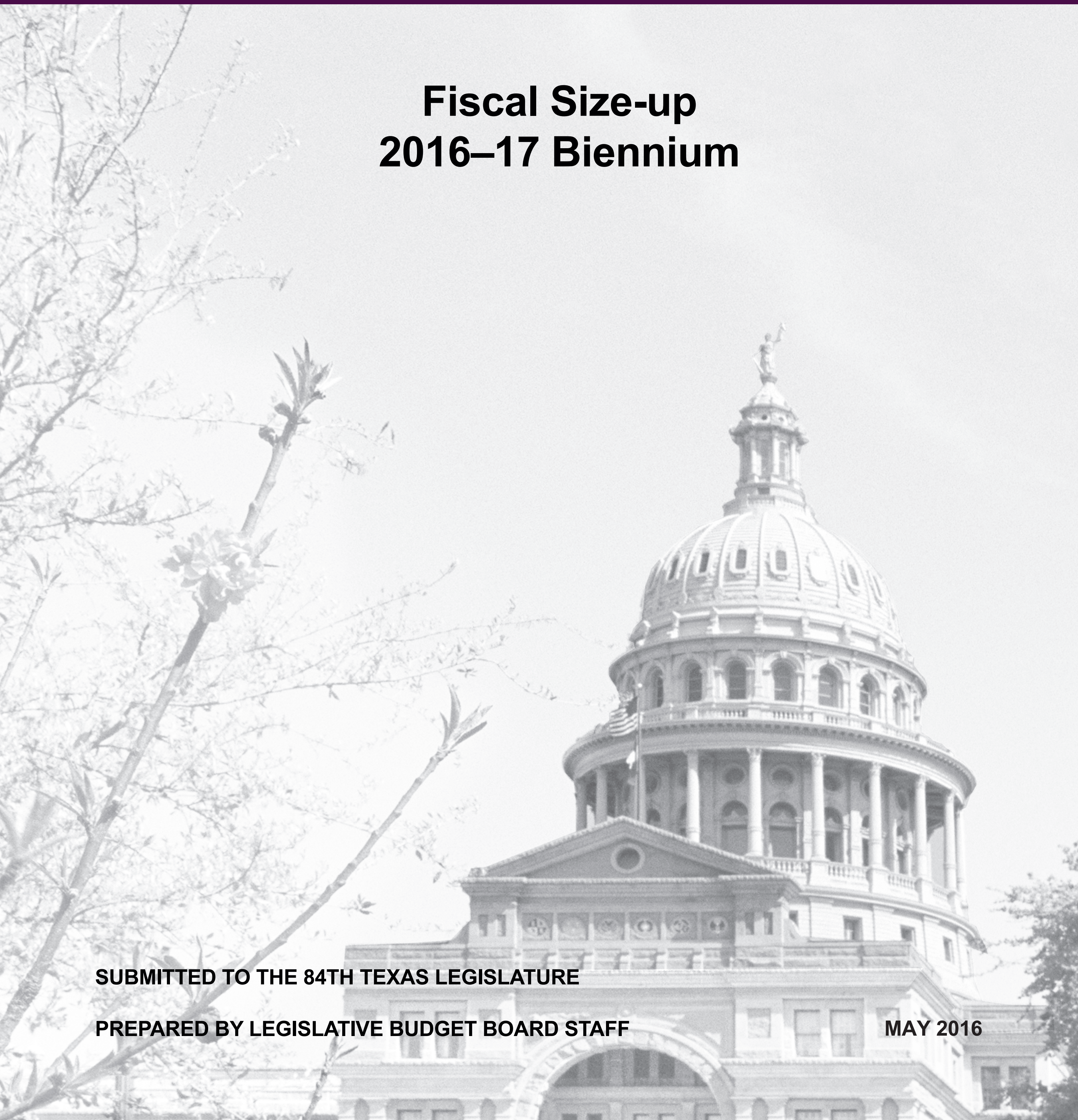
LEGISLATIVE BUDGET BOARD



Fiscal Size-up 2016–17 Biennium

SUBMITTED TO THE 84TH TEXAS LEGISLATURE

PREPARED BY LEGISLATIVE BUDGET BOARD STAFF

MAY 2016

Legislative Budget Board
Fiscal Size-Up

2016–17 Biennium

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FISCAL SIZE-UP: 2016–17 BIENNIUM

May 2016

Fiscal Size-up is produced biennially by the staff of the Legislative Budget Board and provides a single source of information on not only the budget and other fiscal actions of each legislature but also contextual information on the fiscal condition of the state.

This edition continues this tradition, which has been sustained since the genesis of the *Fiscal Size-up* in 1952. This edition also revamps the presentation of the material, providing additional summary and graphical information for each entity, and adds a new chapter focusing on significant state fiscal and revenue legislation. Further, this edition includes a stand-alone summary extracted from this publication that provides greater portability and access to key information. Finally, certain information previously contained in an appendix is now available in an interactive format online: http://www.lbb.state.tx.us/interactivegraphics.aspx. This format allows for quick extraction of detail by article, agency, and method of finance. Tabular and graphic reports are available, and the data are downloadable into Excel.

These changes further our practice of providing robust and detailed information about the structure and operation of Texas state government. *Fiscal Size-up* serves to inform members of the legislature, state entities, and Texas taxpayers with a comprehensive review of how tax dollars are being used to support the activities of state government.

The first three chapters of *Fiscal Size-up* summarize the overall fiscal condition of the state. These opening chapters provide a high-level overview of the 2016–17 state budget, a description of the major revenue sources and funds, a discussion of the economic outlook for Texas and the United States, and highlight legislation adopted by the 84th Legislature that will have a significant fiscal impact on the state. Following this summary, the subsequent chapters of *Fiscal Size-up* focus in turn on each function of state government, providing comprehensive descriptions of programs and services within the state budget. We approach this discussion from the point of view of placing significant budget issues within the context of programs, activities, and services of the agencies and institutions that support each function.

Appendices A–B contain a listing of state agencies, institutions, and other budgetary units by function as well as a summary of their estimated expenditures for the 2014–15 biennium and legislative appropriations for the 2016–17 biennium by fiscal year. Appendices C–G provide a list of the members of the House Committee on Appropriations and the Senate Committee on Finance, the organizational chart of the Legislative Budget Board, abbreviations and acronyms used in this publication, and a reader's guide to the General Appropriations Act.

Along with other Legislative Budget Board publications and reports, the 2016–17 *Fiscal Size-up* is available on the Legislative Budget Board's website (http://www.lbb.state.tx.us).

