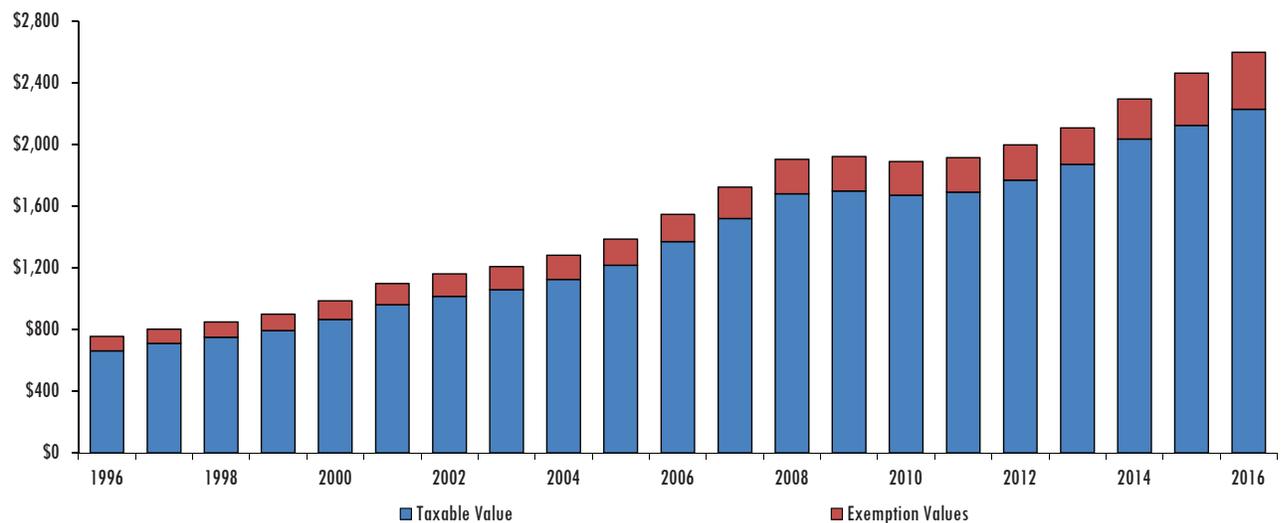
(IN BILLIONS)

PROPERTY	2015	2016	PERCENTAGE CHANGE
A. Single-family Residences	\$1,200.5	\$1,311.8	9.3%
B. Multifamily Residences	\$138.0	\$158.1	14.6%
C1. Vacant Platted Lots and Tracts	\$45.3	\$48.0	5.9%
C2. Colonia Lots	\$0.1	\$0.1	(17.4%)
D1. Real Property: Qualified Acres	\$12.8	\$13.0	1.6%
D2. Real Property: Farm and Ranch	\$3.7	\$4.2	13.9%
E. Real Property: Nonqualified Acres	\$76.6	\$82.6	7.7%
F1. Commercial Real	\$377.5	\$415.1	10.0%
F2. Industrial Real	\$120.2	\$127.4	6.0%
G. Oil, Gas, Minerals	\$117.8	\$64.1	(45.6%)
J. Utilities	\$68.3	\$71.3	4.3%
L1. Commercial Personal	\$151.3	\$156.5	3.4%
L2. Industrial Personal	\$128.5	\$122.0	(5.1%)
M. Mobile Homes and Other Personal	\$6.2	\$6.5	4.9%
N. Intangible Personal	\$0.0	\$0.0	215.0%
O. Residential Inventory	\$8.3	\$9.9	18.1%
S. Special Inventory	\$7.3	\$7.7	4.6%
Total Market Value	\$2,462.6	\$2,598.1	5.5%
Less Exemptions	(\$339.0)	(\$369.1)	8.9%
Net Taxable Value	\$2,123.6	\$2,229.0	5.0%

SOURCE: Comptroller of Public Accounts.

FIGURE 39
SCHOOL DISTRICT PROPERTY VALUES, CALENDAR YEARS 1996 TO 2016

(IN BILLIONS)



SOURCE: Comptroller of Public Accounts.

FIGURE 40
SCHOOL PROPERTY TAX EXEMPTIONS, CALENDAR YEARS 2015 AND 2016

(IN MILLIONS)				
EXEMPTION	2015	PERCENTAGE OF TOTAL	2016	PERCENTAGE OF TOTAL
State Homestead and Disabled Veterans	\$147,685.2	43.6%	\$152,712.6	41.4%
Homestead Appraisal Valuation Cap	\$38,123.0	11.2%	\$41,712.6	11.3%
Tax Freeze on Over-65 Homesteads	\$74,136.2	21.9%	\$88,467.6	24.0%
Subtotal, Homestead Exemption Value	\$259,944.4	76.7%	\$282,892.9	76.6%
Other	\$79,076.1	23.3%	\$86,239.3	23.4%
Total Exemptions	\$339,020.5	100.0%	\$369,132.2	100.0%

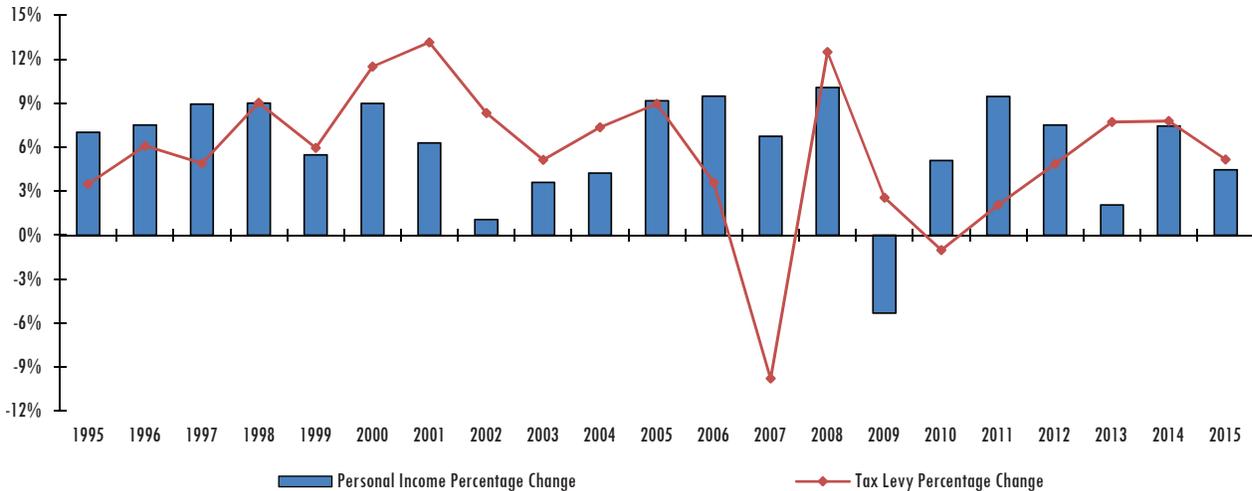
SOURCE: Comptroller of Public Accounts.

FIGURE 41
PROPERTY TAX LEVIES, CALENDAR YEARS 1995 TO 2015

(IN MILLIONS)						
TAX YEAR	SCHOOL DISTRICT	CITY	COUNTY	SPECIAL DISTRICT	TOTAL PROPERTY TAXES	PERCENTAGE CHANGE
1995	\$9,341.0	\$2,596.7	\$2,392.0	\$1,628.2	\$15,957.9	3.3%
1996	\$9,910.2	\$2,701.2	\$2,537.2	\$1,698.6	\$16,847.2	5.6%
1997	\$10,394.5	\$2,847.1	\$2,658.3	\$1,759.6	\$17,659.5	4.8%
1998	\$11,334.6	\$3,006.0	\$2,828.3	\$1,889.1	\$19,058.0	7.9%
1999	\$12,009.9	\$3,248.0	\$2,979.3	\$2,041.0	\$20,278.2	6.4%
2000	\$13,392.3	\$3,530.9	\$3,200.9	\$2,389.1	\$22,513.2	11.0%
2001	\$15,155.2	\$3,884.8	\$3,566.9	\$2,703.5	\$25,310.4	12.4%
2002	\$16,418.8	\$4,186.8	\$3,849.7	\$2,864.5	\$27,319.8	7.9%
2003	\$17,264.2	\$4,415.2	\$4,121.8	\$3,092.3	\$28,893.4	5.8%
2004	\$18,534.0	\$4,607.8	\$4,462.8	\$3,369.1	\$30,973.6	7.2%
2005	\$20,194.9	\$4,901.8	\$4,772.7	\$3,609.6	\$33,479.0	8.1%
2006	\$20,918.1	\$5,323.0	\$5,339.6	\$3,972.2	\$35,552.9	6.2%
2007	\$18,874.2	\$5,890.3	\$5,837.0	\$4,513.1	\$35,114.6	-1.2%
2008	\$21,233.5	\$6,451.0	\$6,342.7	\$4,952.7	\$38,980.0	11.0%
2009	\$21,780.1	\$6,593.8	\$6,526.7	\$5,133.8	\$40,034.4	2.7%
2010	\$21,558.3	\$6,755.4	\$6,567.1	\$5,392.5	\$40,273.3	0.6%
2011	\$22,001.6	\$6,810.0	\$6,742.9	\$4,926.1	\$40,480.6	0.5%
2012	\$23,072.8	\$7,055.0	\$7,064.7	\$5,543.4	\$42,735.9	5.6%
2013	\$24,854.7	\$7,324.4	\$7,537.7	\$5,529.4	\$45,246.3	5.9%
2014	\$26,792.7	\$7,828.6	\$8,115.0	\$6,370.5	\$49,106.7	8.5%
2015	\$28,176.5	\$8,380.4	\$8,696.4	\$6,954.1	\$52,207.4	6.3%

SOURCE: Comptroller of Public Accounts.

FIGURE 42
ANNUAL SCHOOL DISTRICT TAX LEVY AND ANNUAL PERSONAL INCOME PERCENTAGE CHANGES
CALENDAR YEARS 1995 TO 2015



SOURCE: Comptroller of Public Accounts.

FIGURE 43
LOCAL SALES TAX REMITTANCES, FISCAL YEARS 2014 TO 2016

(IN MILLIONS)	2014		2015			2016		
	REMITTED	PERCENTAGE OF TOTAL	REMITTED	PERCENTAGE OF TOTAL	PERCENTAGE INCREASE	REMITTED	PERCENTAGE OF TOTAL	PERCENTAGE INCREASE
Cities	\$5,058.6	65.3%	\$5,238.2	65.2%	3.6%	\$5,292.3	65.5%	1.0%
Transit authorities	\$1,740.2	22.5%	\$1,814.3	22.6%	4.3%	\$1,831.8	22.7%	1.0%
Counties	\$499.3	6.4%	\$496.7	6.2%	(0.5%)	\$470.1	5.8%	(5.4%)
Special districts	\$450.2	5.8%	\$479.9	6.0%	6.6%	\$490.6	6.1%	2.2%
Total	\$7,748.3		\$8,029.1		3.6%	\$8,084.7		0.7%

SOURCE: Comptroller of Public Accounts.

ECONOMIC OUTLOOK

U.S. ECONOMIC INDICATORS

U.S. economic growth slowed during the 2016–17 biennium, due to several factors. After relatively strong expansion during the previous biennium, U.S. real Gross Domestic Product (GDP) increased by 1.5 percent for fiscal year 2016 and 2.1 percent for fiscal year 2017, less than the 2.5 percent average pace during the previous two decades. Personal consumption expenditures accounted for almost all of the output growth during the biennium. For the first time in several biennia, expenditures on goods, in particular durable goods, were greater than the rate of

growth in expenditures on services. Government consumption expenditures and investment at the federal, state, and local levels all contributed small increases in GDP growth during the biennium. Nonresidential fixed investment was a drag on GDP during the biennium, contracting during fiscal year 2016. The slowdown coincided with the collapse of crude oil prices and is attributable primarily to falling capital expenditures in the oil and gas industry.

Although net exports also weighed on growth during the biennium, a reversal in the price of the U.S. dollar during the latter half of fiscal year 2017 slightly mitigated the

effects of imports exceeding exports. Specifically, during the first 16 months of the biennium, the value of the U.S. dollar appreciated by 7.1 percent, making U.S. exports more expensive to trading partners. However, the dollar changed course and decreased by 7.5 percent during the final eight months of the biennium, having the opposite effect on GDP growth.

The outlook for growth remains positive for the upcoming biennium, and CPA forecasts that U.S. real GDP will increase 2.6 percent for fiscal year 2018 and 2.5 percent for fiscal year 2019. Inflation remained relatively low during the first half of the biennium, with the Consumer Price Index (CPI) growing by 0.8 percent during fiscal year 2016. After the effects of decreasing energy prices on the CPI dissipated in late 2016, inflation rose by 2.0 percent for fiscal year 2017, equal to the Federal Reserve Bank's stated target per year. Inflation is estimated to increase during the 2018–19 biennium, with forecasted CPI growth averaging 1.6 percent for fiscal year 2018 and 2.0 percent for fiscal year 2019.

U.S. employment levels expanded at a moderate pace during the 2016–17 biennium. A total of 4.6 million jobs were generated in the U.S. during the 2016–17 biennium, representing growth rates of 1.8 percent for fiscal year 2016 and 1.6 percent for fiscal year 2017. The fastest-growing sectors in terms of job growth were Construction (3.2 percent annual growth rate), Professional and Technical Services (3.0 percent annual growth rate), and Administrative and Waste Services (2.8 percent annual growth rate). Conversely, three sectors lost jobs during the biennium: Mining and Logging, which includes oil and gas extraction (-5.0 percent annual growth rate); Information (-0.6 percent annual growth rate); and Utilities (-0.4 percent annual growth rate).

Biennial job gains, combined with a relatively stable labor force participation rate, led to a gradual decrease in the U.S. unemployment rate during the biennium. The number of unemployed as a percentage of the civilian labor force was 4.4 percent for August 2017, down from 5.1 percent at the beginning of the 2016–17 biennium and the recession peak of 10.0 percent reached in October 2009. The U.S. unemployment rate is forecast to remain stable during the 2018–19 biennium, averaging 4.0 percent for fiscal year 2018 and 3.7 percent for fiscal year 2019.

Due to the unemployment rate decreasing to less than what is considered the full rate of employment, growth in average hourly earnings increased to levels not reached

since the 2008 recession, averaging a 2.6 percent year-over-year increase during the biennium. Wage growth is expected to remain strong, as the supply of available workers remains low during the 2018–19 biennium.

For the third consecutive biennium, the U.S. housing sector was a contributor to growth in the national economy. National housing prices, which are measured by the S&P Case-Shiller U.S. National Home Price Index, increased at a rate of 5.1 percent for fiscal year 2016 and 6.1 percent for fiscal year 2017. During December 2016, this price index increased to greater than the precession peak level reached in summer 2006. U.S. housing supply, as measured by the Monthly Supply of Houses, was stable and averaged 5.3 months during the 2016–17 biennium. The monthly supply measures how long the existing stock of homes for sale would satisfy demand if no new housing were built. A level of six months is indicative of a well-balanced market. Steadily increasing prices, slightly less than normal inventory, and continued low borrowing rates (the 30-year conventional mortgage fixed rate averaged 3.7 percent for fiscal year 2016 and 3.9 percent for fiscal year 2017) combined to result in favorable conditions for new residential construction during the 2016–17 biennium.

Annualized rates of U.S. housing starts continued to increase from their 2009 trough, averaging 1.16 million units for fiscal year 2016 and 1.2 million units for fiscal year 2017. This measure is predicted to increase further during the 2018–19 biennium, reaching 1.4 million units for fiscal year 2018 and 1.7 million units for fiscal year 2019. Although these levels will continue to be significantly less than construction levels reached in the early to middle of the first decade of the century, they will be sufficient to contribute positively to economic output.

U.S. equity markets produced the fourth consecutive biennium of strong growth and reached record-high levels; the S&P 500, Dow Jones Industrial Average, and NASDAQ Composite indices gained 25.3 percent, 32.8 percent, and 34.6 percent, respectively, during the 2016–17 biennium. A pickup in the global economy, particularly in the Eurozone, combined with the potential for U.S. tax reductions and accommodative fiscal policies, led to much of the strong demand for equities.

The monetary policies of the Federal Reserve Bank also contributed, which resulted in lower than historically normal interest rates throughout the 2016–17 biennium, thus

making stocks relatively more attractive for investors and encouraging lending. Rates on the U.S. 10-year Treasury Constant Maturity securities averaged 2.1 percent during the 2016–17 biennium, and corresponding rates on the highest-rated (Aaa) U.S. corporate debt averaged 3.8 percent during the same period. The Federal Reserve Bank continued its slow withdrawal of accommodative monetary policy begun in the previous biennium by raising the target for the federal funding rate from the range of 0.0 percent to 0.25 percent for the first time since December 2008. The range increased once during fiscal year 2016 and three times during fiscal year 2017, ending the biennium at from 1.0 percent to 1.25 percent. With low unemployment and mild inflation, further increases are expected, which will lead to gradually increasing interest rates during the 2018–19 biennium.

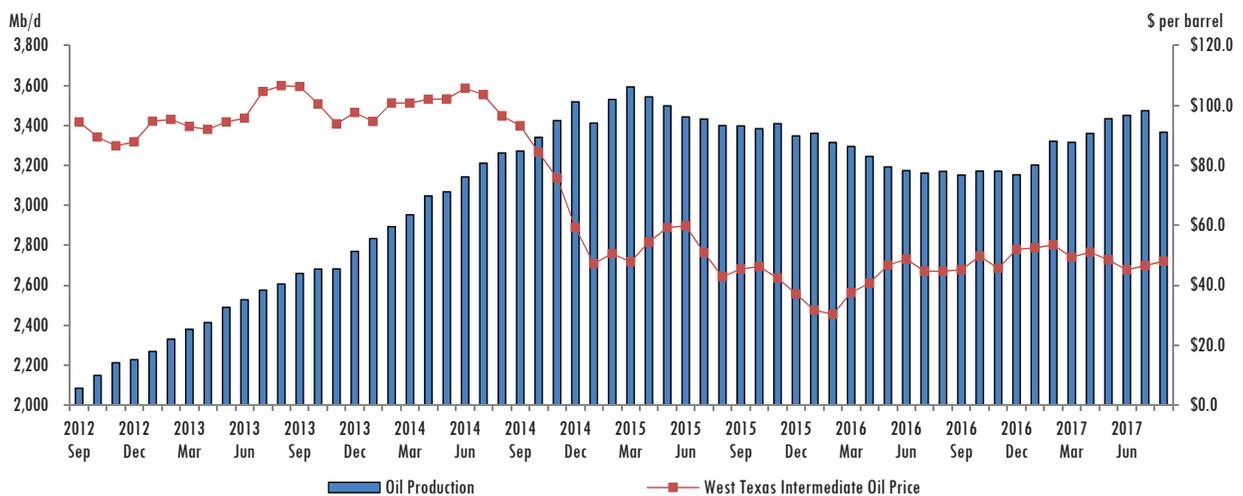
TEXAS ECONOMIC INDICATORS

The fallout from the collapse of crude oil, natural gas, and natural gas liquid prices continued to ripple through the Texas economy during the 2016–17 biennium. Crude oil prices ended the 2016–17 biennium at \$48.04, \$5.17 greater than the price at which they began the same period. Prices were relatively stable, with volatility decreasing by 74.0 percent from the 2014–15 biennium. However, average biennial prices were \$60.63 less than the high set in June 2014, just before the price decrease, shown in **Figure 44**. Rates of return (RoR) on drilling new wells decreased concurrently with the oil price during the first half of fiscal year 2016, which led producers to decrease the number of

active oil-directed drilling rigs from 330 at the beginning of the 2016–17 biennium to 159 by May 2017. Positive RoR varies depending on where the well is located. After drillers were confident that prices had stabilized at levels greater than needed to earn a positive RoR, the trend reversed, and the number of active rigs reached 425 by the end of the 2016–17 biennium, a 167.0 percent increase from its biennial trough level, shown in **Figure 44**. Crude oil production ended the 2016–17 biennium at 3.4 million barrels per day (MMb/d), increased from a recent low of 3.2 million barrels per day (September 2016), but still less than the 3.6 MMb/d peak levels reached during the previous biennium (March 2015).

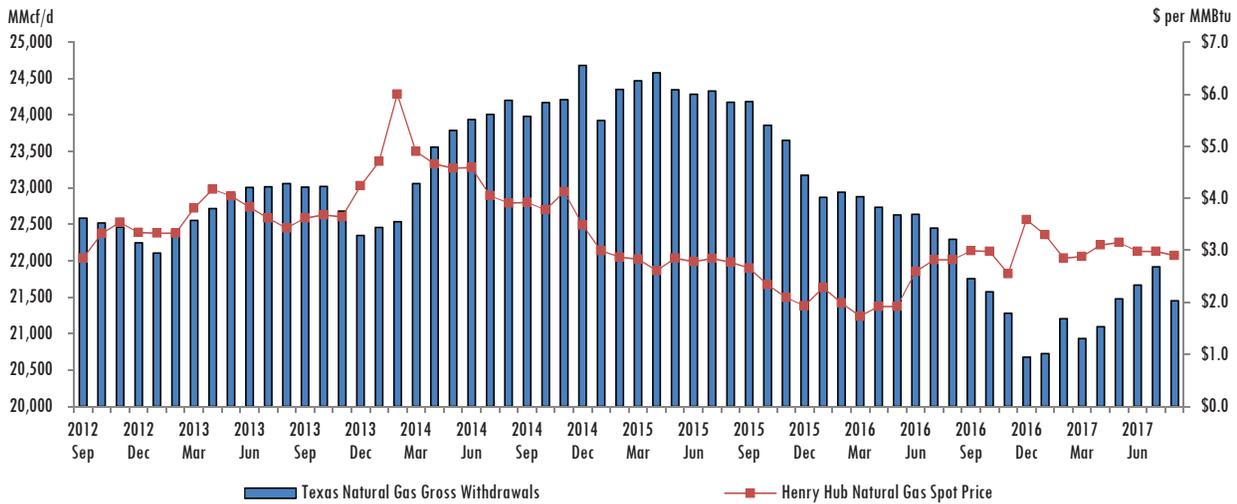
Oil prices have been supported by the November 2016 decision of the 14 countries that constitute the Organization for Petroleum Exporting Countries (OPEC) along with several non-OPEC countries to reduce their oil production collectively by 1.7 MMb/d (approximately half of the daily output in Texas). Reducing the amount of oil oversupply, the root origin of the price collapse, will help bring oil demand and supply close to equilibrium levels, place a floor under oil prices, and benefit producers in Texas. However, the excess supply produced during the previous two biennia has been placed primarily into storage tankers around the world; total commercial inventories in the U.S. ended the 2016–17 biennium at 457.8 million barrels, greater than historical average levels. Until inventory levels return to normal levels, price gains will remain muted in the near term. Oil prices are

FIGURE 44
TEXAS OIL PRODUCTION, FISCAL YEARS 2013 TO 2017



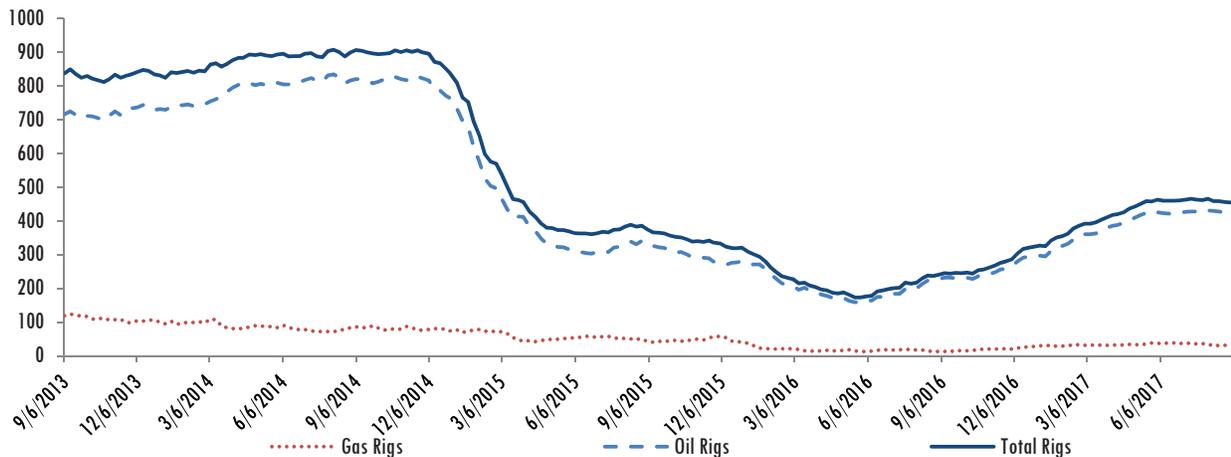
NOTE: Mb/d = thousands barrels per day.
SOURCE: Energy Information Administration.

FIGURE 45
TEXAS NATURAL GAS PRODUCTION, FISCAL YEARS 2013 TO 2017



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

FIGURE 46
TEXAS ACTIVE ROTARY RIGS, FISCAL YEARS 2013 TO 2017



SOURCE: Baker Hughes.

expected to average \$50.00 for fiscal year 2018 and \$53.00 for fiscal year 2019.

Natural gas production continued to decrease for most of the 2016–17 biennium, averaging 22.2 million cubic feet per day (MMcf/d), or 6.7 percent less than prior biennial average, shown in **Figure 45**. Due to the relatively more profitable well economics, producers continued to move drilling rigs from the predominantly natural gas-rich areas of the state (Barnett Shale in north Texas and Haynesville Shale in east Texas) to the areas with higher concentrations of crude oil

(Permian Basin in west Texas and Eagle Ford in south Texas). At the beginning of the 2016–17 biennium, the state had 45 rigs drilling for natural gas, and that number decreased to a low of 12 in summer 2016 before recovering to end the biennium at 31 rigs, shown in **Figure 46**. Prices were relatively stable throughout the 2016–17 biennium, averaging \$2.64 per Million British Thermal Units (MMBtu), a decrease of 29.9 percent from the previous biennium. Although production began to increase during the second half of fiscal year 2017, primarily led by associated gas from

oil wells, these supply gains are not expected to be significant; therefore, production will remain roughly flat during the 2018–19 biennium. Prices are forecast to increase for fiscal year 2018 to \$3.00 per MMBtu before falling slightly to \$2.91 per MMBtu for fiscal year 2019.

Texas real gross state product (GSP) increased by 0.4 percent during calendar year 2016, which was the slowest rate of growth since the 2009 recession and the first time the Texas economy grew slower than the U.S. economy since 2005. Texas output decreased for two quarters of fiscal year 2016; however, the quarters were not consecutive. Two consecutive quarters of GSP decrease is the most typical definition of a recession. Therefore, Texas did not technically enter a recession, despite being very close to one. However, the contrast in economic performance across different regions of the state was stark. Areas with relatively diversified economies that are not correlated strongly with the oil and gas sector, such as Austin (4.9 percent increase), San Antonio (3.1 percent increase), and Dallas–Fort Worth (3.0 percent increase) performed well. Cities where the oil and gas industry contributes a larger portion of the economy, such as Odessa (13.3 percent decrease), Victoria (10.2 percent decrease), and Houston (3.0 percent decrease), experienced a recession during 2016. By industry, three sectors contracted during calendar year 2016: Mining (11.9 percent decrease), Durable Goods Manufacturing (4.0 percent decrease), and Transportation and Warehousing (0.1 percent decrease). All three of these sectors were affected to some extent by the oil and gas price decreases and corresponding capital expenditure reductions made by hydrocarbon producers. Sectors with the fastest pace of GSP growth during 2016 included Agriculture (8.1 percent increase), Information (5.1 percent increase), and Utilities (5.1 percent increase). As oil prices stabilized and production began to increase, GSP growth picked up at the beginning of fiscal year 2017 and registered the fastest growth rate of all 50 states during the second quarter of the fiscal year. GSP growth is forecast to be 3.4 percent for calendar year 2018 and 3.2 percent for calendar year 2019. The forecasted growth would be slower than rates from 2012 to 2015, but it would represent a return to expanding faster than the U.S. economy. Also during calendar year 2016, Texas per capita personal income decreased by 1.2 percent to \$46,274 per Texas resident. This rate of change ranked Texas at 45th among all 50 states and positioned the dollar amount at less than the national average per capita personal income of \$49,246. Although total personal income in Texas increased slightly (0.4 percent) during calendar year 2016, Texas population, which is the denominator in the per capita

personal income formula, grew faster (1.6 percent), causing per capita personal income to decrease. Similarly to the GSP's rate of growth, Texas personal income growth was weighed down by earnings in the Mining (22.7 percent decrease) and Durable Goods Manufacturing (6.0 percent decrease) industries. Texas per capita personal income is forecast to increase by 3.2 percent for calendar year 2018 and 4.2 percent for calendar year 2019.

After peaking at 3.7 percent during early fiscal year 2015, job growth in Texas slowed during the first half of the 2016–17 biennium, as job losses in the Mining, Manufacturing, and Information sectors offset gains in other industries. Annualized job growth bottomed out at 1.0 percent during June 2016, before gradually increasing to 2.4 percent by the end of the biennium. In addition, from October 2015 to November 2016, Texas employment grew at a slower pace than the U.S. average, which had not occurred since 2003. Overall, Texas nonfarm employment grew by 136 million jobs during fiscal year 2016 and 293 million jobs during fiscal year 2017. Job gains by sector are shown in **Figure 47** for the previous decade. As shown, job growth during the 2016–17 biennium was led by the sectors of Leisure and Hospitality (3.8 percent average annual growth), Educational and Health Services (3.5 percent average annual growth), and Construction (2.4 percent average annual growth). Texas population growth exceeding the rate of job growth during the first half of the 2016–17 biennium led to an increase in the statewide unemployment rate, which was 4.4 percent entering the 2016–17 biennium. The rate peaked at 5.0 percent during April 2017 before improving economic conditions reversed the direction of rate movements and sent the rate to 4.2 percent by end of the biennium. During October 2016, the Texas unemployment rate ended its record 117-month streak of falling less than the corresponding U.S. rate. **Figure 48** shows a comparison of the monthly unemployment rate and annualized monthly job gains for Texas and the U.S. during the 2016–17 biennium. The rate of job growth is predicted to remain near fiscal year 2017 levels during the 2018–19 biennium, averaging 2.2 percent for fiscal year 2018 and 2.0 percent for fiscal year 2019, and the unemployment rate is expected to average 4.0 percent for fiscal year 2018 and 3.9 percent for fiscal year 2019.

Although Hurricane Harvey resulted in significant regional effects to the economy, property, and livelihoods in certain communities, the effects on the overall Texas economy were relatively minor. Texas Real GSP expanded at an annualized rate of 5.0 percent in the third quarter of 2017 (which

FIGURE 47
TEXAS NONFARM EMPLOYMENT BY SECTOR, FISCAL YEARS 2009 TO 2017

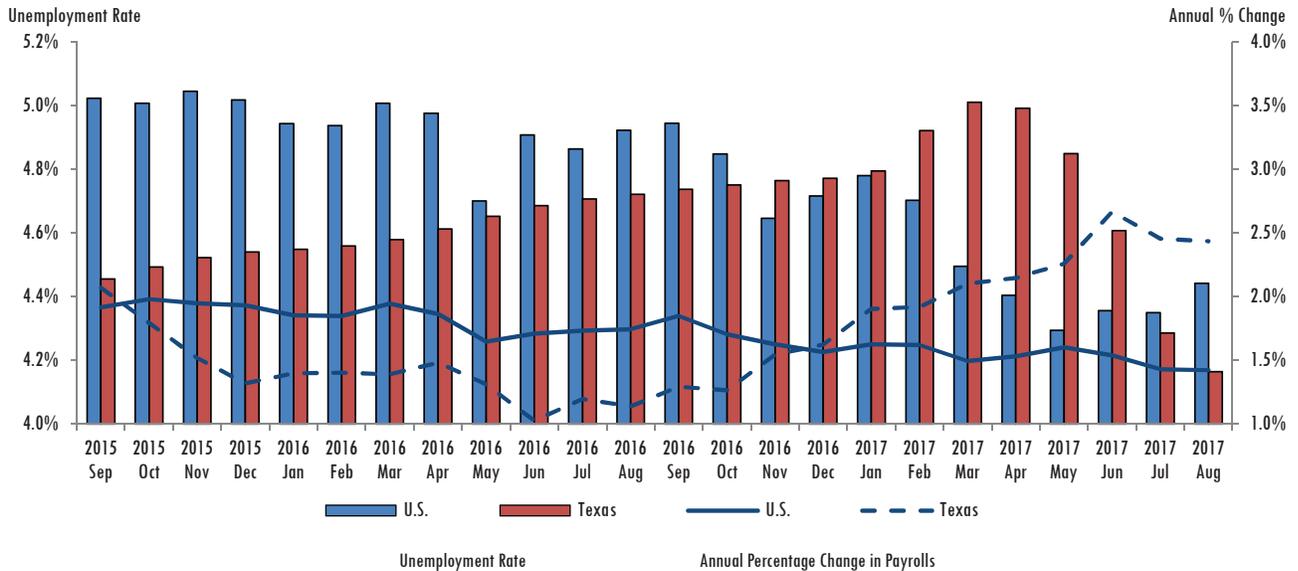
SECTOR	2009	2010	2011	2012	2013	2014	2015	2016	2017
Total Nonfarm	10,470,900	10,311,683	10,522,858	10,797,125	11,136,417	11,464,192	11,803,933	11,971,508	12,207,275
Percentage change	(1.3%)	(1.5%)	2.0%	2.6%	3.1%	2.9%	3.0%	1.4%	2.0%
Goods									
Mining and Logging	217,383	198,908	225,042	262,042	283,592	302,500	298,558	235,458	226,625
Percentage change	(2.5%)	(8.5%)	13.1%	16.4%	8.2%	6.7%	(1.3%)	(21.1%)	(3.8%)
Construction	630,608	566,825	561,917	575,833	604,583	635,842	676,175	696,275	709,058
Percentage change	(6.1%)	(10.1%)	(0.9%)	2.5%	5.0%	5.2%	6.3%	3.0%	1.8%
Manufacturing	876,992	815,392	831,308	862,367	875,608	881,058	889,400	854,658	857,233
Percentage change	(6.2%)	(7.0%)	2.0%	3.7%	1.5%	0.6%	0.9%	(3.9%)	0.3%
Trade, Transportation, and Utilities	2,083,542	2,032,233	2,077,792	2,144,167	2,211,533	2,282,858	2,366,450	2,412,425	2,441,983
Percentage change	(2.3%)	(2.5%)	2.2%	3.2%	3.1%	3.2%	3.7%	1.9%	1.2%
Services									
Information	209,283	197,300	195,208	196,825	199,325	202,492	200,592	201,742	196,875
Percentage change	(4.6%)	(5.7%)	(1.1%)	0.8%	1.3%	1.6%	(0.9%)	0.6%	(2.4%)
Financial Activities	634,867	623,383	634,858	653,892	676,808	694,417	713,417	727,408	746,575
Percentage change	(2.0%)	(1.8%)	1.8%	3.0%	3.5%	2.6%	2.7%	2.0%	2.6%
Professional and Business Services	1,288,533	1,261,183	1,324,342	1,392,200	1,456,158	1,522,658	1,585,342	1,617,717	1,661,508
Percentage change	(3.7%)	(2.1%)	5.0%	5.1%	4.6%	4.6%	4.1%	2.0%	2.7%
Education and Health Services	1,319,000	1,368,742	1,401,592	1,435,083	1,473,875	1,508,450	1,558,467	1,615,675	1,668,317
Percentage change	3.2%	3.8%	2.4%	2.4%	2.7%	2.3%	3.3%	3.7%	3.3%
Leisure and Hospitality	1,008,200	1,001,250	1,030,517	1,069,042	1,123,683	1,171,092	1,222,367	1,277,433	1,317,050
Percentage change	0.7%	(0.7%)	2.9%	3.7%	5.1%	4.2%	4.4%	4.5%	3.1%
Other Services	365,417	362,458	367,158	379,842	395,842	408,675	417,667	422,750	435,275
Percentage change	0.4%	(0.8%)	1.3%	3.5%	4.2%	3.2%	2.2%	1.2%	3.0%
Government									
Federal Government	195,992	208,475	201,617	199,767	198,558	193,825	193,608	196,258	199,975
Percentage change	3.7%	6.4%	(3.3%)	(0.9%)	(0.6%)	(2.4%)	(0.1%)	1.4%	1.9%
State Government	399,408	408,083	405,017	392,992	396,450	395,867	396,658	402,158	411,008
Percentage change	2.0%	2.2%	(0.8%)	(3.0%)	0.9%	(0.1%)	0.2%	1.4%	2.2%
Local Government	1,241,675	1,267,450	1,266,492	1,233,075	1,240,400	1,264,458	1,285,233	1,311,550	1,335,792
Percentage change	2.3%	2.1%	(0.1%)	(2.6%)	0.6%	1.9%	1.6%	2.0%	1.8%

SOURCE: Texas Workforce Commission.

included the date of Harvey's landfall), which ranked as the second-fastest growing state in the U.S. The four major metropolitan statistical areas (MSA) affected by Harvey (Beaumont–Port Arthur, Corpus Christi, Houston–Woodlands–Sugarland, and Victoria) all experienced employment losses in August and September, but quickly

rebounded to pre-storm trend levels as businesses reopened and reconstruction of damaged property and infrastructure began. Collectively the four MSAs lost 29,300 jobs in August and September, but gained 39,600 jobs in October and November. Moving forward, the recovery and rebuilding efforts are forecast by IHS Global Insight to provide a

FIGURE 48
UNEMPLOYMENT RATE AND NONFARM PAYROLL GROWTH, 2016–17 BIENNIUM



SOURCE: U.S. Bureau of Labor Statistics.

FIGURE 49
EXPORTS OF 15 LARGEST EXPORTING STATES
CALENDAR YEARS 2015 AND 2016

(IN BILLIONS)

STATE	2015	2016	PERCENTAGE CHANGE
TEXAS	\$248.18	\$232.59	(6.3%)
California	\$165.39	\$163.62	(1.1%)
Washington	\$86.38	\$79.56	(7.9%)
New York	\$83.14	\$74.41	(10.5%)
Illinois	\$63.42	\$59.81	(5.7%)
Michigan	\$53.96	\$54.45	0.9%
Florida	\$53.92	\$52.03	(3.5%)
Ohio	\$51.14	\$49.14	(3.9%)
Louisiana	\$48.67	\$48.82	0.3%
Pennsylvania	\$39.44	\$36.57	(7.3%)
Georgia	\$38.51	\$35.72	(7.2%)
Indiana	\$33.83	\$34.67	2.5%
Tennessee	\$32.60	\$31.47	(3.5%)
South Carolina	\$30.94	\$31.27	1.1%
New Jersey	\$32.07	\$31.25	(2.6%)
50-State Average	\$28.68	\$27.64	(3.6%)

SOURCE: U.S. Census Bureau.

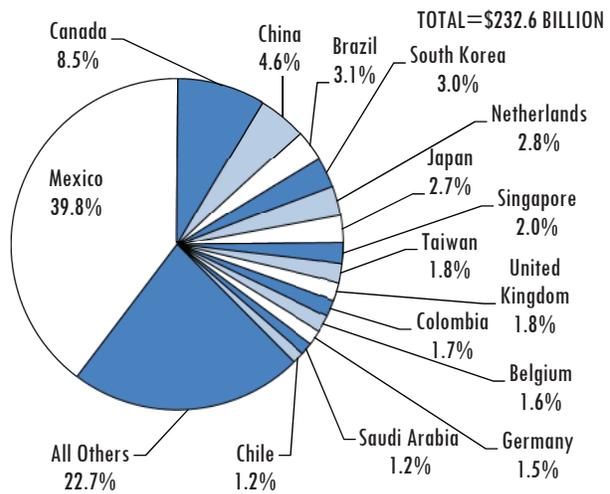
stimulus to the area in the fourth quarter of 2017 and into 2018. Economic output in the four MSA region is forecasted to grow by 9.0 percent during calendar year 2018, above the statewide forecasted growth of 4.3 percent, before returning to statewide average level growth in 2019.

Texas remained the largest exporting state in the country for the fifteenth consecutive year during calendar year 2016, with \$232.6 billion of goods and services from Texas businesses sold to foreign countries, shown in **Figure 49**. This amount represented 16.0 percent of the national total. However, Texas exports have decreased in each of the past two years from a record high of \$285.1 billion during calendar year 2014. Decreasing exports have occurred nationally during that period; however, Texas' exports have decreased at a faster rate (-6.3 percent) than the national rate (-3.3 percent). Several factors contributed to decreasing exports during 2016. First, the value of the U.S. dollar appreciated by 4.4 percent during calendar year 2016, and by the end of December 2016, the value had risen to levels not registered since 2002. A higher value of the dollar makes Texas goods and services relatively more expensive for foreign purchasers using their local currency, and thus, indirectly depressing their demand for Texas products. Second, the decrease of hydrocarbon prices previously mentioned affected the

refined petroleum products market, Texas’s second largest export sector, as refiners were forced to lower product prices in response to lower input prices. Exports from this sector decreased by \$5.6 billion during calendar year 2016, the largest dollar value decrease of any sector. Other commodities recording large decreases during calendar year 2016 included Machinery (-\$4.7 billion), Chemicals (-\$3.2 billion), and Fabricated Metal Products (-\$2.1 billion). These losses were offset partially by gains from other commodities, such as Computer and Electronic Products (\$1.9 billion), Transportation Equipment (\$1.3 billion), and Agricultural Products (\$0.5 billion). During the first 10 months of calendar year 2017, the value of the U.S. dollar has reversed direction, decreasing 5.4 percent, which should benefit Texas exporters during the 2018–19 biennium.

Mexico and Canada continued to consume approximately half of all Texas exports during calendar year 2016, shown in **Figures 50 and 51**, at \$92.7 billion and \$19.9 billion, respectively. Other large trading partners include China, Brazil, South Korea, and the Netherlands. Among the top 15 largest export markets during calendar year 2016, the fastest growing were Taiwan (29.5 percent), Japan (22.1 percent), and Germany (3.9 percent). Conversely, the fastest contracting markets include Colombia (-33.2 percent), Canada (-22.1 percent), and Belgium (-19.8 percent).

FIGURE 50
TEXAS’ EXPORT MARKET SHARES, CALENDAR YEAR 2016



SOURCE: U.S. Census Bureau.

FIGURE 51
TEXAS’ EXPORT MARKETS BY COUNTRY
CALENDAR YEARS 2015 AND 2016

(IN BILLIONS)

MARKET	2015	2016	PERCENTAGE CHANGE
Mexico	\$92.49	\$92.67	0.2%
Canada	\$25.50	\$19.87	(22.1%)
China	\$11.53	\$10.81	(6.3%)
Brazil	\$7.24	\$7.15	(1.2%)
South Korea	\$8.08	\$6.88	(14.8%)
Netherlands	\$6.71	\$6.61	(1.4%)
Japan	\$5.06	\$6.18	22.1%
Singapore	\$4.92	\$4.67	(5.0%)
Taiwan	\$3.31	\$4.29	29.5%
United Kingdom	\$4.29	\$4.13	(3.8%)
Colombia	\$5.84	\$3.90	(33.2%)
Belgium	\$4.61	\$3.70	(19.8%)
Germany	\$3.29	\$3.41	3.9%
Saudi Arabia	\$3.28	\$2.81	(14.3%)
Chile	\$3.01	\$2.74	(9.0%)
All Others	\$59.03	\$52.77	(10.6%)
Total	\$248.18	\$232.59	(6.3%)

SOURCE: U.S. Census Bureau.

3. SUMMARY OF SIGNIFICANT FISCAL LEGISLATION

This chapter provides brief summaries of those bills and joint resolutions passed by the Eighty-fifth Legislature, Regular and First Called Sessions, 2017, that will significantly affect the fiscal condition or which represent the material change to the fiscal operation of the state. The chapter is divided into four sections: (1) legislation with significant implications for the state budget or operations; (2) legislation that materially affects state fiscal policy; (3) legislation that affects information technology and contract oversight; and (4) significant tax and revenue legislation. Bills and joint resolutions are presented in alphanumeric order within each of the sections. Unless specified, bills were passed during the Eighty-fifth Legislature, Regular Session, 2017.

BILLS WITH SIGNIFICANT BUDGETARY OR OPERATIONAL IMPLICATIONS

HOUSE BILL 2

The Texas Constitution authorizes the Legislature to consider and adopt budget bills, referred to as General Appropriations Bills, during regular or special legislative sessions. To maintain the operation of state government, the Legislature passes the bill to provide funding to state agencies and institutions of higher education for the upcoming biennium. As discussed in the preceding State Budget Overview chapter, Senate Bill 1 provides funding for the 2018–19 biennium. However, the Legislature may consider additional bills that modify existing spending levels and authority for the current and upcoming fiscal periods. Such bills are referred to commonly as supplemental appropriations bills and include appropriations and provisions that can be effective for up to a two-year period. As deemed necessary by the Legislature or the Governor, one or more items in a supplemental bill may be designated as an emergency as authorized by the Texas Constitution, Article III, Section 5. **Figure 52** shows the 11 supplemental bills enacted since 2003.

The Eighty-fifth Legislature, Regular Session, 2017, passed House Bill 2, which appropriates a total of \$2,568.4 million in All Funds, representing \$968.6 million in General Revenue Funds and

**FIGURE 52
SUPPLEMENTAL APPROPRIATIONS BILLS
2002–03 TO 2016–17 BIENNIA**

LEGISLATIVE SESSION	BILL
Eighty-fifth, Regular, 2017	House Bill 2
Eighty-fourth, Regular, 2015	House Bill 2
Eighty-third, Regular, 2013	House Bill 1025
Eighty-third, Regular, 2013	House Bill 10
Eighty-second, Regular, 2011	House Bill 4
Eighty-second, Regular, 2011	House Bill 275
Eighty-first, Regular, 2009	House Bill 4586
Eightieth, Regular, 2007	House Bill 15
Seventy-ninth, Third Called, 2006	House Bill 63
Seventy-ninth, Regular, 2005	House Bill 10
Seventy-eighth, Regular, 2003	House Bill 7

SOURCE: Legislative Budget Board.

**FIGURE 53
HOUSE BILL 2 APPROPRIATIONS, FISCAL YEAR 2017**

FUNCTION	GENERAL REVENUE FUNDS AND GENERAL REVENUE–DEDICATED FUNDS	ALL FUNDS
General Government	(\$65.8)	(\$65.8)
Health and Human Services	\$987.6	\$2,587.5
Public Education	(\$0.5)	(\$0.5)
Higher Education	\$8.5	\$8.5
Public Safety and Criminal Justice	\$84.5	\$84.5
Natural Resources	(\$30.4)	(\$30.4)
Business and Economic Development	(\$14.2)	(\$14.2)
Regulatory	(\$1.2)	(\$1.2)
Total	\$968.6	\$2,568.4

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

General Revenue–Dedicated Funds and \$1,599.8 million in Federal Funds during fiscal year 2017, as shown in **Figure 53**.

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

- a \$793.6 million increase in General Revenue Funds to address a shortfall in Medicaid funding; an additional \$1,599.8 million in matching Federal Funds were appropriated for this purpose;
- a \$158.3 million increase in General Revenue Funds to the Department of Family and Protective Services for Entitlement Programs, Day Care, and other Critical Needs;
- a \$65.8 million decrease in General Revenue Funds in the form of Bond Debt Service Payments to the Texas Public Finance Authority and Texas Department of Transportation;
- a \$28.8 million increase in General Revenue Funds to the Department of Aging and Disability Services and Department of State Health Services for State Supported Living Centers and State Hospitals; and an \$80.0 million increase in General Revenue Funds to the Department of Criminal Justice for correctional managed healthcare; and
- a \$13.8 million decrease in General Revenue Funds for Lease Payments to the Texas Facilities Commission.

House Bill 2 also amends spending authority and limitations for the following selected agencies:

- requires the Health and Human Services Commission to receive written approval from the Legislative Budget Board (LBB) prior to expending any amount appropriated for Medicaid Services in the bill;
- requires Information Management Protecting Adults and Children in Texas project cost overruns at the Department of Family and Protective Services to be paid from Appropriated Receipts, or another method of finance with LBB approval;
- prohibits appropriation authority to the Texas Alcoholic Beverage Commission (TABC) for out-of-state travel or event attendance or participation, except for documented law enforcement or investigative activities; also prohibits receipt by or spending authority to TABC of payments made to it by trade, professional, or industry organizations;
- directs the Department of Public Safety to complete, out of appropriated funds, all Driver License Improvement Plan projects by August 31, 2017; and

- requires those executive branch state agencies and institutions of higher education subject to the Governor’s hiring freeze directive issued January 31, 2017, to adhere to and lapse all savings derived from the directive.

HOUSE BILL 4

House Bill 4 amends the payment structure for caregiver assistance payments entered into by the Department of Family and Protective Services with relative caregivers and other designated caregivers. Instead of providing a uniform annual payment, the bill authorizes the agency to issue a payment of up to 50 percent of the daily basic foster care rate for caregivers with income at or less than 300 percent of the federal poverty line for up to one year. The bill also authorizes a related caregiver who obtains permanent managing conservatorship of a child and meets all other eligibility requirements to receive an annual reimbursement for expenses not to exceed \$500 until the third anniversary of being awarded permanent managing conservatorship, or when the child turns age 18, whichever occurs first.

HOUSE BILL 5

House Bill 5 separates the Department of Family and Protective Services (DFPS) from the leadership structure of the Health and Human Services Commission and establishes DFPS as a stand-alone agency. The legislation further directs the agency to enter into a contract with the Health and Human Services Commission for the provision of shared administrative services including payroll, procurement, information resources, rate setting, purchasing, and contracting; and requires the agency to establish distinct internal investigations, data, legal, operations, and financial management and accounting divisions.

HOUSE BILL 10

House Bill 10 requires the Health and Human Services Commission to designate an ombudsman for behavioral health access to care. The ombudsman would interact with consumers and providers to resolve concerns and complaints, and work with providers to address issues regarding access to behavioral health care. The legislation also establishes the mental health condition and substance use disorder parity work group to study compliance with state and federal law concerning the availability of benefits for mental health conditions and substance use disorders. The Eighty-fifth Legislature, General Appropriations Act (GAA), 2018–19

Biennium, authorizes the Health and Human Services Commission to allocate up to 2.0 full-time-equivalent positions to implement the provisions of the legislation.

HOUSE BILL 13

House Bill 13 requires the Health and Human Services Commission to establish a matching grant program to support community mental health programs that provide services to individuals with mental illness. The legislation requires a different level of matching local funds based on county size, and allocates 50 percent of funding for grants with counties with a population of or less than 250,000. The 2018–19 GAA appropriates \$30.0 million in General Revenue Funds to the Health and Human Services Commission to implement the provisions of the legislation.

HOUSE BILLS 281, 1729, AND 4102

House Bill 281 requires the Department of Public Safety (DPS) to develop and implement a statewide electronic tracking system for evidence collected in relation to a sexual assault or other sex offense. The legislation also requires that survivors from whom evidence was collected have access to the system.

The provisions of the legislation prohibit an employee of DPS or any facility or entity that collects evidence, investigates, or prosecutes a sexual assault or other sex offense from disclosing information to a parent or legal guardian of a survivor that would aid the parent or legal guardian in accessing records relating to evidence tracked in the system if the employee has reason to believe that the parent or legal guardian is a suspect in the sexual assault offense.

The provisions of the legislation obligate all local entities involved in the investigation or prosecution of sexual assault crimes to participate in the tracking system.

The Eighty-fifth Legislature, Regular Session, 2017, appropriated \$1.6 million in General Revenue Funds to DPS for the 2018–19 biennium to implement the provisions of the legislation.

The Eighty-fifth Legislature, Regular Session, 2017, also passed legislation establishing sources of revenue and a donation-funded grant program for testing evidence collected in relation to sexual assaults or other sex offenses. House Bill 1729 requires the Department of Public Safety to provide an opportunity for people applying for various types of driver licenses to donate to the evidence testing grant program. House Bill 4102 requires the Department of Motor Vehicles

to provide an opportunity for people registering or renewing registrations of motor vehicles to donate to the evidence testing grant program. Bill provisions require the Criminal Justice Division in the Trusteed Programs within the Office of the Governor to establish and administer a grant program using contributions collected to assist law enforcement agencies with testing evidence related to sexual assaults or other sex offenses.

HOUSE BILL 2379

House Bill 2379 requires Medicaid managed care organizations (MCO) to remit one-half of payments recovered from providers that the MCO identified were paid as a result of fraud or abuse to the Office of the Inspector General (OIG). The legislation authorizes Medicaid MCOs to retain the other one-half of payments recovered. The legislation also authorizes OIG to recover payments made to a provider as a result of fraud, waste, or abuse if OIG discovers payments in the performance of its duties. All payments recovered are deposited to the credit of the General Revenue Fund in the state Treasury unless otherwise appropriated by the General Appropriations Act. Before the enactment of House Bill 2379, MCOs were authorized to retain any funds collected from providers through payment recovery efforts that the MCOs identified were paid as a result of fraud or abuse. The legislation also defines the administrative support functions related to legal services that the Health and Human Services Commission provides to OIG, and expands the definition of the technology that OIG utilizes to identify and deter fraud in Medicaid. The 2018–19 GAA assumes savings of \$22.2 million in All Funds, including \$16.8 million in General Revenue Funds, for the biennium to the Medicaid program related to the detection and recovery of payments made as a result of fraud, waste, or abuse.

HOUSE BILL 3976

House Bill 3976 makes funding changes and reforms to ensure the solvency and affordability of TRS-Care, the group health benefits program for retired teachers and their dependents. The legislation introduces new plans and premium rates, changes certain coverage requirements, and increases funding to address a significant TRS-Care funding shortfall. The legislation phases out existing plan options and replaces them with three new plans: a Medicare Advantage plan and a Medicare prescription drug plan for participants eligible to enroll in Medicare, and a high-deductible plan for participants not eligible to enroll in Medicare. The legislation also grants exemptions

from premium contributions until the 2022 plan year for disability retirees who meet certain criteria, and expands enrollment options to enable retirees and their dependents to enroll either upon retirement of the member, or when the retiree becomes Medicare-eligible upon reaching age 65. To the extent that the program has available funds, the legislation directs the Teacher Retirement System of Texas (TRS) to consider implementing a plan design for non-Medicare members that provides assistance in the payment of preventive care, including generic preventive maintenance drugs.

House Bill 3976 also reforms funding mechanisms of the TRS-Care program. The legislation eliminates the statutory requirement that TRS provide a basic plan at no cost, authorizing TRS to set premium rates and plan structure as needed to maintain the fund's solvency. Additionally, the legislation raises the statutory state contribution rate from 1.0 percent to 1.25 percent of payroll, which increases ongoing revenue to the TRS-Care Fund and is expected to generate an additional \$167.4 million for the 2018–19 biennium.

HOUSE BILL 21, FIRST CALLED SESSION

House Bill 21 makes multiple changes affecting public education, and transfers a total of \$523.0 million in General Revenue Funds from the Health and Human Services Commission (HHSC) to other agencies. House Bill 21 provides the Texas Education Agency (TEA) with a total of \$311.0 million in General Revenue Funds to implement the following changes and programs established in the bill:

- the Financial Hardship Transition Program, funded at \$150.0 million, provides grants to school districts that otherwise would experience financial hardships from other statutory changes occurring during the 2018–19 biennium;
- charter schools are provided with facilities funding for the first time; \$60.0 million is provided for this purpose for the 2018–19 biennium;
- the legislation provides \$60.0 million for an increase in the yield for the Existing Debt Allotment; and
- the legislation provides \$41.0 million for a change in the small-sized district adjustment applied to the Basic Allotment.

The legislation establishes two separate programs to provide grants to charters and school districts that provide innovative

services to dyslexic and autistic students. House Bill 21 also establishes the Texas Commission on Public School Finance, which is charged with developing and reporting recommendations regarding statutory changes to improve the public school finance system by December 31, 2018.

In addition to the TEA allocations, House Bill 21 transfers \$212.0 million to the Teacher Retirement System to decrease TRS-Care premiums and deductibles and to reduce costs for enrolled adult dependents with mental disabilities or physical incapacities.

HOUSE BILL 30, FIRST CALLED SESSION

House Bill 30 transfers \$40.0 million in General Revenue Funds appropriations from the Health and Human Services Commission to the Texas Education Agency (TEA) for the administration of two grant programs established by House Bill 21, Eighty-fifth Legislature, First Called Session, 2017. The legislation specifies that \$20.0 million is to be used to award grants for school districts and charter schools that provide innovative services to students with autism, and that \$20.0 million is to be used to award grants to school districts and charter schools that provide innovative services to students with dyslexia.

SENATE BILL 11

Senate Bill 11 establishes Child Protective Services provisions at the Department of Family and Protective Services (DFPS) to enhance outcomes for children and families that receive services from the state. The requirements in the provisions include, but are not limited to, the following: (1) ensuring that any child entering into conservatorship of the state receives a medical examination within three business days; (2) expanding Community Based Care into no more than eight catchment areas after the completion of a readiness review; (3) transferring case management services in DFPS Region 3b to the Single Source Continuum Contractor that currently provides foster care placement services; (4) establishing a pilot program to contract Family-based Safety Services case management in two regions of the state; (5) establishing a data access and standards governance council; (6) developing a formal review process to evaluate the implementation of outsourced case management services; and (7) establishing a foster care contract compliance, oversight, and quality assurance division. The legislation also requires the Office of the Governor to establish and administer a grant program to support faith-based community programs that collaborate with DFPS to improve foster care services throughout the state.

SENATE BILL 22

Senate Bill 22 establishes the Pathways in Technology Early College High School (P-TECH) program, which enables students in participating districts and charter schools to earn a high school diploma and an associate degree, two-year postsecondary certificate, or industry certification while participating in work-based training within six years of beginning high school. The legislation specifies that students participating in P-TECH programs are entitled to Foundation School Program (FSP) funding for time enrolled in high school courses and that the program is offered at no cost to students. The legislation requires the Commissioner of Education to collaborate with the Texas Workforce Commission and the Texas Higher Education Coordinating Board to develop and implement a plan for P-TECH that addresses regional workforce needs, credit transfer policies among institutions of higher education, and internships, apprenticeships, and other work-based programs. The Eighty-fifth Legislature, Regular Session, 2017, appropriated \$5.0 million in General Revenue Funds for this program. Out of this funding, the Texas Education Agency may use 3.0 percent, or \$150,000 biennially, for administrative costs and for providing technical assistance and support.

SENATE BILL 42

Senate Bill 42 makes several changes to the security of courts and judges, establishes a new civil filing fee, and requires the Office of Court Administration (OCA) to establish a Judicial Security Division. The legislation requires a sheriff or other law enforcement agency or entity to submit written security incident reports to OCA and requires the local administrative judge, presiding judge in a municipal court of record, and municipal judge in municipal courts not of record to establish a court security committee. The legislation establishes a \$5 civil filing fee in a district, county, statutory county, statutory probate, or justice court. Revenue from this fee is deposited to the credit of the General Revenue–Dedicated Funds Account No. 540, Judicial and Court Personnel Training. This fee is anticipated to generate \$5.0 million in revenues each fiscal year. The legislation also authorizes the Court of Criminal Appeals to grant legal funds to statewide professional associations and other entities that provide training to individuals responsible for providing court security.

The legislation requires OCA to establish a Judicial Security Division to serve as a central resource for information regarding court security and court personnel safety and requires the agency to appoint a director to oversee the

division. The legislation establishes a definition for a court security officer and the required certification an officer must have within one year of holding this position. This legislation requires verification of such certification by a local law enforcement authority that has authority to provide court security. The legislation requires the Texas Commission on Law Enforcement to consult OCA to develop a model curriculum for court security training and to issue a certificate to each court security officer that completes this training.

SENATE BILL 292

Senate Bill 292 directs the Health and Human Services Commission to establish a grant program to reduce recidivism, arrests, and incarceration of individuals with serious mental illness. Grants may be used to implement mental health jail diversion programs, provide assertive community treatment services, or to establish interdisciplinary teams that respond to mental health emergencies. Community collaboratives may petition for grants through the program, and must provide matching local funds in a total amount equal to at least 50.0 percent of the grant. The 2018–19 GAA appropriates \$37.5 million in All Funds, including \$37.5 million in General Revenue Funds, to the Health and Human Services Commission to implement the legislation's provisions.

FISCAL MATTERS AND FUND ACCOUNTING**HOUSE BILL 2578**

House Bill 2578 amends the Texas Occupations Code, regarding bingo, to abolish the fees for certain licenses and to dedicate revenue from other bingo fees and a portion of the local share of bingo prize fees to fund the state's bingo administration function. The legislation requires that the amount of bingo prize fee collections remitted is 5.0 percent of all prizes awarded of more than \$5.

HOUSE BILL 3849

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

Like previous fund consolidation bills, House Bill 3849, passed by the Eighty-fifth Legislature, Regular Session, 2017, abolishes all funds, accounts, and revenue dedications established or reestablished by the Eighty-fifth Legislature, except those specifically exempted by the bill's provisions. The legislation continues the provision to make

unappropriated revenue and balances in General Revenue–Dedicated Funds accounts available for general governmental purposes and certification of General Revenue Fund appropriations by the Comptroller of Public Accounts.

House Bill 3849 discontinues an exemption, established by House Bill 6, Eighty-fourth Legislature, 2015, which prohibited select General Revenue–Dedicated Funds accounts from being available to certify the General Revenue Fund appropriations. The exemption included nine General Revenue–Dedicated Funds accounts and the account of each institution of higher education in the General Revenue Fund that includes tuition and other fees.

The estimated balances in these accounts available for certification of the General Appropriations Act for the 2018–19 biennium total \$668.1 million.

SENATE BILL 28

Senate Bill 28 establishes the Ship Channel Improvement Revolving Fund as a dedicated account in the General Revenue Fund, administered by the Texas Transportation Commission (TTC). Money required to be deposited to the fund includes gifts, grants, and donations; appropriations to TTC for ship channel improvements; interest earnings on deposits in the fund; and money received for the repayment of loans made from the fund. The legislation requires TTC by rule to establish a revolving loan program using money from the fund to finance qualified ship channel improvement projects for navigation districts.

SENATE BILL 298

Senate Bill 298 establishes the Texas Forensic Science Commission Operating Account as an account in the General Revenue Fund. The legislation requires the Texas Forensic Science Commission to deposit into this account fee revenue collected from the issuance or renewal of forensic analyst licenses. Funds in this account may be appropriated only to the agency for administration and enforcement. The Eighty-fifth Legislature, Regular Session, 2017, also passed Senate Bill 1124, which transfers administration of the Texas Forensic Science Commission from Sam Houston State University to the Office of Court Administration.

SENATE BILL 1105

Senate Bill 1105 abolishes the General Revenue–Dedicated Funds Account No. 146, Used Oil Recycling, and transfers all remaining balances and revenues including

fees, penalties, and interest previously deposited to the account to the General Revenue–Dedicated Funds Account No. 153, Water Resource Management. The legislation authorizes Account No. 153 to be used for purposes previously funded by Account No. 146, which include education and technical guidance to the public regarding recycling used oil, grants to certain used oil collection centers, registration of certain used oil collections centers and handlers, and administrative costs. The Eighty-Fifth Legislature, Regular Session, 2017, provided \$0.8 million in appropriations from Account No. 153 for these activities, continuing funding for these activities at 2016–17 biennial spending levels. The Comptroller of Public Accounts transferred \$21.5 million from Account No. 146 to Account No. 153. Subsequent revenue deposited to Account No. 153 as a result of the legislation is estimated to total \$2.2 million each fiscal year.

SENATE BILL 2087

Senate Bill 2087 establishes a Health Insurance Risk Pool to provide a temporary mechanism for maximizing available federal funding to assist Texas residents in obtaining access to quality healthcare. The legislation authorizes the Commissioner of Insurance to use pool funds to provide health insurance coverage, provide funding to insurers for lower enrollee premium rates, or provide a reinsurance program for insurers in exchange for lower enrollee premium rates. Funds also may be used to develop and implement public education, outreach, and facilitated enrollment strategies. The Eighty-fifth Legislature, Regular Session, 2017, appropriated \$40.3 million from the Premium Stabilization Fund to the Texas Department of Insurance (TDI) to provide access to quality healthcare for Texas residents and to conduct public education and outreach.

The Legislature also appropriated \$1.8 million in General Revenue–Dedicated Funds for TDI to administer the Health Insurance Risk Pool. The funds are contingent on federal law, regulation, or executive action and may not be spent unless the Commissioner of Insurance files a finding of fact with the Governor and the Legislative Budget Board.

The legislation also requires TDI to submit an annual report regarding pool activities, including information regarding premiums, enrollment, administration expenses, and incurred losses. The chapter established by the legislation expires at the end of the 2018–19 biennium.

INFORMATION TECHNOLOGY AND CONTRACT OVERSIGHT

HOUSE BILL 8

House Bill 8 establishes certain requirements for agencies to follow pertaining to cybersecurity for state agency information resources. The legislation requires the Sunset Advisory Commission to assess agency cybersecurity practices as part of its reviews. The legislation requires the Department of Information Resources (DIR) to establish an information sharing and analysis center to provide a forum for state agencies to share information regarding threats, best practices, and remediation strategies. The legislation requires DIR to provide mandatory guidelines for all state agency information resources (IR) employees regarding continuing education for cybersecurity training and certification. The legislation would require each state agency to conduct a security assessment of the agency's IR systems, network systems, digital data storage systems, digital data security measures, and IR vulnerabilities at least once every two years. The legislation also would require that each agency conducts a vulnerability and penetration test of the agency's website or mobile application that processes any personally identifiable or confidential information. The legislation would require DIR to develop a plan to address cybersecurity risks and incidents in the state, and authorizes an agreement with a national organization to support DIR's efforts in implementing components of the plan.

SENATE BILL 1, ARTICLE IX, SECTION 7.04, (G) AND (H)

Senate Bill 1, Article IX, Section 7.04(g) and (h), requires the reporting of amendments that change contract values by 10.0 percent or more through a process established by the Legislative Budget Board. Amendments are required to be reported to the Governor, the Lieutenant Governor, and the Speaker of the House of Representatives. This notice must include the amount of the cost increase, the reason for the cost increase, and any opportunities the agency had to lessen the cost or to purchase the service from another vendor.

SENATE BILL 1, ARTICLE IX, SECTION 17.10

Senate Bill 1, Article IX, Section 17.10, makes decreases totaling \$34.0 million to General Revenue Funds and General Revenue–Dedicated Funds for state agencies included in the rider. The rider requires these state agencies to find as much of those savings as possible in contracting activities. The rider suggests several cost-containment

strategies, including enforcing contract terms, and renegotiating or canceling contracts.

The rider prohibits the expenditure of appropriated funds by agencies and institutions of higher education on renewing contracts that are three years or older and worth more than \$10.0 million or 10.0 percent of the agency's All Funds budget unless the agency seeks competitive bids before the renewal. Certain exemptions are applied to this requirement. Furthermore, appropriated funds may not be spent on Major Information Resource Projects monitored by the Quality Assurance Team (QAT) that are 50.0 percent over either budget or schedule unless QAT approves a cost-benefit analysis comparing cancellation with continuing the project.

The rider requires state agencies to report on their efforts to achieve contract cost containment during the first fiscal year by September 30, 2018, and to provide a biennial summary by August 31, 2019.

SENATE BILL 255

Senate Bill 255 amends the Texas Government Code to require state agencies that spend more than \$5,000 per fiscal year for training of any individual employee to submit certain agency training information to the Legislative Budget Board.

The legislation also requires the Comptroller of Public Accounts (CPA) to develop and provide a purchasing and contract management training program to meet the needs of state agencies. The legislation authorizes CPA to assess a fee for training in an amount not to exceed the costs incurred to provide the training. The legislation authorizes state agencies, in consultation with CPA, to develop agency-specific purchasing and contract management training programs to be administered by the agency to its employees instead of or as a supplement to CPA training programs in accordance with the bill's provisions.

The legislation also requires state agency personnel that are involved directly in contract negotiations for the purchase of information resources technologies to complete the training developed by the Department of Information Resources.

SENATE BILL 532

Senate Bill 532 requires the Department of Information Resources (DIR) to collect from each state agency information regarding the status and condition of the agency's information technology (IT) infrastructure. The legislation specifies, but does not limit, information to be collected from agencies to include information regarding IT security programs, an

inventory of IT equipment and cloud services, and identification of vendors that operate and manage an agency's IT infrastructure. Agencies are required to provide the relevant information to DIR. DIR is required to submit a consolidated report of state agencies' IT infrastructure no later than November 15 of each even-numbered year to certain leadership and staff of the Legislative Budget Board. The consolidated report should include an analysis and assessment of each state agency's security and operational risks. For a state agency found to be at higher security and operational risks, the report should provide a detailed analysis of, and an estimate of the costs to implement, the requirements for the agency to address the risks and related vulnerabilities.

The legislation requires state agencies to consider cloud computing service options when making purchases for a major IT project. The legislation also requires DIR to submit a report no later than November 15 of each even-numbered year to certain leadership regarding the use of cloud computing service options by state agencies, including uses that provide cost savings and other benefits.

The legislation provides that information directly arising from a governmental body's efforts to prevent, detect, investigate, or mitigate a computer security incident is confidential.

SENATE BILL 533

Senate Bill 533 makes several changes to contracting requirements in the Texas Education Code and the Texas Government Code.

The Quality Assurance Team is adjusted to include the Texas Comptroller of Public Accounts as a member, and to change the State Auditor's Office role to an advisory role only. Additional requirements are placed on Major Information Resource Projects monitored by the team. The legislation adjusts bidding thresholds for automated information systems, established by Senate Bill 20, Eighty-fourth Legislature, 2015, from \$1.0 million to \$5.0 million to expand agency use of the Department of Information Resource's cooperative purchasing programs.

CPA is required to establish a Statewide Procurement Director, and Contract Advisory Team reviews are expanded from solicitations and contracts valued at more than \$10.0 million to include those valued at more than \$5.0 million. The Contract Advisory Team is a multiagency entity established in statute to assist state agencies in improving

contract management practices. Furthermore, CPA may authorize state agencies and political subdivisions of other states to participate in cooperative purchasing programs that CPA administers. Agencies with delegated purchasing authority are required to enhance their contracting and procurement practices. This enhancement includes clarified policies regarding vendor-employee interactions, restrictions for employment with contractors, and additional conflict-of-interest disclosures.

The legislation requires that any Texas Education Agency contract with a regional Education Service Center must comply with the Texas Contract Management Guide.

TAX AND REVENUE

SENATE BILL 1, ARTICLE VII, DEPARTMENT OF TRANSPORTATION, RIDER 42

Proposition 7, approved by voters in November 2015, amended the Texas Constitution to require that, beginning in fiscal year 2018, the first \$2.5 billion of state sales tax collected in excess of \$28.0 billion during a fiscal year will be constitutionally dedicated to the State Highway Fund. The 2017 Biennial Revenue Estimate (BRE) predicted transfers of General Revenue Funds to the State Highway Fund from Proposition 7 of \$2.2 billion for fiscal year 2018 and \$2.5 billion for fiscal year 2019.

After the release of the BRE, the Comptroller of Public Accounts subsequently indicated that, due to a timing issue, any sales tax collected during the last month of the fiscal year that is due to be allocated in accordance with Proposition 7 would not be transferred from General Revenue Funds to the State Highway Fund until the first month of the following fiscal year. Delaying the transfer of sales tax from the General Revenue Fund to the State Highway Fund made an estimated \$1.8 billion in General Revenue Funds available for appropriation for the 2018–19 biennium, relative to the BRE. Consequentially, General Revenue Funds available for appropriation for the 2020–21 biennium will be decreased by an equal amount. Updated sales tax projections contained in CPA's 2017 Certification Revenue Estimate lowered the estimated transfer delay to \$1.6 billion.

Rider 42 makes the remaining \$2.9 billion of State Highway Fund appropriations from Proposition 7 contingent on CPA transferring the remaining sales tax allocations by a certain date and allocates the amounts to different strategies in the Department of Transportation's bill pattern.

SENATE BILL 1, ARTICLE IX, SECTION 17.11

Senate Bill 1, Article IX, Section 17.11, requires the Comptroller of Public Accounts to establish a tax amnesty program. The program will provide, for a limited duration, a waiver of penalties or interest (or both) for delinquent taxpayers who do not have a Texas Sales and Use Tax permit, or are not registered for a tax or fee administered by CPA, and taxpayers who have a permit, but may have underreported or owe additional taxes and fees. The program is intended to encourage voluntary reporting of taxes by these taxpayers.

CPA certified that an additional \$27.7 million in General Revenue Funds and \$18.3 million from the Property Tax Relief Fund, relative to the 2017 BRE, would be available for appropriation for the 2018–19 biennium from the tax amnesty program.

SENATE BILL 1, ARTICLE IX, SECTION 17.12

By law, certain types of personal property of a deceased person that has gone unclaimed for a specific period of time after that death is subject to escheat, or the transfer of ownership to the state. The Comptroller of Public Accounts has discretion of the timing of sales of unclaimed financial securities such as stocks and bonds.

During the Eighty-fifth Legislature, Regular Session, 2017, CPA indicated that it would accelerate the sale of some unclaimed securities to an earlier date than anticipated in the 2017 BRE. Senate Bill 1, Article IX, Section 17.12, recognizes that an additional \$500.0 million, relative to the BRE, will be available to support General Revenue Funds appropriations for the 2018–19 biennium due to the accelerated sales.

SENATE BILL 16

Senate Bill 16 sets the fee for an original and renewal license to carry a handgun (LTC) at \$40, paid to the Department of Public Safety. The legislation also sets the application and license fee for qualified handgun instructors at \$40, in addition to the instructor training fee. The legislation decreases certain fees if DPS determines that an applicant is indigent or a senior citizen and sets the application and license fee for an applicant who is a judicial officer at \$25. The legislation also requires DPS to waive any fee required to obtain an LTC for an applicant who is a peace officer.

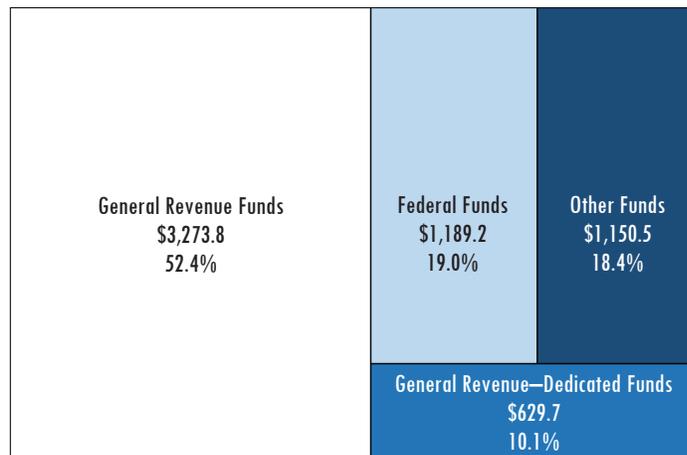
4. GENERAL GOVERNMENT

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

FIGURE 54
ARTICLE I – GENERAL GOVERNMENT, BY METHOD OF FINANCE

(IN MILLIONS)				
METHOD OF FINANCE	EXPENDED/BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	\$3,317.7	\$3,273.8	(\$43.9)	(1.3%)
General Revenue–Dedicated Funds	\$1,056.0	\$629.7	(\$426.3)	(40.4%)
Federal Funds	\$1,005.3	\$1,189.2	\$183.9	18.3%
Other Funds	\$1,667.1	\$1,150.5	(\$516.6)	(31.0%)
Total, All Methods of Finance	\$7,046.0	\$6,243.1	(\$802.9)	(11.4%)

SHARE OF FUNDING BY METHOD OF FINANCE (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

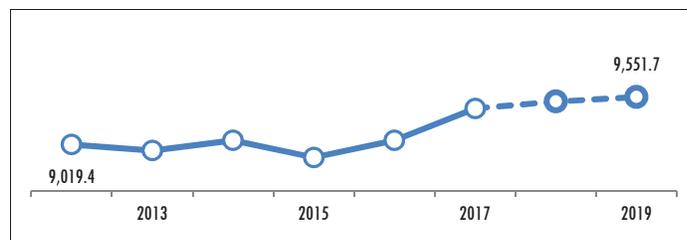
Texas Facilities Commission appropriations decreased by \$767.7 million in Other Funds from Revenue Bond Proceeds for new construction projects and **\$217.2 million in General Revenue Funds** for deferred maintenance projects, emergency repairs, and facilities planning.

Funding for the **Trusted Programs within the Office of the Governor includes \$155.0 million in Other Funds from the Economic Stabilization Fund** for disaster grants, bullet-resistant personal body armor, and Defense Economic Adjustment Assistance Grants.

State Preservation Board appropriations decreased by \$18.6 million in All Funds, primarily for repair and onetime items at the Capitol, State Cemetery, and State History Museum.

Funding for the **Texas Historical Commission decreased by \$10.9 million for previous onetime projects** and the transfer of certain ticket sales outside the Treasury.

FULL-TIME-EQUIVALENT POSITIONS



NOTES: Excludes Interagency Contracts. Full-time-equivalent positions show actual positions for fiscal years 2012 to 2017 and appropriated positions for fiscal years 2018 and 2019.

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

TEXAS COMMISSION ON THE ARTS

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

ESTABLISHED: 1965

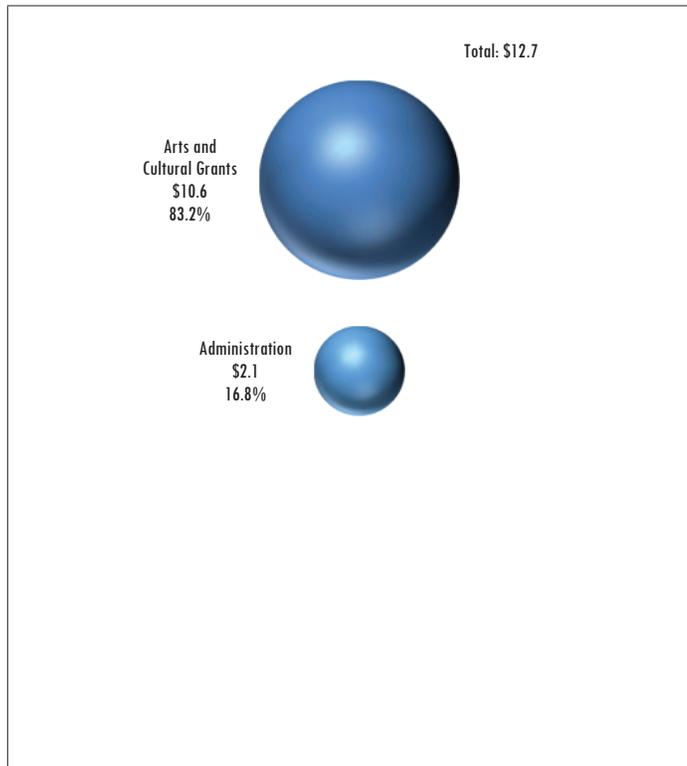
AUTHORIZING STATUTE: The Texas Government Code, §444.001

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

FIGURE 55
TEXAS COMMISSION ON THE ARTS BY METHOD OF FINANCE

METHOD OF FINANCE	(IN MILLIONS)				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$14.3	\$9.9	(\$4.4)	(30.5%)	2018	14.0
General Revenue–Dedicated Funds	\$0.8	\$0.1	(\$0.6)	(82.9%)		
Federal Funds	\$1.9	\$1.9	\$0.0	2.2%	2019	14.0
Other Funds	\$0.8	\$0.7	(\$0.1)	(13.1%)		
Total, All Methods of Finance	\$17.8	\$12.7	(\$5.1)	(28.5%)		

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

The agency expects to receive 1,500 grant applications during fiscal year 2018, with grant awards totaling an estimated \$5.1 million.

State of the Arts license plate revenues are expected to generate \$200,000 each fiscal year of the 2018–19 biennium. All revenues will be used to make grants.

OFFICE OF THE ATTORNEY GENERAL

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

ESTABLISHED: 1876

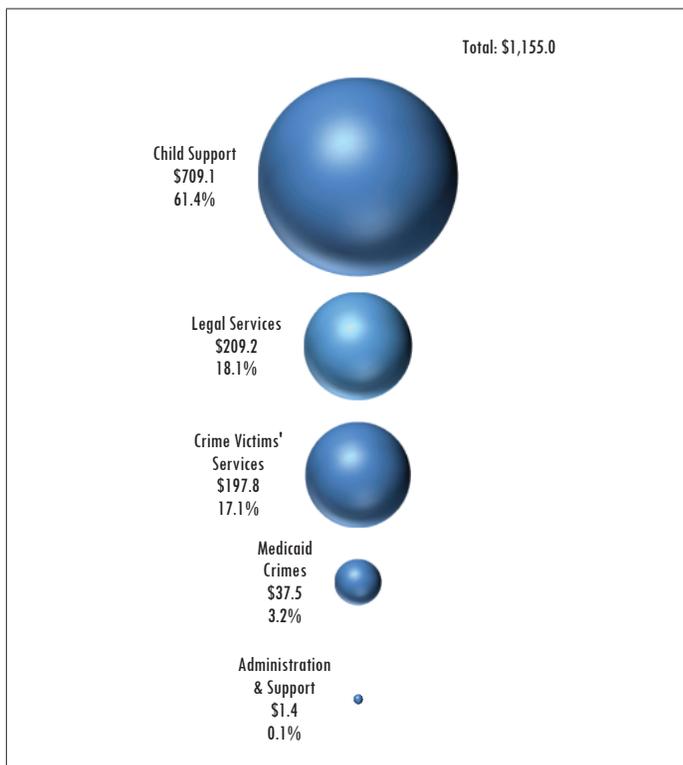
AUTHORIZING STATUTE: The Texas Constitution, Article IV, §22

GOVERNANCE: Statewide elected official

FIGURE 56
OFFICE OF THE ATTORNEY GENERAL BY METHOD OF FINANCE

METHOD OF FINANCE	(IN MILLIONS)				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2016-17	APPROPRIATED 2018-19	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$471.7	\$445.7	(\$26.1)	(5.5%)	2018	4,191.4
General Revenue-Dedicated Funds	\$155.5	\$143.8	(\$11.7)	(7.5%)		
Federal Funds	\$419.4	\$434.3	\$14.8	3.5%	2019	4,191.4
Other Funds	\$125.0	\$131.3	\$6.3	5.1%		
Total, All Methods of Finance	\$1,171.6	\$1,155.0	(\$16.6)	(1.4%)		

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

The Office of the Attorney General (OAG) collected **\$8.5 billion in child support payments during the 2016-17 biennium** and expects to collect approximately **\$8.4 billion during the 2018-19 biennium**.

OAG's new child support system, **Texas Child Support Enforcement System 2.0**, has a total cost of approximately **\$419.6 million**. It has been in development since 2007 and has a completion date expected in March 2019.

In 2015, **Texas ranked first nationally for the most efficient and effective child support programs** in the U.S., based on incentive payments by the federal government.

BOND REVIEW BOARD

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

ESTABLISHED: 1987

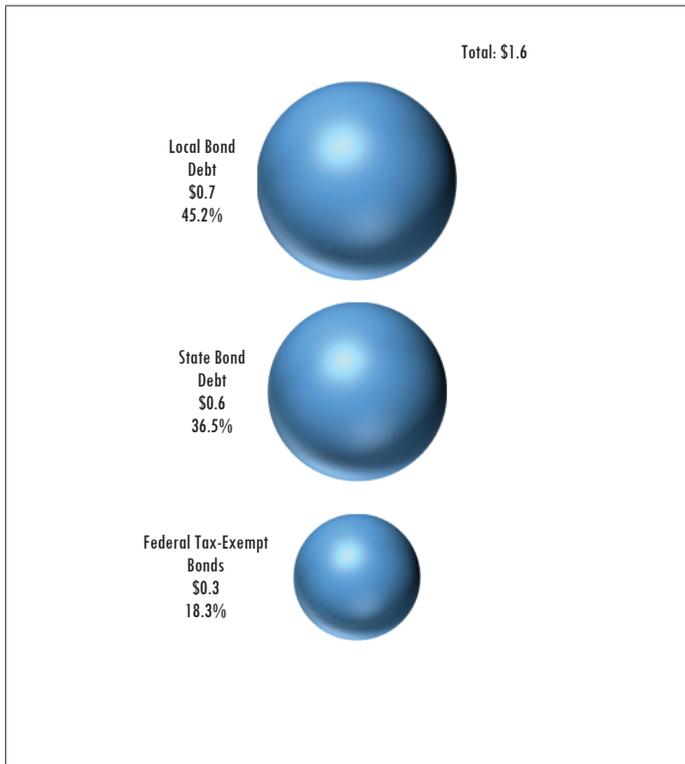
AUTHORIZING STATUTE: The Texas Government Code, §§1231 and 1372

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

FIGURE 57
BOND REVIEW BOARD BY METHOD OF FINANCE

METHOD OF FINANCE	(IN MILLIONS)				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$1.6	\$1.6	(\$0.0)	(0.3%)	2018 10.0	
General Revenue–Dedicated Funds	\$0.0	\$0.0	\$0.0	N/A		
Federal Funds	\$0.0	\$0.0	\$0.0	N/A		
Other Funds	\$0.0	\$0.0	\$0.0	N/A		
Total, All Methods of Finance	\$1.6	\$1.6	(\$0.0)	(0.3%)	2019 10.0	

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

Outstanding state debt totaled \$46.8 billion for fiscal year 2017 for all state agencies and universities, excluding conduit debt. The Bond Review Board reported that the constitutional debt limit is at 2.35 percent of unrestricted General Revenue Funds as of the end of fiscal year 2017.

The agency **reviewed 19 bond documents**, including proposed bond applications and lease-purchase agreements for state issuers, during fiscal year 2017.

The agency **analyzed 1,627 local government financings** during fiscal year 2017.

CANCER PREVENTION AND RESEARCH INSTITUTE OF TEXAS

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

ESTABLISHED: 2007

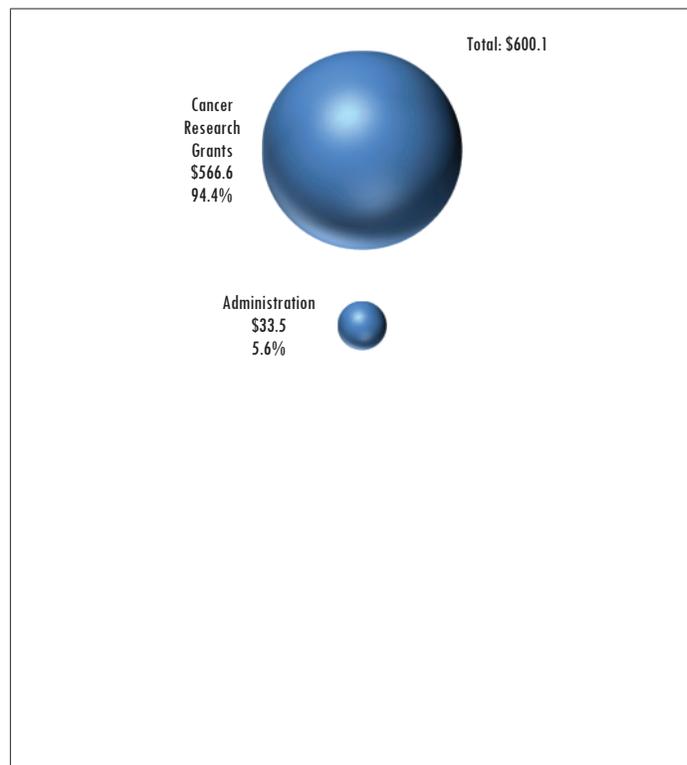
AUTHORIZING STATUTE: The Texas Health and Safety Code, §102.003

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

**FIGURE 58
CANCER PREVENTION AND RESEARCH INSTITUTE BY METHOD OF FINANCE**

METHOD OF FINANCE	(IN MILLIONS)				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$0.0	\$0.0	\$0.0	N/A	2018	35.0
General Revenue–Dedicated Funds	\$0.0	\$0.0	\$0.0	N/A		
Federal Funds	\$0.0	\$0.0	\$0.0	N/A		
Other Funds	\$596.3	\$600.1	\$3.8	0.6%	2019	35.0
Total, All Methods of Finance	\$596.3	\$600.1	\$3.8	0.6%		

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

The Cancer Prevention and Research Institute of Texas (CPRIT) has awarded **1,189 grants totaling \$1.9 billion** through the end of fiscal year 2017, leaving a balance of **\$923.0 million** available for grant awards through August 31, 2022.

During the 2018–19 biennium, CPRIT will offer 12 types of grant awards for Academic Research Grants, six types of awards for Product Development Research Grants, and five types of awards for Prevention Grants.

CPRIT has provided **3.9 million cancer prevention services** to people in all **254 Texas counties** through the end of fiscal year 2017.

COMPTROLLER OF PUBLIC ACCOUNTS

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

ESTABLISHED: 1850

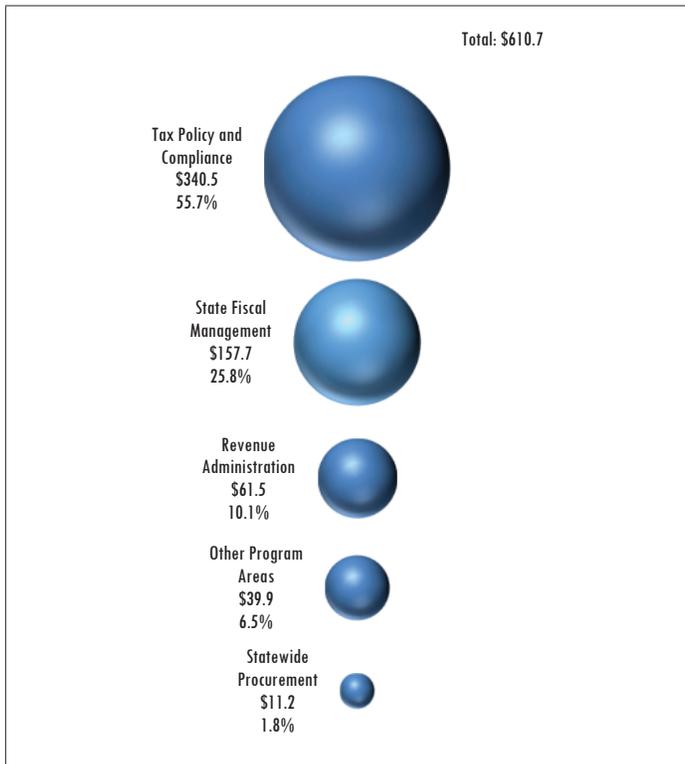
AUTHORIZING STATUTE: The Texas Constitution, Article IV, §23

GOVERNANCE: Statewide elected official

FIGURE 59
COMPTROLLER OF PUBLIC ACCOUNTS BY METHOD OF FINANCE

METHOD OF FINANCE	(IN MILLIONS)				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$569.4	\$578.4	\$9.1	1.6%	2018 2,882.3	
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%)		
Total, All Methods of Finance	\$608.8	\$610.7	\$1.9	0.3%	2019 2,932.3	

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



Source: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

Appropriations include an **increase of \$17.6 million for tax enforcement and compliance**, including additional auditors, enforcement officers, and criminal investigators, and for the opening of new field offices.

Funding decreases include **\$3.4 million in onetime funding items** from the 2016–17 biennium, including office furnishings and a centralized state purchasing study; **\$3.8 million in information technology programs** and services; and **\$2.1 million for contract cost-containment measures**.

Funding of **\$0.7 million** is provided for the **review of solicitations and contract documents** by the Contract Advisory Team (Senate Bill 533), and for the establishment of a **special-purpose district public information database** (Senate Bill 625).

FISCAL PROGRAMS WITHIN THE OFFICE OF THE COMPTROLLER OF PUBLIC ACCOUNTS

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

ESTABLISHED: 1850

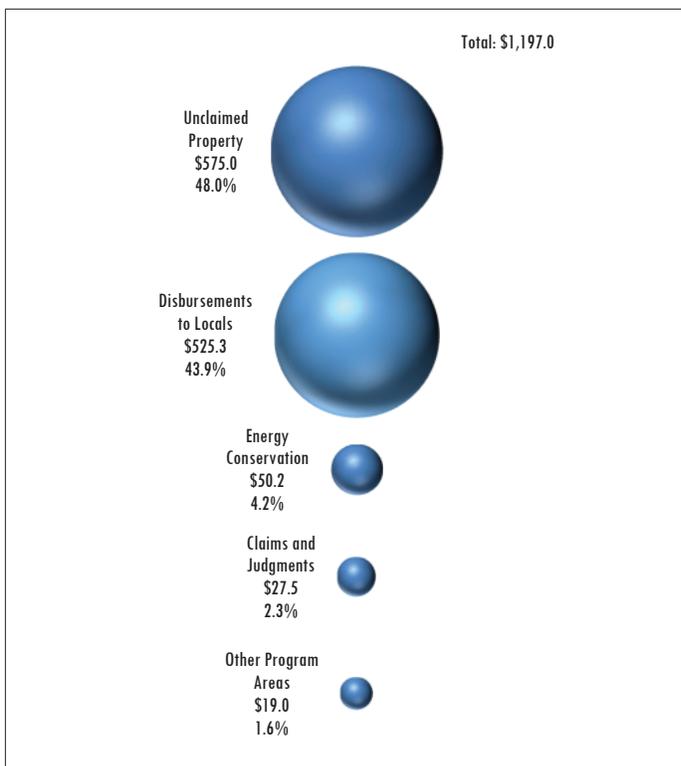
AUTHORIZING STATUTE: The Texas Constitution, Article IV, §23

GOVERNANCE: Comptroller of Public Accounts, statewide elected official

FIGURE 60
FISCAL PROGRAMS WITHIN THE OFFICE OF THE COMPTROLLER OF PUBLIC ACCOUNTS
BY METHOD OF FINANCE

METHOD OF FINANCE	(IN MILLIONS)				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS
	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE	
General Revenue Funds	\$1,061.5	\$1,121.0	\$59.5	5.6%	2018 15.0 2019 15.0
General Revenue–Dedicated Funds	\$35.1	\$33.6	(\$1.4)	(4.1%)	
Federal Funds	\$20.8	\$27.7	\$7.0	33.5%	
Other Funds	\$18.2	\$14.6	(\$3.6)	(20.0%)	
Total, All Methods of Finance	\$1,135.6	\$1,197.0	\$61.4	5.4%	

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

Unclaimed property claim payments increased by \$40.0 million due to an estimated growth in claims.

Statutorily required disbursements to cities and counties of tax revenues from mixed beverages increased by \$34.2 million, due to a projected increase in mixed-beverage sales.

Appropriations include **decreases of \$12.0 million** for the management of the Emerging Technology Fund Portfolio and a **decrease of \$9.2 million** in projected payments of miscellaneous and wrongful imprisonment claims.

Texas Bullion Depository fees and charges are appropriated. The depository will be established as an agency of the state within the office of the Comptroller of Public Accounts to hold certain bullion and specie acquired by state, local, and private entities.

SOCIAL SECURITY AND BENEFIT REPLACEMENT PAY

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

ESTABLISHED: 1935

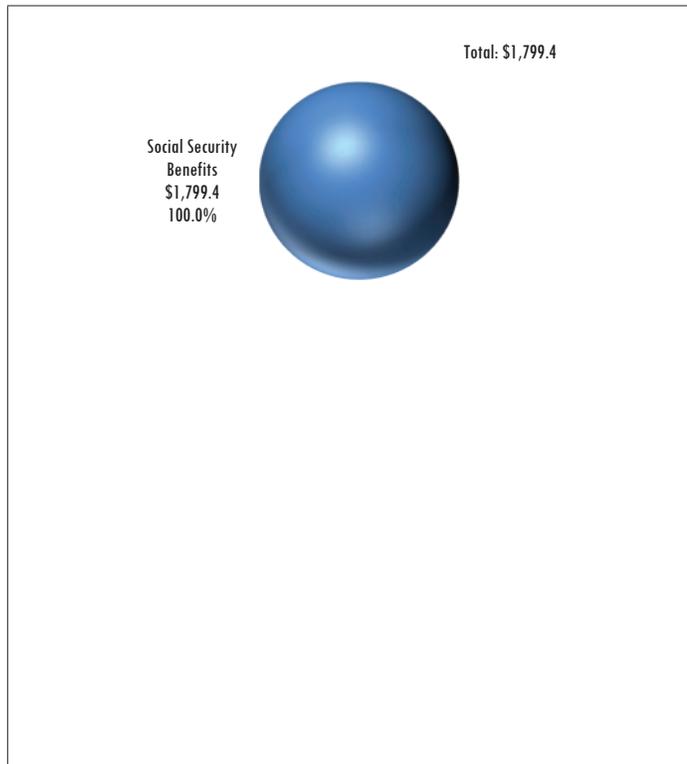
AUTHORIZING STATUTE: The Texas Government Code, §606.063

GOVERNANCE: N/A

FIGURE 61
SOCIAL SECURITY AND BENEFIT REPLACEMENT PAY BY METHOD OF FINANCE

METHOD OF FINANCE	(IN MILLIONS)				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$1,241.1	\$1,302.9	\$61.8	5.0%	2018 0.0	
General Revenue–Dedicated Funds	\$176.1	\$179.0	\$2.9	1.7%		
Federal Funds	\$175.8	\$176.4	\$0.6	0.4%		
Other Funds	\$138.5	\$141.0	\$2.6	1.9%		
Total, All Methods of Finance	\$1,731.5	\$1,799.4	\$67.9	3.9%	2019 0.0	

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

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

Benefit Replacement Pay is a benefit supplement for certain state employees who began employment before September 1, 1995.

SOURCE: Legislative Budget Board.

COMMISSION ON STATE EMERGENCY COMMUNICATIONS

PURPOSE: To preserve and enhance public safety and health in Texas through reliable access to emergency communications services. Agency functions support the standardized 911 emergency communications services statewide and to maintain the state’s poison control network.

ESTABLISHED: 1987

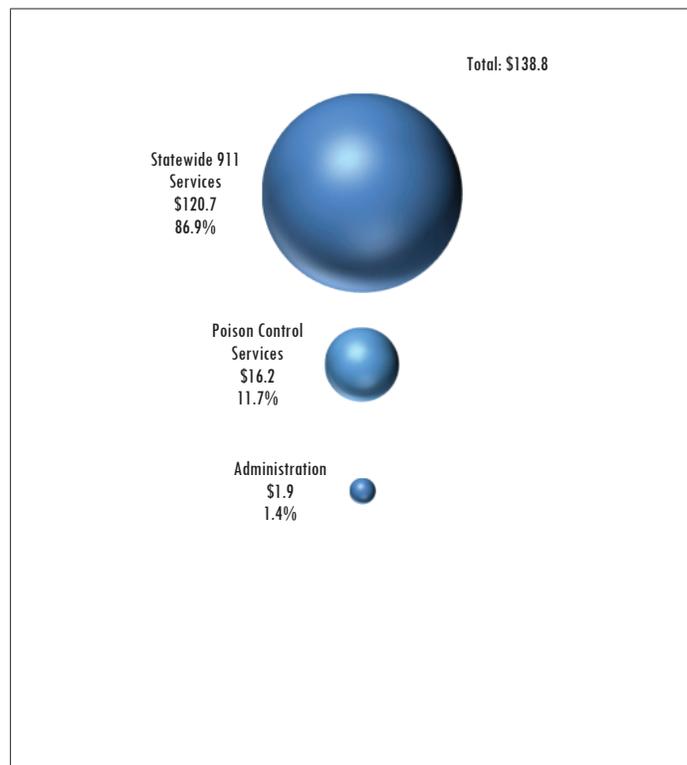
AUTHORIZING STATUTE: The Texas Health and Safety Code, Chapter 771

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

FIGURE 62
COMMISSION ON STATE EMERGENCY COMMUNICATIONS BY METHOD OF FINANCE

METHOD OF FINANCE	(IN MILLIONS)				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$0.0	\$0.0	\$0.0	N/A	2018	25.0
General Revenue–Dedicated Funds	\$146.0	\$138.8	(\$7.2)	(4.9%)		
Federal Funds	\$0.0	\$0.0	\$0.0	N/A	2019	25.0
Other Funds	\$0.0	\$0.0	\$0.0	N/A		
Total, All Methods of Finance	\$146.0	\$138.8	(\$7.2)	(4.9%)		

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

Appropriations of **\$7.7 million** are provided for the continued implementation of the **state-level digital 911 network (ESINet Project)** for the 2018–19 biennium.

Grants through the poison control program of **\$13.1 million** are to be delivered to the six regional poison control centers.

The agency’s 911 program serves more than 8.0 million Texans, or about one-third of the state’s population. The poison control program serves all residents of the state.

TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM

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

ESTABLISHED: 1977

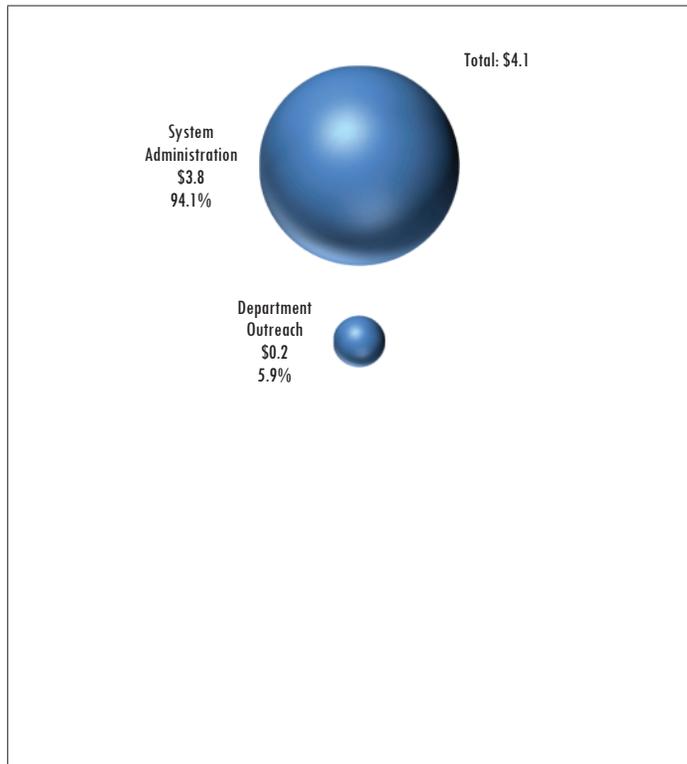
AUTHORIZING STATUTE: The Texas Government Code, §865.001

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

FIGURE 63
TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM BY METHOD OF FINANCE

METHOD OF FINANCE	(IN MILLIONS)				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$1.5	\$1.4	(\$0.1)	(5.5%)	2018 10.0	
General Revenue–Dedicated Funds	\$3.2	\$2.7	(\$0.5)	(16.1%)		
Federal Funds	\$0.0	\$0.0	\$0.0	N/A		
Other Funds	\$0.0	\$0.0	\$0.0	N/A		
Total, All Methods of Finance	\$4.7	\$4.1	(\$0.6)	(12.7%)	2019 10.0	

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



Source: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

The state's contribution to the retirement system consists of **\$2.7 million from the General Revenue–Dedicated Account No. 5064, Volunteer Fire Department Assistance.**

State contributions to the system decreased by \$0.5 million because of an adjustment to the methodology to better capture historical contributions.