The staff of the Legislative Budget Board have invested thousands of hours preparing this publication, and are proud to produce this key state fiscal resource. We are committed to producing work that is accurate, useful, and accessible. I am grateful to the work of the Legislative Budget Board staff and also to the many state officials and staff that provided the information necessary to compile this publication. The presentation of this information and its associated analysis is solely the responsibility of this office.

Ursula Parks

Director

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APPENDICES

1. STATE BUDGET OVERVIEW

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

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

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

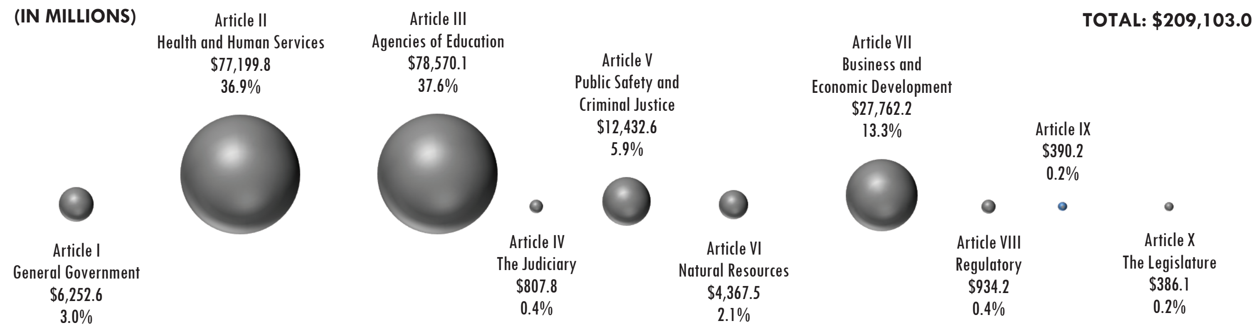
- **General Revenue Funds** include the nondedicated portion of the General Revenue Fund, which is the state's primary operating fund. General Revenue Funds also include the Available School Fund, the State Instructional Materials Fund, and the Foundation School Fund.
- **General Revenue–Dedicated Funds** include more than 200 accounts within the General Revenue Fund that are dedicated for specific purposes by statute or the funds-consolidation process. For example, Trauma Facility and EMS Account No. 5111 is funded through deposits collected in the Driver Responsibility Program and state traffic fines related to traffic offense convictions. The revenues are statutorily dedicated to the Department of State Health Services to provide funding for designated trauma facilities, county and regional emergency medical services, and trauma-care systems; for qualified provider and hospital payments in Medicaid; and to the Higher Education Coordinating Board for graduate medical education and nursing education programs.
- **Federal Funds** include grants, allocations, payments, or reimbursements received from the federal government by state agencies and institutions. The largest portion of federal funding appropriations are for the Medicaid program in Article II. Other examples of Federal Funds appropriations include the Title I Grants to Local Educational Agencies, National School Lunch Program, Transportation Grants and National Highway System Funding, Special Education Basic State Grants, and the Children's Health Insurance Program.
- **Other Funds** consist of any funds not included in the General Revenue Fund (dedicated or not) or Federal Funds. Examples of Other Funds include the State Highway Fund, the Texas Mobility Fund, the Property Tax Relief Fund, the Economic Stabilization Fund, trust funds, bond proceeds, and interagency contracts.

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

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

FUNDING BY ARTICLE

FIGURE 1
FUNDING BY ARTICLE, ALL FUNDS



SOURCE: Legislative Budget Board.

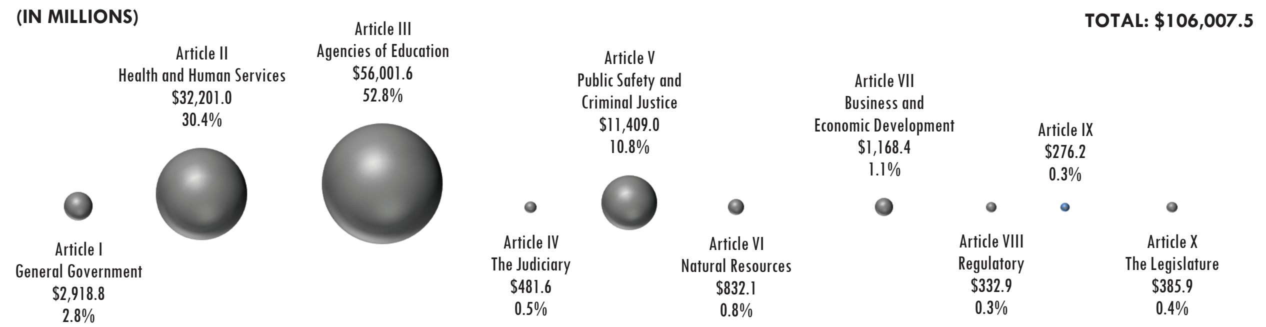
FIGURE 2
FUNDING BY ARTICLE, ALL FUNDS

(IN MILLIONS)

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

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.

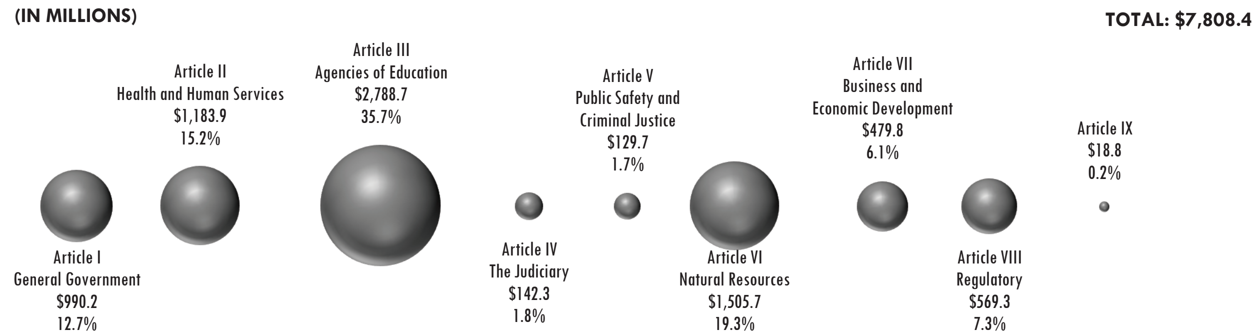
FIGURE 4
FUNDING BY ARTICLE, GENERAL REVENUE FUNDS

(IN MILLIONS)

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

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

FIGURE 5
FUNDING BY ARTICLE, GENERAL REVENUE–DEDICATED FUNDS



Source: Legislative Budget Board.