EMPLOYEES RETIREMENT SYSTEM

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

ESTABLISHED: 1947

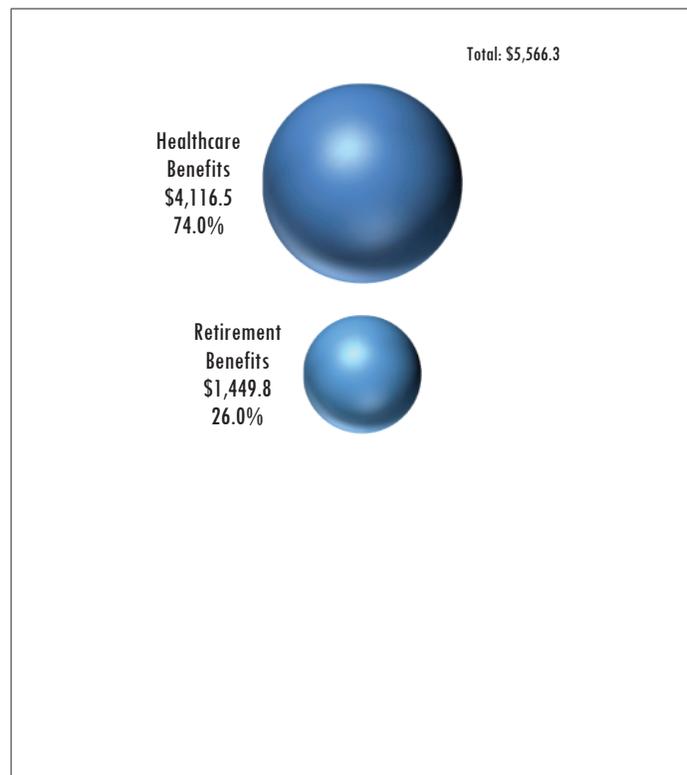
AUTHORIZING STATUTE: The Texas Constitution, Article XVI, §67(a)

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

FIGURE 64
EMPLOYEES RETIREMENT SYSTEM BY METHOD OF FINANCE

METHOD OF FINANCE	(IN MILLIONS)				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$3,510.4	\$3,937.0	\$426.6	12.2%	2018	395.0
General Revenue–Dedicated Funds	\$227.4	\$228.3	\$0.8	0.4%		
Federal Funds	\$751.5	\$790.0	\$38.5	5.1%		
Other Funds	\$561.9	\$611.0	\$49.1	8.7%		
Total, All Methods of Finance	\$5,051.3	\$5,566.3	\$515.0	10.2%	2019	395.0

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

As of the August 31, 2017, actuarial valuation, the **funding period for the Employees Retirement System (ERS) retirement plan increased from 35 years to infinite, meaning the liability is expected to grow indefinitely**, primarily due to a board-adopted change to the assumed investment rate of return from 8.0 to 7.5.

Funding for the **Group Benefits Program**, which increased by **\$355.6 million**, increases state contributions by 0.82 percent per year after incorporating **targeted cost savings and spend-down of the contingency reserve fund**.

Cost-containment measures include targeting the use of out-of-network, **freestanding emergency rooms** and reducing certain **contracted provider rates**.

General Revenue Funds of **\$129.5 million** are transferred from the Texas Department of Criminal Justice for the state's contribution **for local community supervision and corrections departments officers' group health insurance**, pursuant to House Bill 1526, Eighty-fifth Legislature, Regular Session, 2017.

TEXAS ETHICS COMMISSION

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

ESTABLISHED: 1991

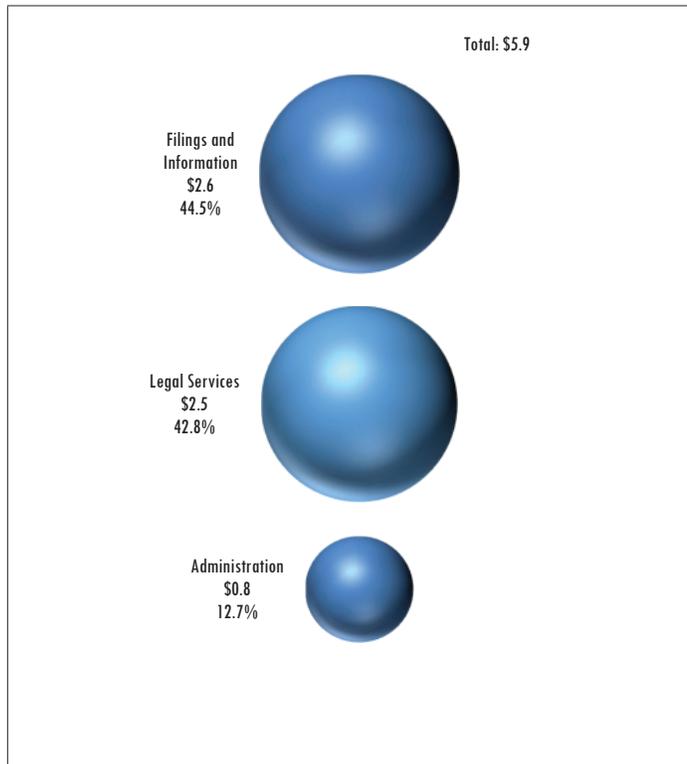
AUTHORIZING STATUTE: The Texas Constitution, Article III, §24a

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

FIGURE 65
TEXAS ETHICS COMMISSION BY METHOD OF FINANCE

METHOD OF FINANCE	(IN MILLIONS)				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$6.1	\$5.9	(\$0.2)	(3.0%)	2018	32.4
General Revenue–Dedicated Funds	\$0.0	\$0.0	\$0.0	N/A		
Federal Funds	\$0.0	\$0.0	\$0.0	N/A		
Other Funds	\$0.0	\$0.0	\$0.0	0.0%		
Total, All Methods of Finance	\$6.1	\$5.9	(\$0.2)	(3.0%)	2019	33.4

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

- The agency received more than 172,000 reports for fiscal year 2017**, which were filed by approximately 1,900 lobbyists, 5,500 candidates, officeholders, and political committees, and 20,000 disclosure of interested parties filers.
- The agency collected approximately \$249,000 in fines for fiscal year 2017** on assessed penalties for late or corrected reports, which were deposited into the General Revenue Fund.
- The agency collected \$1.1 million in lobby registrations for fiscal year 2017**, which were deposited into the General Revenue Fund.

TEXAS FACILITIES COMMISSION

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

ESTABLISHED: 2007

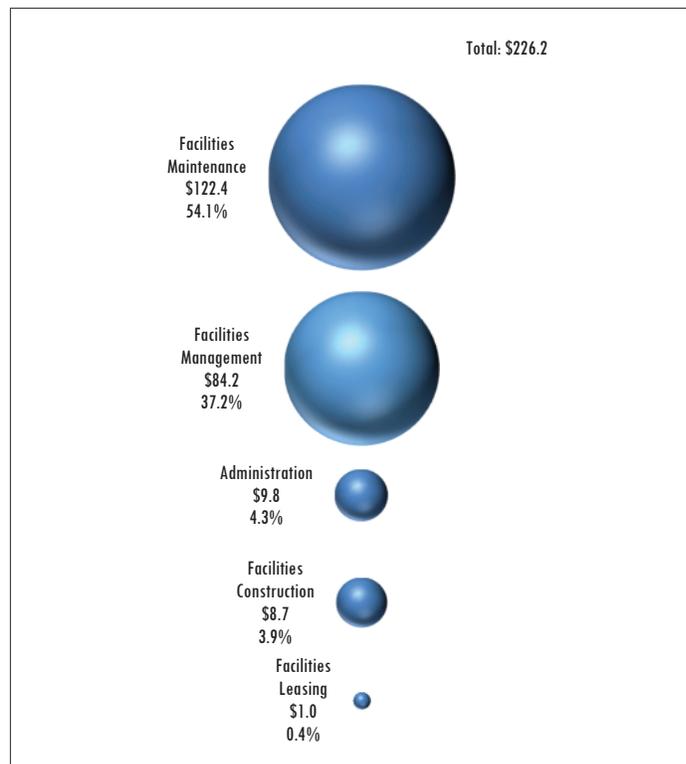
AUTHORIZING STATUTE: The Texas Government Code, Chapter 2152

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

FIGURE 66
TEXAS FACILITIES COMMISSION BY METHOD OF FINANCE

METHOD OF FINANCE	(IN MILLIONS)				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS
	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE	
General Revenue Funds	\$127.9	\$76.2	(\$51.8)	(40.5%)	2018 496.4 2019 496.4
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	\$144.7	(\$674.8)	(82.3%)	
Total, All Methods of Finance	\$1,170.1	\$226.2	(\$943.9)	(80.7%)	

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

Appropriations of **\$108.4 million in Other Funds from the Economic Stabilization Fund are provided for deferred maintenance projects**, Lyndon B. Johnson Building renovation, and G.J. Sutton Building redevelopment.

Appropriations include **\$9.5 million in General Revenue Funds for emergency repair projects**.

Appropriations of **Revenue Bond Proceeds decreased by \$767.7 million**, reflecting the 2016–17 biennial appropriation for new construction in the Capitol complex and North Austin.

SOURCE: Legislative Budget Board.

PUBLIC FINANCE AUTHORITY

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

ESTABLISHED: 1983

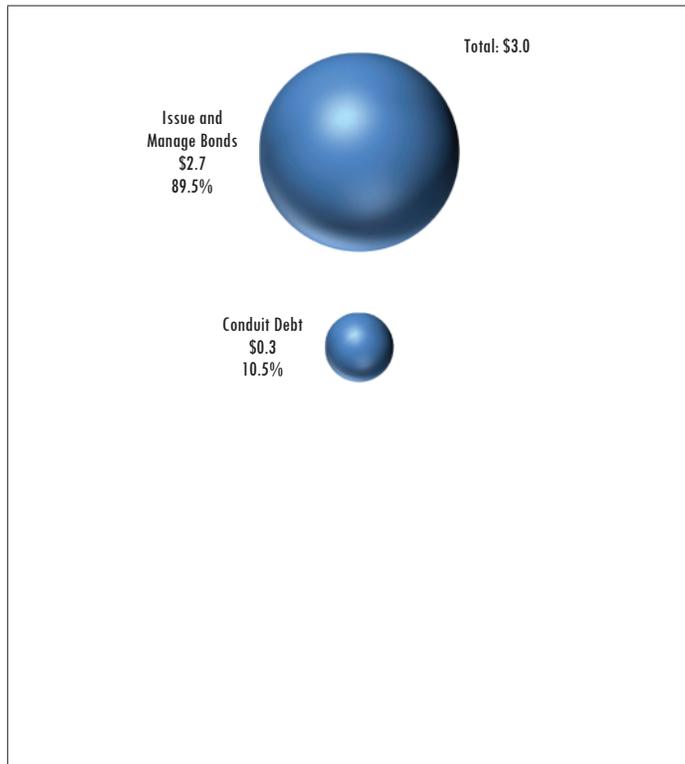
AUTHORIZING STATUTE: The Texas Government Code, §1232

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

FIGURE 67
PUBLIC FINANCE AUTHORITY BY METHOD OF FINANCE

METHOD OF FINANCE	(IN MILLIONS)				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$2.9	\$1.7	(\$1.1)	(40.1%)	2018	14.5
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	\$1.3	\$1.3	12,900.3%	2019	15.0
Total, All Methods of Finance	\$2.9	\$3.0	\$0.1	5.0%		

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

General Obligation (GO) bond debt totaled \$2.4 billion, with debt service payments totaling \$635.9 million for the 2018–19 biennium.

The agency approved 14 requests for financings, refundings, and cash defeasances during fiscal year 2017.

Of \$2.4 billion in outstanding GO bonds, \$1.1 billion, or 46.7 percent, is for bonds for the Cancer Prevention and Research Institute of Texas.

OFFICE OF THE GOVERNOR

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

ESTABLISHED: 1845

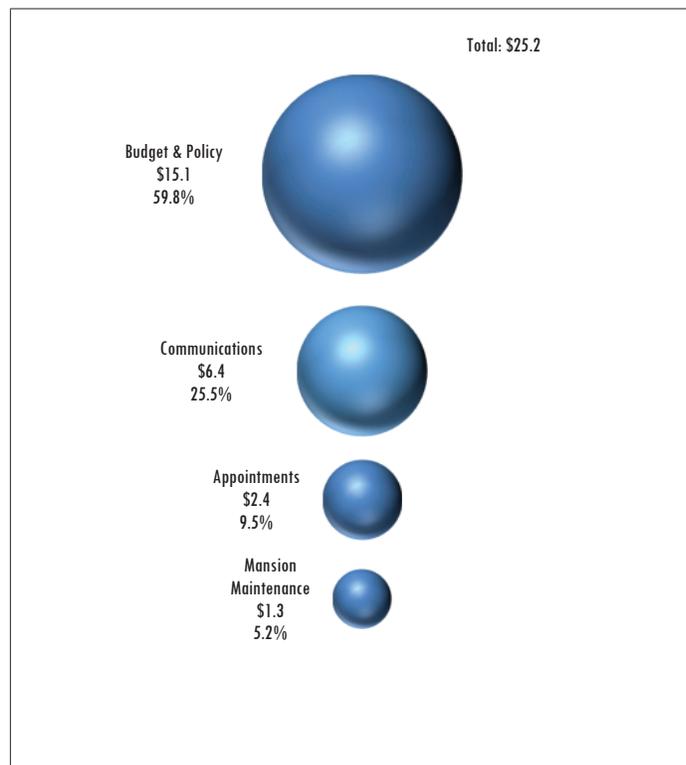
AUTHORIZING STATUTE: The Texas Constitution, Article IV

GOVERNANCE: Statewide elected official

FIGURE 68
OFFICE OF THE GOVERNOR BY METHOD OF FINANCE

METHOD OF FINANCE	(IN MILLIONS)				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$25.9	\$24.9	(\$1.1)	(4.1%)	2018 120.1	
General Revenue–Dedicated Funds	\$0.0	\$0.0	\$0.0	N/A		
Federal Funds	\$0.0	\$0.0	\$0.0	N/A		
Other Funds	\$0.5	\$0.3	(\$0.2)	(40.7%)		
Total, All Methods of Finance	\$26.5	\$25.2	(\$1.3)	(4.8%)	2019 120.1	

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

Budget and Policy Division funding of \$115.1 million includes **\$0.3 million related to the Texas Workforce Commission Investment Council**, which is funded through Interagency Contract.

Funding for the Office of the First Lady is \$0.5 million, or 8.2 percent of the communications program area.

The Governor made 346 appointments to various boards, commissions, and committees across the state during fiscal year 2017.

TRUSTEED PROGRAMS WITHIN THE OFFICE OF THE GOVERNOR

PURPOSE: The Truſteed Programs within the Office of the Governor are statewide programs that the chief executive’s office directly oversees. Programs include the Disaster Assistance Grants for ſtate agencies and local governments, the Film and Music Marketing Program, the Criminal Juſtice Division, the Economic Development and Tourism Division, the Texas Military Preparedness Commission, the Homeland Security Division, the Committee on People with Disabilities, the Commission for Women, and the Office of State–Federal Relations.

ESTABLISHED: 1845

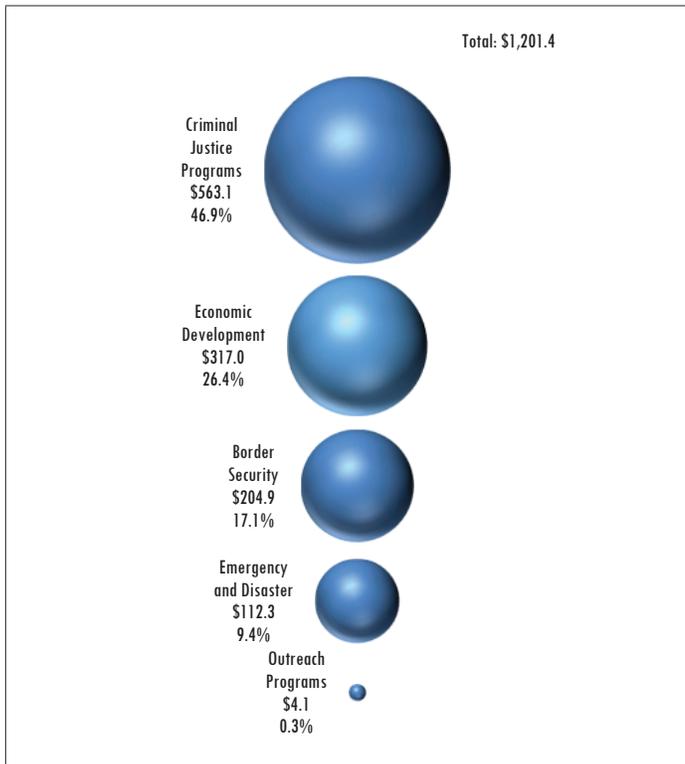
AUTHORIZING STATUTE: The Texas Constitution, Article IV

GOVERNANCE: Governor, statewide elected official

FIGURE 69
TRUSTEED PROGRAMS WITHIN THE OFFICE OF THE GOVERNOR BY METHOD OF FINANCE

(IN MILLIONS)					
METHOD OF FINANCE	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE	APPROPRIATED FULL-TIME- EQUIVALENT POSITIONS
General Revenue Funds	\$400.9	\$252.6	(\$148.3)	(37.0%)	
General Revenue–Dedicated Funds	\$288.3	\$186.9	(\$101.4)	(35.2%)	
Federal Funds	\$444.5	\$603.7	\$159.2	35.8%	2018 193.3
Other Funds	\$54.7	\$158.3	\$103.6	189.5%	
Total, All Methods of Finance	\$1,188.3	\$1,201.4	\$13.1	1.1%	2019 193.3

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



Source: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

Funding for **disaster assistance grants totals \$110.0 million in Other Funds from the Economic Stabilization Fund**, including \$10.0 million to be transferred to Tarleton State University for disaster recovery.

Funding of **\$317.0 million in All Funds establishes the Create Jobs and Promote Texas bill pattern strategy** for economic development programs.

Criminal Justice Division funding includes \$25.0 million for grants for bullet-resistant, personal body armor for law enforcement officers.

Funding for **Create Jobs and Promote Texas includes \$5.0 million** for the Spaceport Trust Fund.

Funding for the **Texas Military Preparedness Commission includes \$20.0 million** for grants to defense communities in Texas.

HISTORICAL COMMISSION

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

ESTABLISHED: 1953

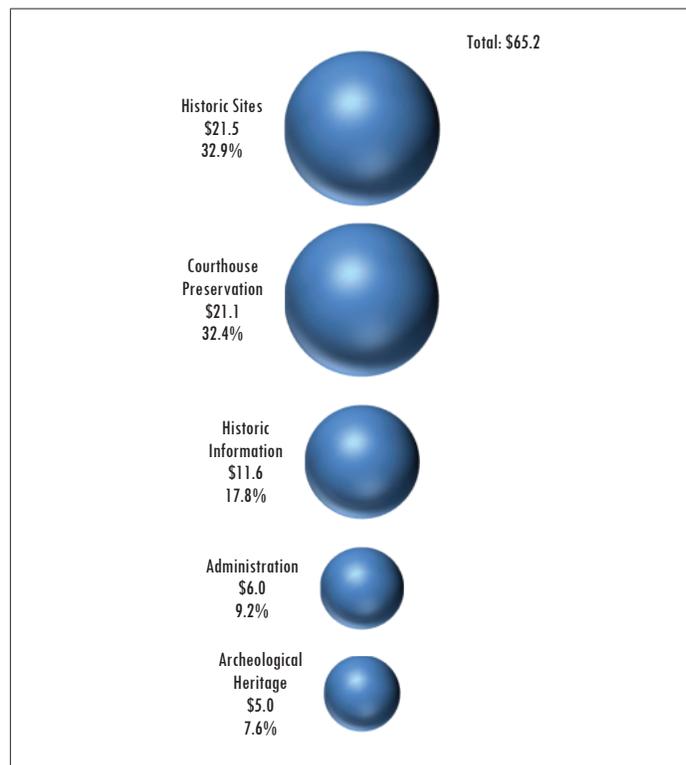
AUTHORIZING STATUTE: The Texas Government Code, Chapter 442

GOVERNANCE: Commission—15 members appointed by the Governor, with the advice and consent of the Senate

FIGURE 70
HISTORICAL COMMISSION BY METHOD OF FINANCE

METHOD OF FINANCE	(IN MILLIONS)				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$61.4	\$36.6	(\$24.8)	(40.4%)	2018	224.2
General Revenue–Dedicated Funds	\$0.5	\$0.5	(\$0.0)	(6.2%)		
Federal Funds	\$2.2	\$2.2	(\$0.1)	(2.5%)	2019	224.2
Other Funds	\$12.0	\$26.0	\$14.0	116.9%		
Total, All Methods of Finance	\$76.2	\$65.2	(\$10.9)	(14.4%)		

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

The **courthouse grant program** is funded with **\$20.2 million** in All Funds.

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

Appropriations of **\$1.8 million** are provided for deferred maintenance and safety renovations at the **Mission Delores** and other historic sites throughout the state.

Collections of **fees from historic sites totaling \$2.7 million** were transferred to the **National Museum of the Pacific War museum fund** outside the Treasury following the enactment of House Bill 1495, Eighty-fifth Legislature, Regular Session, 2017.

DEPARTMENT OF INFORMATION RESOURCES

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

ESTABLISHED: 1989

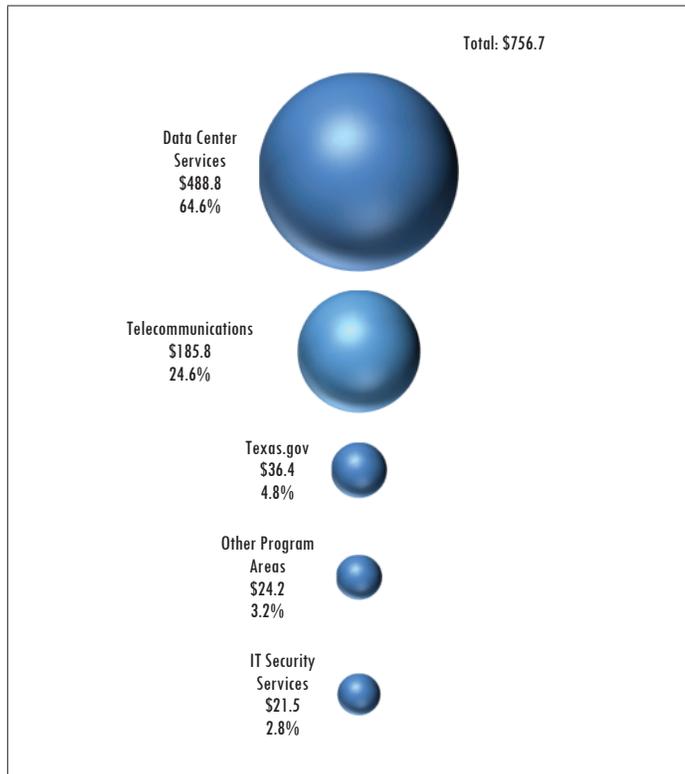
AUTHORIZING STATUTE: The Texas Government Code, §2054.004

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

FIGURE 71
DEPARTMENT OF INFORMATION RESOURCES BY METHOD OF FINANCE

METHOD OF FINANCE	(IN MILLIONS)				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$0.0	\$3.4	\$3.4	N/A	2018	198.0
General Revenue–Dedicated Funds	\$0.0	\$0.0	\$0.0	N/A		
Federal Funds	\$0.0	\$0.0	\$0.0	N/A	2019	198.0
Other Funds	\$670.4	\$753.3	\$82.8	12.4%		
Total, All Methods of Finance	\$670.4	\$756.7	\$86.2	12.9%		

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

Data Center Services appropriations increased by **\$29.5 million** for the estimated growth in usage of services by customer agencies and other entities.

Telecommunications program funding is increased by \$19.0 million, primarily due to estimated increases in customer usage of data and voice services and transition of the Capitol Complex Telephone System to a voice over Internet protocol platform.

Appropriations for the **Texas.gov state Internet portal** include **funding of \$35.2 million** in Other Funds from Texas.gov revenues, beginning in fiscal year 2019 to coincide with new contract service providers for the portal's services. Existing Texas.gov revenues are not included in previous fiscal years' funding levels.

Cybersecurity funding is increased by \$3.4 million in General Revenue Funds to provide additional **security assessments** and **vulnerability testing** services for agencies and institutions of higher education to comply with information security requirements in House Bill 8 and Senate Bill 1910, Eighty-fifth Legislature, Regular Session, 2017.

SOURCE: Legislative Budget Board.

LIBRARY AND ARCHIVES COMMISSION

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

ESTABLISHED: 1909

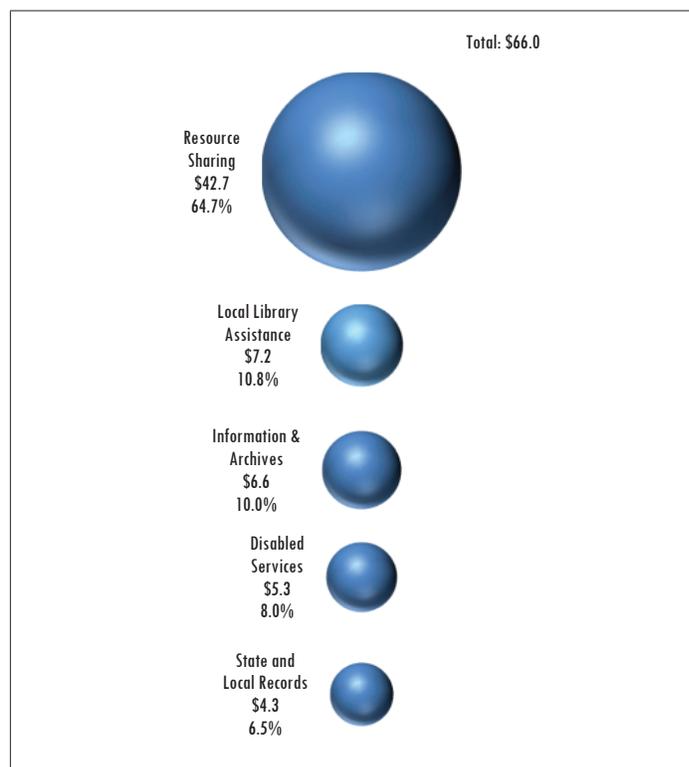
AUTHORIZING STATUTE: The Texas Government Code, Chapter 441

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

FIGURE 72
LIBRARY AND ARCHIVES COMMISSION BY METHOD OF FINANCE

METHOD OF FINANCE	(IN MILLIONS)				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS				
	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE					
General Revenue Funds	\$31.8	\$30.2	(\$1.6)	(4.9%)	<table border="1"> <tr> <td>2018</td> <td>169.5</td> </tr> <tr> <td>2019</td> <td>169.5</td> </tr> </table>	2018	169.5	2019	169.5
2018	169.5								
2019	169.5								
General Revenue–Dedicated Funds	\$0.0	\$0.0	\$0.0	N/A					
Federal Funds	\$20.7	\$20.8	\$0.1	0.5%					
Other Funds	\$12.5	\$15.0	\$2.5	19.8%					
Total, All Methods of Finance	\$65.0	\$66.0	\$1.0	1.6%					

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

Funding increased by \$1.0 million in Other Funds from the Economic Stabilization Fund for the **Federal E-rate Program** to leverage high-speed broadband to and within public libraries.

The **Texas Digital Archive** contains more than 25 terabytes of digital files and other files from former Governor Rick Perry and former Lieutenant Governor David Dewhurst. The **Texas Digital Archive is appropriated \$706,593** in General Revenue Funds and **3.0 full-time-equivalent positions**.

Texas, as the second-most populous state, receives the **second-largest allocation of Library Services and Technology Act federal funding**, which is used to improve the quality and accessibility of library services for all individuals.

PENSION REVIEW BOARD

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

ESTABLISHED: 1979

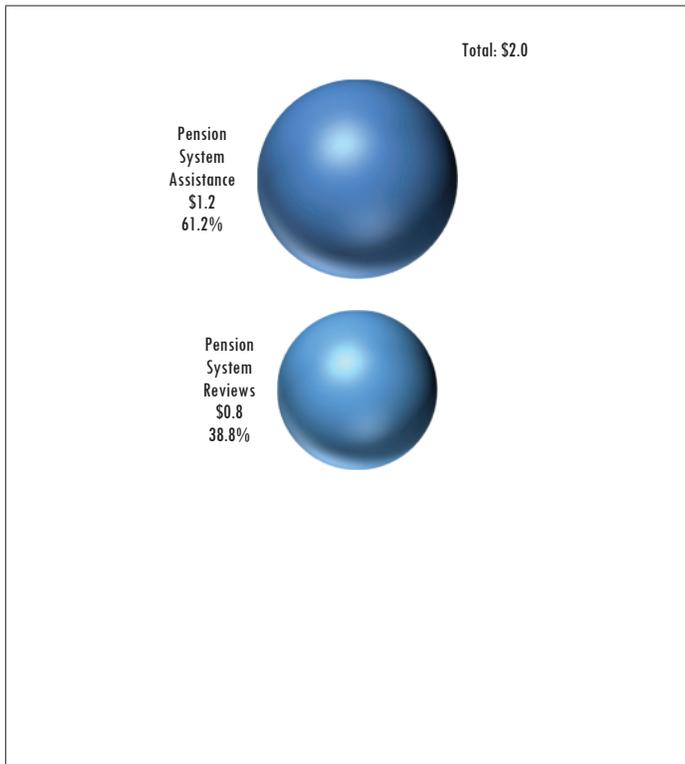
AUTHORIZING STATUTE: The Texas Government Code, §801.101

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

FIGURE 73
PENSION REVIEW BOARD BY METHOD OF FINANCE

METHOD OF FINANCE	(IN MILLIONS)				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$1.9	\$2.0	\$0.1	4.6%	2018 14.0	
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		
Total, All Methods of Finance	\$1.9	\$2.0	\$0.1	4.6%	2019 14.0	

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

The agency has oversight responsibility for **336 public retirement systems in Texas**: 94 actuarially funded, defined benefit plans; 161 defined contribution plans; and 81 pay-as-you-go, volunteer firefighter plans.

The **94 defined benefit plans** in Texas had approximately **\$241.0 billion** in total net assets, as of August 2017.

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

Appropriations include an additional **\$163,000 in General Revenue Funds** for salary increases and an online database portal.

PRESERVATION BOARD

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

ESTABLISHED: 1983

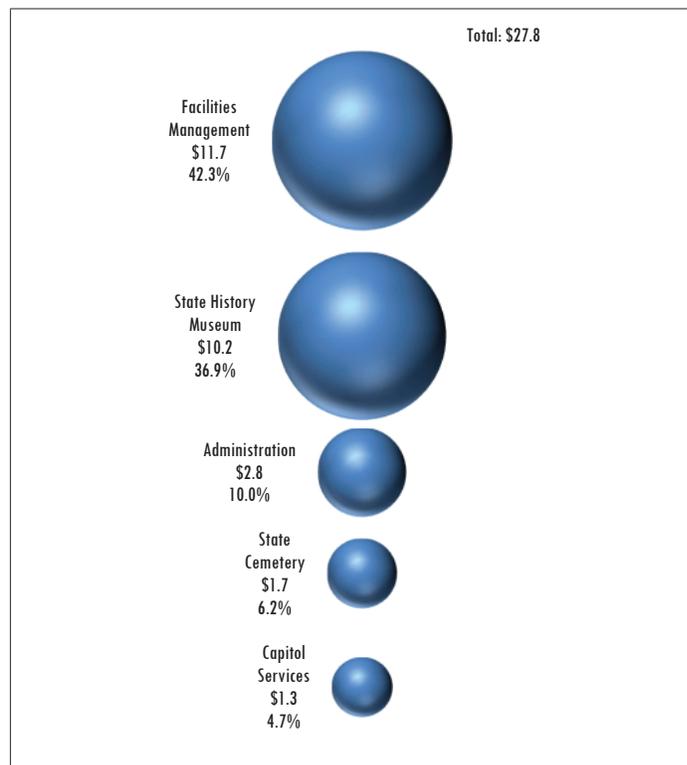
AUTHORIZING STATUTE: The Texas Government Code, Section 443.001

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

**FIGURE 74
PRESERVATION BOARD BY METHOD OF FINANCE**

(IN MILLIONS)					
METHOD OF FINANCE	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE	APPROPRIATED FULL-TIME- EQUIVALENT POSITIONS
General Revenue Funds	\$46.3	\$27.7	(\$18.5)	(40.1%)	
General Revenue–Dedicated Funds	\$0.0	\$0.0	\$0.0	N/A	
Federal Funds	\$0.0	\$0.0	\$0.0	N/A	2018 120.0
Other Funds	\$0.1	\$0.0	(\$0.1)	(67.1%)	2019 120.0
Total, All Methods of Finance	\$46.4	\$27.8	(\$18.6)	(40.2%)	

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

Repair projects for the Capitol and Capitol Extension are appropriated **\$4.7 million**, reflecting a decrease of \$10.3 million from the 2016–17 biennium.

Onetime funding items were decreased by \$6.2 million, including Capitol lawn monuments, State Cemetery improvements, and State History Museum IMAX theater improvements and education projects.

Decreases of \$0.9 million were made to housekeeping and maintenance contracts, including contract cost-containment measures.

STATE OFFICE OF RISK MANAGEMENT

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

ESTABLISHED: 1997

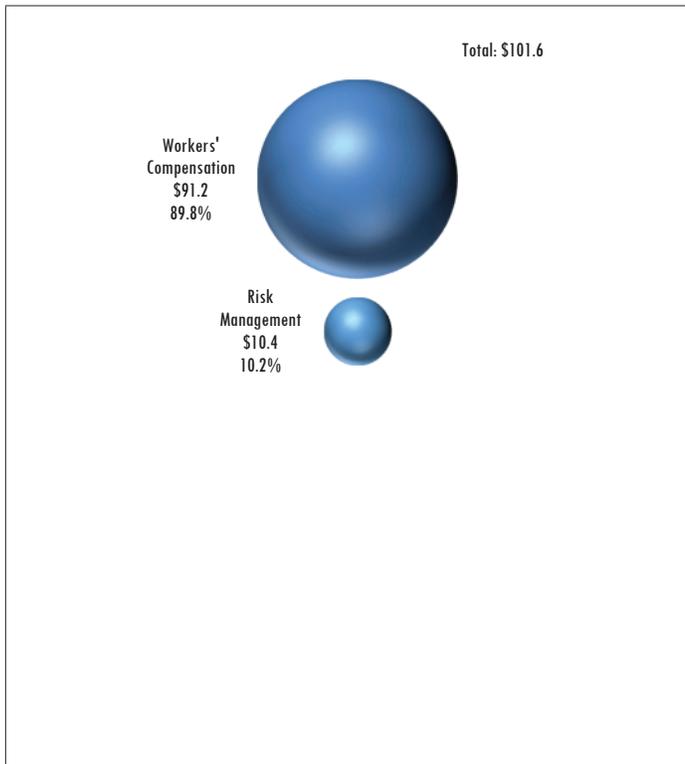
AUTHORIZING STATUTE: The Texas Labor Code, §412.011

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

FIGURE 75
STATE OFFICE OF RISK MANAGEMENT BY METHOD OF FINANCE

METHOD OF FINANCE	(IN MILLIONS)				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$0.0	\$0.0	\$0.0	N/A		
General Revenue–Dedicated Funds	\$0.0	\$0.0	\$0.0	N/A		
Federal Funds	\$0.0	\$0.0	\$0.0	N/A	2018	121.6
Other Funds	\$101.6	\$101.6	\$0.0	0.0%	2019	121.6
Total, All Methods of Finance	\$101.6	\$101.6	\$0.0	0.0%		

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

The agency expects to process approximately **90,000 medical bills** and more than **27,675 indemnity bills** during each fiscal year of the 2018–19 biennium.

The agency has paid approximately **\$449.5 million in medical and income benefits** since 2007. For the 2018–19 biennium, the agency estimates that it will pay approximately **\$39.8 million** each fiscal year.

The **number of injuries sustained** by state employees per 100.0 full-time-equivalent positions **has decreased from 4.0 injuries to 3.5 injuries** from fiscal years 2004 to 2017.

SECRETARY OF STATE

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

ESTABLISHED: 1845

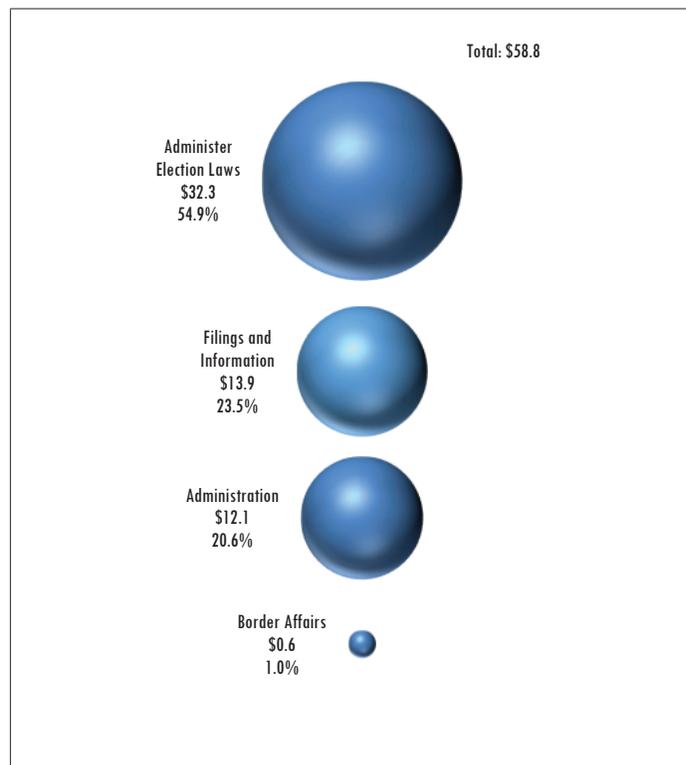
AUTHORIZING STATUTE: The Texas Constitution, Article IV, §21

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

**FIGURE 76
SECRETARY OF STATE BY METHOD OF FINANCE**

METHOD OF FINANCE	(IN MILLIONS)				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$44.3	\$41.2	(\$3.1)	(6.9%)	2018	205.0
General Revenue–Dedicated Funds	\$0.1	\$0.0	(\$0.1)	(85.0%)		
Federal Funds	\$4.6	\$2.9	(\$1.7)	(36.1%)		
Other Funds	\$15.9	\$14.7	(\$1.2)	(7.7%)		
Total, All Methods of Finance	\$64.8	\$58.8	(\$6.0)	(9.3%)	2019	203.0

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

Help America Vote Act (HAVA) funds are estimated to be **depleted by fiscal year 2019**, resulting in a decrease in Federal Funds appropriations. Texas was awarded \$190.0 million in federal HAVA funds for 2004.

Voter education programs are appropriated \$4.0 million in General Revenue Funds. These programs previously were funded by HAVA.

Appropriations total **\$12.8 million for 2018 primary election costs**, including poll workers. The agency expects to spend approximately **\$8.4 million** on the primary election and **\$4.5 million** on primary runoff elections.

Direct access to the **agency’s electronic databases** is provided to **904,942 individual government and commercial users**. Databases contain information related to business filings, voter registration, jury lists, and other important public records.

VETERANS COMMISSION

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

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

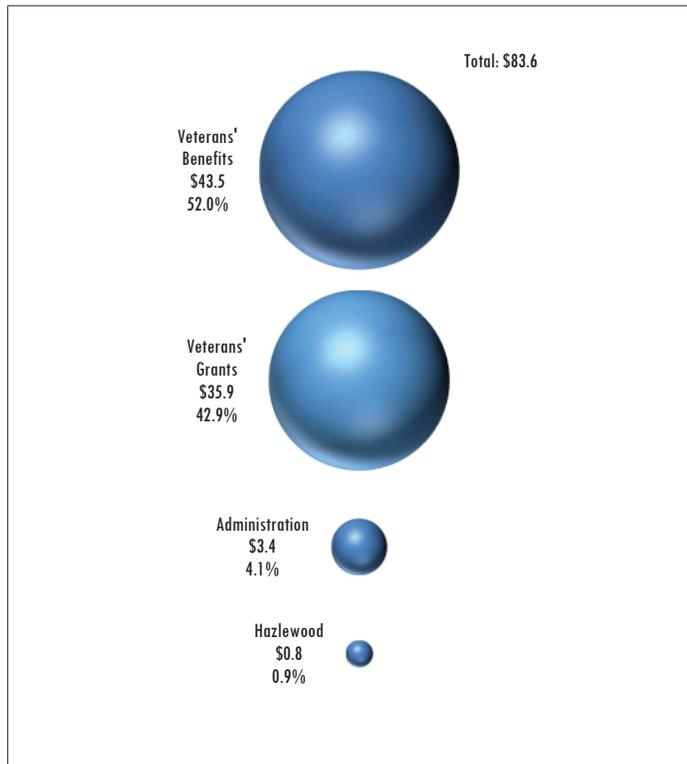
AUTHORIZING STATUTE: The Texas Government Code, Chapter 434

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

FIGURE 77
VETERANS COMMISSION BY METHOD OF FINANCE

METHOD OF FINANCE	(IN MILLIONS)				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$55.4	\$26.7	(\$28.7)	(51.8%)	2018 410.5	
General Revenue–Dedicated Funds	\$0.0	\$0.0	\$0.0	N/A		
Federal Funds	\$22.5	\$22.1	(\$0.4)	(1.7%)		
Other Funds	\$36.8	\$34.8	(\$1.9)	(5.3%)		
Total, All Methods of Finance	\$114.6	\$83.6	(\$31.0)	(27.1%)	2019 410.5	

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

The Health Care Advocacy Program for Veterans is appropriated \$1.6 million and 14.0 full-time-equivalent positions for the 2018–19 biennium to strategically place liaisons across the state to assist veterans with health-related issues.

Hazlewood Legacy Program funding of \$30.0 million in General Revenue Funds was transferred to the Permanent Fund Supporting Military and Veterans Exemptions, to combine all Hazlewood Legacy Program funding.

The agency is appropriated \$6.9 million in General Revenue Funds for behavioral health services, to provide training to coordinators and peers who work with veterans and their families to address military trauma issues and to provide grants to local nonprofit organizations that provide assistance or mental health services to veterans.

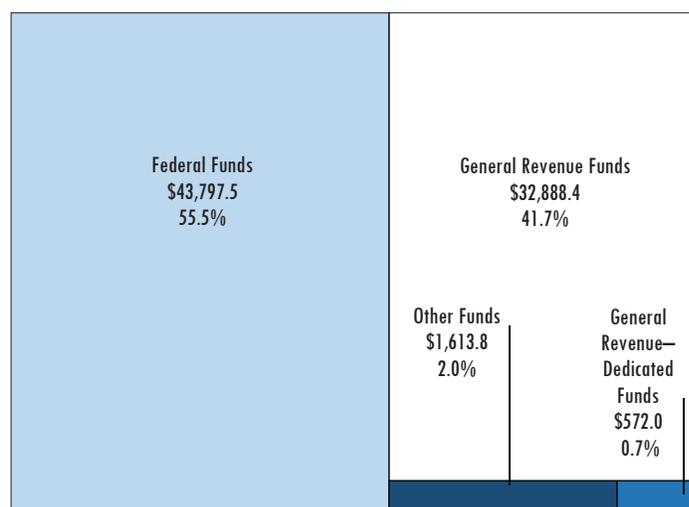
5. HEALTH AND HUMAN SERVICES

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

FIGURE 78
ARTICLE II – HEALTH AND HUMAN SERVICES, BY METHOD OF FINANCE

(IN MILLIONS)				
METHOD OF FINANCE	EXPENDED/BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	\$33,569.2	\$32,888.4	(\$680.7)	(2.0%)
General Revenue–Dedicated Funds	\$1,172.4	\$572.0	(\$600.4)	(51.2%)
Federal Funds	\$45,436.8	\$43,797.5	(\$1,639.4)	(3.6%)
Other Funds	\$693.9	\$1,613.8	\$919.9	132.6%
Total, All Methods of Finance	\$80,872.3	\$78,871.7	(\$2,000.6)	(2.5%)

SHARE OF FUNDING BY METHOD OF FINANCE (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

Medicaid funding totals \$61.8 billion in All Funds, including \$25.2 billion in General Revenue Funds and General Revenue–Dedicated Funds, a biennial decrease of \$2.5 billion in All Funds.

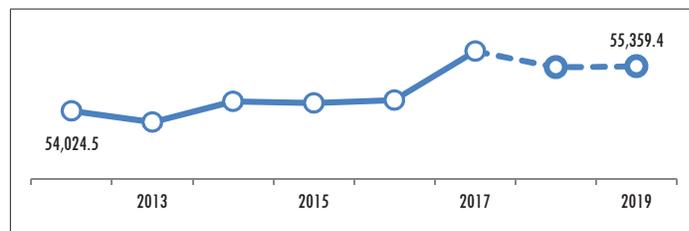
Funding for Child Protective Services totals \$3.5 billion in All Funds, an increase of \$494.2 million, and addresses entitlement caseload growth in foster care, adoption subsidies, and permanency care assistance.

The Children’s Health Insurance Program is appropriated \$2.0 billion in All Funds, an increase of \$169.3 million.

Funding includes \$366.3 million from the Economic Stabilization Fund for new construction, significant repair projects, and immediate maintenance at the state hospitals and other **inpatient mental health facilities**.

Pursuant to **House Bill 5, Eighty-fifth Legislature, Regular Session, 2017**, the Department of Family and Protective Services is no longer under the purview of the Health and Human Services Commission.

FULL-TIME-EQUIVALENT POSITIONS



NOTES: Excludes Interagency Contracts. Full-time-equivalent positions show actual positions for fiscal years 2012 to 2017 and appropriated positions for fiscal years 2018 and 2019. Includes changes due to: House Bill 2, Eighty-fifth Legislature, Regular Session, 2017; technical and/or reconciled adjustments; and the Governor’s vetoes.

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

DEPARTMENT OF FAMILY AND PROTECTIVE SERVICES

PURPOSE: Protect children, the elderly, and people with disabilities from abuse, neglect, and exploitation by involving clients, families, and communities.

ESTABLISHED: 2004

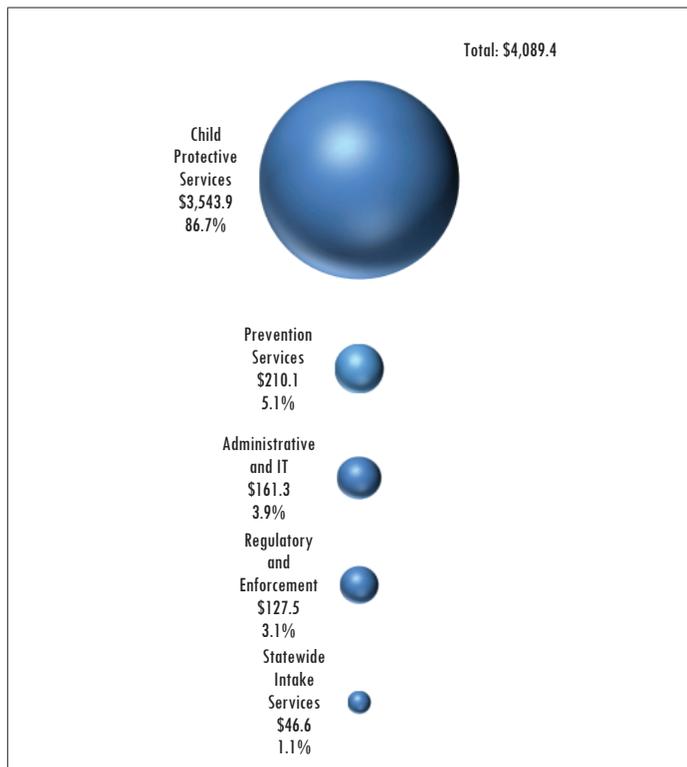
AUTHORIZING STATUTE: The Texas Human Resources Code, Title 2, Chapters 40, 42, and 48.

GOVERNANCE: Department of Family and Protective Services Commissioner, appointed by the Governor, with advice and consent of the Senate; Family and Protective Services Council – nine members of the public appointed by the Governor to assist with development of rules and policies

FIGURE 79
DEPARTMENT OF FAMILY AND PROTECTIVE SERVICES BY METHOD OF FINANCE

(IN MILLIONS)						
METHOD OF FINANCE	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE	APPROPRIATED FULL-TIME- EQUIVALENT POSITIONS	
General Revenue Funds	\$2,049.7	\$2,303.3	\$253.6	12.4%		
General Revenue–Dedicated Funds	\$11.4	\$11.4	\$0.0	0.0%		
Federal Funds	\$1,625.6	\$1,759.2	\$133.6	8.2%	2018	12,402.2
Other Funds	\$19.0	\$15.5	(\$3.5)	(18.5%)	2019	12,457.5
Total, All Methods of Finance	\$3,705.7	\$4,089.4	\$383.7	10.4%		

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

An increase of \$494.2 million in All Funds for **Child Protective Services** provides for funding to **increase rates** for foster care services providers, **additional caseworkers**, and to **expand Community-based Care** to three additional regions.

House Bill 5, Eighty-fifth Legislature, Regular Session, 2017, separates the Department of Family Protective Services from the Health and Human Services Commission and establishes it as a **stand-alone agency**.

House Bill 4, Eighty-fifth Legislature, Regular Session, 2017, authorizes the agency to pay **relative and other designated caregivers** up to 50 percent of the daily basic foster care rate for caregivers with income at or less than 300 percent of the federal poverty level.

A funding increase of \$33.0 million in All Funds for **Prevention Services** provides for increases in the **Project Healthy Outcomes through Prevention and Early Support, Community Youth Development, and Nurse Family Partnership** programs.

DEPARTMENT OF STATE HEALTH SERVICES

PURPOSE: To improve the health, safety, and well-being of Texans through good stewardship of public resources and a focus on core public health functions.