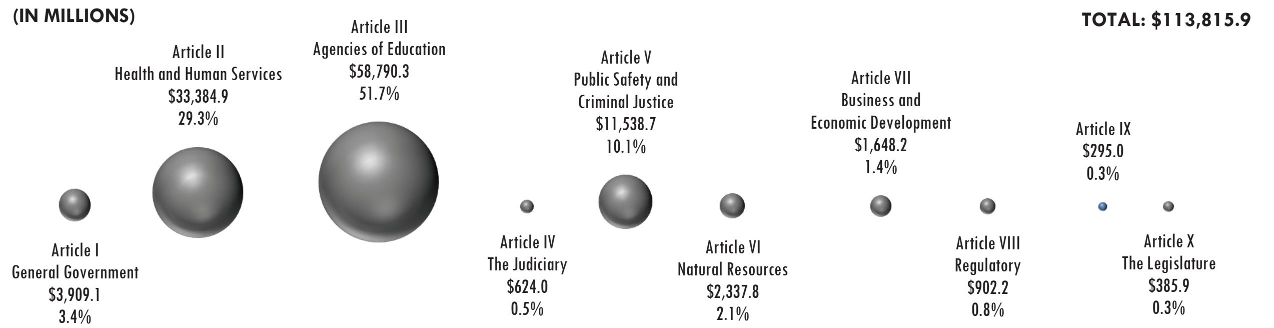
FIGURE 6
FUNDING BY ARTICLE, GENERAL REVENUE–DEDICATED FUNDS

(IN MILLIONS)

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

Note: Biennial change and percentage change are calculated on actual amounts before rounding. Therefore, figure totals may not sum due to rounding.
Source: Legislative Budget Board.

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



SOURCE: Legislative Budget Board.

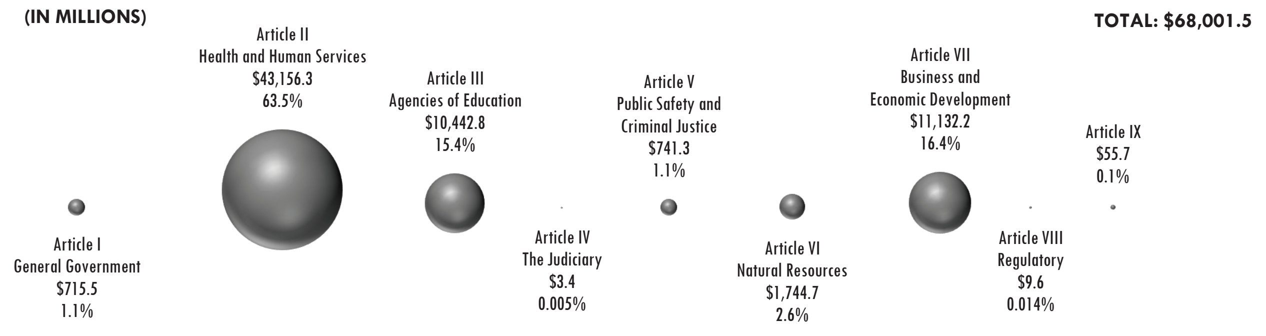
FIGURE 8
FUNDING BY ARTICLE, GENERAL REVENUE FUNDS AND GENERAL REVENUE–DEDICATED FUNDS

(IN MILLIONS)

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

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 9
FUNDING BY ARTICLE, FEDERAL FUNDS



SOURCE: Legislative Budget Board.

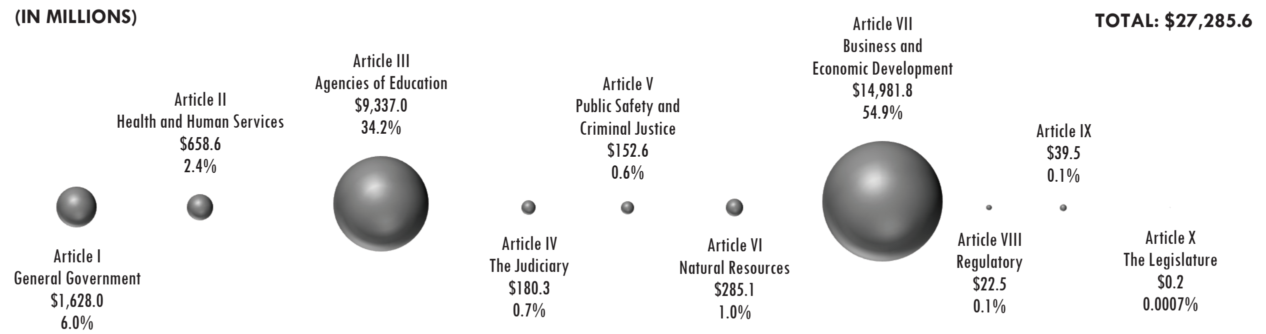
FIGURE 10
FUNDING BY ARTICLE, FEDERAL FUNDS

(IN MILLIONS)

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

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.

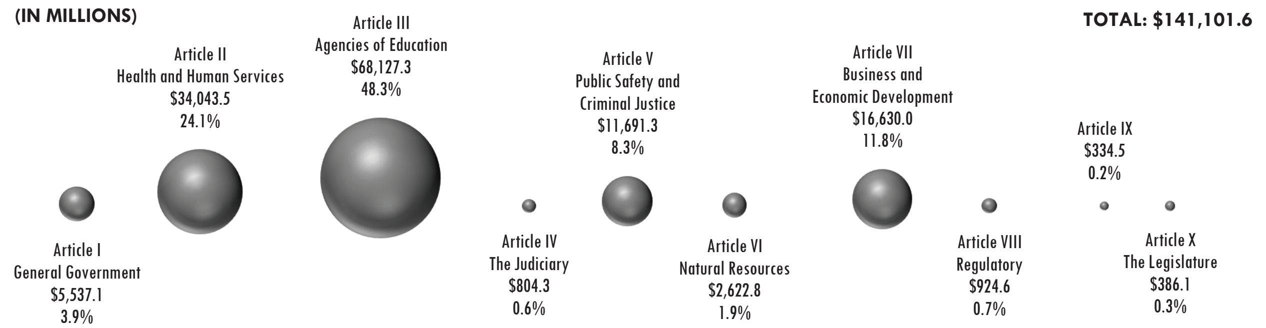
FIGURE 12
FUNDING BY ARTICLE, OTHER FUNDS

(IN MILLIONS)

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

Notes:
(1) Excludes Interagency Contracts.
(2) Biennial change and percentage change are calculated on actual amounts before rounding. Therefore, figure totals may not sum due to rounding.
Source: Legislative Budget Board.

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



SOURCE: Legislative Budget Board.

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

(IN MILLIONS)

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

NOTES:
(1) Excludes Interagency Contracts.
(2) Biennial change and percentage change are calculated on actual amounts before rounding. Therefore, figure totals may not sum due to rounding.
SOURCE: Legislative Budget Board.

HIGHLIGHTS OF THE STATE BUDGET

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

FOUNDATION SCHOOL PROGRAM

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

TAX RELIEF PROVISIONS

- As noted previously in the FSP discussion, $3.9 billion in additional General Revenue Funds is appropriated to the FSP in the 2016–17 biennium to hold school districts harmless for lost revenue resulting from tax relief legislation. The additional $3.9 billion in funding is the result of two separate tax relief provisions:
  - $1.2 billion is provided by Senate Bill 1 and Senate Joint Resolution 1, which would provide an equivalent amount of school district property tax relief; the property tax relief is provided by increasing the mandatory homestead exemption for school districts from $15,000 to $25,000; and
  - $2.6 billion is provided by House Bill 32, which led to a corresponding appropriation reduction from the Property Tax Relief Fund (PTRF). The franchise tax reform is provided by reducing the franchise tax rates by 25.0 percent and modifying the E-Z Computation and Rate, resulting in less PTRF revenue.

MEDICAID

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

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

TRANSPORTATION

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

MENTAL HEALTH

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

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

HIGHER EDUCATION

- Higher Education formulas are supported by $7.2 billion in General Revenue Funds and $1.3 billion in statutory tuition in General Revenue–Dedicated Funds. Included in this amount are an increase of $391.5 million in General Revenue Funds and an increase of $68.2 million in statutory tuition in General Revenue–Dedicated Funds. The increase in formula appropriations considers the funding of enrollment growth and results in the following formula rate changes:
  - General Academic Institutions (GAI) Instruction and Operations (I&O) from $54.86 to $55.39;
  - Lamar State Colleges (Lamars) I&O from $3.44 to $3.53;
  - Texas State Technical College (TSTC) returned value percentage from 32.6 percent to 35.5 percent;
  - Health Related Institutions (I&O) from $9,527 to $9,829;
  - HRI Graduate Medical Education from $5,122 to $6,266;
  - Public Community and Junior College contact hour from $2.65 to $2.69; and
  - Public Community and Junior College success points from $185.12 to $172.58.
- Appropriations include $278.5 million to support research to institutions through three new research funds implemented for the 2016-17 biennium, the Texas Research University Fund, the Core Research Support Fund, and the Comprehensive Research Fund.
- Appropriations include $240.0 million in General Revenue Funds in fiscal year 2017 for debt service on new projects authorized by House Bill 100. This legislation authorized the issuance of tuition revenue bonds, not to exceed $3.1 billion, to fund specific projects at various GAIs, HRIs, Lamar State Colleges, and TSTCs.
- Appropriations to the Higher Education Fund (HEF) increased by $131.3 million in General Revenue Funds due to the enactment of Senate Bill 1191 by the Eighty-fourth Legislature. This legislation amended the amount and allocation of the HEF annual appropriation to certain institutions of higher education.
- Appropriations to the Texas Higher Education Coordinating Board include funding for programs that provide financial assistance to students attending institutions of higher education. Appropriations for the largest of these programs, TEXAS Grants, total $715.0 million, which includes an increase of $62.7 million in General Revenue Funds.

ADULT INCARCERATION AND CRIMINAL JUSTICE

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

JUVENILE JUSTICE

- $634.9 million in All Funds and $591.0 million in General Revenue Funds are appropriated to the Juvenile Justice Department (TJJD) for juvenile justice services. The Eighty-fourth Legislature, 2015, revised the funding structure and provided direction for the development and implementation of a regional diversion alternatives initiative. The initiative is intended to reduce the number of youth committed to TJJD state secure facilities by providing youth services in their home communities. Funding includes $9.6 million to implement this regional diversion alternatives plan, and an increase of $0.8 million in General Revenue Funds, primarily as the result of funding for targeted grants to juvenile probation departments, and for pay increases for juvenile correctional officers and juvenile parole officers. This funding is offset by reductions related to decreasing juvenile populations. An All Funds reduction of $14.4 million from the 2014–15 biennium is included, primarily the result of a decrease in General Obligation Bond Proceeds, an agency-estimated decrease in Federal Funds, and decreasing juvenile populations.