ESTABLISHED: 2004

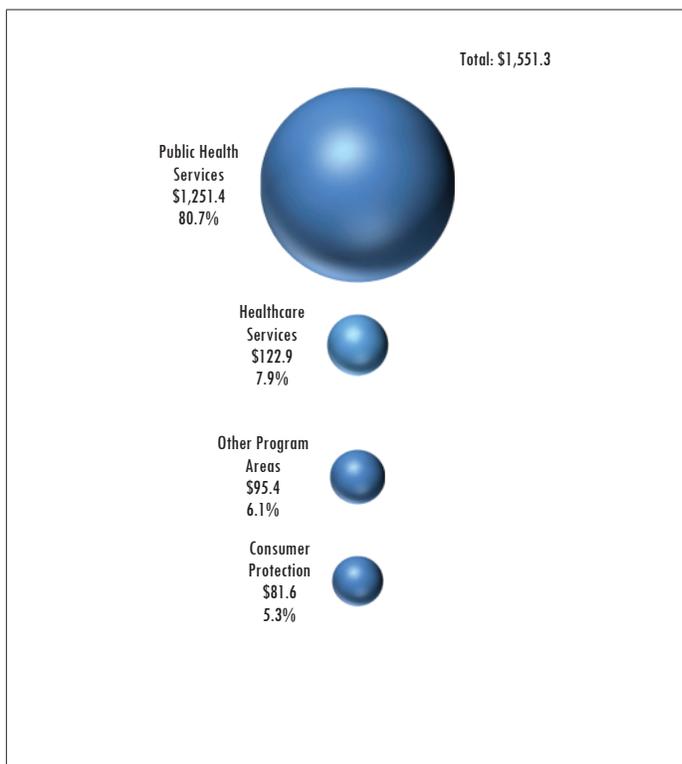
AUTHORIZING STATUTE: The Texas Human Resources Code, Chapter 1001

GOVERNANCE: Department of State Health Services Commissioner, appointed by the Health and Human Services Executive Commissioner, with the approval of the Governor

FIGURE 80
DEPARTMENT OF STATE HEALTH SERVICES BY METHOD OF FINANCE

METHOD OF FINANCE	(IN MILLIONS)				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$2,002.3	\$479.3	(\$1,523.0)	(76.1%)	2018	3,218.5
General Revenue–Dedicated Funds	\$875.5	\$327.8	(\$547.7)	(62.6%)		
Federal Funds	\$2,163.2	\$529.8	(\$1,633.4)	(75.5%)		
Other Funds	\$591.4	\$214.4	(\$377.0)	(63.8%)		
Total, All Methods of Finance	\$5,632.5	\$1,551.3	(\$4,081.2)	(72.5%)	2019	3,218.5

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

Appropriations reflect a decrease of \$3.8 billion in All Funds due to **transfer of certain programs to the Health and Human Services Commission** pursuant to Senate Bill 200, Eighty-fourth Legislature, 2015.

Appropriations include \$203.3 million in General Revenue–Dedicated Funds Account No. 5111 for transfer to the Health and Human Services Commission for **safety-net and trauma hospital add-on payments**.

Appropriations include \$1.2 million in General Revenue Funds to **add testing for X-ALD to the newborn screening panel** and \$1.4 million from the Economic Stabilization Fund for **repair and renovation of the Texas Center for Infectious Disease**.

House Bill 280, Eighty-fifth Legislature, Regular Session, 2017, established a **grant program for reducing workplace violence against nurses** to be administered by the Nursing Resources Section of the Health Professions Resources Center.

HEALTH AND HUMAN SERVICES COMMISSION

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

ESTABLISHED: 1991

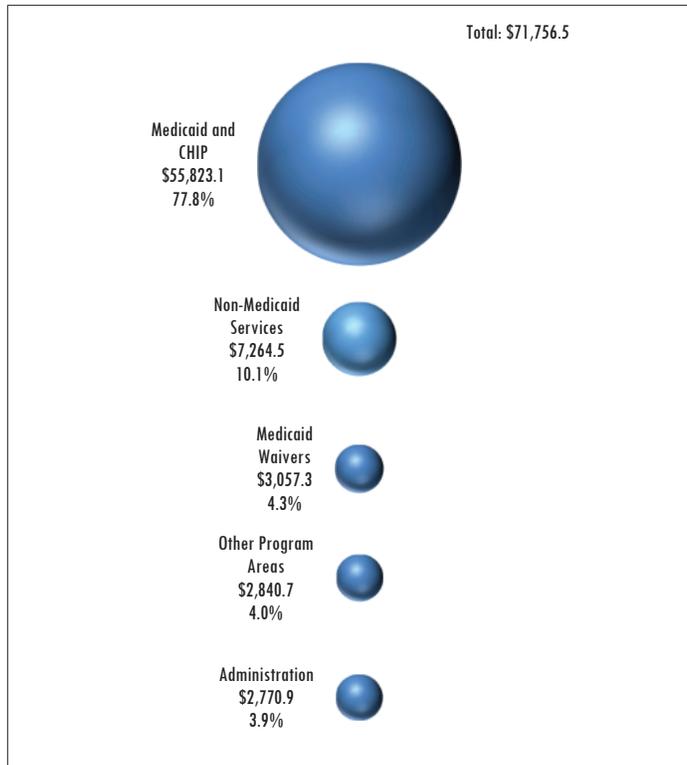
AUTHORIZING STATUTE: The Texas Government Code, §531.002

GOVERNANCE: Health and Human Services Executive Commissioner, appointed by the Governor, with advice and consent of the Senate; the Health and Human Services Council assists with system oversight

FIGURE 81
HEALTH AND HUMAN SERVICES COMMISSION BY METHOD OF FINANCE

(IN MILLIONS)					
METHOD OF FINANCE	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE	APPROPRIATED FULL-TIME- EQUIVALENT POSITIONS
General Revenue Funds	\$28,074.5	\$28,496.4	\$421.9	1.5%	
General Revenue–Dedicated Funds	\$256.0	\$216.7	(\$39.3)	(15.4%)	
Federal Funds	\$41,031.7	\$40,899.2	(\$132.5)	(0.3%)	2018 39,709.3
Other Funds	\$1,338.3	\$2,144.1	\$805.8	60.2%	
Total, All Methods of Finance	\$70,700.5	\$71,756.5	\$1,056.0	1.5%	2019 39,683.4

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

Appropriations include an increase of **\$3.9 billion** to fund certain client service, facility, and regulatory functions transferred from the Department of State Health Services and the Department of Family and Protective Services during fiscal year 2017 or fiscal year 2018 pursuant to Senate Bill 200, Eighty-fourth Legislature, 2015.

Total **Medicaid** funding decreased by **\$2.5 billion**, including \$1.0 billion in projected savings for Medicaid cost-containment initiatives.

Appropriations include **\$458.6 million** from the **Economic Stabilization Fund** for new construction and significant repair of state hospitals, and for deferred maintenance of state hospitals and State Supported Living Centers.

Appropriations for **Behavioral Health** include **\$37.5 million** to reduce recidivism and incarceration rates among individuals with a serious mental illness, and **\$30.0 million** to establish a grant program to support community mental health programs.

NOTE: Expended/Budgeted amounts for the 2016–17 biennium reflect historical funding for programs that transferred to the Health and Human Services Commission from the Department of Aging and Disability Services and the Department of Assistive and Rehabilitative Services pursuant to Senate Bill 200, Eighty-fourth Legislature, 2015. Both agencies were abolished during the 2016–17 biennium.

SOURCE: Legislative Budget Board.

6. AGENCIES OF EDUCATION

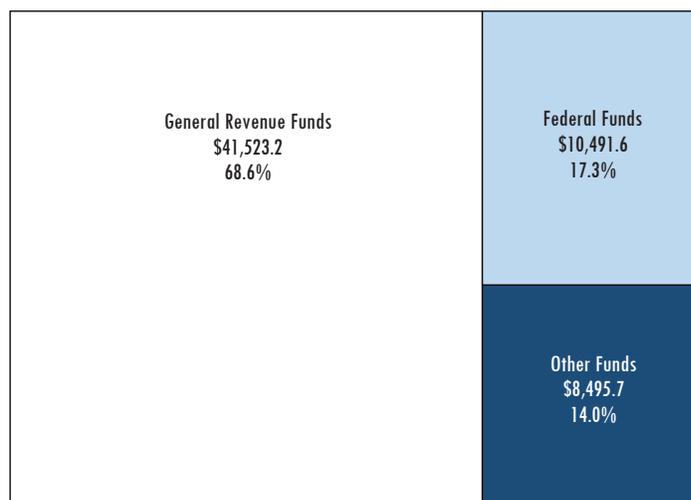
PUBLIC EDUCATION

Public education receives the largest proportion of General Revenue Funds of all functions in Texas state government, receiving 38.9 percent of all 2018–19 General Revenue Funds appropriations. The largest public education agency, the Texas Education Agency (TEA), is responsible for supporting and distributing funding to school districts and charter schools throughout the state. The public education system serves approximately 5.5 million students enrolled in 8,096 campuses located in 1,023 districts, and 675 charter school campuses. The public education function also includes the Teacher Retirement System, the Optional Retirement Program, Texas School for the Blind and Visually Impaired, and Texas School for the Deaf.

FIGURE 82
ARTICLE III – AGENCIES OF EDUCATION—PUBLIC EDUCATION, BY METHOD OF FINANCE

METHOD OF FINANCE	(IN MILLIONS)			
	EXPENDED/BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	\$41,593.5	\$41,523.2	(\$70.3)	(0.2%)
General Revenue–Dedicated Funds	\$0.0	\$0.0	\$0.0	N/A
Federal Funds	\$10,217.9	\$10,491.6	\$273.7	2.7%
Other Funds	\$7,084.4	\$8,495.7	\$1,411.3	19.9%
Total, All Methods of Finance	\$58,895.8	\$60,510.4	\$1,614.7	2.7%

SHARE OF FUNDING BY METHOD OF FINANCE (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

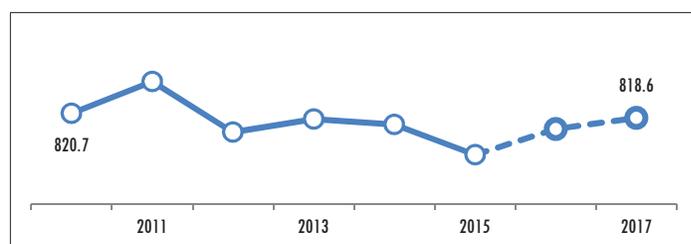
Foundation School Program (FSP) appropriations total \$43.0 billion in All Funds, an increase of \$584.6 million. Appropriations include a **\$300.0 million distribution from the Permanent School Fund to the Available School Fund** authorized by the School Land Board.

Appropriations of General Revenue Funds for FSP are **\$433.5 million greater than the amount estimated to be required to fund pre-existing current law obligations**, and include **\$150.0 million in hardship grants** for districts that otherwise would experience a significant revenue loss.

Non-FSP programs and administration appropriations at TEA total \$1,842.5 million, a biennial decrease of \$251.3 million, and fund new programs, including E-Rate Classroom Connectivity and Autism and Dyslexia Grants. Funding is not included for the High Quality Prekindergarten Grant or Supplemental Prekindergarten Funding.

House Bill 3976, Eighty-fifth Legislature, Regular Session, 2017, significantly reformed **TRS–Care**, the healthcare program for retired teachers. The program **receives \$1.2 billion in General Revenue Funds, a biennial increase of \$628.7 million.**

FULL-TIME-EQUIVALENT POSITIONS



NOTES:

- (1) Excludes Interagency Contracts.
- (2) Funding for the Optional Retirement Program and the Teacher Retirement System functions pertaining to higher education is not included; that data is included in Figure 165.
- (3) Full-time-equivalent positions show actual positions for fiscal years 2012 to 2017 and appropriated positions for fiscal years 2018 and 2019.

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

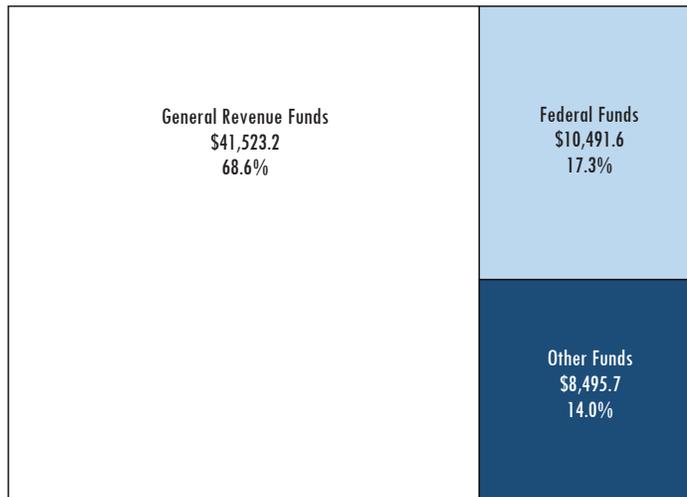
HIGHER EDUCATION

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

FIGURE 83
ARTICLE III – AGENCIES OF EDUCATION—HIGHER EDUCATION, BY METHOD OF FINANCE

METHOD OF FINANCE	(IN MILLIONS)			
	EXPENDED/BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	\$14,689.6	\$14,936.6	\$247.0	1.7%
General Revenue–Dedicated Funds	\$2,913.0	\$2,869.2	(\$43.8)	(1.5%)
Federal Funds	\$279.3	\$275.7	(\$3.6)	(1.3%)
Other Funds	\$2,362.4	\$2,406.1	\$43.7	1.9%
Total, All Methods of Finance	\$20,244.3	\$20,487.6	\$243.3	1.2%

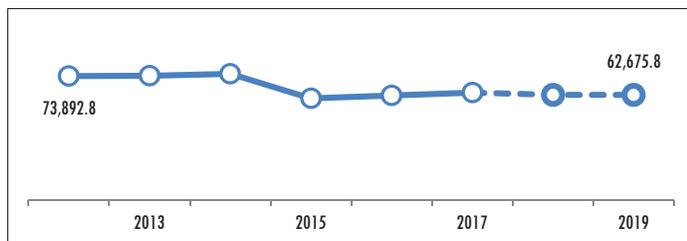
SHARE OF FUNDING BY METHOD OF FINANCE (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

- Higher education formulas are supported by **\$7.2 billion** in General Revenue Funds, a decrease of **\$2.9 million** from the 2016–17 biennium.
- Appropriations include **\$859.8 million in General Revenue Funds** for non-formula support items at all institutions of higher education, a decrease of **\$244.9 million** from the 2016–17 biennium.
- Appropriations include **\$175.9 million in hold harmless funding** for various institutions of higher education.
- Higher Education Coordinating Board appropriations for the **TEXAS Grants program** total **\$786.5 million**, which includes an increase of **\$71.5 million** in General Revenue Funds.
- Appropriations include **\$243.4 million** to support research to institutions through the **Texas Research University Fund, the Core Research Support Fund, and the Comprehensive Research Fund**.

FULL-TIME-EQUIVALENT POSITIONS



NOTES:

- (1) Excludes Interagency Contracts.
 - (2) Funding for the Optional Retirement Program and the Teacher Retirement System functions pertaining to higher education is included.
 - (3) Full-time-equivalent positions show actual positions for fiscal years 2012 to 2017 and appropriated positions for fiscal years 2018 and 2019.
- SOURCES: Legislative Budget Board; State Auditor’s Office.

TEXAS EDUCATION AGENCY

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

ESTABLISHED: 1949

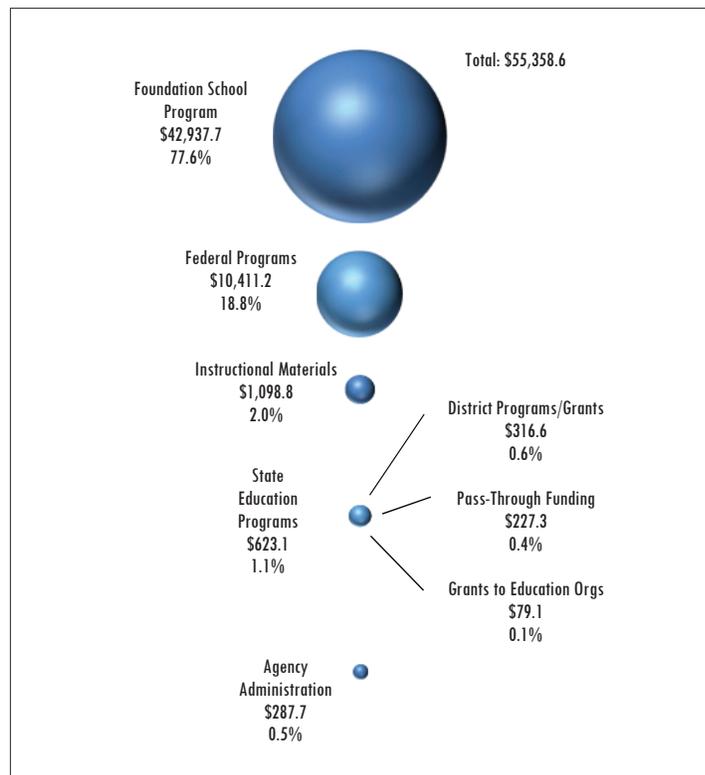
AUTHORIZING STATUTE: The Texas Education Code, Chapters 1–46

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

FIGURE 84
TEXAS EDUCATION AGENCY BY METHOD OF FINANCE

METHOD OF FINANCE	(IN MILLIONS)				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$37,649.7	\$36,615.1	(\$1,034.6)	(2.7%)	2018	881.0
General Revenue–Dedicated Funds	\$0.0	\$0.0	\$0.0	N/A		
Federal Funds	\$10,187.2	\$10,467.2	\$280.0	2.7%	2019	885.0
Other Funds	\$6,883.3	\$8,276.2	\$1,392.9	20.2%		
Total, All Methods of Finance	\$54,720.3	\$55,358.6	\$638.3	1.2%		

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

All Funds appropriations for the Foundation School Program (FSP) total \$42,937.7 million, an increase of \$584.6 million. General Revenue Funds appropriations include \$433.5 million greater than the amount estimated to be necessary to fund pre-existing current law obligations.

Appropriations of Federal Funds total \$10,467.2 million, an increase of \$280.0 million. Funding supports Special Education Basic State Grants, Child Nutrition Grants, and other federal education programs.

Non-FSP programs and administration appropriations total \$1,842.5 million, a decrease of \$251.3 million, and fund several new programs, including E-rate Classroom Connectivity and Autism and Dyslexia Grants. Funding is not included for the High Quality Prekindergarten Grant or for Supplemental Prekindergarten Funding.

Technology and instructional materials funding totals \$1,098.8 million, a decrease of \$65.0 million compared to the 2016–17 biennium, which includes unexpended balances from the 2014–15 biennium. Funding equals the 2016–17 biennial appropriation increased by 1.7 percent annually for student growth.

TEXAS SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED

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

ESTABLISHED: 1856

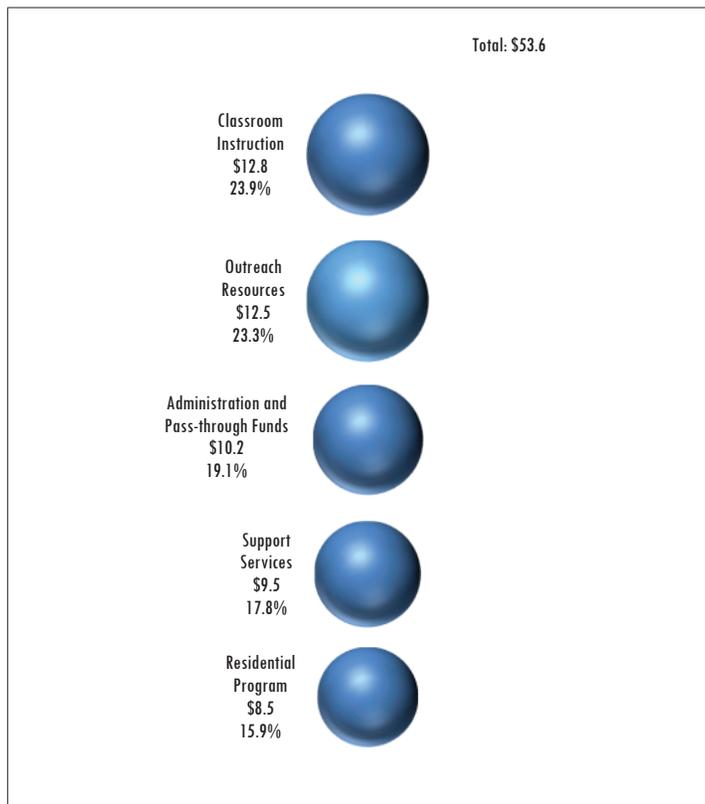
AUTHORIZING STATUTE: The Texas Education Code, Chapter 30, Subchapter B

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

FIGURE 85
TEXAS SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED BY METHOD OF FINANCE

METHOD OF FINANCE	(IN MILLIONS)				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$30.4	\$31.3	\$0.9	3.0%	2018 371.5	
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	\$17.8	\$6.8	61.3%		
Total, All Methods of Finance	\$52.2	\$53.6	\$1.4	2.7%		2019 376.5

INSTITUTION PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

Appropriations include an increase of \$1.4 million in All Funds and 5.0 full-time-equivalent positions for fiscal year 2018 and 9.0 positions for fiscal year 2019 to meet growing service demands, modernize accounting systems, and provide for new facility construction at the school.

Funding includes \$2.0 million in pass-through Other Funds from the Economic Stabilization Fund to construct a new Residential Administration and Weekends Home Transportation Facility. These funds will be transferred to the Texas Facilities Commission to implement the construction.

Funding reflects a decrease in Federal Funds of \$5.7 million and a corresponding increase in Other Funds to account more accurately for appropriations from each method of finance.

Funding includes \$0.1 million for professional salary increases due to a 1.5 percent pay raise adopted by the Austin Independent School District (ISD) for the 2017–18 school year. Statute requires salaries to align with those of Austin ISD.

SOURCE: Legislative Budget Board.

TEXAS SCHOOL FOR THE DEAF

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

ESTABLISHED: 1856

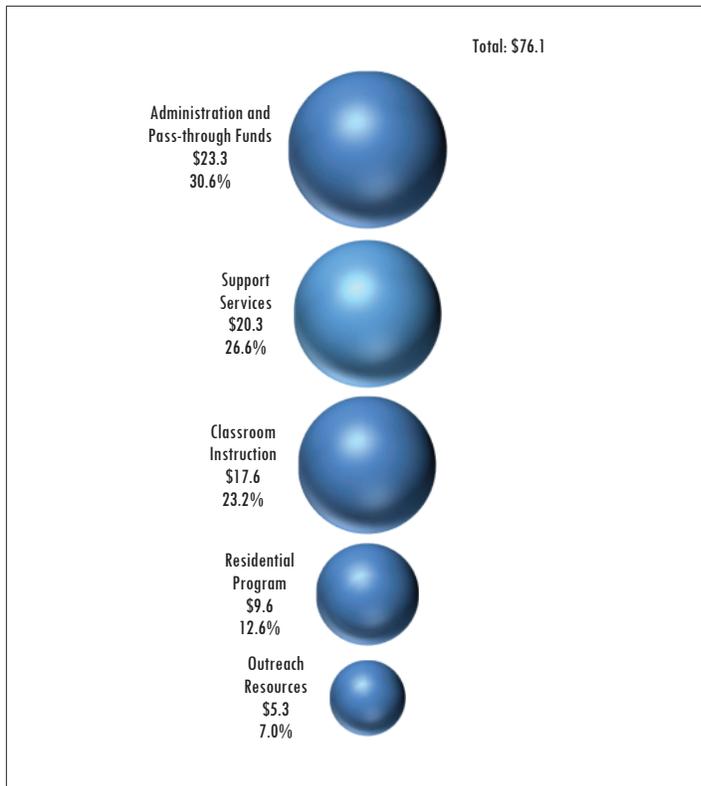
AUTHORIZING STATUTE: The Texas Education Code, Chapter 30, Subchapter C

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

FIGURE 86
TEXAS SCHOOL FOR THE DEAF BY METHOD OF FINANCE

(IN MILLIONS)					APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
METHOD OF FINANCE	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$36.6	\$37.3	\$0.6	1.7%	2018	442.1
General Revenue–Dedicated Funds	\$0.0	\$0.0	\$0.0	N/A		
Federal Funds	\$4.3	\$2.8	(\$1.5)	(35.1%)	2019	442.1
Other Funds	\$18.9	\$36.1	\$17.2	90.7%		
Total, All Methods of Finance	\$59.9	\$76.1	\$16.3	27.2%		

INSTITUTION PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

Appropriations include an increase of \$16.3 million in All Funds and 8.5 full-time-equivalent positions to construct new facilities, provide for growing service demands, offset expiring unexpended balances, and modernize accounting and data systems.

Funding includes \$14.6 million in pass-through Other Funds from the Economic Stabilization Fund to construct a new Toddler Learning Center and Central Services Center. These funds will be transferred to the Texas Facilities Commission to implement the construction.

Funding reflects a decrease in Federal Funds of \$1.5 million and a corresponding increase in Other Funds to account more accurately for appropriations from each method of finance.

Funding includes \$0.1 million for professional salary increases due to a 1.5 percent raise adopted by the Austin Independent School District (ISD) for the 2017–18 school year. Statute requires salaries align with those of Austin ISD.

Source: Legislative Budget Board.

TEACHER RETIREMENT SYSTEM

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

ESTABLISHED: 1937

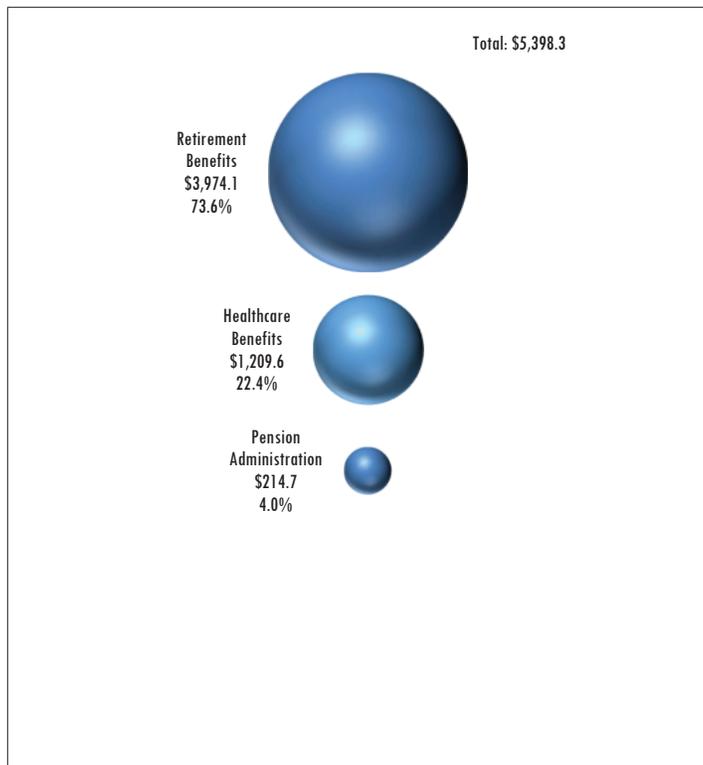
AUTHORIZING STATUTE: The Texas Government Code, Chapters 821–825

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

FIGURE 87
TEACHER RETIREMENT SYSTEM BY METHOD OF FINANCE

METHOD OF FINANCE	(IN MILLIONS)				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$4,127.4	\$5,078.0	\$950.5	23.0%	2018 524.3	
General Revenue–Dedicated Funds	\$86.4	\$97.5	\$11.1	12.8%		
Federal Funds	\$0.0	\$0.0	\$0.0	N/A		
Other Funds	\$221.4	\$222.9	\$1.6	0.7%		
Total, All Methods of Finance	\$4,435.2	\$5,398.3	\$963.2	21.7%	2019 524.3	

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

TRS-Care funding is increased to \$1.2 billion in General Revenue Funds for the 2018–19 biennium, an increase of \$628.7 million from the 2016–17 biennial funding level, in addition to increased funding from school districts of approximately \$133.9 million for the 2018–19 biennium.

TRS-Care, the retiree healthcare program, was reformed significantly, including the elimination of the statutory requirement for a no-cost basic plan, increased premiums and deductibles, mandatory new plans, and reduced benefits for some members.

The retirement system's state contribution rate is 6.8 percent of employee payroll for the 2018–19 biennium. Appropriations are estimated with a settle-up at the end of each fiscal year. The employee contribution rate is 7.7 percent.

The pension trust fund is 80.5 percent funded, with an unfunded actuarial accrued liability of \$35.5 billion, an amortization period of 32.2 years, and a market value of \$146.1 billion as of August 31, 2017.

NOTE: Administrative appropriations reflect only expenditures associated with the Pension Trust Fund and exclude administrative expenses associated with TRS-Care, TRS-ActiveCare, and the 403(b) program, which are paid from trust funds or accounts associated with those programs and are not part of the appropriations process.

SOURCE: Legislative Budget Board.

OPTIONAL RETIREMENT PROGRAM

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

ESTABLISHED: 1967

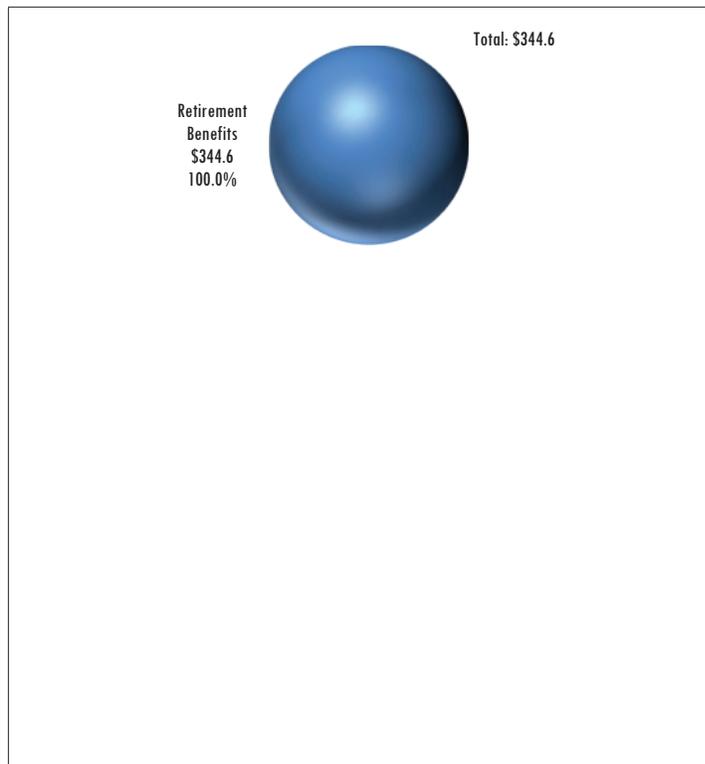
AUTHORIZING STATUTE: The Texas Government Code, Chapter 830

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

FIGURE 88
OPTIONAL RETIREMENT PROGRAM BY METHOD OF FINANCE

METHOD OF FINANCE	(IN MILLIONS)				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$254.1	\$245.8	(\$8.3)	(3.3%)	2018	0.0
General Revenue–Dedicated Funds	\$80.3	\$98.8	\$18.5	23.1%		
Federal Funds	\$0.0	\$0.0	\$0.0	N/A		
Other Funds	\$0.0	\$0.0	\$0.0	N/A		
Total, All Methods of Finance	\$334.4	\$344.6	\$10.2	3.1%		

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

The **state contribution rate** is **6.6 percent** of employee compensation for the 2018–19 biennium. Schools may contribute additional amounts up to the 8.5 percent statutory cap. The employee contribution rate is 6.65 percent.

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

SOURCE: Legislative Budget Board.

HIGHER EDUCATION COORDINATING BOARD

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

ESTABLISHED: 1965

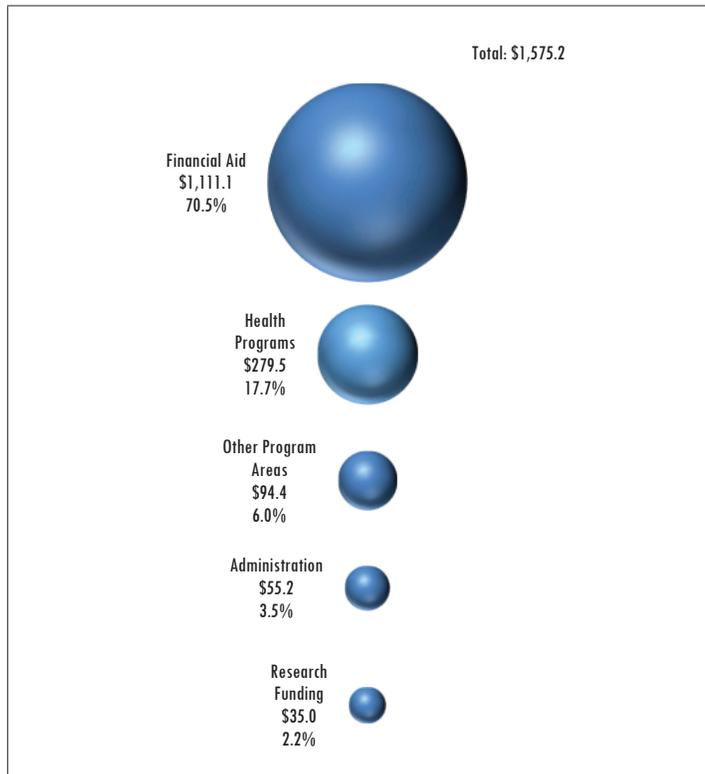
AUTHORIZING STATUTE: The Texas Education Code, §61.021

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

**FIGURE 89
HIGHER EDUCATION COORDINATING BOARD BY METHOD OF FINANCE**

METHOD OF FINANCE	(IN MILLIONS)				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$1,456.8	\$1,396.9	(\$59.9)	(4.1%)	2018	264.9
General Revenue–Dedicated Funds	\$123.5	\$45.3	(\$78.2)	(63.3%)		
Federal Funds	\$66.5	\$60.8	(\$5.7)	(8.6%)		
Other Funds	\$59.4	\$72.2	\$12.8	21.6%		
Total, All Methods of Finance	\$1,706.2	\$1,575.2	(\$131.0)	(7.7%)	2019	264.9

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

Appropriations for the **TEXAS Grant program**, which supports students attending public universities, total **\$786.5 million**, an increase of **\$71.5 million** in General Revenue Funds.

Appropriations for the **TEG Grant program**, which supports students attending private universities, total **\$171.8 million**, a decrease of **\$20.5 million** in General Revenue Funds.

Appropriations for the **Graduate Medical Education Expansion Program**, which supports residency training, total **\$97.1 million**, an increase of **\$44.1 million**.

Appropriations for the **Texas Research Incentive Program**, which matches certain gifts at emerging research universities, total **\$35.0 million**, which is a decrease of **\$103.1 million**.

GENERAL ACADEMIC INSTITUTIONS

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

ESTABLISHED: Various

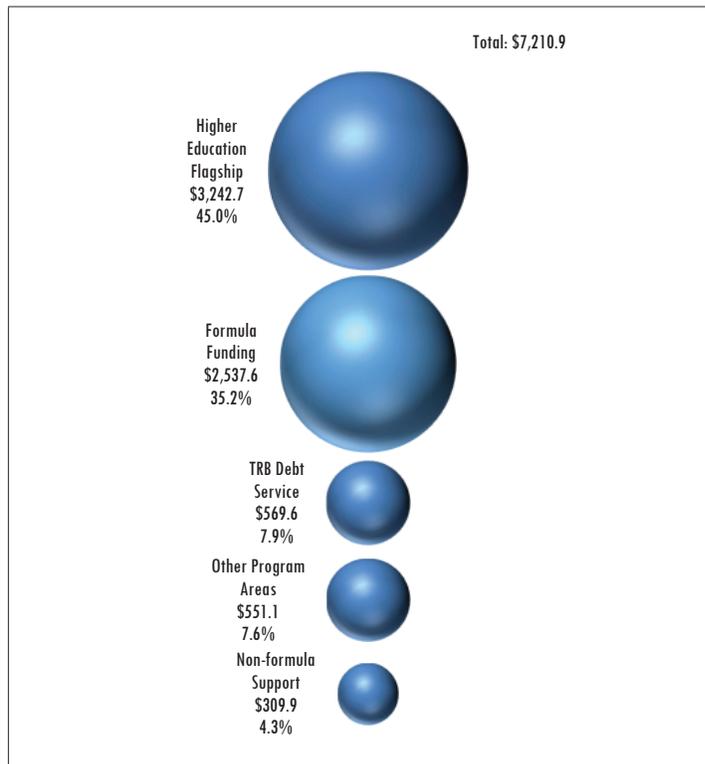
AUTHORIZING STATUTE: The Texas Education Code, Chapters 65–111

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

FIGURE 90
GENERAL ACADEMIC INSTITUTIONS BY METHOD OF FINANCE

METHOD OF FINANCE	(IN MILLIONS)				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$4,965.4	\$5,010.5	\$45.1	0.9%	2018 43,182.0 2019 43,182.0	
General Revenue–Dedicated Funds	\$2,181.2	\$2,193.6	\$12.4	0.6%		
Federal Funds	\$17.8	\$6.8	(\$11.0)	(61.8%)		
Other Funds	\$0.0	\$0.0	\$0.0	N/A		
Total, All Methods of Finance	\$7,164.4	\$7,210.9	\$46.5	0.6%		

INSTITUTION PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

Formula Funding increased by **\$75.4 million**, or 1.6 percent, in All Funds.

Appropriations provide an **increase of \$142.0 million** to annualize the debt service on the **tuition revenue bonds** authorized by the Eighty-fourth Legislature, 2015, for the general academic institutions.

Non-formula support decreased by **\$158.4 million** in General Revenue Funds from the 2016–17 biennium.

NOTE: TRB=Tuition Revenue Bond.
SOURCE: Legislative Budget Board.

HEALTH RELATED INSTITUTIONS

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

ESTABLISHED: 1891–2013

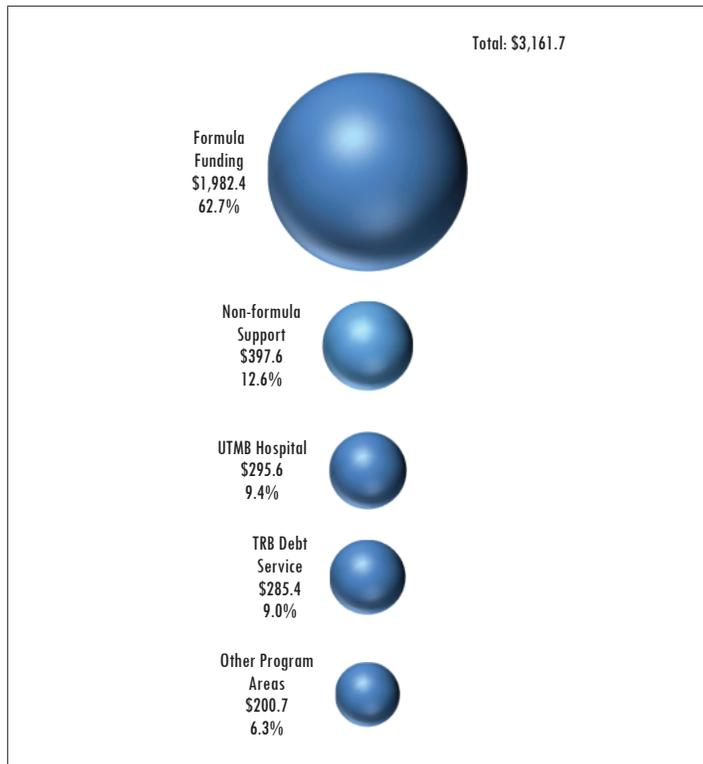
AUTHORIZING STATUTE: The Texas Education Code, Chapters 61, 63, 74, 79, 89, 105, and 110

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

FIGURE 91
HEALTH RELATED INSTITUTIONS BY METHOD OF FINANCE

(IN MILLIONS)					APPROPRIATED FULL-TIME- EQUIVALENT POSITIONS				
METHOD OF FINANCE	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE					
General Revenue Funds	\$2,810.8	\$2,855.0	\$44.2	1.6%	<table border="1"> <tr> <td style="text-align: right;">2018</td> <td style="text-align: right;">13,036.8</td> </tr> <tr> <td style="text-align: right;">2019</td> <td style="text-align: right;">13,036.8</td> </tr> </table>	2018	13,036.8	2019	13,036.8
2018	13,036.8								
2019	13,036.8								
General Revenue–Dedicated Funds	\$206.0	\$203.3	(\$2.7)	(1.3%)					
Federal Funds	\$0.0	\$0.0	\$0.0	N/A					
Other Funds	\$148.7	\$103.5	(\$45.3)	(30.4%)					
Total, All Methods of Finance	\$3,165.5	\$3,161.7	(\$3.7)	(0.1%)					

INSTITUTION PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

Funding includes appropriations to **12 institutions**, including funding for The University of Texas (UT) Austin Dell Medical School and UT Rio Grande Valley School of Medicine.

Formula funding increased by **\$35.2 million** in All Funds across all six HRI funding formulas.

Funding includes **\$12.1 million** in All Funds for UT Austin Dell Medical School and **\$56.7 million** in All Funds for UT Rio Grande Valley School of Medicine.

Funding for **non-formula support** decreased by **\$69.5 million**.

NOTE: UTMB=University of Texas Medical Branch at Galveston; TRB=Tuition Revenue Bond.
SOURCE: Legislative Budget Board.

PUBLIC COMMUNITY/JUNIOR COLLEGES

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

ESTABLISHED: Various

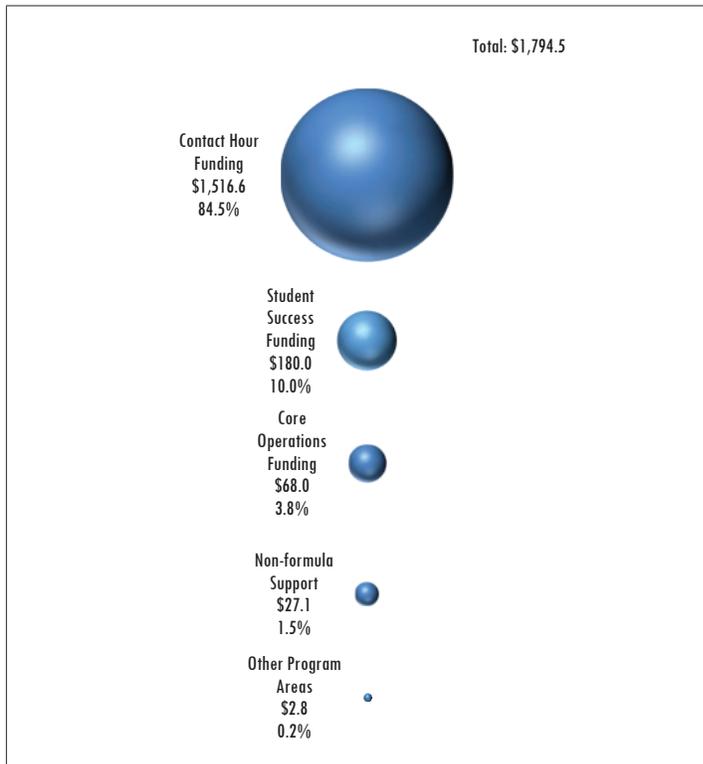
AUTHORIZING STATUTE: The Texas Education Code, Chapters 130–131

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

**FIGURE 92
PUBLIC COMMUNITY/JUNIOR COLLEGES BY METHOD OF FINANCE**

METHOD OF FINANCE	(IN MILLIONS)				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$1,778.6	\$1,794.5	\$15.9	0.9%	2018 N/A 2019 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	\$0.0	\$0.0	\$0.0	N/A		
Total, All Methods of Finance	\$1,778.6	\$1,794.5	\$15.9	0.9%		

INSTITUTION PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

Core operations are funded at **\$1.4 million** per institution in the community college outcomes-based formula.

Contact hours are funded at an average annual rate of **\$2.70 per contact hour**. Success points are funded at a rate of approximately **\$171.56 per success point**.

The **total number of contact hours** for the 2018–19 biennium **decreased by 0.7 percent** from the 2016–17 biennium.

LAMAR STATE COLLEGES

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

ESTABLISHED: 1995

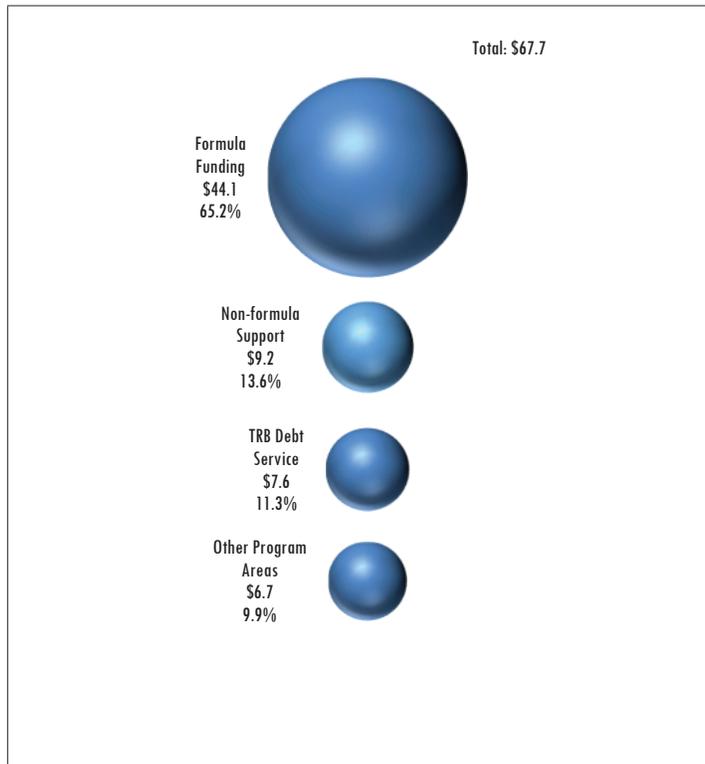
AUTHORIZING STATUTE: The Texas Education Code, §§96.703 and 96.704

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

**FIGURE 93
LAMAR STATE COLLEGES BY METHOD OF FINANCE**

(IN MILLIONS)						
METHOD OF FINANCE	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE	APPROPRIATED FULL-TIME- EQUIVALENT POSITIONS	
General Revenue Funds	\$55.8	\$54.3	(\$1.6)	(2.8%)		
General Revenue–Dedicated Funds	\$13.6	\$13.4	(\$0.2)	(1.6%)		
Federal Funds	\$0.0	\$0.0	\$0.0	N/A	2018	507.6
Other Funds	\$0.0	\$0.0	\$0.0	N/A	2019	507.6
Total, All Methods of Finance	\$69.5	\$67.7	(\$1.8)	(2.6%)		

INSTITUTION PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

Formula funding increased by **\$1.0 million** in All Funds and maintains the \$3.53 per contact hour rate for the Instruction and Administration Formula from the 2016–17 biennium.

Non-formula support decreased by **\$5.3 million** from the 2016–17 biennium.

Appropriations provide an **increase of \$1.6 million** to annualize the debt service on the **tuition revenue bonds** authorized by the Eighty-fourth Legislature, 2015, for the three Lamar State Colleges.

NOTE: TRB=Tuition Revenue Bond.
SOURCE: Legislative Budget Board.

TEXAS STATE TECHNICAL COLLEGES

PURPOSE: Two-year institutions of higher education that offer courses of study in technical–vocational education offering occupationally oriented programs with supporting academic course work, emphasizing technical and vocational areas for certificates or associate degrees.

ESTABLISHED: 1965–2015

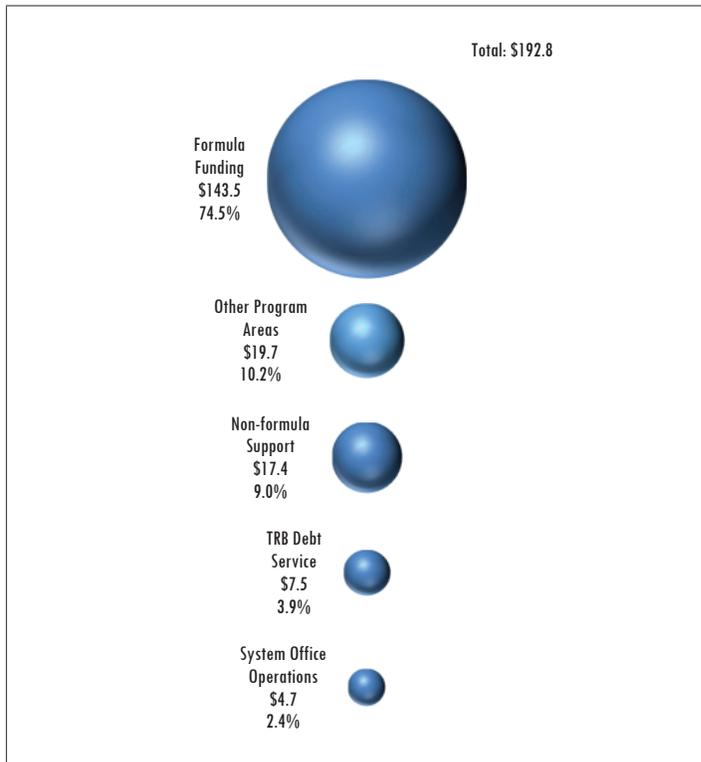
AUTHORIZING STATUTE: The Texas Education Code, §135.01

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

FIGURE 94
TEXAS STATE TECHNICAL COLLEGES BY METHOD OF FINANCE

METHOD OF FINANCE	(IN MILLIONS)				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$141.3	\$139.1	(\$2.2)	(1.5%)	2018	1,467.6
General Revenue–Dedicated Funds	\$49.1	\$53.6	\$4.6	9.3%		
Federal Funds	\$0.0	\$0.0	\$0.0	N/A	2019	1,467.6
Other Funds	\$0.0	\$0.0	\$0.0	N/A		
Total, All Methods of Finance	\$190.4	\$192.8	\$2.4	1.2%		

INSTITUTION PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



NOTE: TRB=Tuition Revenue Bond.
SOURCE: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

Formula funding is based on 27.6 percent of the returned value to the state generated by the Texas State Technical Colleges (TSTC).

The Eighty-fifth Legislature, General Appropriations Act, 2018–19 Biennium, contains new **bill patterns** for **TSTC – Fort Bend County** and **TSTC – North Texas**.

Appropriations provide an **increase of \$2.7 million** to annualize the debt service on the **tuition revenue bonds** authorized by the Eighty-fourth Legislature, 2015, at four of the six TSTC campuses.

During fiscal year 2016, **2,642 degrees or certificates were awarded** from the Texas State Technical Colleges.

AVAILABLE UNIVERSITY FUND

PURPOSE: To acquire land, construct and equip buildings, repair buildings, acquire capital equipment, refund bonds or issued notes, and provide for other permanent improvements for eligible institutions. Also, to provide for the support and maintenance of eligible institutions.