BORDER SECURITY

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

FACILITIES

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

TEACHER RETIREMENT AND HEALTH BENEFITS

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

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

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

STATE EMPLOYEE RETIREMENT

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

CORRECTIONAL OFFICER PAY INCREASE AND SCHEDULE C ADJUSTMENT

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

HEALTH BENEFITS

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

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

SOCIAL SECURITY

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

FULL-TIME-EQUIVALENT POSITIONS

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

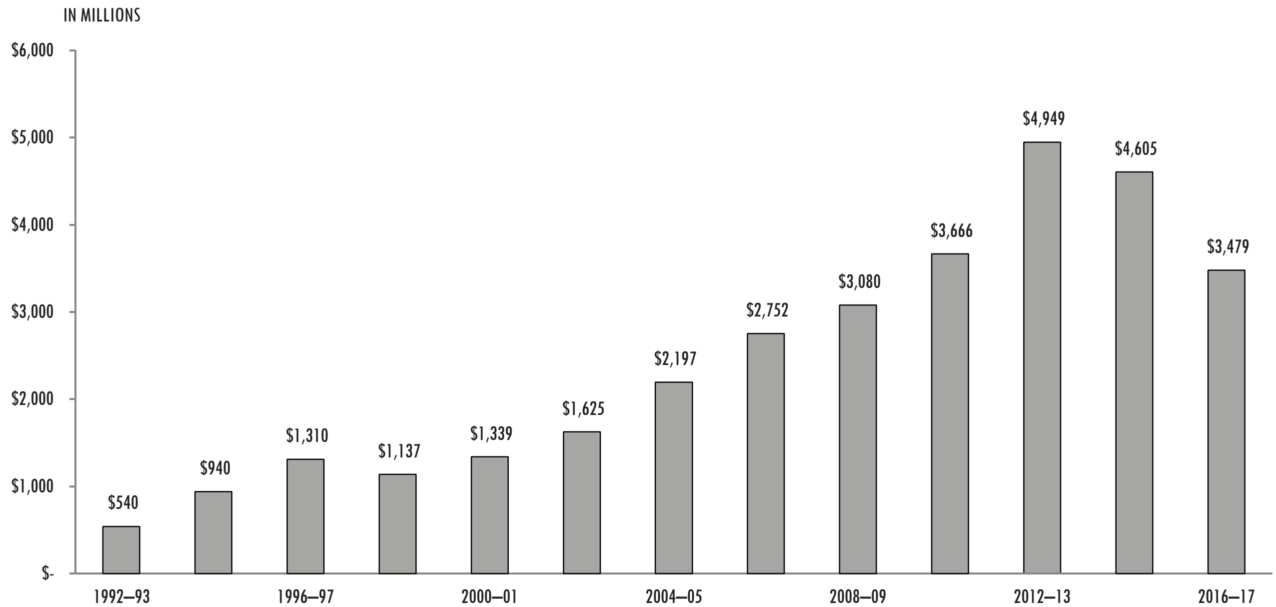
DEBT SERVICE

- The 2016–17 biennium fully funds debt service and totals $4.0 billion in All Funds. This increase of $437.3 million, or 12.2 percent from the 2014–15 biennium, consists of $1.9 billion for fiscal year 2016 and $2.2 billion for fiscal year 2017. Funding provides for debt service for General Obligation bonds and revenue debt issued or expected to be issued by the Texas Public Finance Authority, the Water Development Board, and the Department of Transportation. Funding provides for reimbursement of debt service payments for tuition revenue bonds issued by institutions of higher education. Special Provisions relating only to State Agencies of Higher Education include an additional $240.0 million in General Revenue Fund appropriations contingent on legislation authorizing new revenue bonds for capital projects at various institutions of higher education.
- Funding includes $14.8 million in General Revenue Funds for issuance of new revenue debt ($767.7 million) by the Texas Public Finance Authority for new state-owned buildings that the Facilities Commission oversees; and $6.0 million in General Revenue Funds for issuance of new General Obligation bond debt ($50.0 million) at the Water Development Board for grants to economically distressed areas.

GENERAL REVENUE–DEDICATED FUNDS

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

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



SOURCE: Comptroller of Public Accounts.

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

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

ECONOMIC STABILIZATION FUND

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

STRATEGIC FISCAL REVIEW

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

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

IN MILLIONS

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

NOTES:
(1) Except for estimated appropriations authorized by Article IX, §18.02, related to the general state employee pay raise, the net change in balances available for certification from Article IX are distributed throughout articles based on the article in which the agency receiving the appropriation is located.
(2) Totals may not sum due to rounding.
SOURCE: Legislative Budget Board.

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

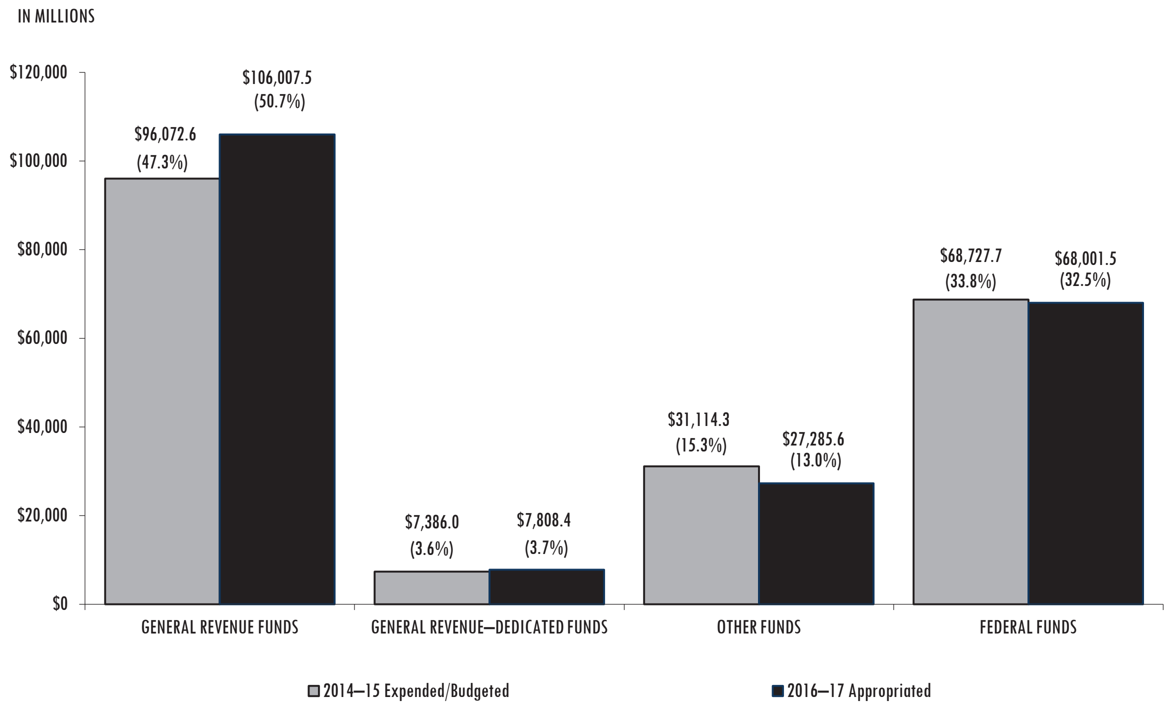
IN MILLIONS	
Beginning balance in General Revenue–Dedicated Accounts, as of September 1, 2015	**$4,605.0**
Estimated change in General Revenue–Dedicated Account Balances due to House Bill 1	*($407.0)*
Estimated change in General Revenue–Dedicated Account Balances due to House Bill 6	*($573.5)*
Estimated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

NOTE: Totals may not sum due to rounding.
SOURCE: Texas Comptroller of Public Accounts.

BIENNIAL COMPARISON BY FUND SOURCE

Figure 18 shows a comparison of biennial amounts for each of the four funding sources, or Methods of Finance, in the state budget. Expended or budgeted amounts for the 2014–15 biennium refer to agency expenditures in 2014 and agency budgeted amounts in 2015. Amounts for the 2016–17 biennium refer to all appropriations made for 2016–17. Percentage amounts in each column reflect the percentage of the entire biennial budget represented by that fund source.

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



SOURCE: Legislative Budget Board.

APPROPRIATED, ESTIMATED, AND BUDGETED FUNDS COMPARISON

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

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

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

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

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

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

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

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

NOTES:
(1) Totals may not sum due to rounding.
(2) Excludes Interagency Contracts.
SOURCE: Legislative Budget Board.

APPROPRIATIONS FOR ITEMS WITH 2016–17 BASELINE FUNDING EXCEPTIONS

An important way to analyze state appropriations is to examine funding for entitlement programs and other programs with established statutory or constitutional obligations. These programs, the most significant of which include the Foundation School Program (FSP), Medicaid, employee benefits and debt service obligations, receive a significant portion of overall funding. This legislative focus begins with the structure of the Legislative Appropriations Requests (LAR) made by state agencies. The LARs for state agencies and institutions of higher education consist of two parts, the Base and Exceptional Items requests. Typically, the General Revenue Funds and General Revenue–Dedicated Funds amounts in the Base request for the upcoming biennium cannot exceed the General Revenue Funds and General Revenue–Dedicated Funds amounts expended and budgeted during the previous biennium. This limitation is referred to as the General Revenue Funds and General Revenue–Dedicated Funds baseline funding limit, and any remaining requested General Revenue Funds and General Revenue–Dedicated Funds amounts are included as Exceptional Item requests. However, some agencies are granted exceptions to request Base funding that exceeds the baseline limit for certain programs or state obligations. These programs usually meet certain criteria such as being a federal entitlement; being statutory, formula-, rate-, or client-driven; or for which certain funding thresholds are required by the Texas Constitution. **Figure 20** shows the total 2016–17 biennial appropriated amounts for the baseline exceptions as authorized by the June 2014 Policy Letter and the subsequent *Legislative Appropriation Request Instructions for the 2016–17 Biennium*. Amounts shown in **Figure 20** include the 2014–15 Expended/Budgeted amounts for the identified programs, as well as the final appropriated 2016–17 biennial amount for each. Please note that the total final appropriated amount may include funding beyond what was strictly necessary to meet the entitlement requirement. For example, the $3.9 billion General Revenue Funds increase to the FSP includes funds for newly authorized obligations, such as funding for property and franchise tax relief. These increases will raise the base for the subsequent biennium.

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

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

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

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

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

FACTORS AFFECTING THE STATE BUDGET

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

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

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

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

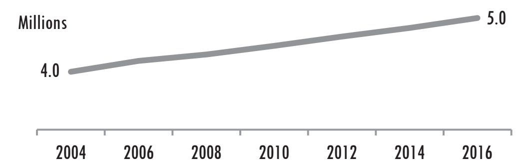
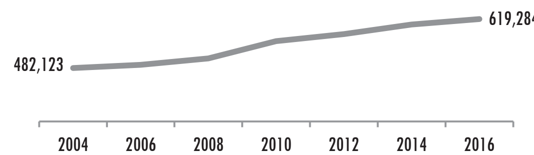
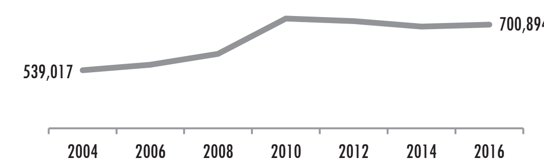
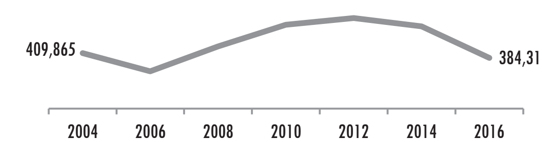
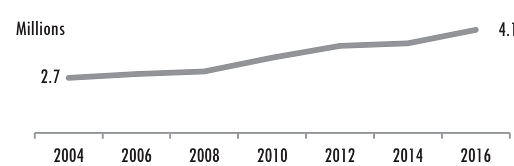
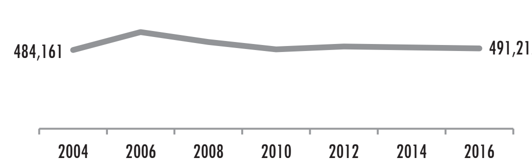
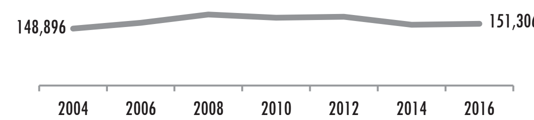
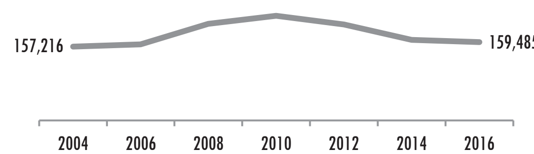
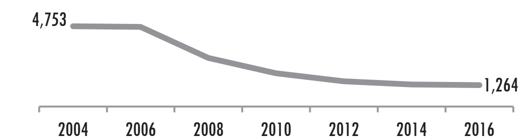
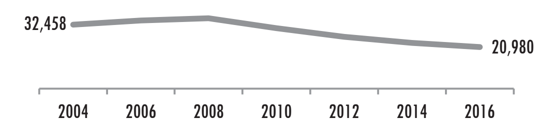
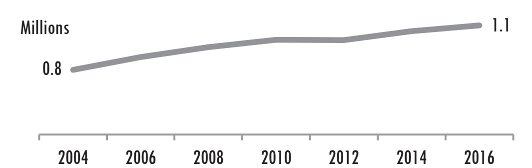
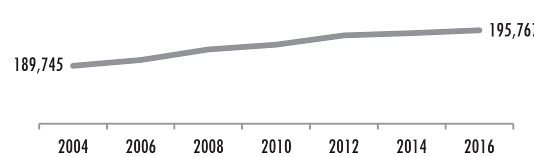
INDICATOR	2016	TREND
Average Daily Attendance – Public Schools	5.0 Million Students	
Fall Headcount Enrollment – General Academic Institutions (1)	619,284 Students	
Fall Headcount Enrollment – Community/Junior Colleges (1)	700,894 Students	
Average Monthly Caseload – Children's Health Insurance Program (CHIP) (includes all CHIP programs)	384,317 Cases	
Average Monthly Caseload – Medicaid Clients (Acute Care and STAR+PLUS)	4.1 Million Cases	
Average Monthly Paid Days of Foster Care – Department of Family and Protective Services	491,215 Days	

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

INDICATOR	2016	TREND
Average Inmate Population – Department of Criminal Justice	151,306 Inmates	
Average Felony Community Supervision Population – Department of Criminal Justice	159,485 Felons	
Average Residential Population – Juvenile Justice Department	1,264 Juveniles	
Average Total Probation Supervision Population – Juvenile Justice Department	20,980 Juveniles	
Average Active Membership – Employees Retirement System (1)	142,409 Members	
Average Active Membership – Teacher Retirement System (1)	1.1 Million Members	
Highway Lane Miles Maintained – Department of Transportation (1)	195,767 Miles	