ESTABLISHED: 1876

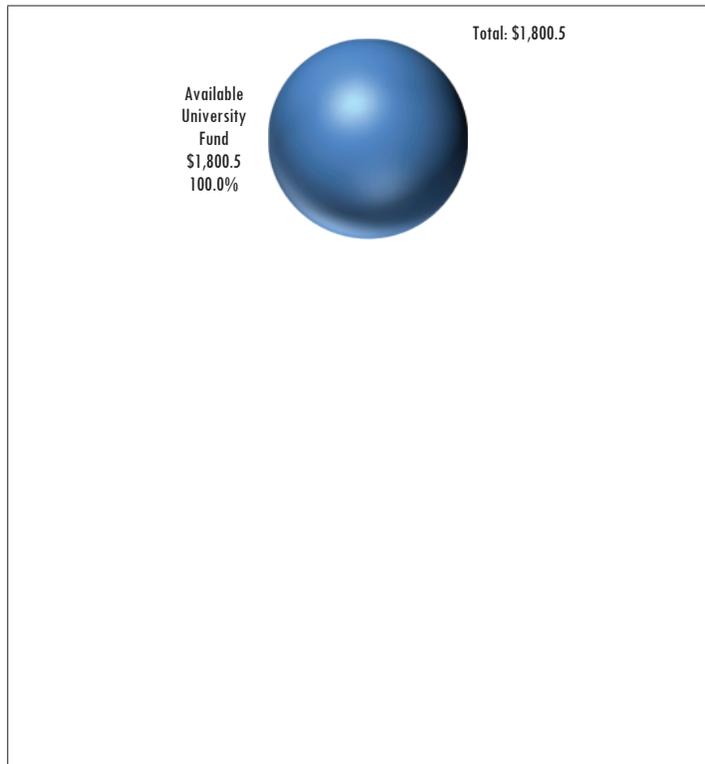
AUTHORIZING STATUTE: The Texas Constitution, Article VII, §18

GOVERNANCE: The Texas Legislature governs the Available University Fund (AUF); eligible institutions' boards of regents oversee AUF-funded projects

FIGURE 95
AVAILABLE UNIVERSITY FUND BY METHOD OF FINANCE

METHOD OF FINANCE	(IN MILLIONS)				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$0.0	\$0.0	\$0.0	N/A		
General Revenue–Dedicated Funds	\$0.0	\$0.0	\$0.0	N/A		
Federal Funds	\$0.0	\$0.0	\$0.0	N/A	2018	0.0
Other Funds	\$1,713.3	\$1,800.5	\$87.2	5.1%	2019	0.0
Total, All Methods of Finance	\$1,713.3	\$1,800.5	\$87.2	5.1%		

FUND PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

Appropriations include an **\$87.2 million increase** in Other Funds **based on anticipated market value growth of the Permanent University Fund (PUF)** and assumed board-approved distribution rates from PUF to AUF **for the 2018–19 biennium.**

The Texas Constitution requires PUF distributions to AUF that result in a stable income stream into AUF while maintaining PUF's purchasing power. The estimated **PUF market value was \$19.9 billion as of August 31, 2017.**

Riders in the 2018–19 General Appropriations Act **provide reporting and notification requirements** regarding the uses of AUF.

The **AUF bill pattern does not include any full-time-equivalent (FTE) positions.** FTE positions paid with AUF appropriations are included in the bill patterns of the eligible universities.

SOURCE: Legislative Budget Board.

HIGHER EDUCATION FUND

PURPOSE: To provide funding support for institutions of higher education that are ineligible for Available University Fund support. Used for acquiring land, constructing and equipping buildings, major repair of buildings, acquisition of capital equipment, and other permanent improvements for eligible institutions.

ESTABLISHED: 1984

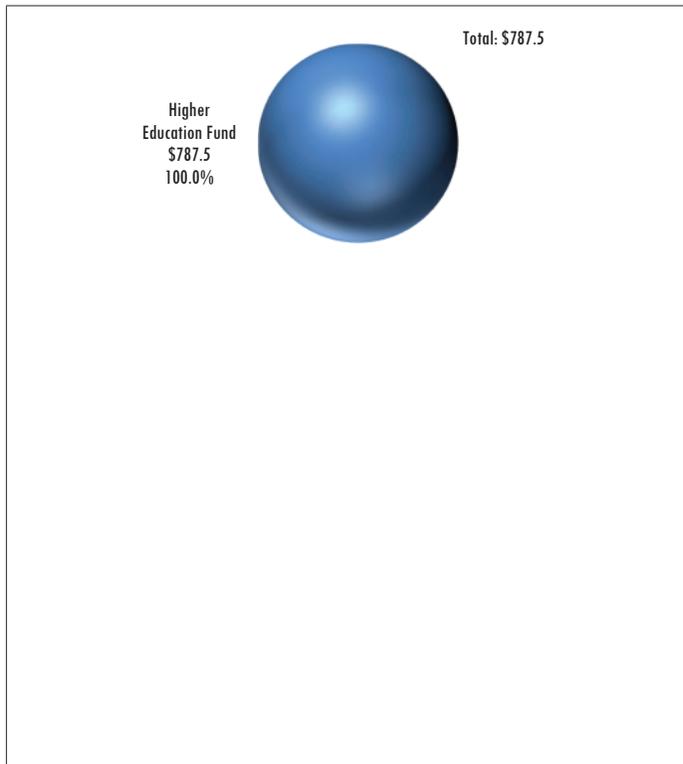
AUTHORIZING STATUTE: The Texas Constitution, Article VII, §17

GOVERNANCE: The Texas Legislature governs the Higher Education Fund (HEF); eligible institutions' boards of regents oversee HEF-funded projects

**FIGURE 96
HIGHER EDUCATION FUND BY METHOD OF FINANCE**

METHOD OF FINANCE	(IN MILLIONS)				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$656.3	\$787.5	\$131.3	20.0%	2018	0.0
General Revenue–Dedicated Funds	\$0.0	\$0.0	\$0.0	N/A		
Federal Funds	\$0.0	\$0.0	\$0.0	N/A	2019	0.0
Other Funds	\$0.0	\$0.0	\$0.0	N/A		
Total, All Methods of Finance	\$656.3	\$787.5	\$131.3	20.0%		

FUND PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

The 2018–19 biennial HEF appropriations reflect a **\$131.3 million increase** in General Revenue Funds **due to the biennialization of 2016–17 HEF appropriations.**

Beginning in fiscal year 2016, two universities were **added** to the group of **eligible institutions**—**University of North Texas at Dallas** and **Texas Tech University Health Sciences Center El Paso.**

Annual appropriation amounts for HEF-eligible institutions of higher education are listed in **the Texas Education Code, Chapter 62, Subchapter B.**

SOURCE: Legislative Budget Board.

AVAILABLE NATIONAL RESEARCH UNIVERSITY FUND

PURPOSE: To provide a dedicated, independent, and equitable source of funding to enable emerging research universities in Texas to achieve national prominence as major research universities. Funds may be used only by eligible universities for the support and maintenance of educational and general activities that promote increased research capacity.

ESTABLISHED: 2009

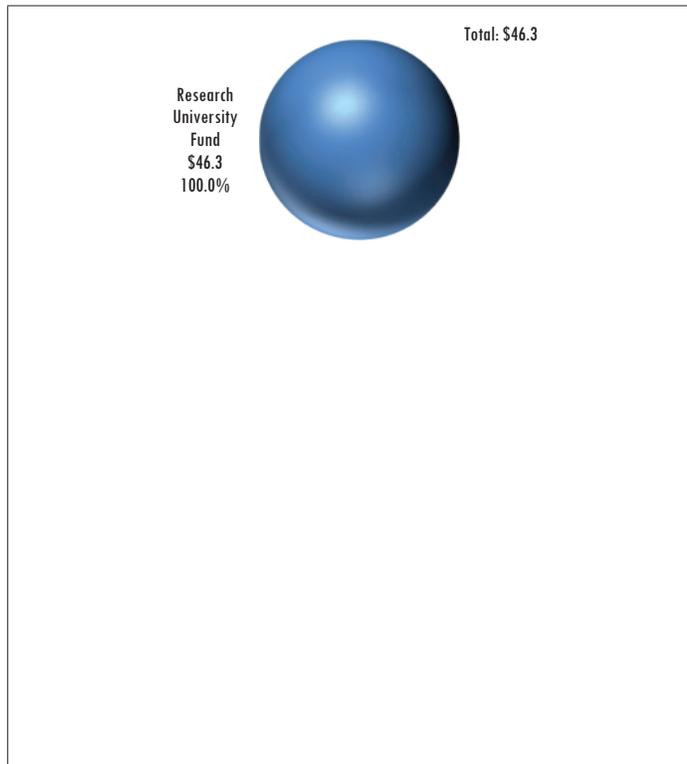
AUTHORIZING STATUTE: The Texas Constitution, Article VII, §20

GOVERNANCE: The Texas Legislature governs the Available National Research University Fund (ANRUF); eligible institutions' boards of regents oversee ANRUF-funded activities

FIGURE 97
AVAILABLE NATIONAL RESEARCH UNIVERSITY FUND BY METHOD OF FINANCE

METHOD OF FINANCE	(IN MILLIONS)				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$0.0	\$0.0	\$0.0	N/A	2018 0.0 2019 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	\$52.5	\$46.3	(\$6.2)	(11.8%)		
Total, All Methods of Finance	\$52.5	\$46.3	(\$6.2)	(11.8%)		

FUND PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

Funds available for distribution to eligible research universities for the 2018–19 biennium **decreased by \$6.2 million** from the previous biennium.

Eligibility requirements are pursuant to the **Texas Education Code, §62.145**. The Texas Higher Education Coordinating Board determines eligibility.

University of Houston and **Texas Tech University** are **eligible to receive ANRUF** distributions.

SOURCE: Legislative Budget Board.

SUPPORT FOR MILITARY VETERANS EXEMPTIONS

PURPOSE: To assist public institutions of higher education to offset the waived tuition and fee revenue from the Hazlewood Legacy Program. In accordance with the Hazlewood Legacy Program, qualifying veterans may assign unused hours of their state tuition exemption to a dependent that meets eligibility requirements.

ESTABLISHED: 2013

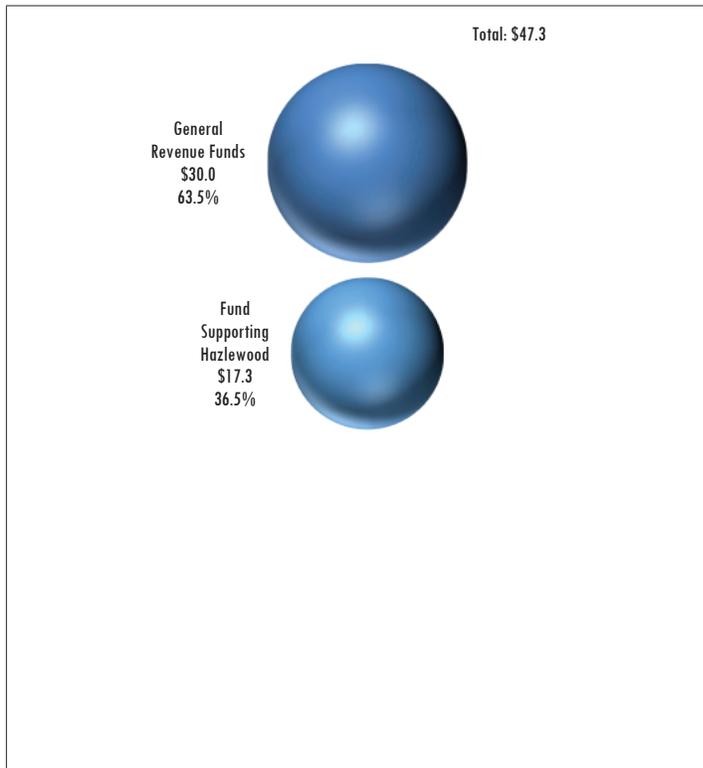
AUTHORIZING STATUTE: The Texas Education Code, §54.3411

GOVERNANCE: The Texas Legislature governs the Permanent Fund Supporting Military Veterans Exemptions (MVE) and the General Revenue Fund, which are both used to support the Hazlewood Legacy Program; the Texas Treasury Safekeeping Trust Company administers the MVE.

FIGURE 98
SUPPORT FOR MILITARY VETERANS EXEMPTIONS BY METHOD OF FINANCE

(IN MILLIONS)						
METHOD OF FINANCE	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE	APPROPRIATED FULL-TIME- EQUIVALENT POSITIONS	
General Revenue Funds	\$0.0	\$30.0	\$30.0	N/A		
General Revenue–Dedicated Funds	\$0.0	\$0.0	\$0.0	N/A		
Federal Funds	\$0.0	\$0.0	\$0.0	N/A	2018	0.0
Other Funds	\$20.1	\$17.3	(\$2.8)	(13.9%)	2019	0.0
Total, All Methods of Finance	\$20.1	\$47.3	\$27.2	135.7%		

FUND PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

Appropriations include a **\$2.8 million decrease** in Other Funds from the MVE, due to **lower expected market returns and a reduced distribution rate from 4.5 percent for fiscal year 2016 to 3.5 percent for fiscal years 2017 to 2019.**

The MVE was **established to assist public institutions of higher education to offset the waived tuition and fee revenue** from the Hazlewood Legacy Program.

The Texas Treasury Safekeeping Trust Company determines the amount available for distribution from the MVE in accordance with policy adopted by the Texas Comptroller of Public Accounts.

General Revenue Funds appropriated to the **Texas Veterans Commission** for the 2016–17 biennium for the **Hazlewood Legacy Program** were moved to this Article III bill pattern for the 2018–19 biennium.

TEXAS A&M AGRILIFE RESEARCH

PURPOSE: To conduct research and oversee regulatory programs for the benefit of the agricultural industry and consumers of agricultural products. To ensure that environmental and natural resources are maintained and enhanced, and that a safe supply of agricultural products is available.

ESTABLISHED: 1887

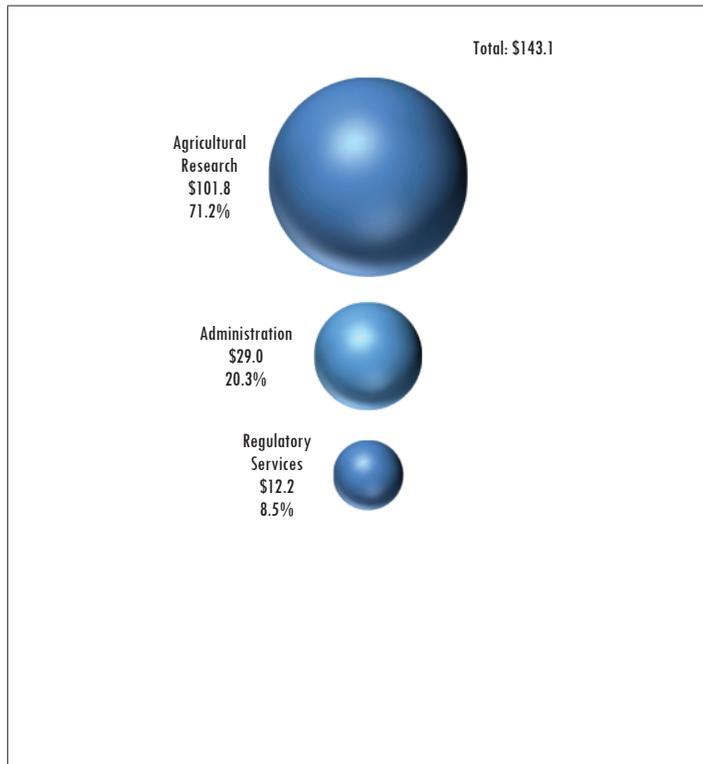
AUTHORIZING STATUTE: The Texas Education Code, Chapter 88

GOVERNANCE: Texas A&M University System Board of Regents—nine members appointed by the Governor with the advice and consent of the Senate

FIGURE 99
TEXAS A&M AGRILIFE RESEARCH BY METHOD OF FINANCE

METHOD OF FINANCE	(IN MILLIONS)				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$113.3	\$110.1	(\$3.3)	(2.9%)	2018 759.1 2019 759.1	
General Revenue–Dedicated Funds	\$0.9	\$0.9	(\$0.0)	(4.0%)		
Federal Funds	\$18.3	\$18.3	\$0.0	0.0%		
Other Funds	\$14.5	\$13.8	(\$0.7)	(5.0%)		
Total, All Methods of Finance	\$147.1	\$143.1	(\$4.0)	(2.7%)		

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

Appropriations include a **\$4.5 million decrease** in General Revenue Funds and General Revenue–Dedicated Funds related to the agency’s indirect administration, agricultural and life sciences research, feedyard beef cattle production research, and honeybee regulation program.

During fiscal year 2017, **as a result of its research, the agency completed and produced 1,902 publications** that were recognized by scientist peer groups as professional journals of record.

As part of its regulatory services during fiscal year 2017, the agency **inspected more than 301,000 bee colonies** for disease to maintain the health and quality of bees in Texas.

SOURCE: Legislative Budget Board.

TEXAS A&M AGRILIFE EXTENSION SERVICE

PURPOSE: To educate Texans in agriculture, environmental stewardship, youth and adult life skills, leadership, and economic development.

ESTABLISHED: 1915

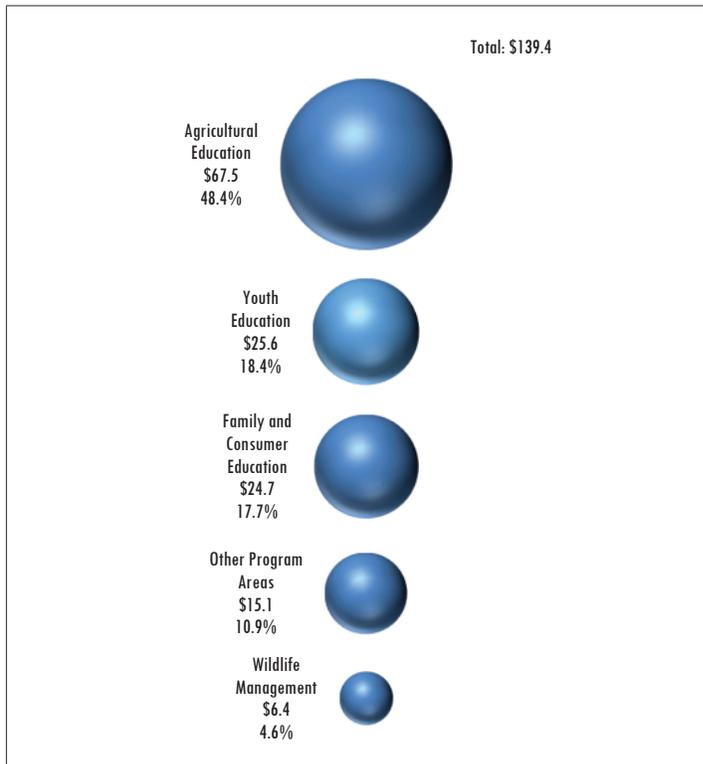
AUTHORIZING STATUTE: The Texas Education Code, Chapter 88

GOVERNANCE: Texas A&M University System Board of Regents—nine members appointed by the Governor with the advice and consent of the Senate

FIGURE 100
TEXAS A&M AGRILIFE EXTENSION SERVICE BY METHOD OF FINANCE

METHOD OF FINANCE	(IN MILLIONS)				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$89.0	\$88.1	(\$0.9)	(1.0%)	2018	990.6
General Revenue–Dedicated Funds	\$0.0	\$0.0	\$0.0	N/A		
Federal Funds	\$26.8	\$26.8	\$0.0	0.0%	2019	990.6
Other Funds	\$23.4	\$24.5	\$1.0	4.4%		
Total, All Methods of Finance	\$139.3	\$139.4	\$0.1	0.1%		

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

Appropriations include a **\$3.5 million decrease** in General Revenue Funds and 50.0 full-time-equivalent positions related to the agency's **indirect administration, education programs, youth leadership activities, and livestock and crop protection programs.**

The agency reported more than **13.6 million individual contacts statewide** in which agricultural educational material and training were provided during fiscal year 2017.

The agency reported approximately **3.8 million individual contacts statewide** in which health and safety educational material and training were provided during fiscal year 2017.

SOURCE: Legislative Budget Board.

TEXAS A&M ENGINEERING EXPERIMENT STATION

PURPOSE: To foster innovations in research, education, and technology that support and aid the business and industrial communities to improve economic development.

ESTABLISHED: 1914

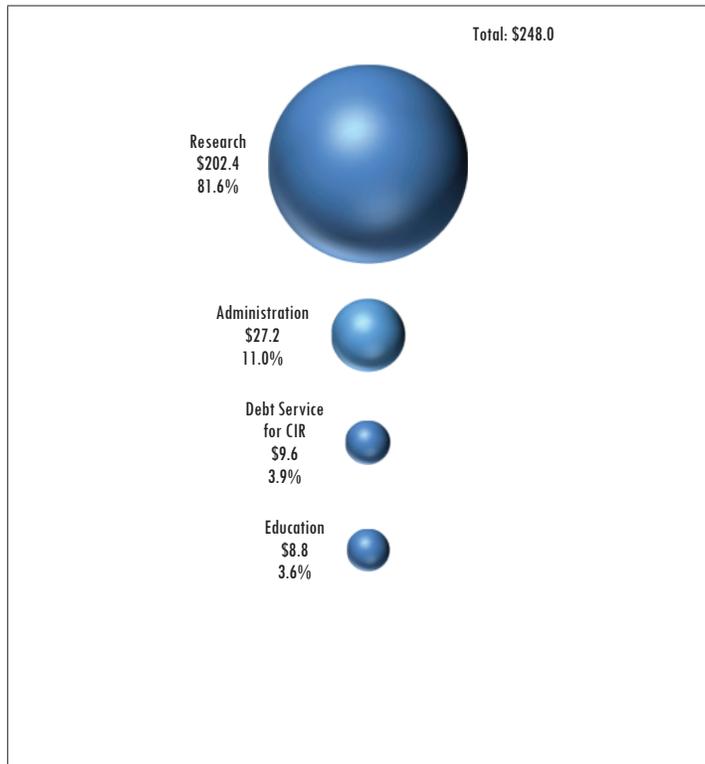
AUTHORIZING STATUTE: The Texas Education Code, Chapter 88

GOVERNANCE: The Texas A&M University System Board of Regents—nine members appointed by the Governor with advice and consent of the Senate

FIGURE 101
TEXAS A&M ENGINEERING EXPERIMENT STATION BY METHOD OF FINANCE

METHOD OF FINANCE	(IN MILLIONS)				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$38.5	\$43.2	\$4.6	12.0%	2018 842.4	
General Revenue–Dedicated Funds	\$0.9	\$0.9	(\$0.0)	(4.0%)		
Federal Funds	\$90.0	\$90.0	\$0.0	0.0%		
Other Funds	\$115.1	\$114.0	(\$1.2)	(1.0%)		
Total, All Methods of Finance	\$244.6	\$248.0	\$3.4	1.4%	2019 842.4	

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

A \$4.6 million increase in General Revenue Funds is appropriated for biennialized debt service costs for the agency's **Center for Infrastructure Renewal**.

A \$1.0 million increase in General Revenue Funds is appropriated for the agency's **Nuclear Power Institute**.

NOTE: CIR=Center for Infrastructure Renewal.
SOURCE: Legislative Budget Board.

TEXAS A&M TRANSPORTATION INSTITUTE

PURPOSE: To solve transportation problems through research, to transfer technology and knowledge to the transportation industry and traveling public, and to develop diverse human resources to meet transportation challenges.

ESTABLISHED: 1950

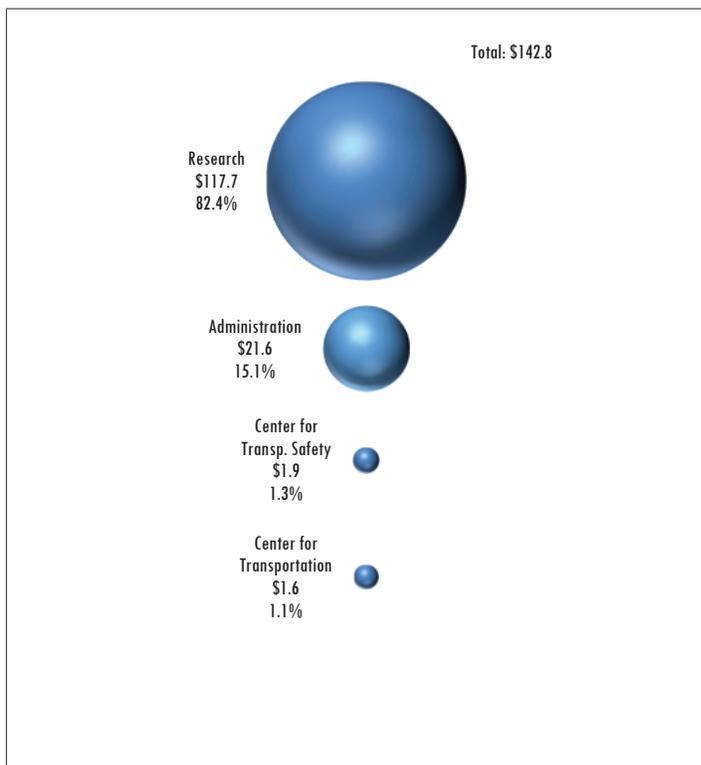
AUTHORIZING STATUTE: The Texas Education Code, Chapter 88

GOVERNANCE: The Texas A&M University System Board of Regents—nine members appointed by the Governor with advice and consent of the Senate

FIGURE 102
TEXAS A&M TRANSPORTATION INSTITUTE BY METHOD OF FINANCE

METHOD OF FINANCE	(IN MILLIONS)				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$18.7	\$15.1	(\$3.6)	(19.2%)		
General Revenue—Dedicated Funds	\$0.0	\$0.0	\$0.0	N/A		
Federal Funds	\$28.5	\$30.7	\$2.1	7.5%	2018	419.7
Other Funds	\$92.0	\$97.0	\$5.0	5.5%	2019	419.7
Total, All Methods of Finance	\$139.3	\$142.8	\$3.6	2.6%		

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

The agency's **Transportation Policy Research Center** appropriations (**\$3.3 million and 15 full-time-equivalent positions**) were eliminated.

As of August 31, 2017, more than 932,000 **agency-patented roadway safety devices** (e.g., guardrail terminals and crash cushions) have been **installed throughout the U.S.**

The agency's **research expenditures for fiscal year 2017** were \$58.9 million.

TEXAS A&M ENGINEERING EXTENSION SERVICE

PURPOSE: To develop a highly skilled and educated workforce that enhances the state’s public safety, health, and economic growth through training, continuing education, and technical assistance.

ESTABLISHED: 1948

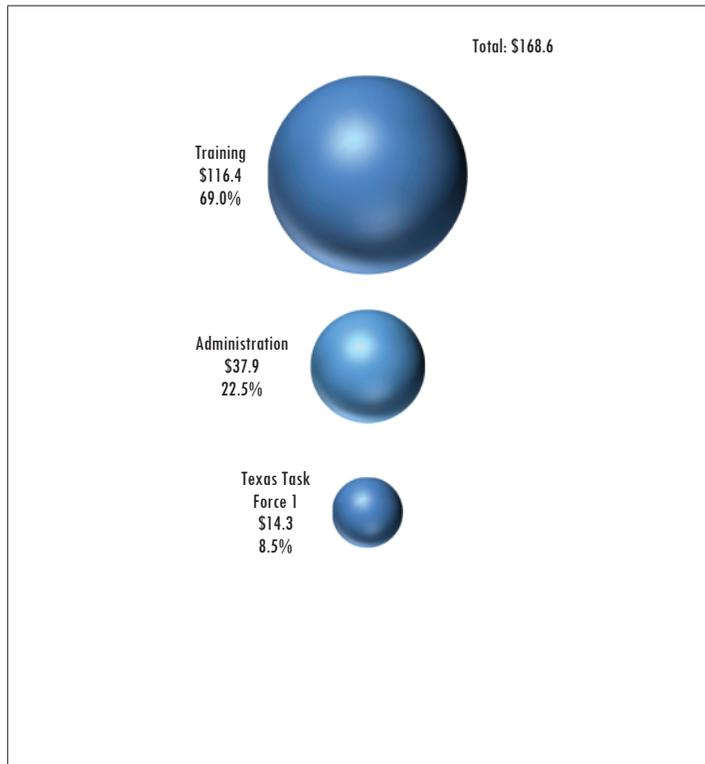
AUTHORIZING STATUTE: The Texas Education Code, Chapter 88

GOVERNANCE: The Texas A&M University System Board of Regents—nine members appointed by the Governor with advice and consent of the Senate

FIGURE 103
TEXAS A&M ENGINEERING EXTENSION SERVICE BY METHOD OF FINANCE

METHOD OF FINANCE	(IN MILLIONS)				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$15.8	\$17.6	\$1.8	11.3%	2018	543.0
General Revenue–Dedicated Funds	\$0.0	\$0.0	\$0.0	N/A		
Federal Funds	\$42.1	\$41.6	(\$0.5)	(1.3%)	2019	543.0
Other Funds	\$111.5	\$109.4	(\$2.1)	(1.9%)		
Total, All Methods of Finance	\$169.5	\$168.6	(\$0.9)	(0.5%)		

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

The agency provides **basic and advanced training**, which received less revenue and, therefore, resulted in a **\$2.0 million decrease** in Appropriated Receipts (Other Funds).

The agency provided **more than 1.4 million contact hours of training to public-sector students** during fiscal year 2016 in areas such as emergency response, public works, law enforcement, transportation, and water and wastewater treatment.

Texas Task Force 1 spent **more than 129,000 hours on emergency response deployments** during fiscal year 2016, primarily due to state flooding. The agency received \$2.0 million in General Revenue Funds for Texas Task Force 2 operational readiness for the 2018–19 biennium.

SOURCE: Legislative Budget Board.

TEXAS A&M FOREST SERVICE

PURPOSE: To provide professional assistance to ensure that the state’s forest, tree, and related natural resources are conserved and protected. To serve as one of the lead agencies for incident management in the state, striving to protect Texas from wildfire and other types of disasters.

ESTABLISHED: 1915

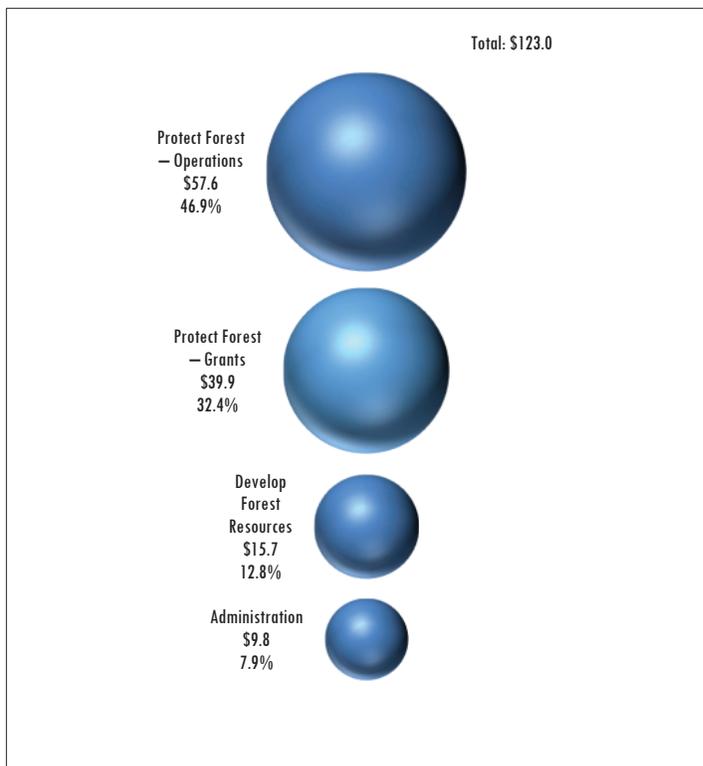
AUTHORIZING STATUTE: The Texas Education Code, Chapter 88

GOVERNANCE: The Texas A&M University System Board of Regents—nine members appointed by the Governor with advice and consent of the Senate

FIGURE 104
TEXAS A&M FOREST SERVICE BY METHOD OF FINANCE

METHOD OF FINANCE	(IN MILLIONS)				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$64.4	\$65.6	\$1.2	1.8%	2018	501.1
General Revenue–Dedicated Funds	\$65.1	\$49.0	(\$16.0)	(24.6%)		
Federal Funds	\$6.5	\$6.9	\$0.4	5.7%	2019	501.1
Other Funds	\$1.5	\$1.5	\$0.0	0.5%		
Total, All Methods of Finance	\$137.5	\$123.0	(\$14.5)	(10.5%)		

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

Appropriations include a **\$14.0 million decrease** in General Revenue–Dedicated Funds for grants to rural volunteer fire departments.

The agency provided more than **62,000 hours of training** to firefighters and emergency responders during fiscal year 2016.

During fiscal year 2016, agency employees worked more than **132,500 hours** preparing for and participating in emergency response activities.

SOURCE: Legislative Budget Board.

TEXAS A&M VETERINARY MEDICAL DIAGNOSTIC LABORATORY

PURPOSE: Promote animal health and protect agricultural, companion animal, and public health interests by providing veterinary diagnostic services. Provide necessary drug and residue tests for the Texas animal racing industry and health tests for national and international shipments of animals and animal products.

ESTABLISHED: 1967

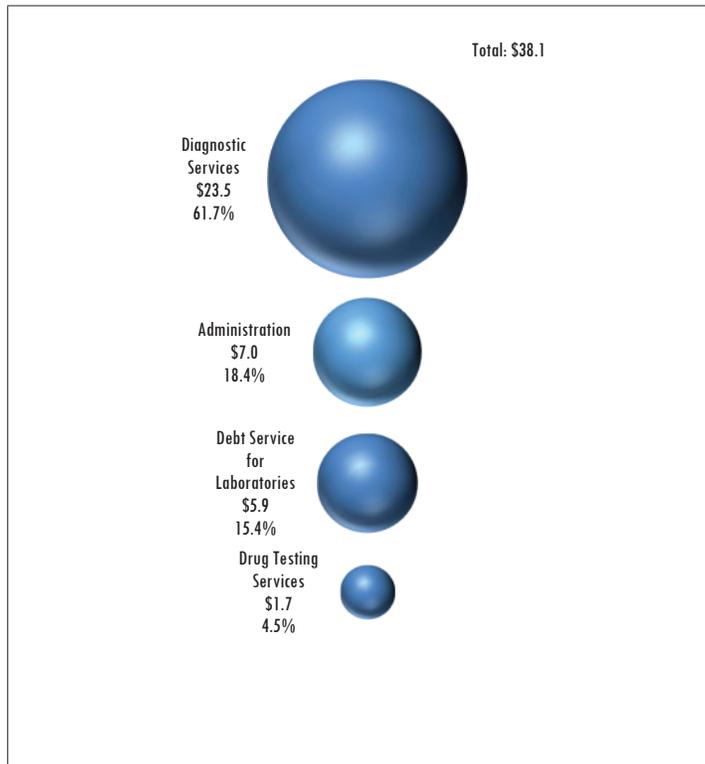
AUTHORIZING STATUTE: The Texas Education Code, Chapter 88

GOVERNANCE: The Texas A&M University System Board of Regents—nine members appointed by the Governor with advice and consent of the Senate

FIGURE 105
TEXAS A&M VETERINARY MEDICAL DIAGNOSTIC LABORATORY BY METHOD OF FINANCE

METHOD OF FINANCE	(IN MILLIONS)				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$17.9	\$17.4	(\$0.6)	(3.1%)	2018	161.0
General Revenue–Dedicated Funds	\$0.0	\$0.0	\$0.0	N/A		
Federal Funds	\$0.5	\$0.7	\$0.1	23.5%	2019	161.0
Other Funds	\$20.8	\$20.0	(\$0.8)	(3.6%)		
Total, All Methods of Finance	\$39.3	\$38.1	(\$1.2)	(3.0%)		

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

The agency submitted and examined **142,297 diagnostic cases during fiscal year 2017.**

The agency performed **more than 783,000 analytical and diagnostic tests during fiscal year 2017.**

Fees generate 52.5 percent of the agency's total appropriation.

SOURCE: Legislative Budget Board.

HIGHER EDUCATION EMPLOYEES GROUP INSURANCE

PURPOSE: Higher Education Employees Group Insurance (HEGI) encompasses appropriations of state funds to individual institutions within three systems that provide health benefits coverage to higher education employees: The University of Texas (UT) System, the Texas A&M University (TAMU) System, and the Employees Retirement System (ERS).

ESTABLISHED: Various

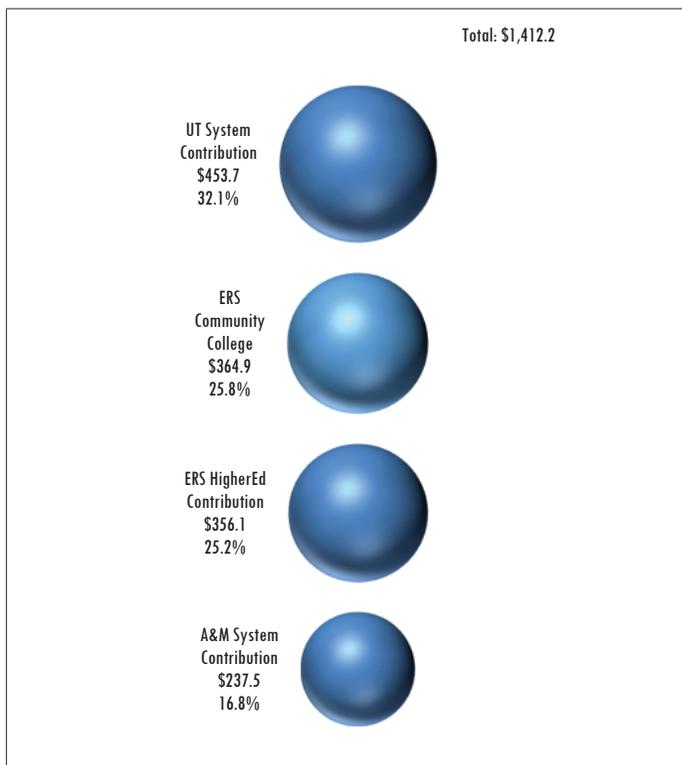
AUTHORIZING STATUTE: The Texas Insurance Code, Chapter 1601 (UT and TAMU systems) and Chapter 1551 (ERS institutions)

GOVERNANCE: ERS, UT System, and TAMU System

FIGURE 106
HIGHER EDUCATION EMPLOYEES GROUP INSURANCE BY METHOD OF FINANCE

(IN MILLIONS)					APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
METHOD OF FINANCE	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$1,377.9	\$1,412.2	\$34.3	2.5%		
General Revenue–Dedicated Funds	\$0.0	\$0.0	\$0.0	N/A		
Federal Funds	\$0.0	\$0.0	\$0.0	N/A	2018	N/A
Other Funds	\$0.0	\$0.0	\$0.0	N/A		
Total, All Methods of Finance	\$1,377.9	\$1,412.2	\$34.3	2.5%	2019	N/A

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

State institutions of higher education are funded at **74.3 percent** to **74.7 percent** of full ERS premium rates.

Community college districts are funded at **50.0 percent** of full ERS premium rates.

The **number of participants** (actives, retirees, and dependents) in the group insurance programs for the UT System, TAMU System, and ERS **totaled approximately 450,000** for fiscal year 2017.

Due to decreases in enrollment, **18 community colleges** received an employee-level **hold harmless** through the benefits petition process.

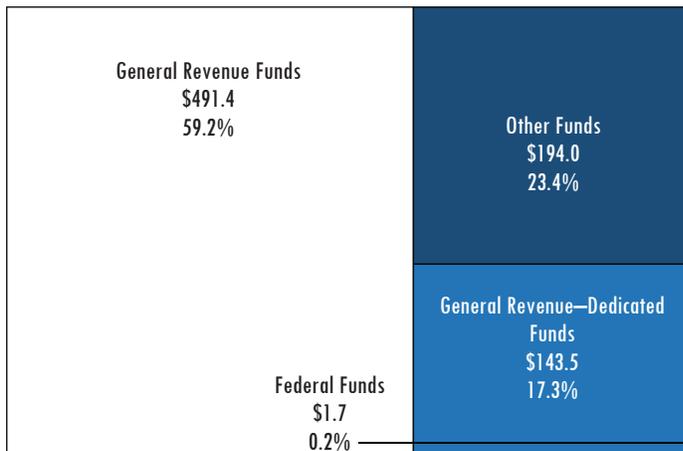
7. JUDICIARY

The Judiciary is one of the three branches of state government. Appropriations for the Judiciary support operation and administration of the state’s court system, which includes the Supreme Court of Texas, the Court of Criminal Appeals, 14 Courts of Appeals, and 2,725 trial courts. Appropriations for the courts and six judicial branch agencies include funding for access to the courts for low-income Texans, judicial education, e-filing, fair defense for indigents, review of allegations of judicial misconduct or disability, publicly available legal resources, prosecutor pay and expenses, juror pay, and nonresident witness expenses.

FIGURE 107
ARTICLE IV – JUDICIARY, BY METHOD OF FINANCE

METHOD OF FINANCE	(IN MILLIONS)			
	EXPENDED/BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	\$503.3	\$491.4	(\$11.9)	(2.4%)
General Revenue–Dedicated Funds	\$143.2	\$143.5	\$0.3	0.2%
Federal Funds	\$3.3	\$1.7	(\$1.6)	(48.7%)
Other Funds	\$163.5	\$194.0	\$30.5	18.6%
Total, All Methods of Finance	\$813.3	\$830.6	\$17.3	2.1%

SHARE OF FUNDING BY METHOD OF FINANCE (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

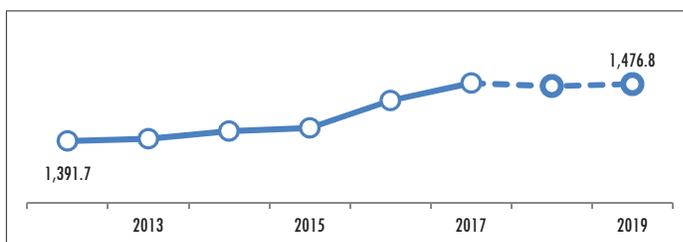
Funding to provide **basic civil legal services** to eligible recipients totals **\$79.6 million, an increase of 20.0 percent**, due primarily to additional civil penalties resulting from a settlement between the State of Texas and the Volkswagen Group automotive manufacturing company.

Judicial Education appropriations total \$26.7 million, an increase of 36.4 percent, primarily due to a new \$5 civil filing fee pursuant to Senate Bill 42, Eighty-fifth Legislature, Regular Session, 2017, which is anticipated to generate \$10.0 million in revenues for the 2018–19 biennium.

The Texas Forensic Science Commission is administratively attached to the Office of Court Administration, pursuant to Senate Bill 1124, Eighty-fifth Legislature, Regular Session, 2017, resulting in an **increase of \$1.2 million**. The commission previously was attached to Sam Houston State University, whose funding was reduced in a like amount.

Five new district courts and three new statutory county courts will be established during the 2018–19 biennium, pursuant to Senate Bill 1329, Eighty-fifth Legislature, Regular Session, 2017, resulting in an increase of \$1.4 million.

FULL-TIME-EQUIVALENT POSITIONS



NOTES: Excludes Interagency Contracts. Full-time-equivalent positions show actual positions for fiscal years 2012 to 2017 and appropriated positions for fiscal years 2018 and 2019.
SOURCES: Legislative Budget Board; State Auditor’s Office.

SUPREME COURT OF TEXAS

PURPOSE: The Supreme Court of Texas is the court of last resort in civil and juvenile matters. Other responsibilities include original jurisdiction to issue writs, final jurisdiction of the involuntary retirement or removal of judges, promulgating rules and other standards, and regulating the legal profession in Texas.

ESTABLISHED: 1845

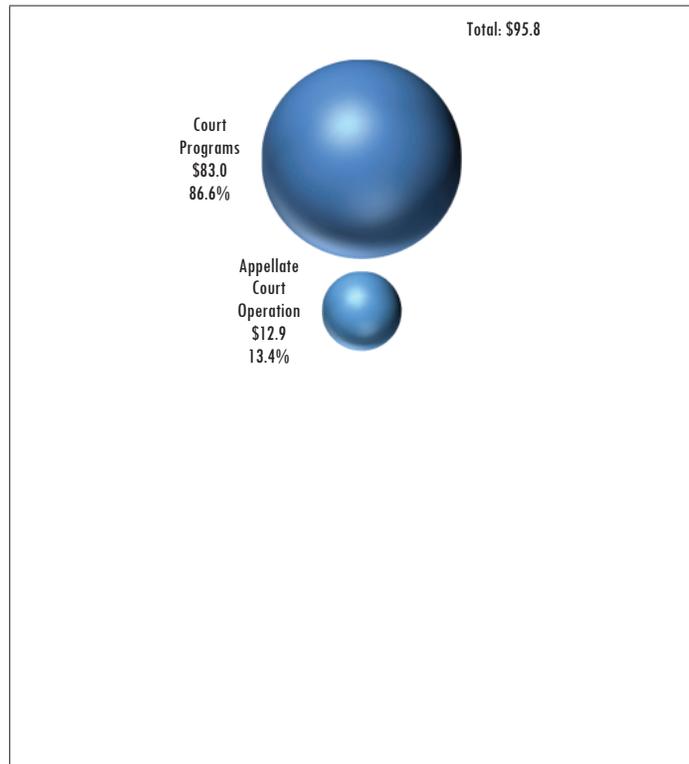
AUTHORIZING STATUTE: The Texas Constitution, Article 5, §2

GOVERNANCE: One Chief Justice and eight justices elected to staggered six-year terms through statewide elections

FIGURE 108
SUPREME COURT OF TEXAS BY METHOD OF FINANCE

METHOD OF FINANCE	(IN MILLIONS)				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$32.2	\$17.7	(\$14.5)	(45.0%)	2018 77.0	
General Revenue–Dedicated Funds	\$10.0	\$9.6	(\$0.4)	(4.0%)		
Federal Funds	\$3.2	\$1.2	(\$2.0)	(63.1%)		
Other Funds	\$37.2	\$67.3	\$30.1	81.0%		
Total, All Methods of Finance	\$82.6	\$95.8	\$13.2	16.0%	2019 77.0	

COURT PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



Source: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

Basic Civil Legal Services appropriations total \$79.6 million, an increase of \$13.3 million, to provide civil legal services to eligible recipients.

Basic Civil Legal Services appropriations include \$33.3 million in Other Funds from Judicial Fund No. 573. The balance of \$42.5 million in civil penalties is the result from a settlement between the State of Texas and the Volkswagen Group automotive manufacturing company. Expenditures from the settlement during the 2016–17 biennium totaled \$9.2 million.

Funding for the Children’s Commission is continued at \$3.2 million, with \$2.0 million in General Revenue Funds offsetting an equivalent Federal Funds decrease.

COURT OF CRIMINAL APPEALS

PURPOSE: The court has statewide final appellate jurisdiction in criminal cases, exclusive jurisdiction in death penalty cases, and the authority to issue writs; promulgates rules of evidence and appellate procedures for criminal cases; and makes grants to training entities that provide judicial education.

ESTABLISHED: 1891

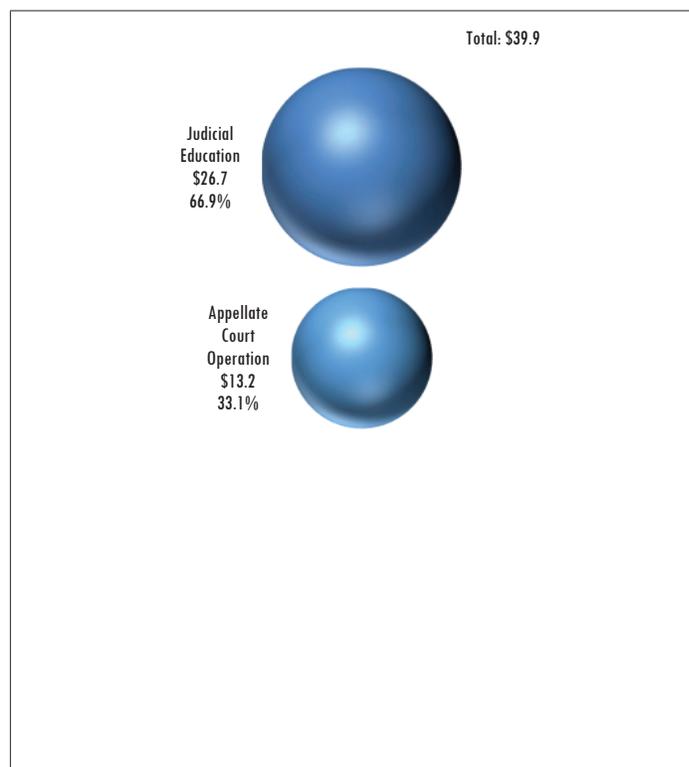
AUTHORIZING STATUTE: The Texas Constitution, Article V, §4

GOVERNANCE: One Presiding Judge and eight judges elected to staggered six-year terms through statewide elections

FIGURE 109
COURT OF CRIMINAL APPEALS BY METHOD OF FINANCE

METHOD OF FINANCE	(IN MILLIONS)				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$12.1	\$12.8	\$0.7	6.0%	2018	71.0
General Revenue–Dedicated Funds	\$19.6	\$26.3	\$6.8	34.5%		
Federal Funds	\$0.0	\$0.0	\$0.0	N/A	2019	71.0
Other Funds	\$0.7	\$0.7	\$0.0	0.0%		
Total, All Methods of Finance	\$32.4	\$39.9	\$7.5	23.1%		

COURT PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

Appellate Court Operations appropriations increased by \$0.3 million in General Revenue Funds for recording oral arguments and public meetings and making that information available on its website, pursuant to House Bill 214, Eighty-fifth Legislature, Regular Session, 2017.

Appropriations for Judicial Education increased by \$0.4 million in General Revenue Funds for the continuing legal education, training, and programs for judges and court staff regarding **mental health issues and pretrial diversions**.

Appropriations for Judicial Education increased by a net \$6.8 million in General Revenue–Dedicated Funds, pursuant to Senate Bill 42, Eighty-fifth Legislature, Regular Session, 2017, which established a new civil filing fee, and remaining 2016–17 biennial balances being offset by anticipated decreases in court cost revenue.

COURTS OF APPEALS

PURPOSE: Fourteen intermediate appellate courts have appellate jurisdiction in all criminal and civil cases other than those in which the death penalty has been assessed.

ESTABLISHED: 1876 through 1967

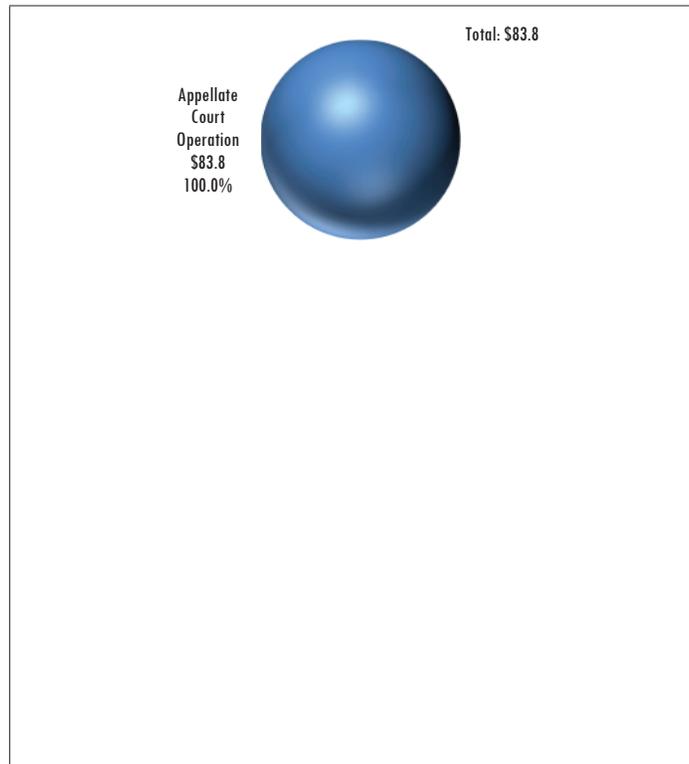
AUTHORIZING STATUTE: The Texas Government Code, Chapter 22, Subchapter C, and the Texas Constitution, Article 5, §6

GOVERNANCE: Each court of appeals has from two to eight justices and one chief justice elected to six-year terms

FIGURE 110
COURTS OF APPEALS BY METHOD OF FINANCE

METHOD OF FINANCE	(IN MILLIONS)				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$77.6	\$77.8	\$0.2	0.2%	2018	413.5
General Revenue–Dedicated Funds	\$0.0	\$0.0	\$0.0	N/A		
Federal Funds	\$0.0	\$0.0	\$0.0	N/A	2019	413.5
Other Funds	\$6.0	\$6.0	\$0.1	1.1%		
Total, All Methods of Finance	\$83.6	\$83.8	\$0.2	0.3%		

COURT PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

Appropriations for the 14 Courts of Appeals include an **increase of \$0.2 million in General Revenue Funds** to maintain funding for intermediate appellate court operations at 2016–17 biennial levels.

Appropriations provide for **80 justices (14 chief justices and 66 justices) and other necessary staff (413.5 full-time-equivalent positions)** to carry out intermediate appellate court operations.

Appropriations include a **\$0.1 million increase in Other Funds** for additional information technology services to select courts through the Office of Court Administration, offset by anticipated decreases in copy fee revenue.

OFFICE OF COURT ADMINISTRATION, TEXAS JUDICIAL COUNCIL

PURPOSE: To provide resources and support to trial, appellate, and specialty courts, and to regulatory boards and policy-making bodies; and to provide information about the judicial branch to the legislative and executive branches, the judiciary, and the public.

ESTABLISHED: 1977

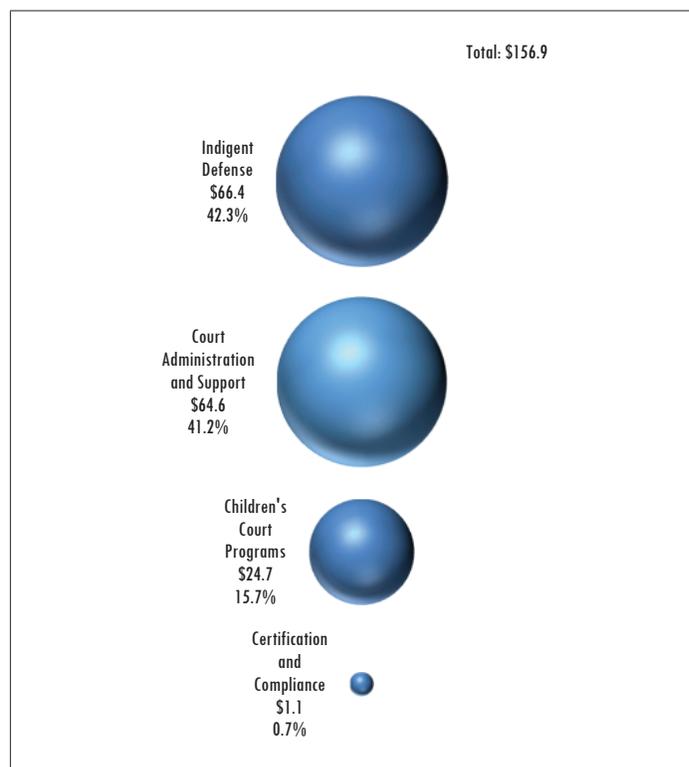
AUTHORIZING STATUTE: The Texas Government Code, Chapter 72

GOVERNANCE: Directed and supervised by the Supreme Court of Texas and the Chief Justice

FIGURE 111
OFFICE OF COURT ADMINISTRATION, TEXAS JUDICIAL COUNCIL BY METHOD OF FINANCE

METHOD OF FINANCE	(IN MILLIONS)				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$40.3	\$38.0	(\$2.2)	(5.5%)	2018 236.6	
General Revenue–Dedicated Funds	\$109.7	\$103.7	(\$6.0)	(5.5%)		
Federal Funds	\$0.1	\$0.5	\$0.4	683.2%		
Other Funds	\$12.1	\$14.6	\$2.5	20.5%		
Total, All Methods of Finance	\$162.2	\$156.9	(\$5.3)	(3.3%)	2019 236.6	

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

Texas Indigent Defense Commission appropriations include a decrease of \$5.3 million due to anticipated decreases in court cost revenue, decreases equivalent to 4.0 percent of 2016–17 biennial spending, an expiring Criminal Justice grant, and contract cost-containment efforts.

The Texas Forensic Science Commission is administratively attached to the Office of Court Administration, pursuant to Senate Bill 1124, Eighty-fifth Legislature, Regular Session, 2017, resulting in an **increase of \$1.2 million**. The commission was previously attached to Sam Houston State University.

The Office of Court Administration is required to establish a Judicial Security Division, pursuant to Senate Bill 42, Eighty-fifth Legislature, Regular Session, 2017, resulting in an appropriations **increase of \$0.2 million in General Revenue Funds**.

OFFICE OF CAPITAL AND FORENSIC WRITS

PURPOSE: To provide quality legal representation for indigent death row inmates in post-conviction writs of habeas corpus and related proceedings, and in forensic writs for noncapital cases.

ESTABLISHED: 2009

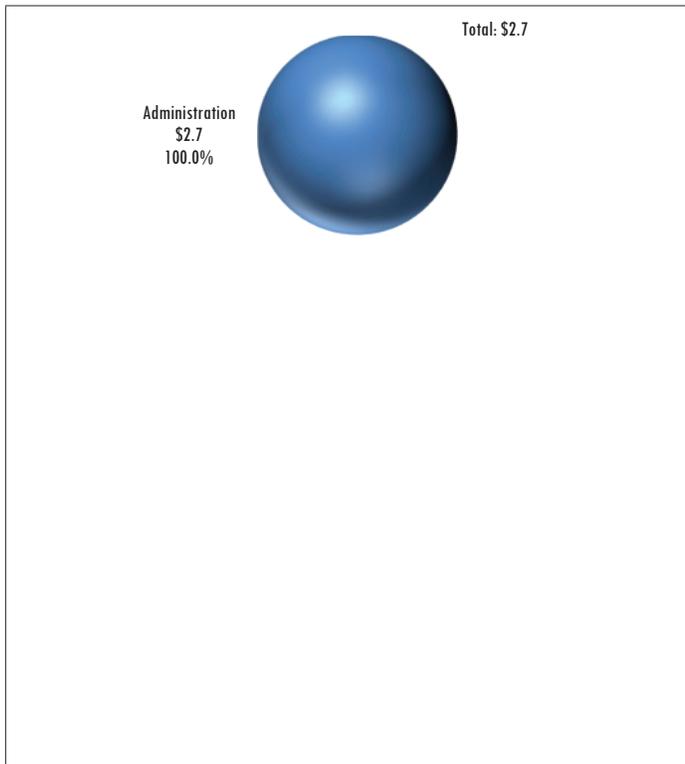
AUTHORIZING STATUTE: The Texas Government Code, Chapter 78

GOVERNANCE: The Court of Criminal Appeals appoints a director to supervise office operations based on recommendations from a committee composed of judges and attorneys appointed by the State Bar of Texas

FIGURE 112
OFFICE OF CAPITAL AND FORENSIC WRITS BY METHOD OF FINANCE

METHOD OF FINANCE	(IN MILLIONS)				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2016-17	APPROPRIATED 2018-19	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$0.0	\$0.0	\$0.0	N/A		
General Revenue-Dedicated Funds	\$2.8	\$2.7	(\$0.1)	(4.2%)		
Federal Funds	\$0.0	\$0.0	\$0.0	N/A	2018	16.5
Other Funds	\$0.0	\$0.0	\$0.0	N/A	2019	16.5
Total, All Methods of Finance	\$2.8	\$2.7	(\$0.1)	(4.2%)		

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

Administration appropriations decreased by \$0.1 million for decreases in expert witness funding and required contract cost-containment efforts.

SOURCE: Legislative Budget Board.

OFFICE OF THE STATE PROSECUTING ATTORNEY

PURPOSE: The Office of the State Prosecuting Attorney (OSPA) represents the state in all proceedings conducted by the Court of Criminal Appeals. OSPA may also represent the state in any stage of a criminal case presented to a Court of Appeals if considered necessary for the interest of the state, and it may assist or be assisted by a district or county attorney in representing the state to a Court of Appeals.

ESTABLISHED: 1923

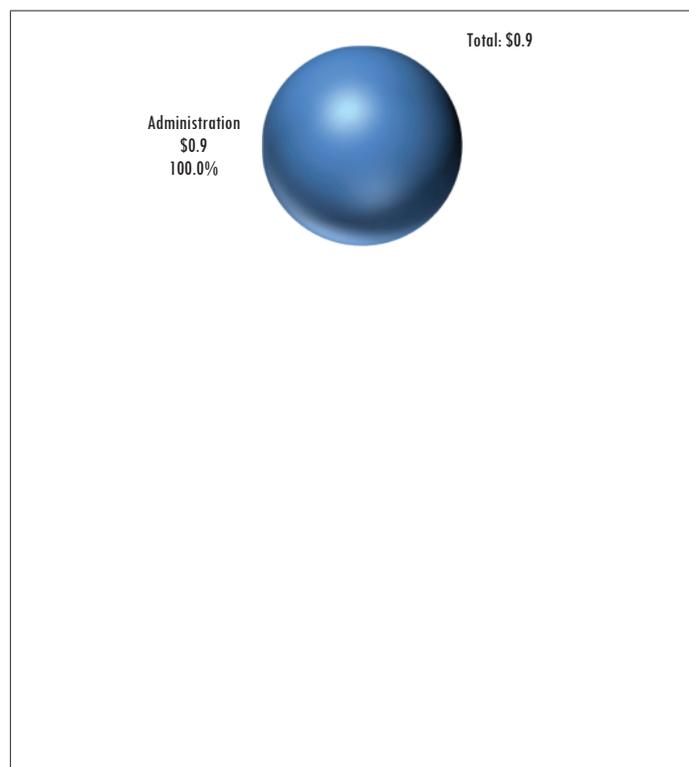
AUTHORIZING STATUTE: The Texas Government Code, Chapter 42

GOVERNANCE: Appointed by the Court of Criminal Appeals

FIGURE 113
OFFICE OF THE STATE PROSECUTING ATTORNEY BY METHOD OF FINANCE

(IN MILLIONS)					APPROPRIATED FULL-TIME- EQUIVALENT POSITIONS	
METHOD OF FINANCE	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$0.8	\$0.8	(\$0.0)	(0.0%)	2018	4.0
General Revenue–Dedicated Funds	\$0.0	\$0.0	\$0.0	N/A		
Federal Funds	\$0.0	\$0.0	\$0.0	N/A	2019	4.0
Other Funds	\$0.0	\$0.0	\$0.0	0.0%		
Total, All Methods of Finance	\$0.9	\$0.9	(\$0.0)	(0.0%)		

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

OSPA anticipates that **17 petitions for discretionary review will be granted by the Court of Criminal Appeals** during each fiscal year of the 2018–19 biennium.

STATE LAW LIBRARY

PURPOSE: Maintains a legal reference facility for use by the Supreme Court of Texas, the Court of Criminal Appeals, the Office of the Attorney General, other state agencies, and Texas residents.

ESTABLISHED: 1971

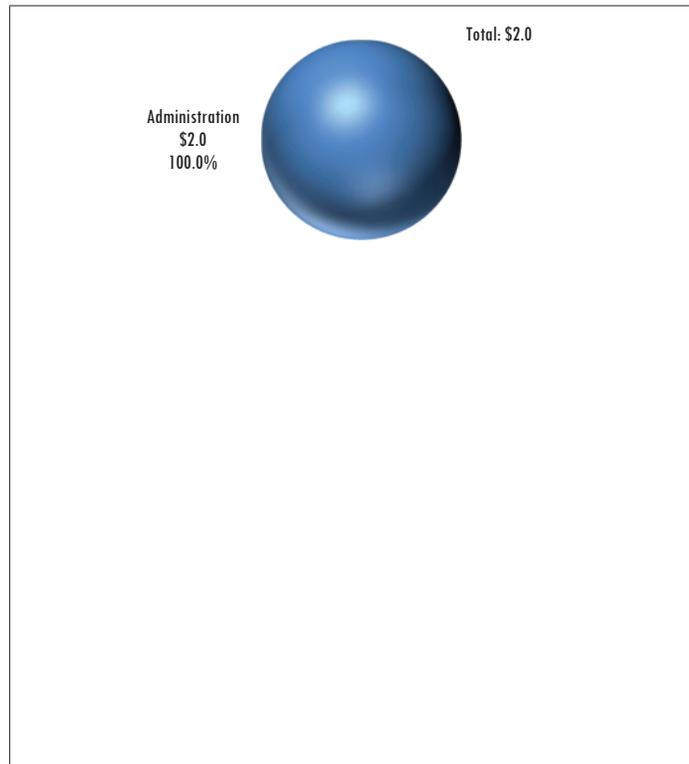
AUTHORIZING STATUTE: The Texas Government Code, Chapter 91

GOVERNANCE: Board composed of representatives for the Chief Justice of the Supreme Court, the Presiding Judge of the Court of Criminal Appeals, and the Attorney General

FIGURE 114
STATE LAW LIBRARY BY METHOD OF FINANCE

METHOD OF FINANCE	(IN MILLIONS)				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$2.1	\$2.0	(\$0.1)	(4.3%)	2018 12.0	
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)	(38.9%)		
Total, All Methods of Finance	\$2.1	\$2.0	(\$0.1)	(5.0%)	2019 12.0	

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

Appropriations decreased by \$0.1 million in All Funds for decreases in printed legal reference material and savings from contract cost containment.

Appropriations for digital and print materials total \$0.7 million, or 35.9 percent, of the agency's All Funds appropriations for the 2018–19 biennium.

SOURCE: Legislative Budget Board.

STATE COMMISSION ON JUDICIAL CONDUCT

PURPOSE: To investigate judicial misconduct or judicial incapacity and, if necessary, take appropriate action including discipline, education, censure, or the filing of formal procedures that could result in removal from office.

ESTABLISHED: 1965

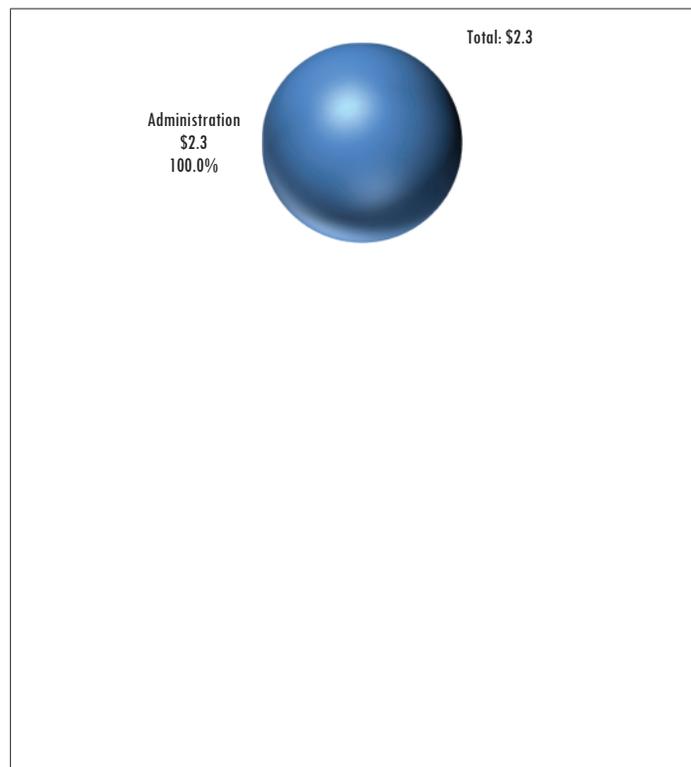
AUTHORIZING STATUTE: The Texas Constitution, Article 5, §1-a; the Texas Government Code, Chapter 33

GOVERNANCE: 13-member commission appointed by the Supreme Court of Texas, State Bar of Texas, and the Governor

FIGURE 115
STATE COMMISSION ON JUDICIAL CONDUCT BY METHOD OF FINANCE

(IN MILLIONS)					APPROPRIATED FULL-TIME- EQUIVALENT POSITIONS	
METHOD OF FINANCE	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$2.3	\$2.3	\$0.0	0.3%	2018 14.0 2019 14.0	
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		
Total, All Methods of Finance	\$2.3	\$2.3	\$0.0	0.3%		

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

The State Commission on Judicial Conduct anticipates that it will dispose of 1,200 cases alleging judicial misconduct or incapacity during each year of the 2018–19 biennium.

JUDICIARY SECTION, COMPTROLLER'S DEPARTMENT

PURPOSE: The Judiciary Section of the Comptroller's Department (Texas Comptroller of Public Accounts) manages judicial branch expenditures required by statute, including compensation and payments to district judges, county-level judges, and local prosecutors, including the Special Prosecution Unit headquartered in Walker County. Special programs include reimbursements to counties for juror pay and certain witness expenses.

ESTABLISHED: 1835

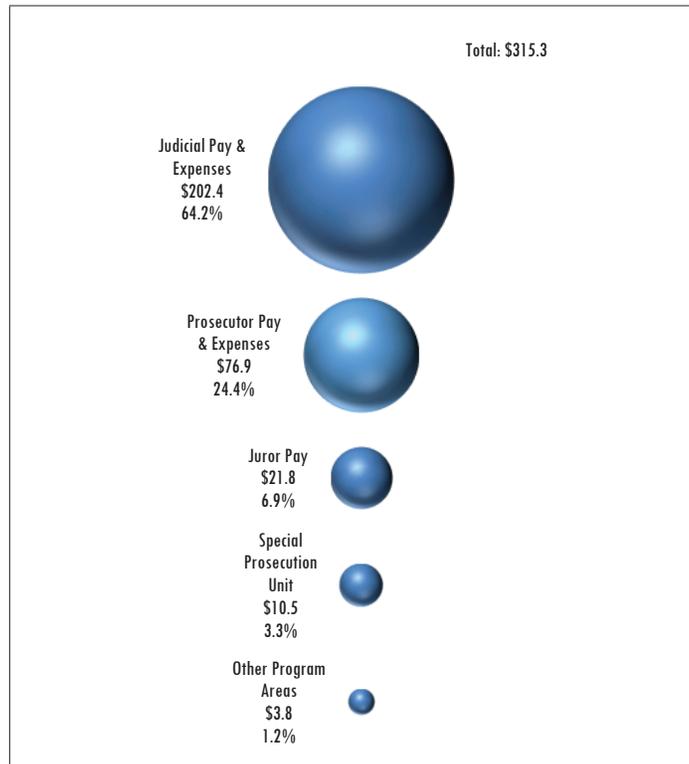
AUTHORIZING STATUTE: Various chapters of the Texas Government Code and the Texas Code of Criminal Procedure

GOVERNANCE: Appropriations at the Comptroller of Public Accounts fund the direct costs of administering judicial branch payments

FIGURE 116
JUDICIARY SECTION, COMPTROLLER'S DEPARTMENT BY METHOD OF FINANCE

METHOD OF FINANCE	(IN MILLIONS)				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2016-17	APPROPRIATED 2018-19	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$199.5	\$200.9	\$1.4	0.7%	2018	629.0
General Revenue-Dedicated Funds	\$0.0	\$0.0	\$0.0	N/A		
Federal Funds	\$0.0	\$0.0	\$0.0	N/A	2019	632.2
Other Funds	\$113.9	\$114.4	\$0.5	0.4%		
Total, All Methods of Finance	\$313.5	\$315.3	\$1.8	0.6%		

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

Five new district courts and three new statutory county courts will be established during the 2018-19 biennium, pursuant to Senate Bill 1329, Eighty-fifth Legislature, Regular Session, 2017, resulting in an appropriations increase of \$1.4 million in General Revenue Funds.

SOURCE: Legislative Budget Board.

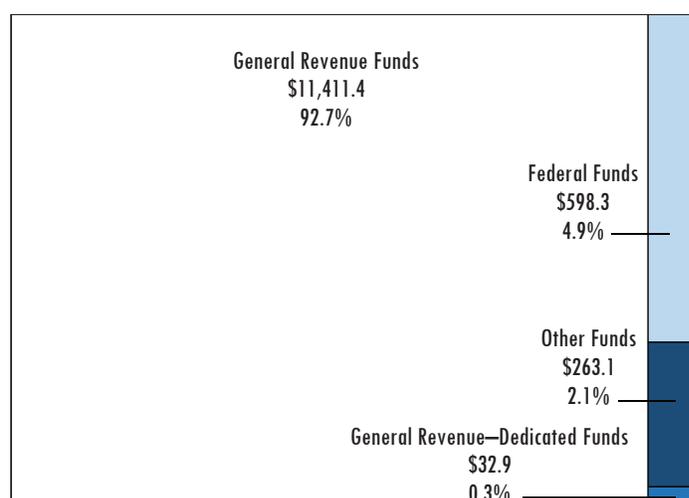
8. PUBLIC SAFETY AND CRIMINAL JUSTICE

Public safety and criminal justice agencies are funded in Article V of the General Appropriations Act and provide an array of services to ensure the safety and security of Texans. Those services include the adult and juvenile corrections systems (community supervision, incarceration, and parole services), law enforcement and highway patrol, the Texas military forces, and driver license processing. Additional services provided include county jail regulation, law enforcement officer training and licensing, alcoholic beverage industry oversight, and fire fighter certification. Border security is coordinated among several Article V agencies and agencies in other articles of government. Public safety and criminal justice agencies are funded primarily with General Revenue Funds.

FIGURE 117
ARTICLE V – PUBLIC SAFETY AND CRIMINAL JUSTICE, BY METHOD OF FINANCE

METHOD OF FINANCE	(IN MILLIONS)			
	EXPENDED/BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	\$11,606.6	\$11,411.4	(\$195.3)	(1.7%)
General Revenue–Dedicated Funds	\$132.2	\$32.9	(\$99.2)	(75.1%)
Federal Funds	\$647.0	\$598.3	(\$48.7)	(7.5%)
Other Funds	\$189.6	\$263.1	\$73.4	38.7%
Total, All Methods of Finance	\$12,575.4	\$12,305.7	(\$269.8)	(2.1%)

SHARE OF FUNDING BY METHOD OF FINANCE (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

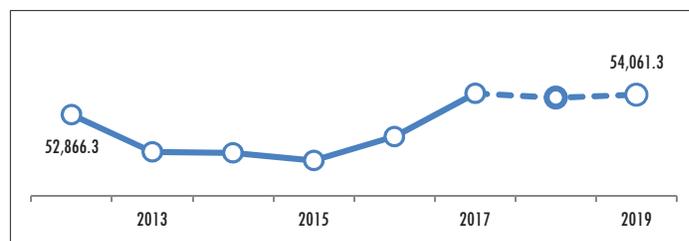
Of the \$800.0 million in state funds appropriated for border security, the Department of Public Safety is appropriated \$694.3 million, including \$97.1 million for 250 additional troopers and associated support staff in the border region.

Correctional Managed Health Care for Incarcerated Offenders is appropriated \$1.1 billion in General Revenue Funds to the Texas Department of Criminal Justice, a decrease of \$70.4 million as the result of cost-containment initiatives adopted by the Eighty-fifth Legislature, Regular Session, 2017.

Juvenile Justice Regional Diversion Alternatives are appropriated \$18.3 million in General Revenue Funds, an increase of \$8.7 million. This program was initiated during fiscal year 2016 and is intended to decrease the number of juvenile offenders committed to state facilities (Texas Juvenile Justice Department).

Appropriations of \$80.4 million from the Economic Stabilization Fund are appropriated in Article V for deferred maintenance projects: Department of Criminal Justice (\$40.0 million), Military Department (\$16.3 million), Juvenile Justice Department (\$12.1 million), and Department of Public Safety (\$12.0 million).

FULL-TIME-EQUIVALENT POSITIONS



NOTES: Excludes Interagency Contracts. Full-time-equivalent positions show actual positions for fiscal years 2012 to 2017 and appropriated positions for fiscal years 2018 and 2019.

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

ALCOHOLIC BEVERAGE COMMISSION

PURPOSE: To deter violations of the Texas Alcoholic Beverage Code by inspecting licensed establishments within the alcoholic beverage industry, investigating complaints, regulating the personal importation of alcoholic beverages and cigarettes through the state’s ports-of-entry locations with Mexico and the seaport at Galveston, and enforcing state law.

ESTABLISHED: 1970

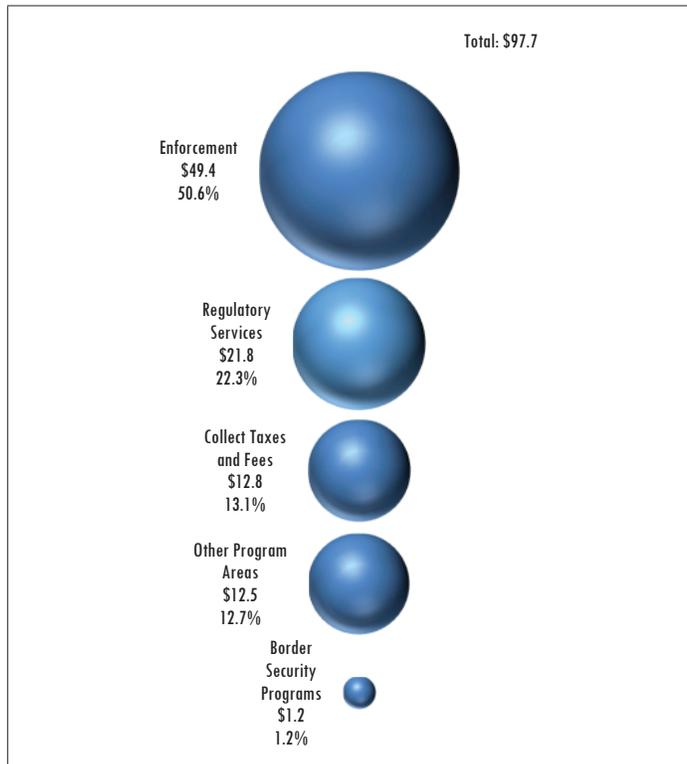
AUTHORIZING STATUTE: The Texas Alcoholic Beverage Code, §5.01

GOVERNANCE: Three-member commission appointed by the Governor, with advice and consent of the Senate

FIGURE 118
ALCOHOLIC BEVERAGE COMMISSION BY METHOD OF FINANCE

METHOD OF FINANCE	(IN MILLIONS)				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$100.0	\$96.2	(\$3.8)	(3.8%)	2018	635.0
General Revenue–Dedicated Funds	\$0.0	\$0.0	\$0.0	N/A		
Federal Funds	\$0.8	\$1.0	\$0.2	23.2%	2019	635.0
Other Funds	\$0.6	\$0.5	(\$0.1)	(9.2%)		
Total, All Methods of Finance	\$101.4	\$97.7	(\$3.6)	(3.6%)		

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

Appropriations of \$6.9 million are provided for six Special Investigations Unit agents and baseline expenditures in the border region. The Special Investigations Unit is a program within the enforcement program area.

The Texas Alcoholic Beverage Commission (TABC) auditors took **11,547 compliance or administrative actions during fiscal year 2017**, the result of 24,252 inspections, 1,600 audits or analyses, and 55,171 cash law and credit law notices of default.

During fiscal year 2017, **TABC collected \$226.2 million in taxes, \$39.9 million in license fees, \$24.7 million in license surcharges, and \$5.8 million in other collections for a total of \$302.5 million.** Collections also included \$6.0 million at ports of entry.

TABC is **prohibited from using appropriations to attend events, trainings, conferences, classes, or similar activities outside the state or for other travel outside the state**, other than for documented law enforcement or investigative activities.

SOURCE: Legislative Budget Board.

DEPARTMENT OF CRIMINAL JUSTICE

PURPOSE: To incarcerate offenders in state prisons, state jails, and private correctional facilities; to provide funding and certain oversight of community supervision; and to be responsible for the supervision of offenders released from prison on parole. The mission of the department is to provide public safety, promote positive change in offender behavior, reintegrate offenders into society, and assist victims of crime.

ESTABLISHED: 1989

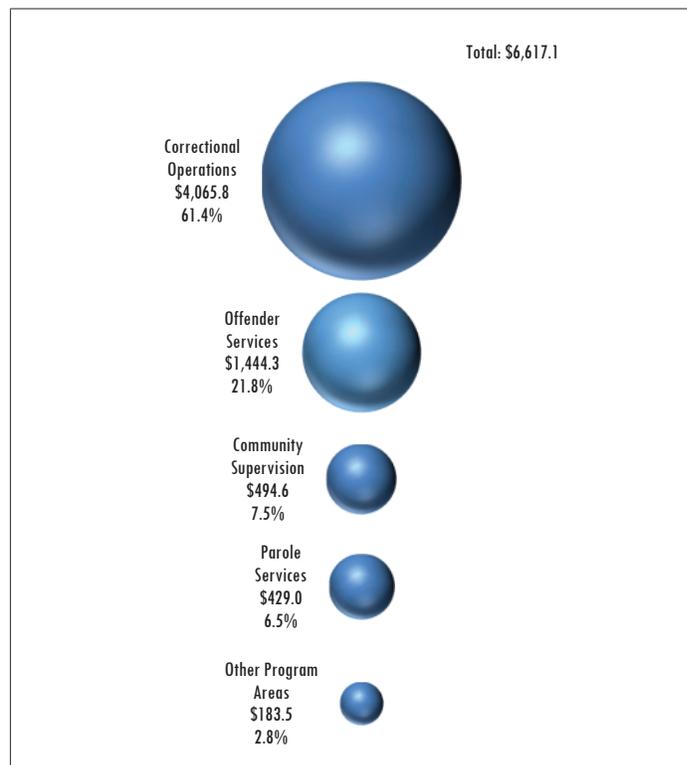
AUTHORIZING STATUTE: The Texas Government Code, Chapter 493

GOVERNANCE: Nine-member board appointed by the Governor with the advice and consent of the Senate

FIGURE 119
DEPARTMENT OF CRIMINAL JUSTICE BY METHOD OF FINANCE

METHOD OF FINANCE	(IN MILLIONS)				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$6,683.4	\$6,417.4	(\$266.0)	(4.0%)	2018	39,453.8
General Revenue–Dedicated Funds	\$60.4	\$0.4	(\$60.0)	(99.4%)		
Federal Funds	\$18.8	\$18.2	(\$0.7)	(3.5%)		
Other Funds	\$139.9	\$181.2	\$41.2	29.5%		
Total, All Methods of Finance	\$6,902.5	\$6,617.1	(\$285.4)	(4.1%)	2019	39,450.6

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

Funding for Community Supervision and Corrections Departments' health insurance was transferred to the Employees Retirement System, resulting in a \$128.6 million decrease in General Revenue Funds.

Correctional Managed Health Care funding totals \$1.1 billion in General Revenue Funds, a decrease of \$70.4 million. Cost-containment strategies increase unit capacity, retain staff, and modify hospital reimbursement methodology.

Appropriations decreased by \$49.5 million as the result of the closure of five correctional facilities. The agency operates 104 correctional units statewide.

Appropriations for community supervision and parole decreased by \$7.9 million to align with 2018–19 biennial population projections.

COMMISSION ON FIRE PROTECTION

PURPOSE: To develop professional standards and enforce statewide fire laws to assist local governments in ensuring that the lives and property of the public and fire service providers are protected adequately from fires and related hazards. The agency was formed by consolidating two agencies—the Commission on Fire Protection Personnel Standards and Education and the Fire Department Emergency Board—and one fire-related function from the Department of Insurance—the Key Rate Section.

ESTABLISHED: 1991

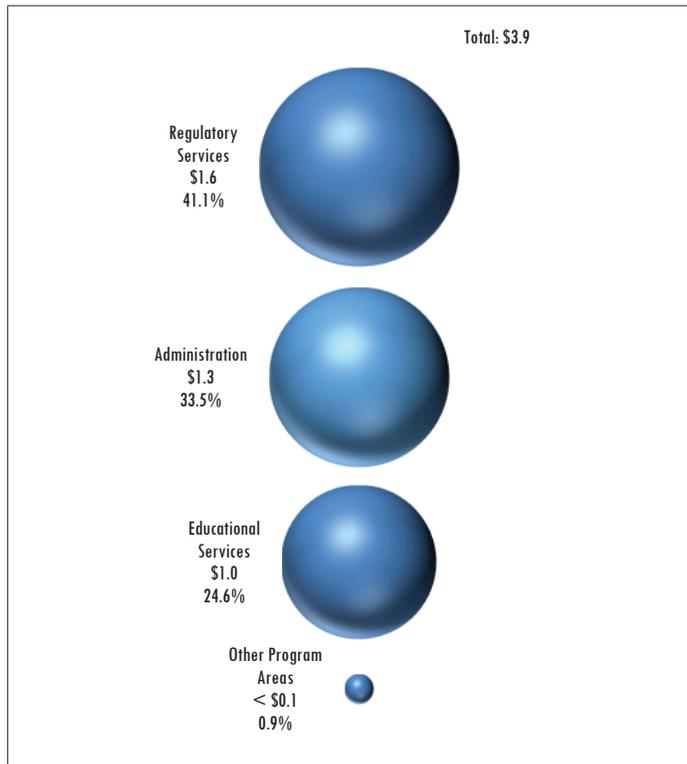
AUTHORIZING STATUTE: The Texas Government Code, §419.002

GOVERNANCE: Thirteen members appointed by the Governor, with six members being selected from lists provided by certain firefighter associations

FIGURE 120
COMMISSION ON FIRE PROTECTION BY METHOD OF FINANCE

METHOD OF FINANCE	(IN MILLIONS)				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$3.9	\$3.8	(\$0.2)	(4.1%)	2018 31.0	
General Revenue–Dedicated Funds	\$0.0	\$0.0	\$0.0	N/A		
Federal Funds	\$0.0	\$0.0	\$0.0	N/A		
Other Funds	\$0.2	\$0.1	(\$0.1)	(15.6%)		
Total, All Methods of Finance	\$4.1	\$3.9	(\$0.2)	(4.6%)	2019 31.0	

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



Source: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

The agency certified 31,128 fire service personnel during fiscal year 2017, for an increase of 5,397 from fiscal years 2007 to 2017, or 20.2 percent.

Required fee revenue collections (more than appropriated amounts) were maintained at \$1.5 million for the 2018–19 biennium.

Regulatory Services include the agency's certification and compliance programs.

Educational Services include the curriculum development, fire safety information and outreach, and testing programs.

COMMISSION ON JAIL STANDARDS

PURPOSE: To establish and enforce minimum standards for the provision and operation of jails, and to provide consultation, training, and technical assistance to help local governments comply with those standards.

ESTABLISHED: 1975

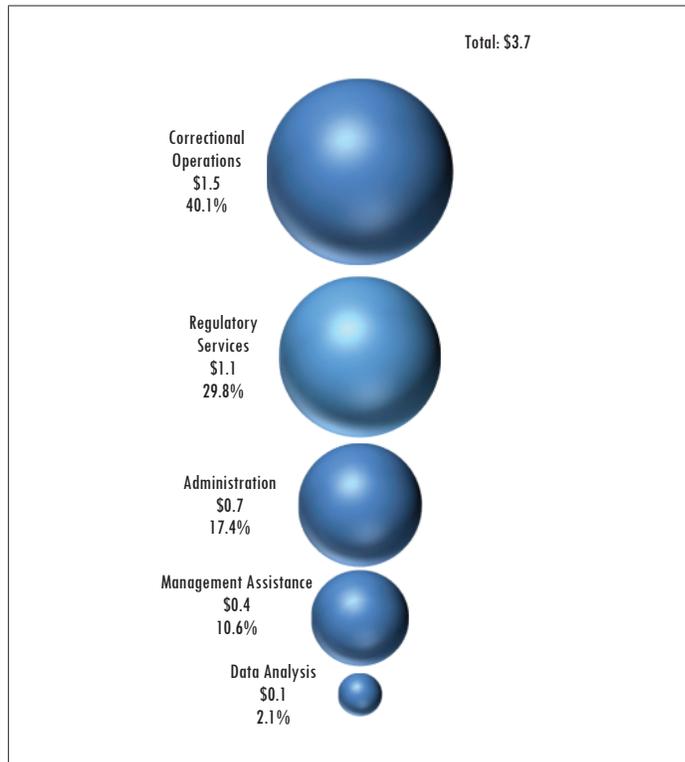
AUTHORIZING STATUTE: The Texas Government Code, Chapter 511

GOVERNANCE: Nine-member commission appointed by the Governor with the advice and consent of the Senate

FIGURE 121
COMMISSION ON JAIL STANDARDS BY METHOD OF FINANCE

METHOD OF FINANCE	(IN MILLIONS)				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$1.9	\$2.7	\$0.8	41.4%	2018	22.0
General Revenue–Dedicated Funds	\$0.0	\$1.0	\$1.0	100%		
Federal Funds	\$0.0	\$0.0	\$0.0	N/A	2019	22.0
Other Funds	\$0.0	\$0.0	(\$0.0)	(12.1%)		
Total, All Methods of Finance	\$1.9	\$3.7	\$1.8	92.7%		

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

The agency conducted 242 annual inspections and 68 special inspections of local jails during fiscal year 2017; 34 jails failed an annual inspection, and 14 jails failed a special inspection. As of August 31, 2017, 229 jails were compliant with minimum jail standards.

Appropriations for Inspection and Enforcement total \$1.1 million in All Funds for an increase of 40.0 percent. The agency received funding for 1.0 critical incident jail inspector position and additional travel.

Senate Bill 1849 requires the Commission to adopt standards for mental health services and training and establishes the prisoner safety fund. Appropriations from the Prisoner Safety Fund total \$1.0 million in General Revenue–Dedicated Funds for fiscal year 2018.

Appropriated Receipts decreased from \$4,500 to \$3,000 as the result of a decreased demand for printed manuals and training materials, accounting for the 12.1 percent decrease in Other Funds appropriations.

SOURCE: Legislative Budget Board.

TEXAS JUVENILE JUSTICE DEPARTMENT

PURPOSE: To provide financial and professional assistance to local juvenile probation departments, to provide regulatory oversight of local probation departments, and to ensure public safety and the provision of effective programming and rehabilitative services to juveniles committed to the Texas Juvenile Justice Department state services and facilities.

ESTABLISHED: 2012

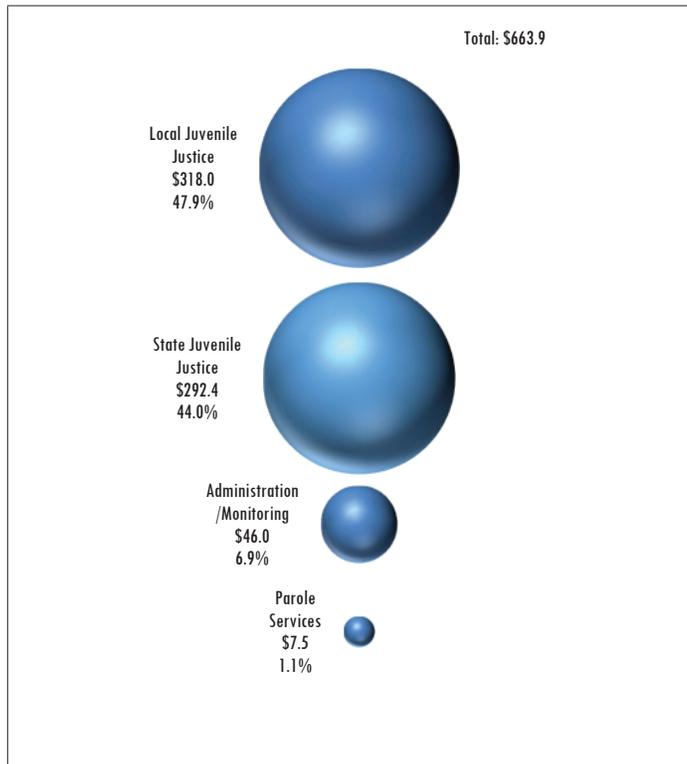
AUTHORIZING STATUTE: The Texas Human Resources Code, Title 12, Subtitle A

GOVERNANCE: Thirteen-member board appointed by the Governor with advice and consent of the Senate

FIGURE 122
JUVENILE JUSTICE DEPARTMENT BY METHOD OF FINANCE

METHOD OF FINANCE	(IN MILLIONS)				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS
	EXPENDED/ BUDGETED 2016-17	APPROPRIATED 2018-19	BIENNIAL CHANGE	PERCENTAGE CHANGE	
General Revenue Funds	\$600.0	\$605.2	\$5.1	0.9%	2018 2,703.3
General Revenue-Dedicated Funds	\$0.0	\$0.0	\$0.0	N/A	
Federal Funds	\$21.8	\$21.0	(\$0.7)	(3.4%)	2019 2,703.3
Other Funds	\$32.3	\$37.7	\$5.5	16.9%	
Total, All Methods of Finance	\$654.1	\$663.9	\$9.8	1.5%	

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

Appropriations for state juvenile justice total \$292.4 million and include \$12.1 million for critical health and safety repair projects at state facilities. Funding also includes \$1.0 million and 9.0 full-time-equivalent positions for additional mental health specialists, and an independent living coordinator to assist youth nearing release with reentry and transition back to their communities.

Local juvenile justice was appropriated \$17.5 million, an increase of \$7.9 million, for a full biennium of the Regional Diversion Alternatives program, an initiative established by the Eighty-fourth Legislature, 2015. The program's goal is to place 150 youths per year in local programs or facilities to reduce commitments to state custody.

The projected state juvenile justice average daily population is 1,373 for fiscal year 2018 and 1,374 for fiscal year 2019.

TEXAS COMMISSION ON LAW ENFORCEMENT

PURPOSE: To screen, develop, and monitor resources for continuing education for law enforcement officers, and set standards for behavior; and to develop, maintain, and enforce minimum qualifications for the selection, training, and certification of law enforcement personnel, county correctional officers, and telecommunicators.

ESTABLISHED: 1965

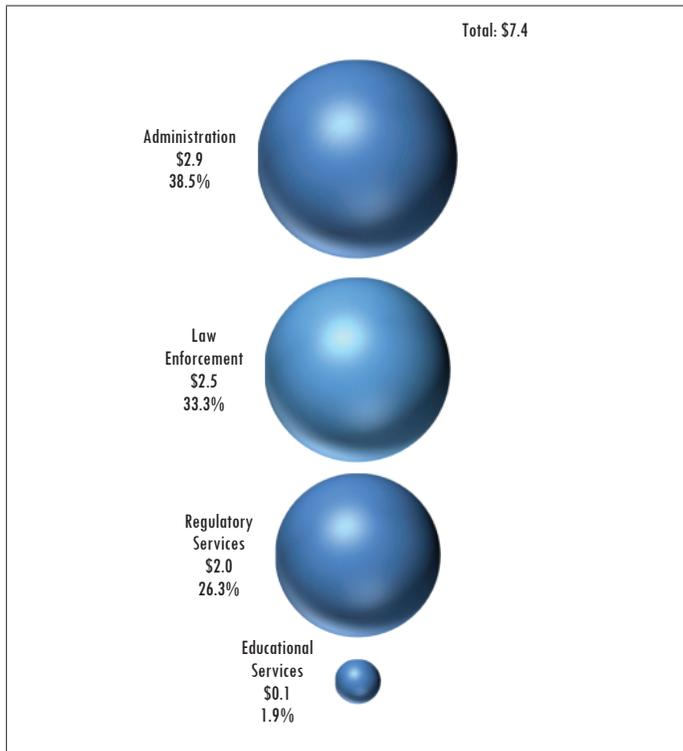
AUTHORIZING STATUTE: The Texas Occupations Code, §1701.051

GOVERNANCE: Nine-member commission appointed by the Governor with advice and consent of the Senate; three must be chief administrators of law enforcement agencies; three must be persons licensed by the commission; and three must be from the private sector

FIGURE 123
TEXAS COMMISSION ON LAW ENFORCEMENT BY METHOD OF FINANCE

(IN MILLIONS)					APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
METHOD OF FINANCE	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$0.0	\$0.0	\$0.0	N/A		
General Revenue–Dedicated Funds	\$6.6	\$6.4	(\$0.2)	(2.9%)		
Federal Funds	\$0.0	\$0.0	\$0.0	N/A	2018	53.6
Other Funds	\$1.2	\$1.0	(\$0.2)	(16.5%)	2019	53.6
Total, All Methods of Finance	\$7.8	\$7.4	(\$0.4)	(5.0%)		

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

Appropriations of \$2.5 million are provided for law enforcement, including the agency's enforcement, border security – investigations, and civil justice repository programs. This amount is an increase of \$0.1 million, provided to biennialize border security funding.

Appropriations for **regulatory services**, including the agency's licensing and standards development programs, **decreased by \$0.3 million or 14.0 percent**, which reduced training for law enforcement officers, and agency-anticipated decreases in fee collections.

The agency is required statutorily to collect incident-based data annually pertaining to racial profiling from each of Texas' 2,647 law enforcement agencies. State funding for this data analysis function totals \$0.1 million in All Funds for the 2018–19 biennium.

TEXAS MILITARY DEPARTMENT

PURPOSE: To provide administrative and financial resources for state activities conducted by the three branches of the Texas military forces: the Texas Army National Guard, the Texas Air National Guard, and the Texas State Guard.

ESTABLISHED: 1905

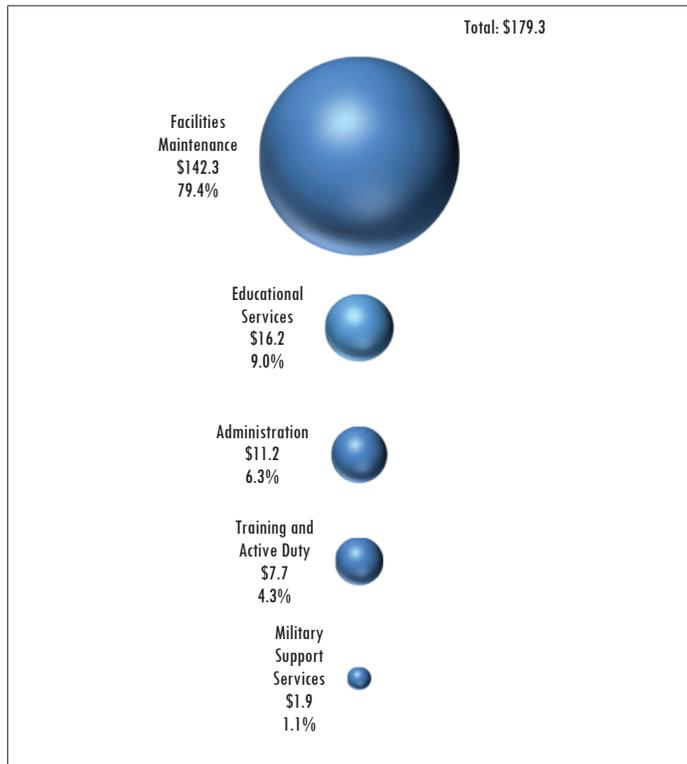
AUTHORIZING STATUTE: The Texas Government Code, Chapter 437

GOVERNANCE: Adjutant General, appointed by the Governor with the advice and consent of the Senate

FIGURE 124
TEXAS MILITARY DEPARTMENT BY METHOD OF FINANCE

(IN MILLIONS)						
METHOD OF FINANCE	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE	APPROPRIATED FULL-TIME- EQUIVALENT POSITIONS	
General Revenue Funds	\$34.5	\$30.3	(\$4.1)	(12.0%)		
General Revenue–Dedicated Funds	\$19.6	\$0.0	(\$19.6)	(100.0%)		
Federal Funds	\$130.5	\$118.3	(\$12.2)	(9.4%)	2018	569.0
Other Funds	\$42.8	\$30.6	(\$12.1)	(28.4%)	2019	569.0
Total, All Methods of Finance	\$227.3	\$179.3	(\$48.1)	(21.1%)		

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

Appropriations of \$16.3 million from the Economic Stabilization Fund are provided for deferred maintenance projects and State of Texas Army Revitalization readiness center renovations. This appropriation makes available **\$33.8 million in matching Federal Funds**.

Appropriations for two ChalleNGe Academy educational program locations total \$9.8 million in All Funds for the 2018–19 biennium. The program is funded by a combination of state and federal funding. General Revenue Funds were eliminated and Foundation School Program funding was increased (method-of-finance swap). The agency anticipates 230 participants per year will complete the program, which supports educational improvement, including grade-level advancement, general equivalency development, and high school graduation.

Appropriations include a \$635,000 increase in General Revenue Funds for expanded behavioral and mental health counseling. These funds support new case management software, three mental health counselors, and one program administrator.

SOURCE: Legislative Budget Board.

DEPARTMENT OF PUBLIC SAFETY

PURPOSE: To enforce laws protecting and promoting public safety by the prevention and detection of crime; improve highway safety and public safety communications; facilitate emergency response, recovery, and mitigation; and provide regulatory and licensing services.

ESTABLISHED: 1935

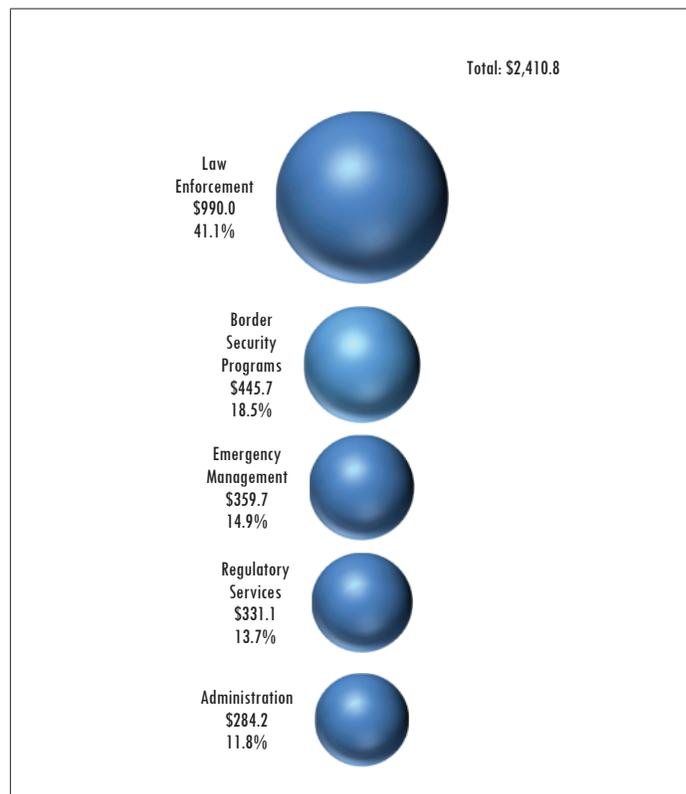
AUTHORIZING STATUTE: The Texas Government Code, §411.002

GOVERNANCE: Five-member board appointed by the Governor and confirmed by the Senate; members must have and maintain a secret security clearance granted by the U.S. government

FIGURE 125
DEPARTMENT OF PUBLIC SAFETY BY METHOD OF FINANCE

METHOD OF FINANCE	(IN MILLIONS)				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$1,971.5	\$1,843.3	(\$128.1)	(6.5%)	2018	10,412.2
General Revenue–Dedicated Funds	\$34.4	\$16.1	(\$18.3)	(53.2%)		
Federal Funds	\$440.7	\$406.0	(\$34.7)	(7.9%)		
Other Funds	\$135.6	\$145.3	\$9.7	7.2%		
Total, All Methods of Finance	\$2,582.2	\$2,410.8	(\$171.4)	(6.6%)	2019	10,596.8

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

Agency appropriations for **border security include \$445.7 million for Goal B, Secure Texas, and \$248.6 million for salary and overtime funded in other agency goals.** This amount includes \$145.6 million to fund overtime sufficient to attain a 50-hour workweek for all Department of Public Safety (DPS) commissioned law enforcement officers, \$97.1 million to recruit and retain 250 new troopers and support staff, and \$7.0 million to fund cameras and other equipment primarily relating to Operation Drawbridge.