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

TRENDS IN STATE GOVERNMENT EXPENDITURES

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

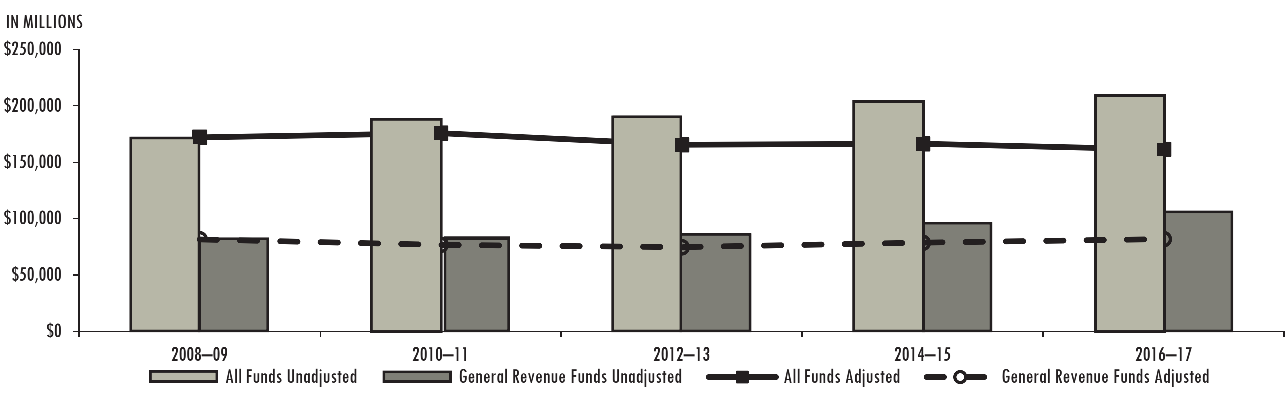
Population and inflation growth is one tool used to evaluate budget growth; however, it does not tie directly to government budget drivers. For example, inflation tracks the increased price of consumer goods such as groceries. Inflation of governmental services, such as education and healthcare, tend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

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

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

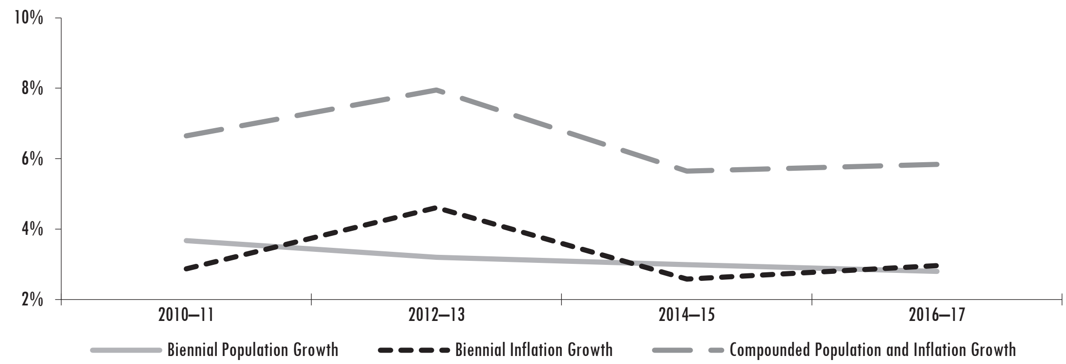
FIGURE 22
TRENDS IN STATE GOVERNMENT EXPENDITURES, 2016–17 BIENNIAL APPROPRIATIONS

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



Source: Legislative Budget Board.

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



SOURCE: Texas Comptroller of Public Accounts.

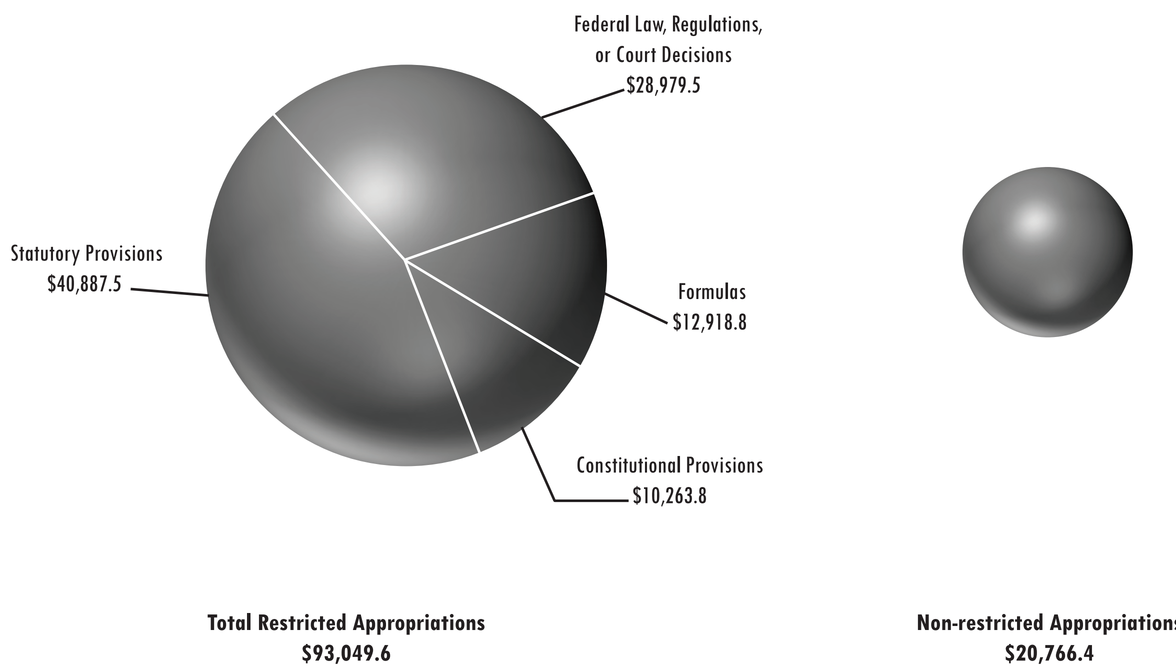
Act. Additionally, prior to the 2014–15 biennium, All Funds totals included expenditures for patient income (Other Funds) at health related institutions of higher education; 2012–13 biennial expenditures of patient income totaled $6.1 billion. Because the receipt of patient income at these institutions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

RESTRICTED APPROPRIATIONS

The 2016–17 biennial appropriations from General Revenue Funds and General Revenue–Dedicated Funds total $113.8 billion. **Figure 24** shows that only $20.8 billion of that total, 18.2 percent, is appropriated by the Legislature without restriction. The remaining $93.0 billion is restricted by pre-existing constitutional provisions, statutory provisions, federal law, federal regulations, court decisions, and funding formulas. The Legislature maintains some discretion for a portion of the restricted budget, but it would need to revise statutes outside of the appropriations process to change the restrictions. **Figure 24** shows selected examples of the largest restrictions by category. The non-restricted portion of the budget is slightly larger than the 2014–15 biennial level of 17.2 percent. During the previous five biennia, this percentage has remained relatively constant.