The Texas Division of Emergency Management, the state's primary emergency response division, is appropriated \$359.7 million, supporting 314.0 full-time-equivalent positions. DPS estimates \$3.6 billion in Federal Funds revenues and reimbursements for Hurricane Harvey, \$3.4 billion of which the agency anticipates dispersing to affected local entities.

Driver License Improvement funding decreased by \$10.0 million to account for onetime expenditures from the 2016–17 biennium. Biennial funding for the Driver License Division totals \$278.0 million in All Funds and 2,275.8 full-time-equivalent positions.

Agency appropriations for cybersecurity total \$5.7 million and include funding for data loss prevention, an intrusions prevention system, and a security vulnerability management system.

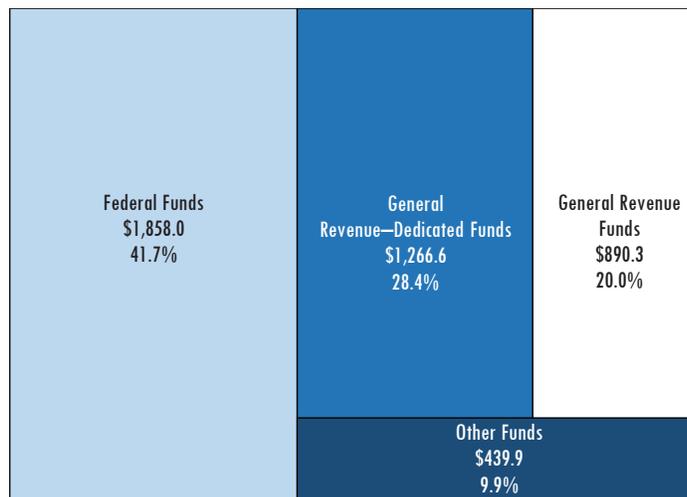
9. NATURAL RESOURCES

Natural Resource agencies play a major role in the state's economy and in maintaining a healthy environment for Texans. State agencies charged with the responsibility of influencing the management and development of these resources do so through scientific research, planning, education, preservation, regulation, remediation, and financial assistance. These activities are directed to the achievement of state goals such as clean air; clean water; safe management of waste; conservation and development of water through resource planning and financial assistance; safe production, fair pricing, and transportation of energy resources; supporting state and local parks and outdoor activities; development of agribusiness; administering child and special nutrition programs; managing state-owned lands and assets; and many others.

FIGURE 126
ARTICLE VI – NATURAL RESOURCES, BY METHOD OF FINANCE

(IN MILLIONS)				
METHOD OF FINANCE	EXPENDED/BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	\$827.0	\$890.3	\$63.4	7.7%
General Revenue–Dedicated Funds	\$1,502.3	\$1,266.6	(\$235.8)	(15.7%)
Federal Funds	\$1,860.7	\$1,858.0	(\$2.7)	(0.1%)
Other Funds	\$347.6	\$439.9	\$92.3	26.5%
Total, All Methods of Finance	\$4,537.7	\$4,454.8	(\$82.8)	(1.8%)

SHARE OF FUNDING BY METHOD OF FINANCE (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

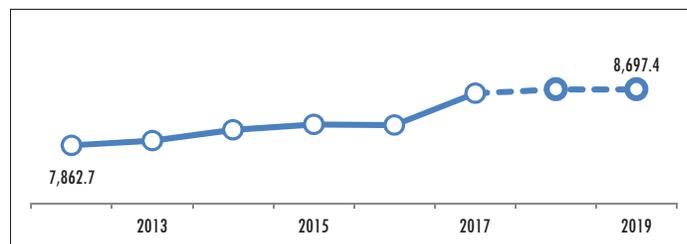
State and local parks are appropriated a total of **\$217.8 million**, a decrease of \$32.0 million. This amount includes \$150.4 million for the operation and improvement of 91 state parks.

The Texas Emissions Reduction Plan was appropriated \$154.7 million, a decrease of \$50.5 million, primarily for grants to replace diesel engines and to purchase or lease other equipment to improve air quality. Additionally, funding for the **Low-Income Vehicle Repair, Retrofit, and Accelerated Vehicle Retirement Program** was vetoed, reflecting a **decrease of \$96.6 million**.

Disaster Recovery Programs at the General Land Office and Veterans' Land Board are appropriated \$107.0 million in federal funding, a decrease of \$71.0 million, due to the conclusion of grants for hurricanes and wildfires. Funding for **recovery from Hurricane Harvey** announced by federal agencies in December 2017 includes **\$1.1 billion** from the Federal Emergency Management Agency and **\$5.1 billion** from the U.S. Department of Housing and Urban Development.

The Alamo and facilities in the Alamo Complex are provided \$87.8 million for daily operations, capital improvements, repairs, and the development of a master plan to preserve and maintain the site and the complex.

FULL-TIME-EQUIVALENT POSITIONS



NOTES: Excludes Interagency Contracts. Full-time-equivalent positions show actual positions for fiscal years 2012 to 2017 and appropriated positions for fiscal years 2018 and 2019.

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

TEXAS DEPARTMENT OF AGRICULTURE

PURPOSE: To partner with Texas farmers, ranchers, and agribusiness to expand markets while protecting public health; protect consumers by enforcing standards; fund child and adult nutrition programs; support research relating to Texas-produced food and fibers; and administer programs promoting rural health and community and economic development.

ESTABLISHED: 1907

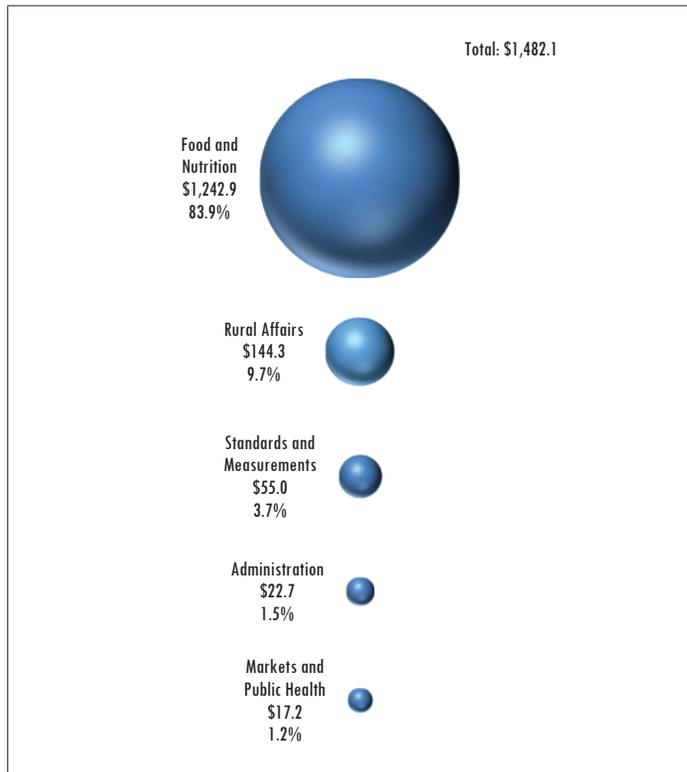
AUTHORIZING STATUTE: The Texas Agriculture Code, Chapters 11 and 12

GOVERNANCE: Commissioner, statewide-elected official

FIGURE 127
TEXAS DEPARTMENT OF AGRICULTURE BY METHOD OF FINANCE

METHOD OF FINANCE	(IN MILLIONS)				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$113.1	\$106.2	(\$6.9)	(6.1%)	2018	702.9
General Revenue–Dedicated Funds	\$4.7	\$4.6	(\$0.1)	(2.4%)		
Federal Funds	\$1,190.0	\$1,348.5	\$158.5	13.3%	2019	705.9
Other Funds	\$28.5	\$22.8	(\$5.7)	(20.0%)		
Total, All Methods of Finance	\$1,336.3	\$1,482.1	\$145.8	10.9%		

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

Child and adult nutrition program funding increased by \$178.6 million in Federal Funds for a total of **\$1.2 billion** in funding. The program provides administration and funding for federal nutrition programs, including the National School Lunch and School Breakfast programs.

The Texans Feeding Texans – Surplus Agricultural Products Grant program was increased by \$3.3 million in General Revenue Funds. The program's total funding of **\$9.1 million** provides surplus agricultural products to food banks and other charitable organizations.

General Revenue Funds of \$1.9 million are provided for repairs to the Giddings **Metrology Laboratory's heating, ventilation, and air-conditioning system.**

General Revenue Funds for the Boll Weevil Eradication program decreased by \$4.2 million. The program's total funding of **\$9.8 million** supports boll weevil eradication activities.

TEXAS ANIMAL HEALTH COMMISSION

PURPOSE: To protect and enhance the health of Texas animal populations by preventing, controlling, and eliminating animal diseases; monitoring and diagnosing animal illnesses; responding to emergency situations involving animals; and promoting productivity and marketability while minimizing risks to human health.

ESTABLISHED: 1949

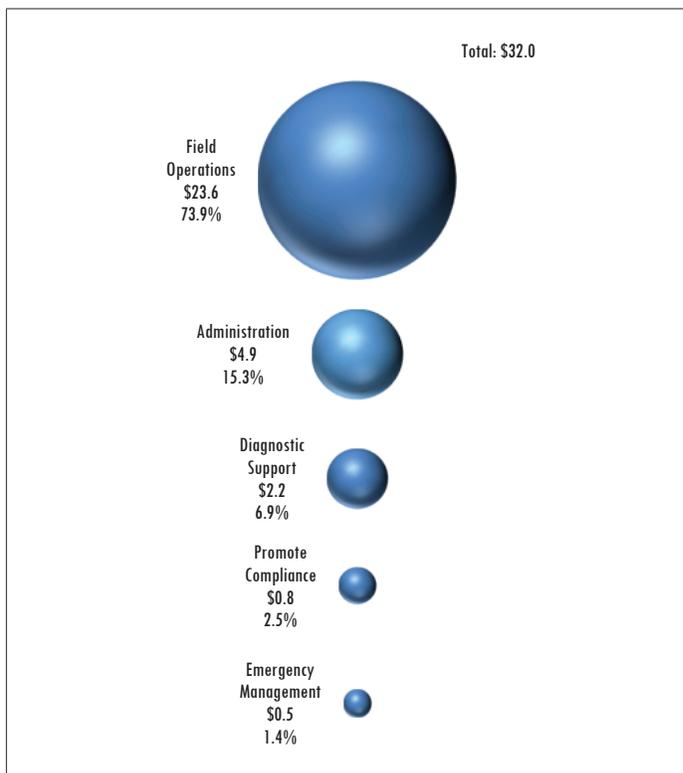
AUTHORIZING STATUTE: The Texas Agriculture Code, §161.021

GOVERNANCE: 13 members appointed by the Governor with advice and consent of the Senate

FIGURE 128
TEXAS ANIMAL HEALTH COMMISSION BY METHOD OF FINANCE

(IN MILLIONS)					APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
METHOD OF FINANCE	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$23.0	\$28.3	\$5.4	23.3%	2018	220.2
General Revenue–Dedicated Funds	\$0.0	\$0.0	\$0.0	N/A		
Federal Funds	\$4.5	\$3.7	(\$0.8)	(18.3%)	2019	220.2
Other Funds	\$0.0	\$0.0	(\$0.0)	(100.0%)		
Total, All Methods of Finance	\$27.5	\$32.0	\$4.5	16.5%		

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

Appropriations for all bovine species programs total \$13.2 million, an increase of \$6.6 million, from the 2016–17 biennial spending level.

Appropriations for **cattle fever tick prevention, control, and eradication activities total \$9.2 million**, a net increase of \$6.5 million from the 2016–17 biennial spending level.

Approximately **66.9 percent of the agency's staff hours** are anticipated to be dedicated to addressing **bovine health issues during fiscal year 2018**.

Field operations funding decreased by \$1.5 million associated with onetime funding for establishment of a new field office during the 2016–17 biennium.

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

PURPOSE: To strive to protect the state’s human and natural resources consistent with sustainable economic development through environmental assessment, planning, permitting, and monitoring, and through pollution prevention and remediation activities.

ESTABLISHED: 1993

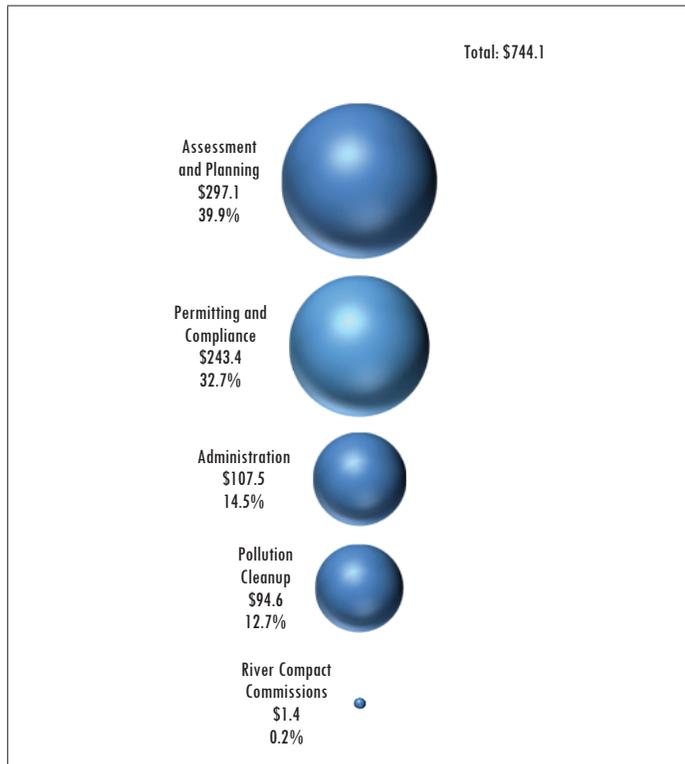
AUTHORIZING STATUTE: The Texas Government Code, the Texas Health and Safety Code, the Texas Local Government Code, the Texas Natural Resources Code, the Texas Occupations Code, the Texas Tax Code, and the Texas Water Code

GOVERNANCE: Three-member, full-time commission appointed by the Governor with advice and consent of the Senate

FIGURE 129
TEXAS COMMISSION ON ENVIRONMENTAL QUALITY BY METHOD OF FINANCE

METHOD OF FINANCE	(IN MILLIONS)				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS
	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE	
General Revenue Funds	\$24.4	\$33.0	\$8.6	35.4%	2018 2,794.8 2019 2,794.8
General Revenue–Dedicated Funds	\$779.4	\$620.4	(\$158.9)	(20.4%)	
Federal Funds	\$81.9	\$74.8	(\$7.1)	(8.6%)	
Other Funds	\$23.7	\$15.8	(\$7.9)	(33.2%)	
Total, All Methods of Finance	\$909.3	\$744.1	(\$165.2)	(18.2%)	

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

Senate Bill 1731, Regular Session, 2017, extends the authorization of the Texas Emissions Reduction Plan (TERP), which was set to expire August 31, 2019, to the end of the biennium in which Texas attains the national ambient air quality standards for ground-level ozone.

TERP is appropriated \$154.7 million, a decrease of \$50.5 million, primarily for grants to replace diesel engines and to purchase or lease other equipment to improve air quality.

Low-Income Vehicle Repair, Retrofit, and Accelerated Vehicle Retirement Program appropriations were vetoed by the Governor, which defunds the program and represents a biennial decrease of \$96.6 million.

Funding for **public drinking water activities and water quality needs is increased by \$8.4 million** in General Revenue Funds.

SOURCE: Legislative Budget Board.

GENERAL LAND OFFICE AND VETERANS' LAND BOARD

PURPOSE: The agency manages oil and gas leases on state lands; investments of the Permanent School Fund; appraisals of state-owned property; coastal erosion grants; archives of historical land records; and the Alamo Complex. The Texas General Land Office (GLO) is the lead agency for oil spill prevention and response, and disburses disaster-related grants for rebuilding housing and infrastructure. The Veterans' Land Board (VLB) administers land and housing loans and long-term care, and manages cemeteries for Texas veterans.

ESTABLISHED: 1837 (GLO); 1946 (VLB)

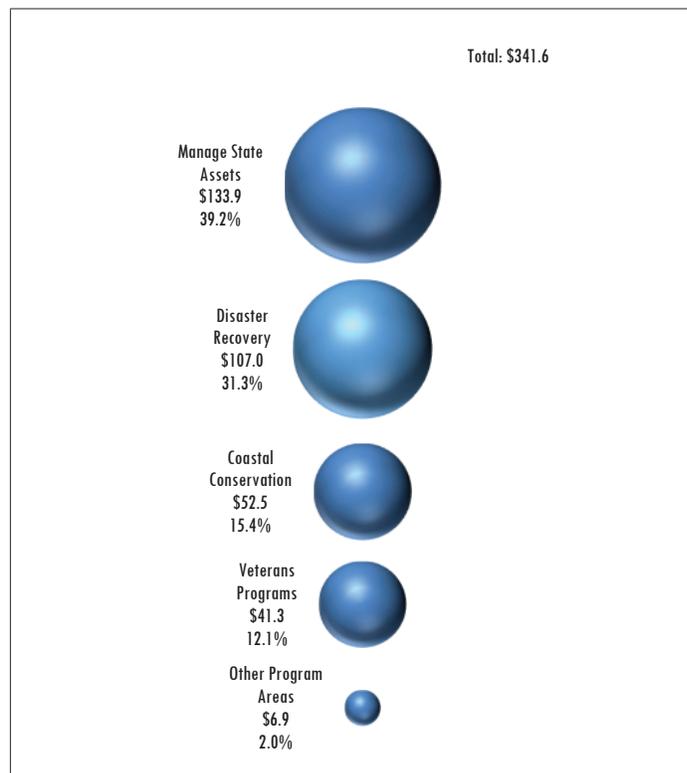
AUTHORIZING STATUTE: The Texas Constitution, Articles III, IV, and XIV; the Texas Natural Resources Code

GOVERNANCE: Commissioner, statewide elected official

FIGURE 130
GENERAL LAND OFFICE AND VETERAN'S LAND BOARD BY METHOD OF FINANCE

(IN MILLIONS)					APPROPRIATED FULL-TIME- EQUIVALENT POSITIONS				
METHOD OF FINANCE	EXPENDED/ BUDGETED 2016-17	APPROPRIATED 2018-19	BIENNIAL CHANGE	PERCENTAGE CHANGE					
General Revenue Funds	\$64.2	\$28.3	(\$35.9)	(55.9%)	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: right; width: 100px;">2018</td> <td style="text-align: right;">600.0</td> </tr> <tr> <td style="text-align: right;">2019</td> <td style="text-align: right;">600.0</td> </tr> </table>	2018	600.0	2019	600.0
2018	600.0								
2019	600.0								
General Revenue-Dedicated Funds	\$29.9	\$30.4	\$0.4	1.5%					
Federal Funds	\$210.3	\$105.3	(\$105.0)	(49.9%)					
Other Funds	\$100.6	\$177.6	\$77.0	76.5%					
Total, All Methods of Finance	\$405.1	\$341.6	(\$63.4)	(15.7%)					

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

The Alamo is funded with \$87.8 million, an increase of \$47.8 million in All Funds, for the daily operation, preservation, and maintenance of the Alamo and Alamo Complex. Of this amount, up to \$75.0 million may be used for implementation of the Alamo Master Plan.

General Revenue Funds totaling \$2.0 million are provided to complete the closure of Rollover Pass on the Bolivar Peninsula.

Federal funding decreased by \$105.0 million primarily due to the ending of the Coastal Impact Assistance Program and housing and related infrastructure grant awards for Hurricane Ike and Central Texas wildfires not being continued.

In addition to appropriations, new Hurricane Harvey recovery funding announced by federal agencies as of December 2017 includes \$1.1 billion from the Federal Emergency Management Agency and \$5.1 billion from the U.S. Department of Housing and Urban Development.

TEXAS LOW-LEVEL RADIOACTIVE WASTE DISPOSAL COMPACT COMMISSION

PURPOSE: To ensure that the compact between Texas and Vermont to manage low-level radioactive waste generated within the two states is upheld by cooperating to protect the health, safety, and welfare of their residents and the environment; and by providing for and encouraging the economic management and disposal of low-level radioactive waste.

ESTABLISHED: 1998

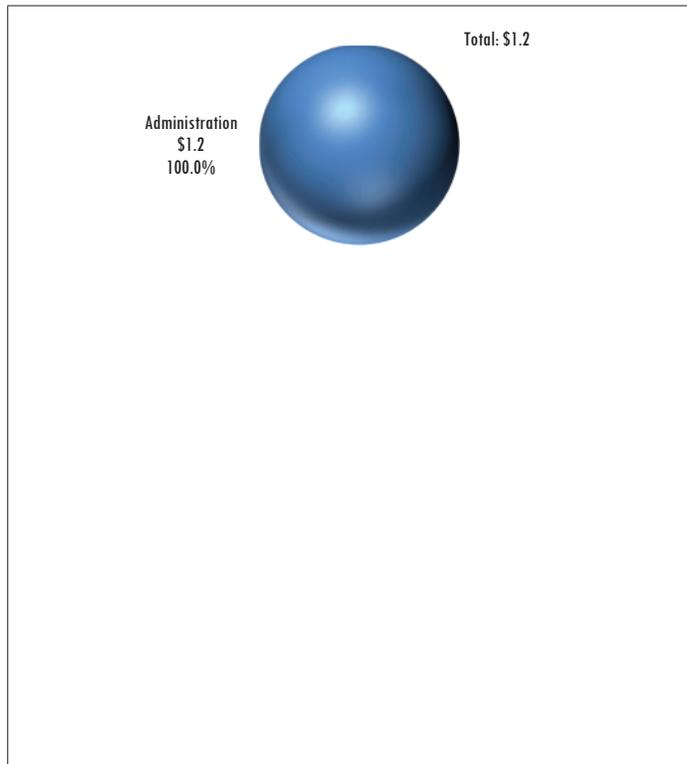
AUTHORIZING STATUTE: The Texas Health and Safety Code, Chapter 403

GOVERNANCE: Compact Commission—six members from Texas, two members from Vermont, each appointed by their respective governors

FIGURE 131
TEXAS LOW-LEVEL RADIOACTIVE WASTE DISPOSAL COMPACT COMMISSION BY METHOD OF FINANCE

METHOD OF FINANCE	(IN MILLIONS)				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$0.0	\$0.0	\$0.0	N/A		
General Revenue–Dedicated Funds	\$0.9	\$1.2	\$0.3	30.8%		
Federal Funds	\$0.0	\$0.0	\$0.0	N/A	2018	0.0
Other Funds	\$0.0	\$0.0	\$0.0	N/A	2019	0.0
Total, All Methods of Finance	\$0.9	\$1.2	\$0.3	30.8%		

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

Approximately \$44.4 million in waste disposal fees have been remitted to the state by Texas Compact generators and nonparty generators since April 2012.

The commission expects that by the end of fiscal year 2019, **91.0 percent of the volumetric capacity** and **90.0 percent of the activity capacity** in the compact waste disposal facility **will remain available**.

SOURCE: Legislative Budget Board.

PARKS AND WILDLIFE DEPARTMENT

PURPOSE: Manage and conserve the natural and cultural resources of Texas and provide hunting, fishing, and outdoor recreational opportunities; enforce hunting and fishing laws; and safely operate state parks, historic sites, natural areas, and wildlife management areas.

ESTABLISHED: 1963

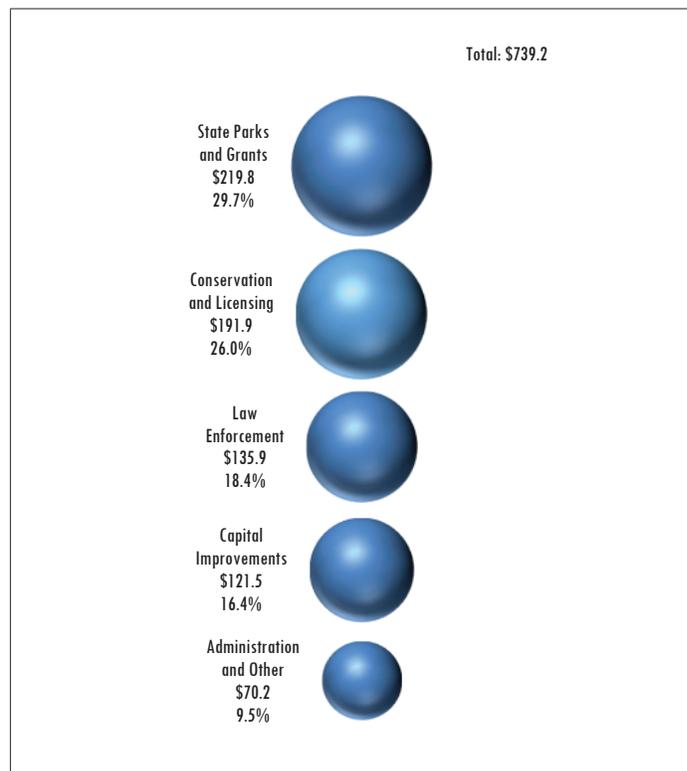
AUTHORIZING STATUTE: The Texas Parks and Wildlife Code, §11.011

GOVERNANCE: Texas Parks and Wildlife Commission – nine members appointed by the Governor with advice and consent of the Senate

FIGURE 132
PARKS AND WILDLIFE DEPARTMENT BY METHOD OF FINANCE

(IN MILLIONS)					APPROPRIATED FULL-TIME- EQUIVALENT POSITIONS				
METHOD OF FINANCE	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE					
General Revenue Funds	\$198.7	\$261.2	\$62.4	31.4%	<table border="1"> <tr> <td style="text-align: right;">2018</td> <td style="text-align: right;">3,149.2</td> </tr> <tr> <td style="text-align: right;">2019</td> <td style="text-align: right;">3,146.2</td> </tr> </table>	2018	3,149.2	2019	3,146.2
2018	3,149.2								
2019	3,146.2								
General Revenue–Dedicated Funds	\$392.1	\$306.7	(\$85.4)	(21.8%)					
Federal Funds	\$171.0	\$134.7	(\$36.3)	(21.2%)					
Other Funds	\$67.3	\$36.6	(\$30.7)	(45.6%)					
Total, All Methods of Finance	\$829.2	\$739.2	(\$90.0)	(10.8%)					

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

State Parks operations funding totals \$136.7 million. Grant funding includes \$28.7 million for local parks and \$17.5 million for boating access and other recreational opportunities.

Sporting Goods Sales Tax (SGST) appropriations for State Park Operations and Local Park Grants total \$205.2 million, or **\$50.1 million greater than 2016–17 biennial spending levels.**

Capital Improvements funding totals \$121.5 million, or a 24.9 percent decrease from 2016–17 biennial spending. This amount includes \$55.2 in SGST partially offsetting a \$77.4 million decrease in General Revenue–Dedicated Funds, **Account No. 5166, Deferred Maintenance.**

Border security-related appropriations total \$33.0 million to replace a 65-foot offshore law enforcement vessel, support 90.0 full-time-equivalent (FTE) positions for game warden law enforcement in border counties, 49.0 positions to enhance border security, and participation in **Operation Secure Texas.**

SOURCE: Legislative Budget Board.

RAILROAD COMMISSION OF TEXAS

PURPOSE: To regulate the state’s oil and natural gas industries, with responsibilities for permitting, monitoring, and inspecting facilities. The agency works to ensure the safe production and transportation of the state’s energy resources, while protecting public health and the environment. The agency also works to ensure fair pricing through its oversight of gas utilities rates.

ESTABLISHED: 1891

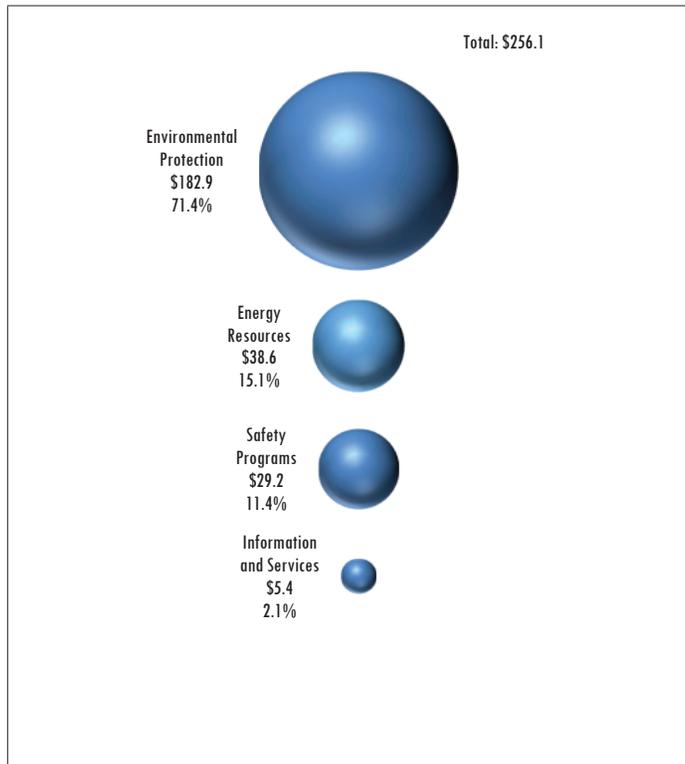
AUTHORIZING STATUTE: The Texas Constitution, Articles X and XVI; the Texas Natural Resources Code

GOVERNANCE: Three statewide-elected officials

FIGURE 133
RAILROAD COMMISSION OF TEXAS BY METHOD OF FINANCE

METHOD OF FINANCE	(IN MILLIONS)				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$22.5	\$61.1	\$38.6	172.1%	2018	827.1
General Revenue–Dedicated Funds	\$134.7	\$135.1	\$0.4	0.3%		
Federal Funds	\$14.3	\$16.9	\$2.5	17.6%		
Other Funds	\$4.9	\$43.0	\$38.1	777.7%		
Total, All Methods of Finance	\$176.4	\$256.1	\$79.7	45.2%	2019	827.1

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

Appropriations provide **\$38.6 million in General Revenue Funds to provide a stable base of funding** for oil and gas regulation and cleanup programs, and additional funding to enhance those efforts.

Appropriations include **\$38.2 million in Other Funds from the Economic Stabilization Fund** for oil and gas well plugging and remediation.

Appropriations total **\$23.5 million in All Funds for pipeline safety and inspections, an \$8.5 million increase** to ensure inspections of all offshore and bay wells every two years and onshore wells every five years.

House Bill 1818, Eighty-fifth Legislature, Regular Session, 2017, **continues the Railroad Commission for 12 years and authorizes new pipeline safety and regulatory cost recovery fees** estimated to generate **\$1.7 million** in revenue each fiscal year.

SOURCE: Legislative Budget Board.

STATE SOIL AND WATER CONSERVATION BOARD

PURPOSE: To work in conjunction with local soil and water conservation districts to encourage wise and productive use of natural resources, including soil conservation projects, flood control dam construction and maintenance, management and abatement of agricultural and silvicultural (forestry) nonpoint source water pollution, and water supply enhancement.

ESTABLISHED: 1939

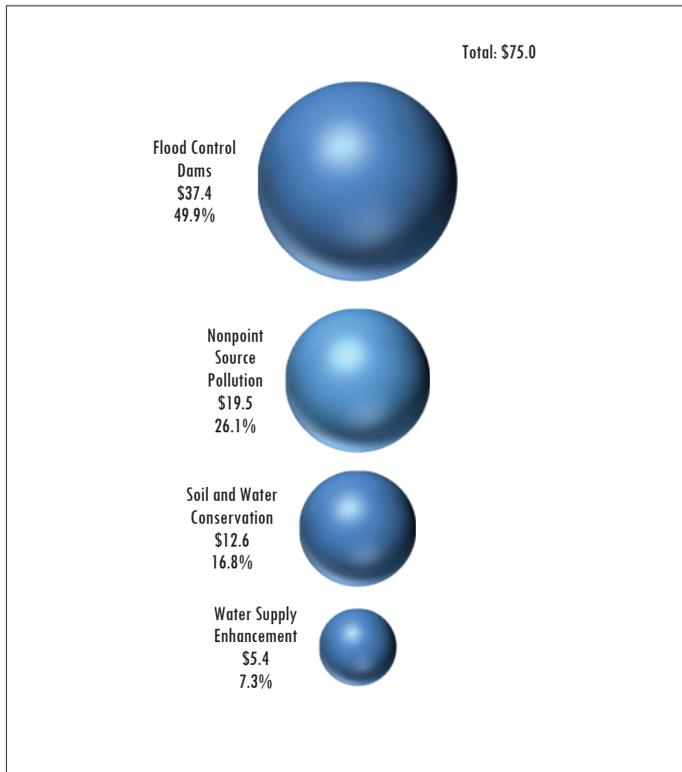
AUTHORIZING STATUTE: The Texas Agriculture Code, §201.001

GOVERNANCE: Five elected members and two members appointed by the Governor

FIGURE 134
STATE SOIL AND WATER CONSERVATION BOARD BY METHOD OF FINANCE

(IN MILLIONS)					APPROPRIATED FULL-TIME- EQUIVALENT POSITIONS				
METHOD OF FINANCE	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE					
General Revenue Funds	\$42.9	\$44.4	\$1.5	3.5%	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: right; width: 50px;">2018</td> <td style="text-align: right;">74.1</td> </tr> <tr> <td style="text-align: right;">2019</td> <td style="text-align: right;">74.1</td> </tr> </table>	2018	74.1	2019	74.1
2018	74.1								
2019	74.1								
General Revenue–Dedicated Funds	\$0.0	\$0.0	\$0.0	N/A					
Federal Funds	\$34.7	\$30.6	(\$4.1)	(11.8%)					
Other Funds	\$0.1	\$0.0	(\$0.1)	(100.0%)					
Total, All Methods of Finance	\$77.7	\$75.0	(\$2.7)	(3.5%)					

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

Funding for carrizo cane eradication efforts increased by \$3.0 million. This funding is included in the \$800.0 million appropriated by the state for border security efforts.

Funding for rehabilitation and repair efforts of flood control dams increased by \$2.9 million.

Federal Funds decreased by \$4.0 million; the funds provide for nonpoint source implementation grants, wildlife restoration grants, range land restoration projects. This decrease also includes \$0.2 million for carrizo cane eradication that is not anticipated to continue for the 2018–19 biennium.

Grant funding for the operating expenses of **local soil and water conservation districts decreased by \$1.7 million** for decreases equivalent to 4.0 percent of 2016–17 biennial spending.

TEXAS WATER DEVELOPMENT BOARD

PURPOSE: To provide leadership, information, education, and support for planning, financial assistance, and outreach for the conservation and responsible development of water for Texas.

ESTABLISHED: 1957

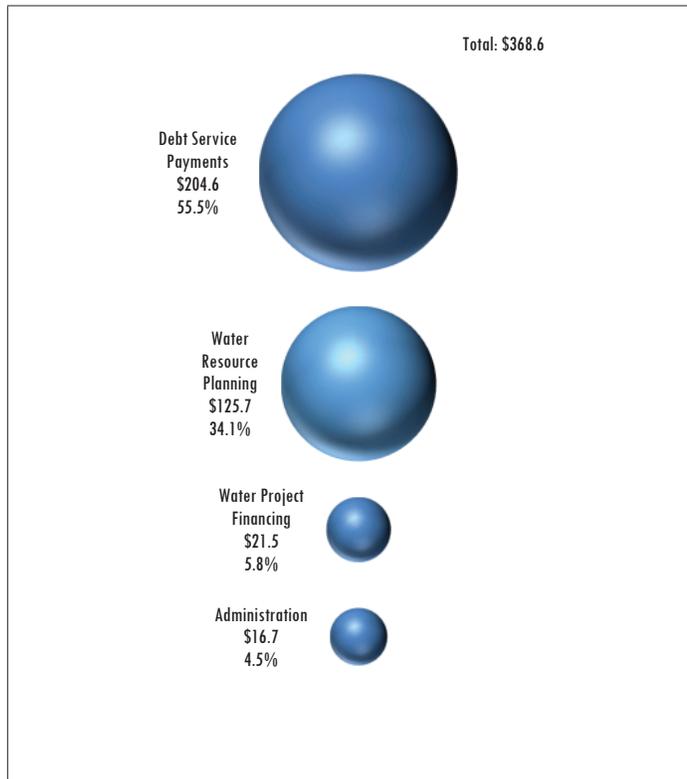
AUTHORIZING STATUTE: The Texas Constitution, Article III, §§49, 50; the Texas Water Code, Chapters 6, 11, 15–17, 35–36; the Texas Government Code, Chapter 742

GOVERNANCE: Three-member, full-time board appointed by the Governor with advice and consent of the Senate

FIGURE 135
TEXAS WATER DEVELOPMENT BOARD BY METHOD OF FINANCE

(IN MILLIONS)						
METHOD OF FINANCE	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE	APPROPRIATED FULL-TIME- EQUIVALENT POSITIONS	
General Revenue Funds	\$151.7	\$130.0	(\$21.7)	(14.3%)		
General Revenue–Dedicated Funds	\$0.0	\$0.0	\$0.0	N/A		
Federal Funds	\$106.9	\$95.3	(\$11.6)	(10.8%)	2018	329.1
Other Funds	\$136.1	\$143.2	\$7.1	5.2%	2019	329.1
Total, All Methods of Finance	\$394.7	\$368.6	(\$26.2)	(6.6%)		

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

Appropriations include **\$64.8 million for Economically Distressed Areas bond debt service** and **\$139.8 million for water infrastructure bond debt service**.

Funding for flood-related programs totals \$90.0 million in All Funds, including \$81.5 million for National Flood Insurance Program grants and community assistance and training, \$0.7 million for floodplain mapping, and \$7.8 million for state flood planning, information, and response.

State Water Implementation Fund for Texas (SWIFT) funds for water and wastewater projects totaling \$1.1 billion were committed to 11 new projects across Texas for 2017. Through fiscal year 2016, SWIFT has committed more than \$4.6 billion for projects across Texas.

Approved water projects are supported by \$2.9 billion available outside the appropriations process: \$1.3 billion in the Water Development Fund II; \$794.6 million in the State Water Implementation Revenue Fund for Texas; and \$586.4 million in the Clean Water State Revolving Fund.

SOURCE: Legislative Budget Board.

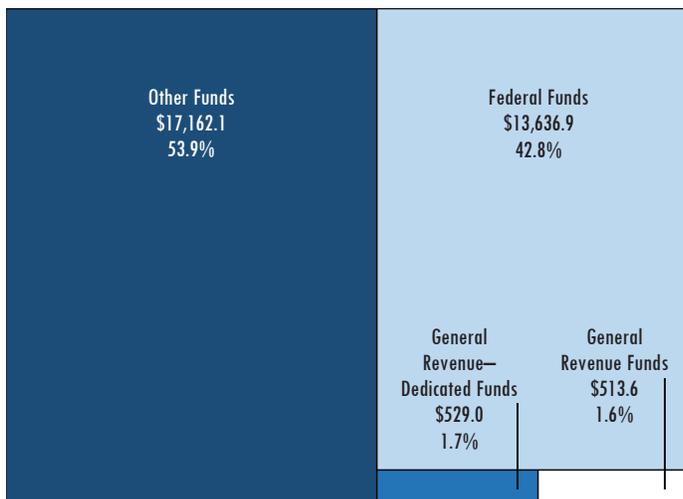
10. BUSINESS AND ECONOMIC DEVELOPMENT

The five business and economic development state agencies provide services supporting the Texas economy through transportation, business and workforce development, lottery and bingo operations, and community infrastructure. These agencies include the Department of Housing and Community Affairs, the Texas Lottery Commission, the Department of Motor Vehicles, the Texas Department of Transportation, and the Texas Workforce Commission.

FIGURE 136
ARTICLE VII – BUSINESS AND ECONOMIC DEVELOPMENT, BY METHOD OF FINANCE

(IN MILLIONS)				
METHOD OF FINANCE	EXPENDED/BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	\$1,162.6	\$513.6	(\$649.0)	(55.8%)
General Revenue–Dedicated Funds	\$505.9	\$529.0	\$23.1	4.6%
Federal Funds	\$12,326.1	\$13,636.9	\$1,310.8	10.6%
Other Funds	\$15,655.1	\$17,162.1	\$1,507.1	9.6%
Total, All Methods of Finance	\$29,649.6	\$31,841.6	\$2,192.0	7.4%

SHARE OF FUNDING BY METHOD OF FINANCE (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

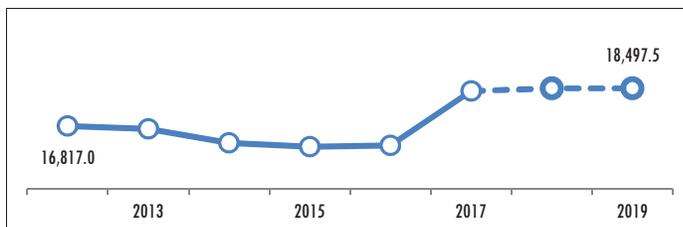
Appropriations for the Texas Department of Transportation (TxDOT) include an estimated **\$2.9 billion** from state sales tax transfers to the State Highway Fund, pursuant to **Proposition 7, 2015**.

Appropriations for TxDOT **replace \$0.5 billion in General Revenue Funds** for General Obligation bond debt service **with funding from state sales tax transfers**, pursuant to Proposition 7, 2015.

Appropriations for the Texas Workforce Commission include **an increase of \$311.1 million** in All Funds for **vocational rehabilitation programs transferred** to the agency from the Department of Assistive and Rehabilitative Services during fiscal year 2017.

Appropriations from **General Revenue–Dedicated Account 5175, Bingo Administration Account, replace General Revenue Funds** at the Texas Lottery Commission for bingo operations.

FULL-TIME-EQUIVALENT POSITIONS



NOTES: Excludes Interagency Contracts. Full-time-equivalent positions show actual positions for fiscal years 2012 to 2017 and appropriated positions for fiscal years 2018 and 2019.

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

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

PURPOSE: Texas Department of Housing and Community Affairs (TDHCA) administers affordable housing, housing-related and community service programs; regulates the state’s manufactured housing industry; ensures program compliance with federal and state requirements; and provides educational materials or technical assistance for housing and community services.

ESTABLISHED: 1991

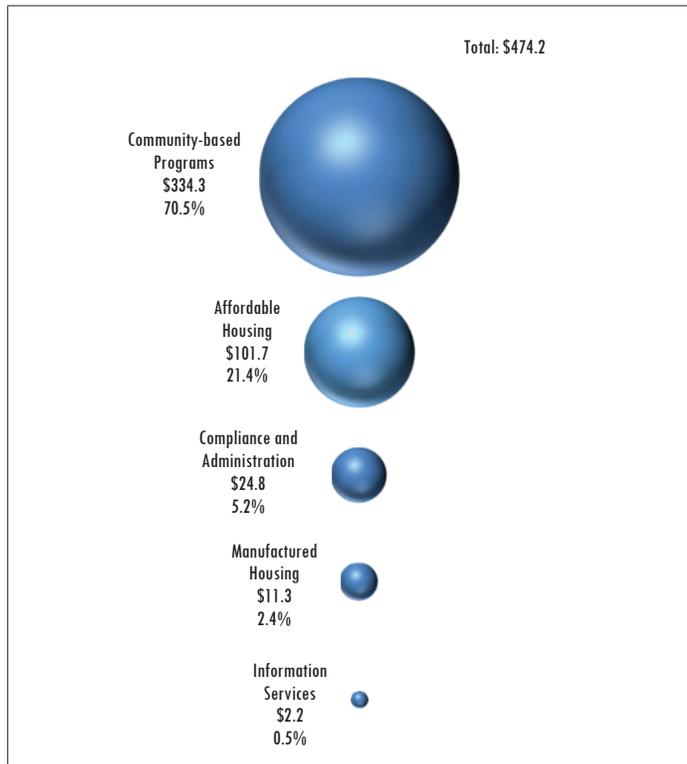
AUTHORIZING STATUTE: The Texas Government Code, §2306.001

GOVERNANCE: TDHCA Governing Board—seven public members appointed by the Governor with advice and consent of the Senate

FIGURE 137
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS, BY METHOD OF FINANCE

METHOD OF FINANCE	(IN MILLIONS)				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$26.6	\$24.4	(\$2.2)	(8.3%)	2018	313.0
General Revenue–Dedicated Funds	\$0.0	\$0.0	\$0.0	N/A		
Federal Funds	\$410.4	\$407.4	(\$2.9)	(0.7%)	2019	313.0
Other Funds	\$40.1	\$42.4	\$2.3	5.8%		
Total, All Methods of Finance	\$477.1	\$474.2	(\$2.8)	(0.6%)		

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

- Appropriations include a \$1.2 million decrease in General Revenue Funds due to funding the **Texas Housing Assistance program directly at the Texas Veterans Commission.**
- Appropriations include a \$12.0 million decrease in Federal Funds for the **Section 811 Project Rental Assistance Program.**
- Appropriations include a \$9.6 million increase in Federal Funds due to **new grant funding from the National Housing Trust Fund** for the 2018–19 biennium.
- Funding includes an increase of \$1.2 million from an Interagency Contract for **an adult mental health program** to provide rental assistance to adults with serious mental illness.

SOURCE: Legislative Budget Board.

TEXAS LOTTERY COMMISSION

PURPOSE: Generate revenue for the state through the management and sale of entertaining lottery products and provide authorized organizations the opportunity to raise funds for their charitable purposes by conducting bingo.

ESTABLISHED: 1993

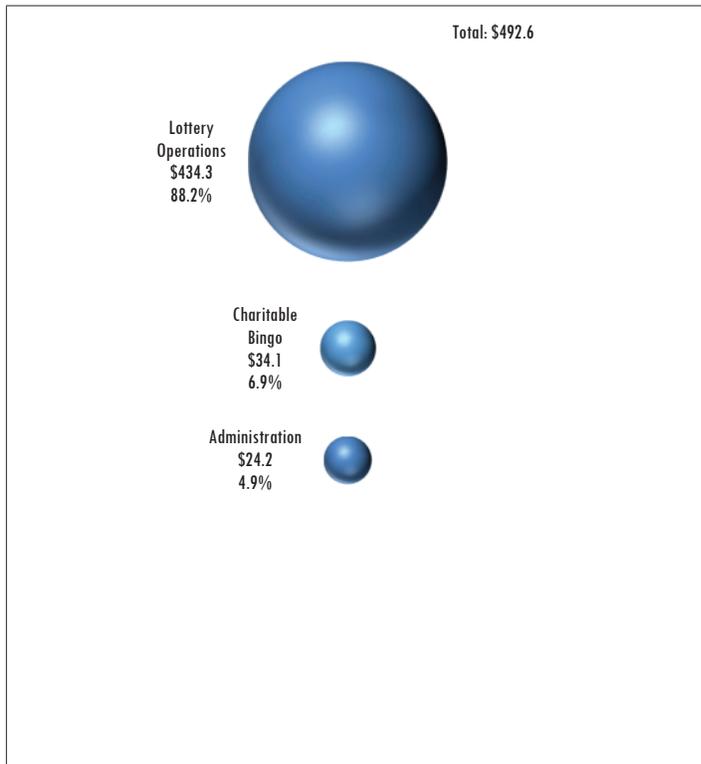
AUTHORIZING STATUTE: The Texas Government Code, §467.002

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

FIGURE 138
TEXAS LOTTERY COMMISSION BY METHOD OF FINANCE

METHOD OF FINANCE	(IN MILLIONS)				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$30.9	\$0.0	(\$30.9)	(100.0%)	2018	323.5
General Revenue–Dedicated Funds	\$465.8	\$492.6	\$26.8	5.8%		
Federal Funds	\$0.0	\$0.0	\$0.0	N/A	2019	323.5
Other Funds	\$0.0	\$0.0	\$0.0	N/A		
Total, All Methods of Finance	\$496.7	\$492.6	(\$4.1)	(0.8%)		

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

Legislation enacted by the Eighty-fifth Legislature, Regular Session, 2017, resulted in a **method-of-finance swap of \$34.1 million** from General Revenue Funds to General Revenue–Dedicated Funds for the agency’s bingo operations.

Appropriations include an **increase of \$3.1 million for the agency’s bingo operations**, primarily for estimated bingo prize fee allocations to counties and municipalities.

Appropriations include an **increase of \$15.6 million related to an anticipated increase in lottery ticket sales**, which fund the lottery operator contract and retailer commissions.

Appropriations include a **decrease of \$14.7 million for lottery advertising services**.

DEPARTMENT OF MOTOR VEHICLES

PURPOSE: Provide vehicle title and registration services, motor carrier registration and permitting, motor vehicle dealer licensing and regulation, and other motor vehicle regulatory and enforcement services.

ESTABLISHED: 2009

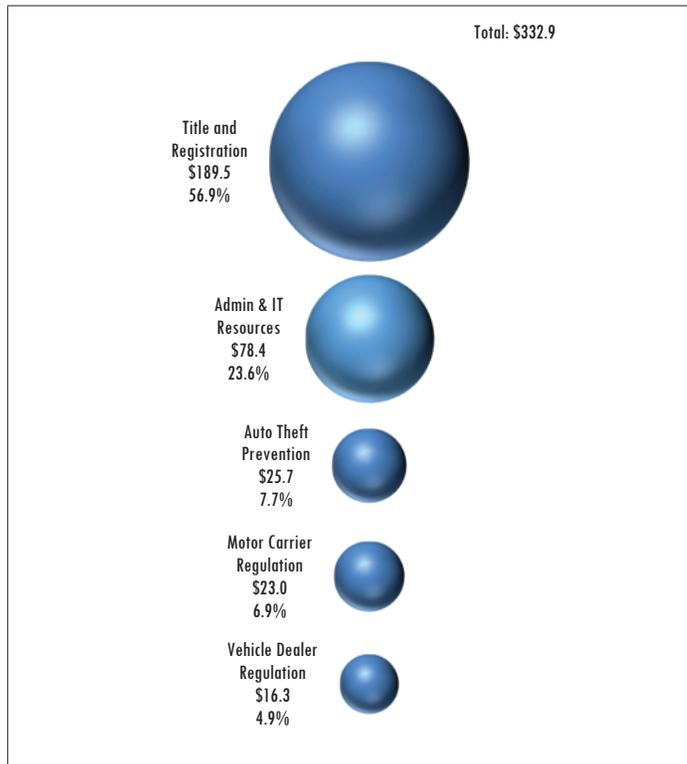
AUTHORIZING STATUTE: The Texas Transportation Code, §1001.002

GOVERNANCE: Department of Motor Vehicles Board—nine members appointed by the Governor with advice and consent of the Senate

FIGURE 139
DEPARTMENT OF MOTOR VEHICLES BY METHOD OF FINANCE

METHOD OF FINANCE	(IN MILLIONS)				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$184.7	\$25.7	(\$159.0)	(86.1%)	2018	779.0
General Revenue–Dedicated Funds	\$0.0	\$0.0	\$0.0	N/A		
Federal Funds	\$0.5	\$1.5	\$1.0	208.9%	2019	779.0
Other Funds	\$164.9	\$305.7	\$140.8	85.4%		
Total, All Methods of Finance	\$350.0	\$332.9	(\$17.2)	(4.9%)		

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



Source: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

Appropriations from the **Texas Department of Motor Vehicles Fund (Other Funds)** replace **General Revenue Funds** for all programs except the Automobile Burglary and Theft Prevention Authority for the 2018–19 biennium.

Appropriations for the 2018–19 biennium include **\$9.8 million in Other Funds and an additional 3.0 full-time-equivalent positions** for Department of Motor Vehicles **headquarters facilities maintenance and operations**.

Appropriations for the 2018–19 biennium include **\$1.9 million in Other Funds and an additional 13.0 full-time-equivalent positions** for a new **Special Investigations Unit** to investigate motor vehicle fraud.

Funding for **Automobile Burglary and Theft Prevention Authority** grants and administration was **decreased by \$4.2 million (14.0 percent)**.

TEXAS DEPARTMENT OF TRANSPORTATION

PURPOSE: Provide for planning, coordination, acquisition, construction, preservation, and operation of the state’s transportation systems and services.

ESTABLISHED: 1991

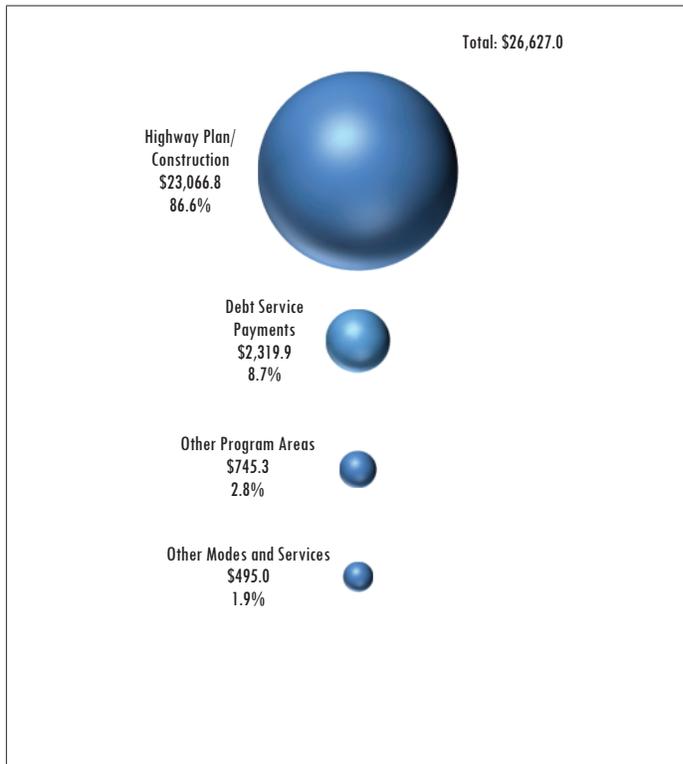
AUTHORIZING STATUTE: The Texas Transportation Code, Chapter 201

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

FIGURE 140
TEXAS DEPARTMENT OF TRANSPORTATION BY METHOD OF FINANCE

METHOD OF FINANCE	(IN MILLIONS)				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$500.0	\$3.9	(\$496.1)	(99.2%)		
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%	2018	12,213.5
Other Funds	\$14,821.9	\$16,136.5	\$1,314.6	8.9%	2019	12,213.5
Total, All Methods of Finance	\$24,731.9	\$26,627.0	\$1,895.1	7.7%		

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

Appropriations include an estimated **\$2.9 billion** from state sales tax transfers to the State Highway Fund (Other Funds) pursuant to **Proposition 7, 2015**.

Appropriations include an estimated **\$2.5 billion** from oil and natural gas tax-related transfers to the State Highway Fund pursuant to **Proposition 1, 2014**.

Appropriations from **Proposition 7, 2015**, transfers to the State Highway Fund **replace General Revenue Funds for debt service payments** on Highway Improvement General Obligation bonds.

Funding includes an **increase of 313.5 full-time-equivalent positions** to support increased **highway project planning and contracting** activity.

TEXAS WORKFORCE COMMISSION

PURPOSE: Support an effective workforce system that provides economic opportunity for employers, individuals, and communities, and administer the state Child Care and Unemployment Insurance programs.

ESTABLISHED: 1995

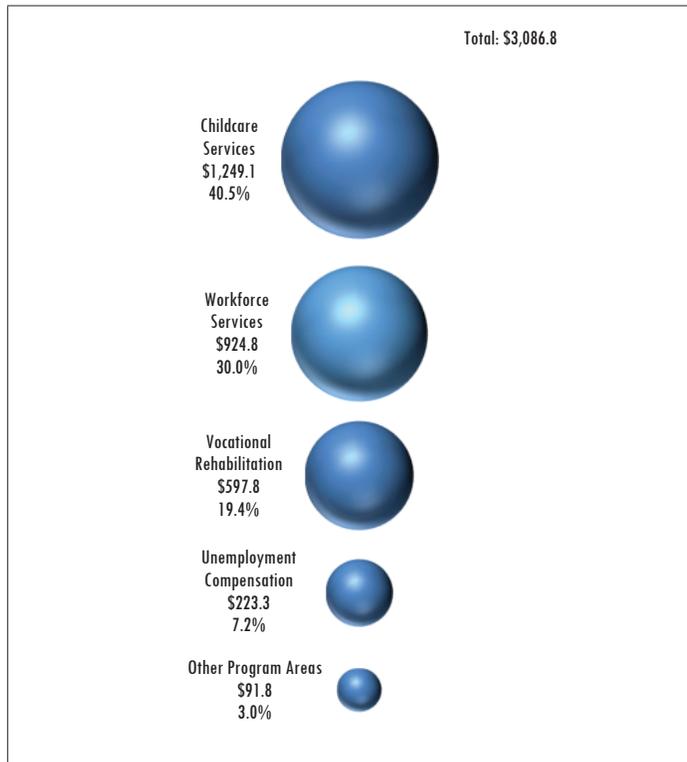
AUTHORIZING STATUTE: The Texas Labor Code, §301.001

GOVERNANCE: Texas Workforce Commission—three members appointed by the Governor with advice and consent of the Senate

FIGURE 141
TEXAS WORKFORCE COMMISSION BY METHOD OF FINANCE

(IN MILLIONS)						
METHOD OF FINANCE	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE	APPROPRIATED FULL-TIME- EQUIVALENT POSITIONS	
General Revenue Funds	\$339.9	\$381.7	\$41.8	12.3%		
General Revenue–Dedicated Funds	\$15.6	\$12.5	(\$3.1)	(20.0%)		
Federal Funds	\$2,349.9	\$2,546.8	\$196.9	8.4%	2018	4,868.5
Other Funds	\$139.0	\$145.7	\$6.7	4.8%	2019	4,868.5
Total, All Methods of Finance	\$2,844.5	\$3,086.8	\$242.2	8.5%		

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

The Texas Workforce Commission (TWC) is appropriated **\$311.1 million in All Funds** to biennialize funding for the **Vocational Rehabilitation** program transferred from the Department of Assistive and Rehabilitative Services in fiscal year 2017.

Appropriations include an **increase of \$11.6 million** to fund the Department of Family and Protective Services childcare services for **foster care and protective service populations**.

Funding includes a **net decrease of \$55.3 million** related to changes in federal grants. Overall, Federal Funds account for **82.5 percent** of the agency's total appropriation.

Appropriations include a **decrease of \$3.0 million** for workforce employment and training activities, **\$2.7 million** for contract cost containment, and **\$1.7 million** for the Skills Development program.

Source: Legislative Budget Board.

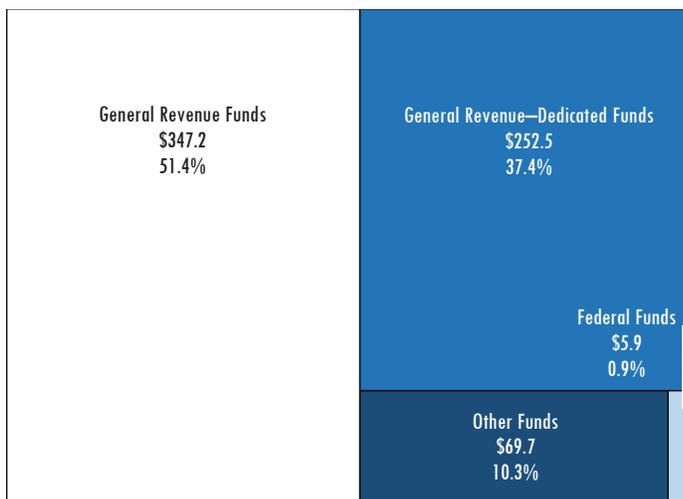
11. REGULATORY

Regulatory agencies are the 23 state agencies charged with the regulation of a wide range of industries and occupations in the state. Regulated industries include insurance, workers' compensation, health-related occupations, nonhealth-related occupations, telecommunications, electric utilities, securities, and pari-mutuel racing. The appropriations and indirect costs for 19 of the regulatory agencies are supported by fees generated from the industries and occupations they regulate. These agencies are subject to a special provision expressing legislative requirements that fee-generated revenues cover the cost of agency appropriations and the other direct and indirect costs appropriated elsewhere in the Eighty-fifth Legislature, General Appropriations Act, 2018–19 Biennium.

FIGURE 142
ARTICLE VIII – REGULATORY, BY METHOD OF FINANCE

(IN MILLIONS)				
METHOD OF FINANCE	EXPENDED/BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	\$337.1	\$347.2	\$10.1	3.0%
General Revenue–Dedicated Funds	\$577.8	\$252.5	(\$325.3)	(56.3%)
Federal Funds	\$8.6	\$5.9	(\$2.8)	(32.2%)
Other Funds	\$32.8	\$69.7	\$36.9	112.5%
Total, All Methods of Finance	\$956.4	\$675.3	(\$281.1)	(29.4%)

SHARE OF FUNDING BY METHOD OF FINANCE (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

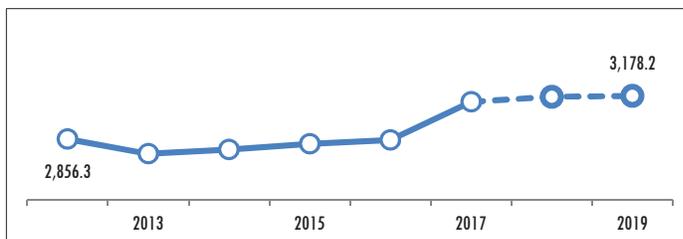
Appropriations include a decrease of \$333.2 million in General Revenue–Dedicated Funds from Account No. 5100, System Benefit Fund, at the Public Utility Commission **due to the fund's expiration** at the end of the 2016–17 biennium.

Appropriations include **\$42.1 million in All Funds** to the Texas Department of Insurance **for the establishment of a Health Insurance Risk Pool** contingent upon federal law, regulation, or executive action.

House Bill 3078, Eighty-fifth Legislature, Regular Session, 2017, **abolished the Board of Podiatric Medical Examiners and transferred the regulation of podiatry** to the Texas Department of Licensing and Regulation.

Funding for the Texas Department of Licensing and Regulation includes an increase of \$4.5 million for the **licensing and regulation of new occupations and occupations transferred from other state agencies**.

FULL-TIME-EQUIVALENT POSITIONS



NOTES: Excludes Interagency Contracts. Full-time-equivalent positions show actual positions for fiscal years 2012 to 2017 and appropriated positions for fiscal years 2018 and 2019.
SOURCES: Legislative Budget Board; State Auditor's Office.

STATE OFFICE OF ADMINISTRATIVE HEARINGS

PURPOSE: Conduct fair, objective, prompt, and efficient administrative hearings and alternative dispute resolution proceedings for contested cases at agencies that do not employ an administrative law judge to arbitrate such disputes.

ESTABLISHED: 1991

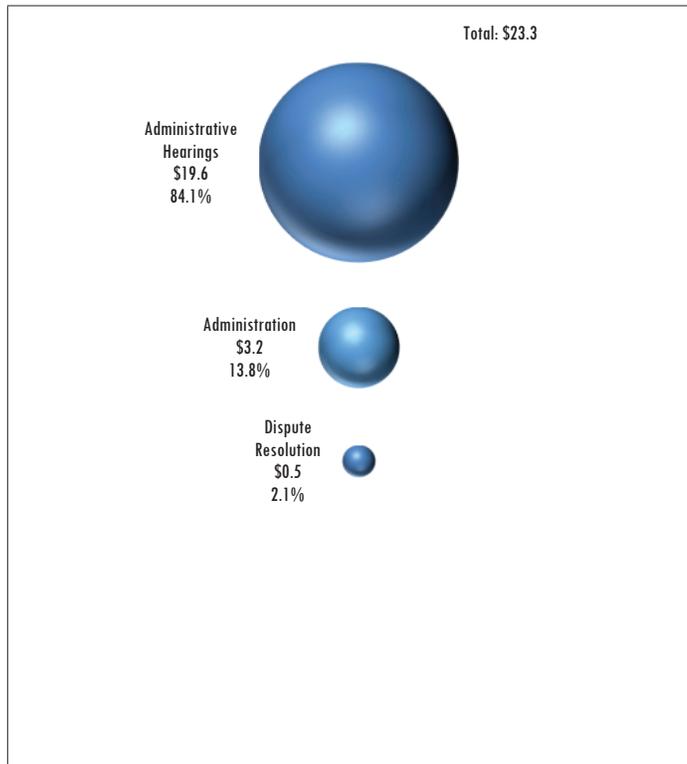
AUTHORIZING STATUTE: The Texas Government Code, §2003.021

GOVERNANCE: Chief Administrative Law Judge—appointed by the Governor with advice and consent of the Senate

FIGURE 143
STATE OFFICE OF ADMINISTRATIVE HEARINGS BY METHOD OF FINANCE

METHOD OF FINANCE	(IN MILLIONS)				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$16.6	\$14.3	(\$2.3)	(13.8%)	2018	123.0
General Revenue–Dedicated Funds	\$0.0	\$0.0	\$0.0	N/A		
Federal Funds	\$0.0	\$0.0	\$0.0	N/A	2019	123.0
Other Funds	\$7.0	\$9.0	\$2.0	29.0%		
Total, All Methods of Finance	\$23.5	\$23.3	(\$0.3)	(1.1%)		

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

Appropriations include a **decrease of \$1.6 million in General Revenue Funds** for onetime expenditures during the 2016–17 biennium.

The agency anticipates an **increase in workload from the Department of Family and Protective Services, the Texas Education Agency, and the Texas Real Estate Commission.**

The State Office of Administrative Hearings will charge agencies **an hourly rate of \$128 per hour** for costs associated with administrative hearings.

OFFICE OF INJURED EMPLOYEE COUNSEL

PURPOSE: Assist, educate, and advocate on behalf of the injured employees of Texas. By statute, the Office of Injured Employee Counsel is administratively attached to the Texas Department of Insurance, Division of Workers' Compensation.

ESTABLISHED: 2005

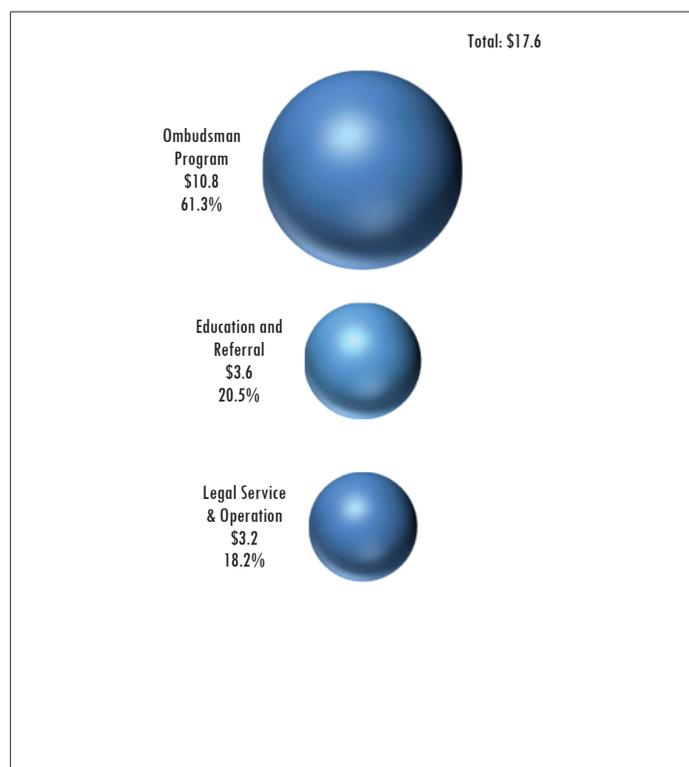
AUTHORIZING STATUTE: The Texas Labor Code, §404.002

GOVERNANCE: Public Counsel—appointed by the Governor with advice and consent of the Senate

FIGURE 144
OFFICE OF INJURED EMPLOYEE COUNSEL BY METHOD OF FINANCE

METHOD OF FINANCE	(IN MILLIONS)				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$0.0	\$0.0	\$0.0	N/A	2018	175.0
General Revenue–Dedicated Funds	\$17.6	\$17.6	(\$0.0)	(0.0%)		
Federal Funds	\$0.0	\$0.0	\$0.0	N/A	2019	175.0
Other Funds	\$0.0	\$0.0	\$0.0	N/A		
Total, All Methods of Finance	\$17.6	\$17.6	(\$0.0)	(0.0%)		

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

The agency anticipates participating in **13,000 benefit review conferences**, **5,200 contested case hearings**, and **2,000 appeals** to assist injured employees during the 2018–19 biennium.

Administrative attachment appropriations at the Texas Department of Insurance include funding to cover **rent increases of \$0.2 million** at the shared workers' compensation field offices with OIEC.

The agency received an **increase in salary authority** for the agency's exempt position, the Public Counsel.

TEXAS DEPARTMENT OF INSURANCE

PURPOSE: Protect insurance consumers in Texas by regulating the insurance industry and promoting a stable and competitive market. The Texas Department of Insurance focuses on access to affordable insurance, promoting insurer financial strength, reducing losses due to fire, and regulating the workers' compensation system.

ESTABLISHED: 1991

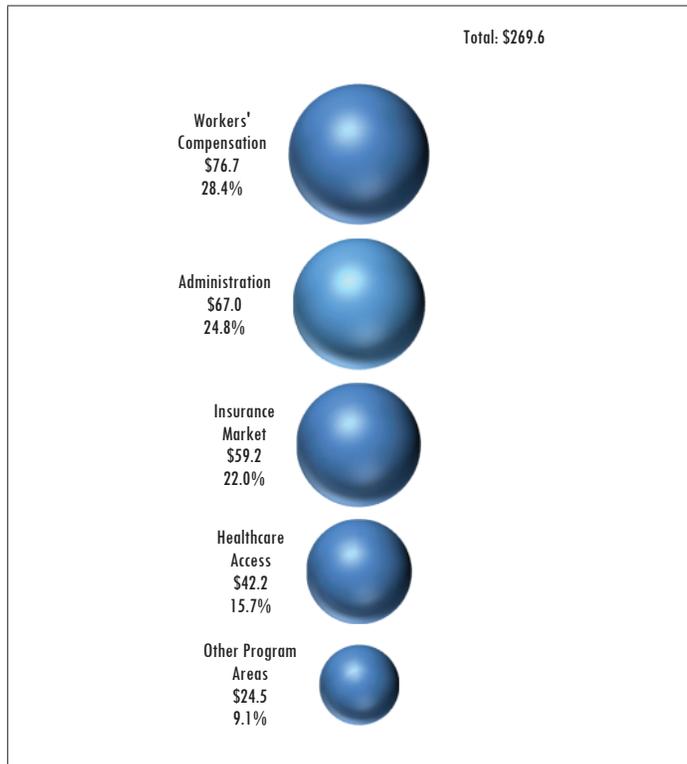
AUTHORIZING STATUTE: The Texas Insurance Code, §31.002

GOVERNANCE: Commissioner of Insurance—appointed by the Governor with advice and consent of the Senate

FIGURE 145
TEXAS DEPARTMENT OF INSURANCE BY METHOD OF FINANCE

METHOD OF FINANCE	(IN MILLIONS)				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$82.9	\$85.0	\$2.1	2.5%	2018	1,374.2
General Revenue–Dedicated Funds	\$128.2	\$129.1	\$1.0	0.7%		
Federal Funds	\$6.7	\$4.4	(\$2.3)	(34.9%)	2019	1,375.7
Other Funds	\$14.8	\$51.1	\$36.3	245.4%		
Total, All Methods of Finance	\$232.6	\$269.6	\$37.1	15.9%		

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

- Funding includes **\$42.1 million in contingency funds for the establishment of the Health Insurance Risk Pool** upon federal law, regulation, or executive action.
- The agency is appropriated **\$4.4 million in contingency funds** to respond in the event of a **significant change in the insurance regulatory environment**.
- Appropriations include a **decrease of \$2.7 million** for decreases in administrative support, regulatory policy, and data center services.
- Funding includes an **increase of \$0.7 million for workers' compensation fraud prosecution** to fund 4.0 full-time-equivalent positions in cooperation with the Travis County District Attorney's Office.

OFFICE OF PUBLIC INSURANCE COUNSEL

PURPOSE: Represents the interests of insurance consumers in Texas in regulatory matters involving automobile, residential property, and title insurance, and participates in rule-making proceedings for life and health insurance.

ESTABLISHED: 1991

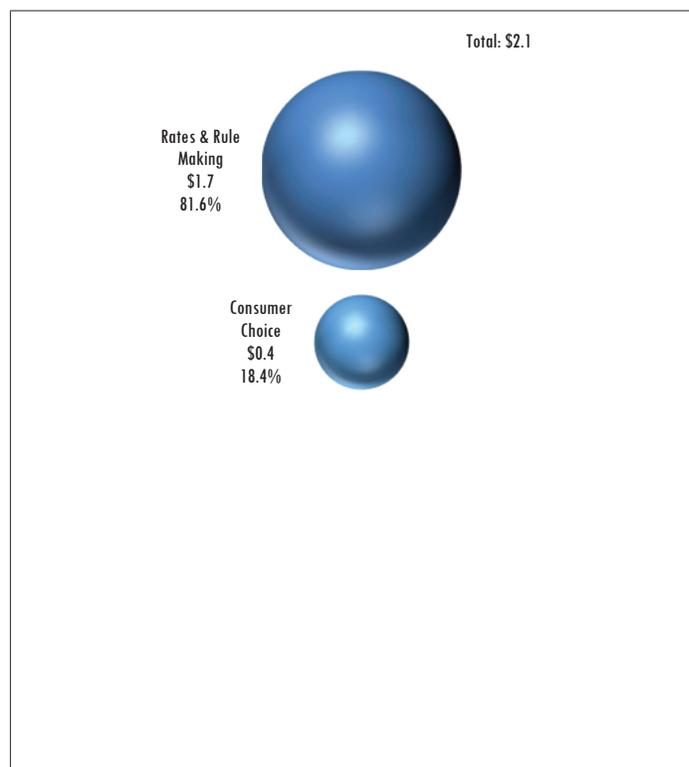
AUTHORIZING STATUTE: The Texas Insurance Code, §501.002

GOVERNANCE: Public Counsel—appointed by the Governor with advice and consent of the Senate

FIGURE 146
OFFICE OF PUBLIC INSURANCE COUNSEL BY METHOD OF FINANCE

METHOD OF FINANCE	(IN MILLIONS)				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$1.8	\$1.7	(\$0.1)	(4.1%)	2018	15.0
General Revenue–Dedicated Funds	\$0.0	\$0.0	\$0.0	N/A		
Federal Funds	\$0.0	\$0.0	\$0.0	N/A	2019	15.0
Other Funds	\$0.4	\$0.4	\$0.0	0.0%		
Total, All Methods of Finance	\$2.2	\$2.1	(\$0.1)	(3.4%)		

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

Appropriations include a **decrease of \$0.1 million in General Revenue Funds** primarily for professional services.

The agency received an **increase in salary authority** for the agency's exempt position, the Public Counsel.

The agency anticipates reviewing approximately **50 rate filings** and completing approximately **2,400 public presentations or communications to enhance consumer choice** during the 2018–19 biennium.

DEPARTMENT OF LICENSING AND REGULATION

PURPOSE: Serve as an umbrella occupational regulatory agency for the licensing, certification, and enforcement of regulatory statutes involving diverse businesses, industries, general trades, and occupations.

ESTABLISHED: 1989

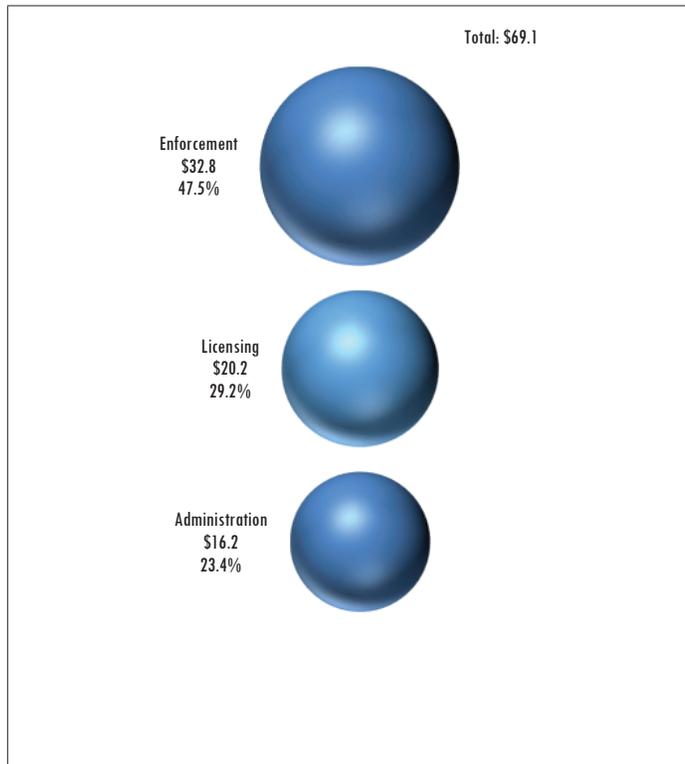
AUTHORIZING STATUTE: The Texas Occupations Code, §51.051

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

FIGURE 147
DEPARTMENT OF LICENSING AND REGULATION BY METHOD OF FINANCE

METHOD OF FINANCE	(IN MILLIONS)				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$58.2	\$60.2	\$2.0	3.5%	2018 465.9	
General Revenue–Dedicated Funds	\$0.1	\$0.2	\$0.1	240.0%		
Federal Funds	\$0.0	\$0.0	\$0.0	N/A		
Other Funds	\$8.8	\$8.7	(\$0.1)	(0.6%)		
Total, All Methods of Finance	\$67.0	\$69.1	\$2.1	3.1%	2019 471.2	

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

- Funding includes an **increase of \$3.5 million and 25.0 full-time-equivalent (FTE) positions** for the second phase of regulatory transfers of certain occupations from the Department of State Health Services.
- The agency is appropriated **\$0.5 million and 4.0 FTE positions** to transfer the regulation of podiatry from the Board of Podiatric Medical Examiners.
- The Eighty-fifth Legislature, Regular Session, 2017, passed legislation requiring the regulation of **behavioral analysts and transportation network companies** and includes a corresponding **increase of \$0.5 million** at the agency.
- Appropriations include an **increase of \$0.1 million in General Revenue–Dedicated Funds** to reimburse tuition for students of beauty and barber schools that close before completing instruction.

RACING COMMISSION

PURPOSE: Enforce the Texas Racing Act and its rules to ensure the safety, integrity, and fairness of Texas pari-mutuel racing.

ESTABLISHED: 1988

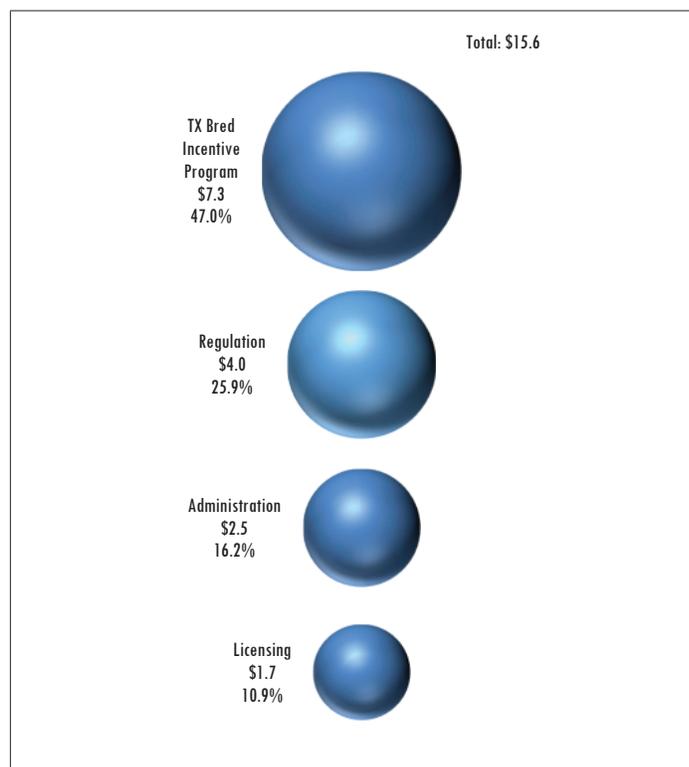
AUTHORIZING STATUTE: The Texas Racing Act, Article 2

GOVERNANCE: Texas Racing Commission—seven members appointed by the Governor with advice and consent of the Senate, and two ex officio voting members set in statute

FIGURE 148
RACING COMMISSION BY METHOD OF FINANCE

METHOD OF FINANCE	(IN MILLIONS)				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$0.0	\$0.0	\$0.0	N/A	2018	51.6
General Revenue—Dedicated Funds	\$14.7	\$15.6	\$0.9	6.3%		
Federal Funds	\$0.0	\$0.0	\$0.0	N/A	2019	51.6
Other Funds	\$0.0	\$0.0	\$0.0	N/A		
Total, All Methods of Finance	\$14.7	\$15.6	\$0.9	6.3%		

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

Appropriations include **\$1.3 million** and **5.2 full-time-equivalent positions** for the Racing Commission contingent on the opening or reopening of a **new horse racetrack** and **increases in the number of live race days** during the 2018–19 biennium.

The Racing Commission anticipates **pari-mutuel wagering revenue will total \$603.0 million** in the 2018–19 biennium.

STATE SECURITIES BOARD

PURPOSE: Protect Texas investors by ensuring a free and competitive securities market for Texas, increasing investor confidence, and encouraging the formation of capital and the development of new jobs.

ESTABLISHED: 1957

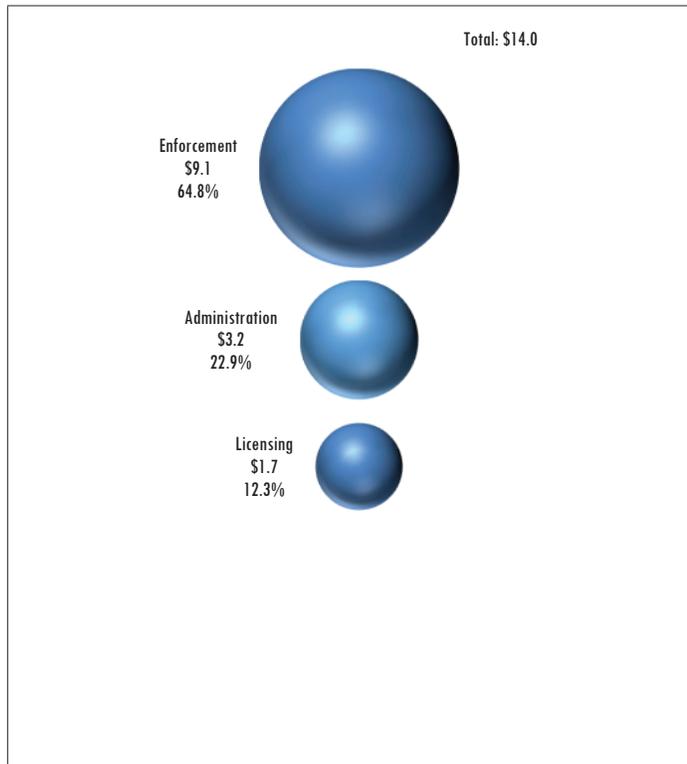
AUTHORIZING STATUTE: Vernon's Civil Statutes, the Texas Securities Act, Article 581-2

GOVERNANCE: State Securities Board—five members appointed by the Governor with advice and consent of the Senate

FIGURE 149
STATE SECURITIES BOARD BY METHOD OF FINANCE

METHOD OF FINANCE	(IN MILLIONS)				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$14.6	\$14.0	(\$0.6)	(4.1%)	2018	97.0
General Revenue–Dedicated Funds	\$0.0	\$0.0	\$0.0	N/A		
Federal Funds	\$0.0	\$0.0	\$0.0	N/A	2019	97.0
Other Funds	\$0.0	\$0.0	(\$0.0)	(100.0%)		
Total, All Methods of Finance	\$14.6	\$14.0	(\$0.6)	(4.1%)		

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

Appropriations to the State Securities Board include a decrease of **\$0.6 million and 7.0 full-time-equivalent positions** for the projected closure of a field office.

Revenue deposited to the state Treasury related to securities and dealer and agent applications for the 2018–19 biennium is estimated to be **\$276.2 million**.

PUBLIC UTILITY COMMISSION OF TEXAS

PURPOSE: Protect customers, foster competition, and promote high-quality utility infrastructure in the state's electric, telecommunication, and water and wastewater utility industries.

ESTABLISHED: 1975

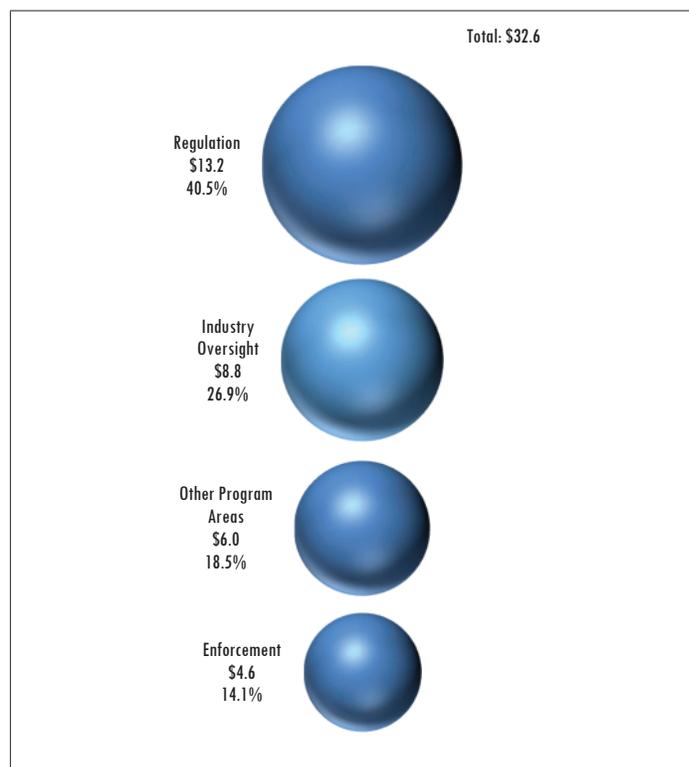
AUTHORIZING STATUTE: The Texas Utilities Code, §12.001

GOVERNANCE: Utility Commission—three members appointed by the Governor with the advice and consent of the Senate

FIGURE 150
PUBLIC UTILITY COMMISSION OF TEXAS BY METHOD OF FINANCE

METHOD OF FINANCE	(IN MILLIONS)				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$18.8	\$26.6	\$7.8	41.5%	2018	215.0
General Revenue–Dedicated Funds	\$338.6	\$5.1	(\$333.4)	(98.5%)		
Federal Funds	\$0.0	\$0.0	\$0.0	N/A	2019	215.0
Other Funds	\$1.0	\$1.0	\$0.0	0.0%		
Total, All Methods of Finance	\$358.3	\$32.6	(\$325.6)	(90.9%)		

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

The **System Benefit Fund (SBF)**, which funded the **Low Income Discount Program at \$324.3 million in the 2016–17 biennium, expired** at the end of the biennium, and no new appropriations are provided for the program.

Due to the expiration of the SBF, appropriations **include \$8.9 million** in General Revenue Funds for administrative functions **previously funded through the SBF.**

Appropriations include **a decrease of \$1.0 million** in General Revenue Funds for customer education outreach contracts.

Appropriations to the **Water and Wastewater Regulation Program** include **a decrease of \$0.2 million** for 2.0 full-time-equivalent positions.

OFFICE OF PUBLIC UTILITY COUNSEL

PURPOSE: Ensure the availability of utility services at fair and reasonable rates by providing representation for Texas residential and small-business utility consumers in proceedings conducted by the Public Utility Commission, the Federal Energy Regulatory Commission, the Federal Communications Commission, and state and federal courts.

ESTABLISHED: 1983

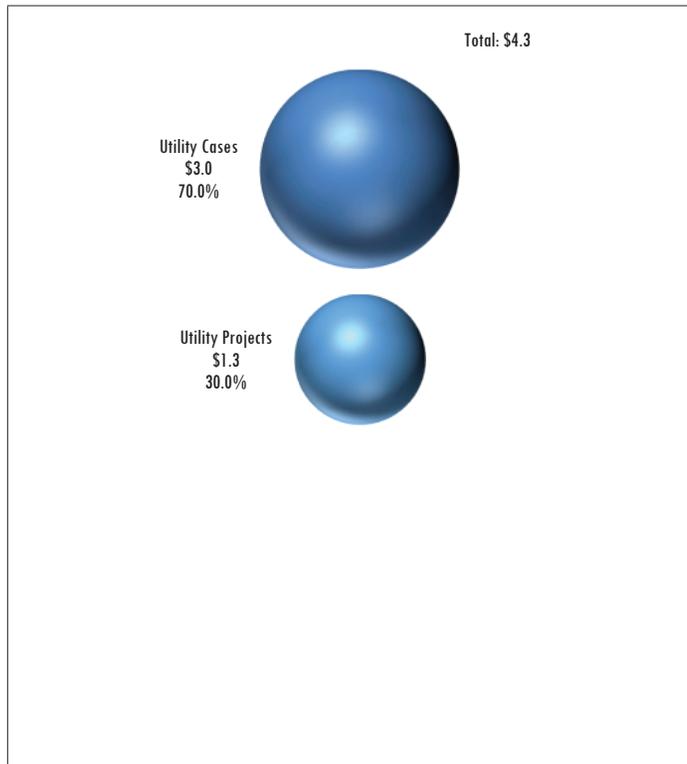
AUTHORIZING STATUTE: The Texas Utilities Code, §13.001, and the Texas Water Code, §13.017

GOVERNANCE: Public Counsel—appointed by the Governor with the advice and consent of the Senate

FIGURE 151
OFFICE OF PUBLIC UTILITY COUNSEL BY METHOD OF FINANCE

METHOD OF FINANCE	(IN MILLIONS)				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$3.4	\$3.3	(\$0.1)	(4.1%)	2018 25.5	
General Revenue–Dedicated Funds	\$1.0	\$1.0	(\$0.0)	(4.1%)		
Federal Funds	\$0.0	\$0.0	\$0.0	N/A		
Other Funds	\$0.0	\$0.0	\$0.0	N/A		
Total, All Methods of Finance	\$4.5	\$4.3	(\$0.2)	(4.1%)	2019 25.5	

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

Appropriations include a **decrease of \$0.2 million** for an anticipated decrease in the use of outside experts in utility cases and projects for the 2018–19 biennium.

The Office of Public Utility Counsel anticipates completing **70 cases** and **52 projects** during the 2018–19 biennium.

HEALTH-RELATED LICENSING AGENCIES

PURPOSE: Health-related licensing boards and commissions regulate certain occupations and industries within the state of Texas. Agencies ensure that licensee qualifications and standards are met and that quality of care is maintained through licensing and enforcement programs.

ESTABLISHED: Varies; 1907–1995

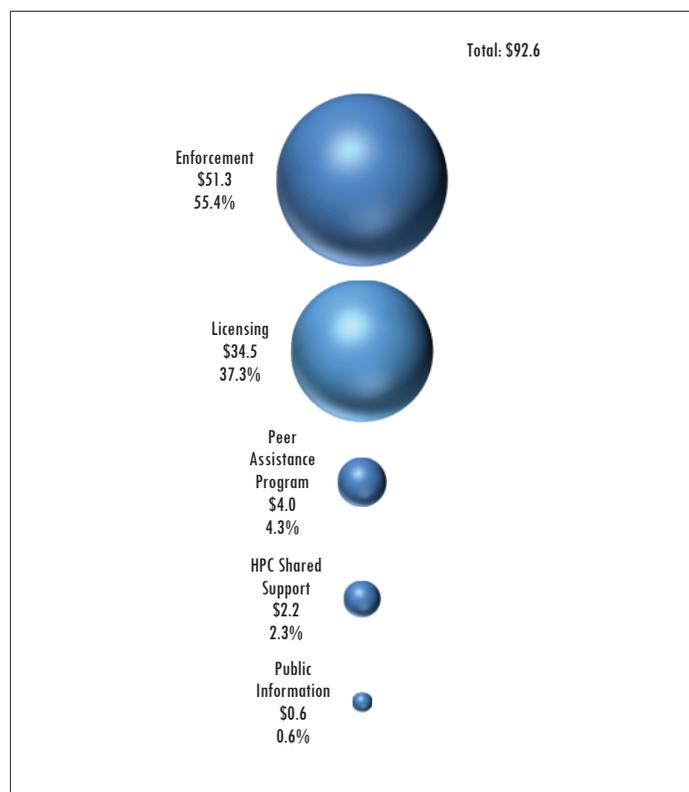
AUTHORIZING STATUTE: Varies; The Texas Occupations Code, Chapters 101, 152, 201, 202, 252, 301, 351, 452, 501, 552, 651, 801

GOVERNANCE: Varies; generally appointed by the Governor with advice and consent of the Senate

FIGURE 152
HEALTH-RELATED LICENSING AGENCIES BY METHOD OF FINANCE

METHOD OF FINANCE	(IN MILLIONS)				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$75.6	\$74.5	(\$1.1)	(1.5%)	2018	585.7
General Revenue–Dedicated Funds	\$4.6	\$7.1	\$2.5	54.9%		
Federal Funds	\$0.5	\$0.0	(\$0.5)	(100.0%)	2019	585.7
Other Funds	\$10.3	\$10.9	\$0.6	5.6%		
Total, All Methods of Finance	\$91.1	\$92.6	\$1.5	1.6%		

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

Ten health-related licensing agencies **were reviewed through the Sunset review process**, and nine were continued with an increase of \$1.3 million in General Revenue Funds to implement the provisions of the Sunset legislation.

House Bill 3078, Eighty-fifth Legislature, Regular Session, 2017, **abolished the Board of Podiatric Medical Examiners** and transferred the regulation of podiatry to the Texas Department of Licensing and Regulation.

The Board of Nursing received an increase of \$0.7 million to implement provisions of House Bill 280, Eighty-fifth Legislature, Regular Session, 2017, with the Department of State Health Services, **to establish a grant program for reducing workplace violence against nurses.**

Four health-related licensing agencies received an increase of \$0.3 million in General Revenue Funds for the **Peer Assistance program**, which assists practitioners with mental health diagnoses and substance abuse.

OTHER REGULATORY AGENCIES

PURPOSE: Other regulatory agencies consist of the Board of Plumbing Examiners, the Board of Professional Land Surveying, and the Board of Professional Geoscientists, who oversee the regulation of certain occupations within Texas. Agencies ensure that licensee qualifications and standards are maintained through licensing and enforcement programs.

ESTABLISHED: Plumbing—1947, Land Surveying—1979, Geoscientists—2001

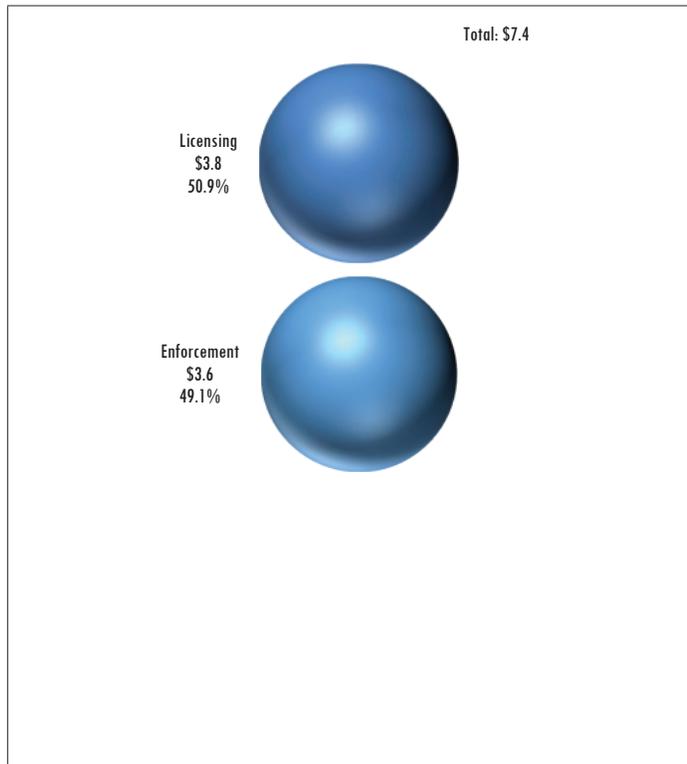
AUTHORIZING STATUTE: The Texas Occupations Code, §§1301.001, 1071.001, and 1002.001

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

FIGURE 153
OTHER REGULATORY AGENCIES BY METHOD OF FINANCE

METHOD OF FINANCE	(IN MILLIONS)				APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE		
General Revenue Funds	\$7.4	\$7.3	(\$0.1)	(1.2%)	2018	43.5
General Revenue–Dedicated Funds	\$0.0	\$0.0	\$0.0	N/A		
Federal Funds	\$0.0	\$0.0	\$0.0	N/A		
Other Funds	\$0.1	\$0.1	(\$0.0)	(8.5%)		
Total, All Methods of Finance	\$7.5	\$7.4	(\$0.1)	(1.3%)	2019	43.5

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

Funding at the Board of Plumbing Examiners includes an **increase of \$0.1 million for investigator salary raises and regulatory database enhancements.**

Appropriations include a **decrease of \$0.1 million for the decrease of 1.5 full-time-equivalent positions** at the Board of Professional Geoscientists.

The Board of Professional Land Surveying is appropriated **\$0.1 million for a part-time position** to assist with enforcement data.

The Board of Plumbing Examiners, the Board of Professional Land Surveying, and the Board of Professional Geoscientists received an **increase in salary authority for exempt positions.**

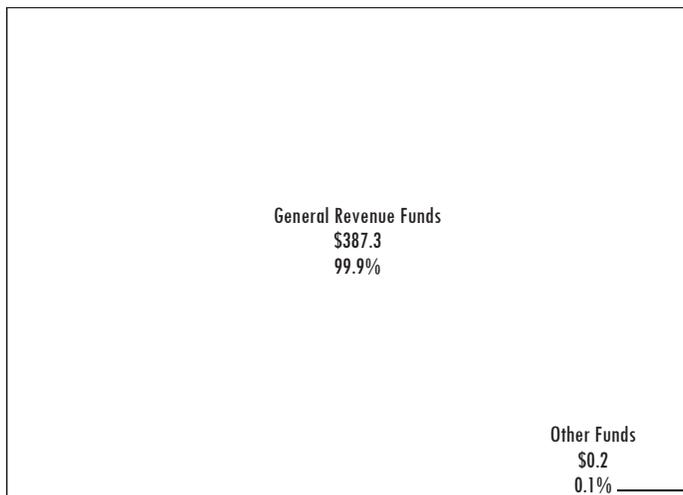
12. LEGISLATURE

All powers of the state’s legislative branch are vested in the Texas Senate and the Texas House of Representatives. The Legislature convenes biennially in Austin for a 140-day regular session, beginning on the second Tuesday in January of each odd-numbered year, to conduct a regular order of business outlined in the state constitution. Appropriations support the operations of these entities and six other legislative entities, which include the Legislative Budget Board, Legislative Council, Sunset Advisory Commission, Commission on Uniform State Laws, State Auditor’s Office, and the Legislative Reference Library.

FIGURE 154
ARTICLE X – LEGISLATURE, BY METHOD OF FINANCE

METHOD OF FINANCE	(IN MILLIONS)			
	EXPENDED/BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	\$400.8	\$387.3	(\$13.4)	(3.4%)
General Revenue–Dedicated Funds	\$0.0	\$0.0	\$0.0	N/A
Federal Funds	\$0.0	\$0.0	\$0.0	N/A
Other Funds	\$0.1	\$0.2	\$0.1	97.2%
Total, All Methods of Finance	\$400.9	\$387.5	(\$13.3)	(3.3%)

SHARE OF FUNDING BY METHOD OF FINANCE (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

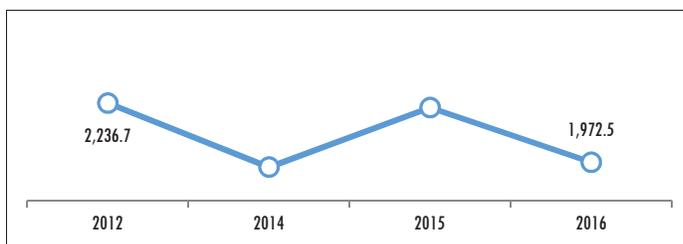
The Legislature passed 1,223 of 7,139 filed bills and 9 of 221 joint resolutions (JR) during the Eighty-fifth Legislature, Regular and First Called Sessions. In addition, 99 of 224 concurrent resolutions and 4,297 of 4,333 resolutions were passed. The Legislative Council drafted 11,917 bills and JRs requested by the Legislature.

The Legislative Budget Board completed 7,916 Fiscal Notes and 776 Impact Statements, conducted 16 Strategic Fiscal Reviews, and produced a new program-based Legislative Budget Estimate.

The Sunset Advisory Commission’s enacted recommendations are expected to generate \$1.3 million for the 2018–19 biennium and an additional \$5.8 million during the subsequent five years.

The State Auditor’s Office Audit and Review Team completed 51 audits of and other projects related to state agencies, higher education institutions, and other entities during fiscal year 2017.

FULL-TIME-EQUIVALENT POSITIONS



NOTES: Excludes Interagency Contracts. Full-time-equivalent positions show actual positions for fiscal years 2012 to 2016.

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