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

IN MILLIONS TOTAL: $113,815.9



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

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

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

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

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

NOTES:
(1) Listed appropriations are selected examples and are not intended to total to specific restricted appropriation.
(2) Totals may not sum due to rounding.
SOURCE: Legislative Budget Board.

LIMITS ON APPROPRIATIONS

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

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

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

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

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

SOURCE: Legislative Budget Board.

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

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

The CPA identifies the pay-as-you-go limit for General Revenue Fund appropriations as $110.3 billion in the 2016–17 Certification Revenue Estimate (CRE). This total includes estimated 2016–17 biennial General Revenue Fund revenue collections, $105.8 billion, less the amount of $2.7 billion in General Revenue Fund deposits reserved for transfer to the Economic Stabilization Fund (ESF) and the State Highway Fund (SHF). This total also includes the beginning General Revenue Fund balance and Dedicated General Revenue account balances available for certification totaling $7.2 billion (**Figure 26**).

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

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

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

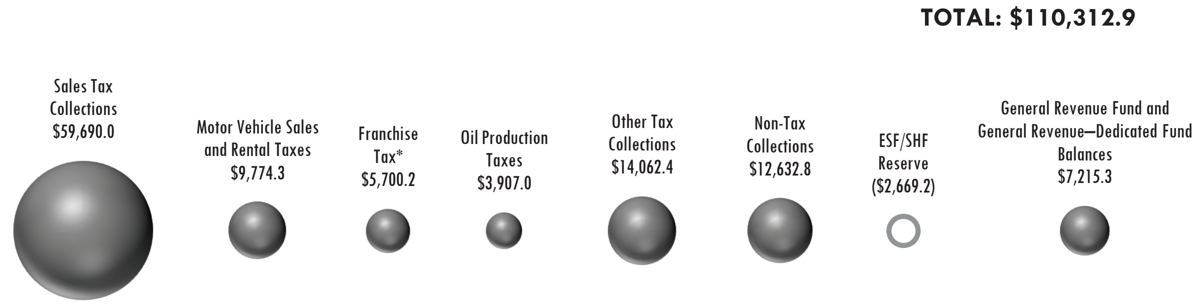
Because revenue deposits to the General Revenue Fund also include revenue not subject to the spending limit, the maximum 2016–17 biennial General Revenue Fund appropriations associated with the $94.6 billion limit is $108.1 billion, leaving $2.1 billion in remaining General Revenue Fund spending capacity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

ARTICLE III, §49 (J), DEBT LIMIT

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

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

IN MILLIONS



NOTES:
(1) Franchise Tax shown includes the General Revenue Fund portion only.
(2) ESF=Economic Stabilization Fund; SHF=State Highway Fund.
SOURCE: Legislative Budget Board.

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

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

SOURCE: Legislative Budget Board.

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

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

SOURCE: Legislative Budget Board.

unrestricted General Revenue funding for the previous three years. To monitor where the state stands in relation to the constitutional debt limit (CDL), the Bond Review Board (BRB) calculates two debt ratios. The first ratio is the debt service on outstanding or issued debt as a percentage of unrestricted General Revenue Funds. At the end of fiscal year 2014, the BRB reported that the issued debt ratio is 1.20 percent. The second debt ratio is the debt service on outstanding debt plus estimated debt service for authorized but unissued bonds. For this ratio, the BRB has reported that the state is at 2.71 percent of unrestricted General Revenue Funds at the end of fiscal year 2014. The latter calculation represents a 10.9 percent decrease from the 3.04 percent calculated for outstanding and authorized but unissued debt for fiscal year 2013. The BRB expects the CDL ratio to continue to decrease with the issuance of authorized debt and as the state's unrestricted General Revenue Fund increases with the continued improvement in the state's economy. However, the CDL ratio could be affected by changes to any of the following factors: the three-year average of unrestricted General Revenue Funds, the amount of debt outstanding and unissued debt authorizations, and actual and assumed interest rates.

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

ARTICLE III, §51-A, WELFARE SPENDING LIMIT

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

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

2. REVENUE SOURCES AND ECONOMIC OUTLOOK

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

STATE REVENUE

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

SALES TAX

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

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

IN MILLIONS

SOURCE	2014–15 BIENNIUM	2016–17 BIENNIUM	PERCENTAGE CHANGE	PERCENTAGE OF 2016–17 TOTAL REVENUE	PERCENTAGE OF 2016–17 TOTAL TAXES
Tax collections	$102,675.6	$101,884.2	(0.8%)	47.6%	100.0%
Federal receipts	$70,967.0	$72,798.7	2.6%	34.0%	N/A
Licenses, fees, fines, and penalties	$18,146.7	$16,579.3	(8.6%)	7.7%	N/A
Interest and investment income	$2,856.7	$2,784.9	(2.5%)	1.3%	N/A
Lottery	$3,771.6	$3,796.1	0.6%	1.8%	N/A
Land income	$3,411.2	$2,033.8	(40.4%)	1.0%	N/A
Other revenue sources	$12,541.6	$14,120.3	12.6%	6.6%	N/A
TOTAL, NET REVENUE	**$214,370.5**	**$213,997.3**	**(0.2%)**	**100.0%**	**N/A**
Sales tax	$56,296.6	$59,922.2	6.4%	28.0%	58.8%
Oil production taxes	$6,753.1	$3,907.0	(42.1%)	1.8%	3.8%
Natural gas production tax	$3,180.0	$1,915.4	(39.8%)	0.9%	1.9%
Motor fuel taxes	$6,762.1	$7,055.8	4.3%	3.3%	6.9%
Motor vehicle sales and rental taxes	$8,724.1	$9,854.2	13.0%	4.6%	9.7%
Franchise tax	$9,388.5	$7,076.3	(24.6%)	3.3%	6.9%
Cigarette and tobacco taxes	$2,874.9	$2,831.7	(1.5%)	1.3%	2.8%
Alcoholic beverage taxes	$2,192.0	$2,436.1	11.1%	1.1%	2.4%
Insurance occupation taxes	$3,997.3	$4,423.9	10.7%	2.1%	4.3%
Utility taxes	$959.0	$970.7	1.2%	0.5%	1.0%
Inheritance tax	($3.8)	$0.0	(100.0%)	0.0%	0.0%
Hotel occupancy tax	$1,011.2	$1,133.0	12.0%	0.5%	1.1%
Other taxes	$540.6	$357.9	(33.8%)	0.2%	0.4%
TOTAL, TAX COLLECTIONS	**$102,675.6**	**$101,884.2**	**(0.8%)**	**47.6%**	**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. 2016–17 totals are estimates from the CPA's October 13th, 2015, *Certification Revenue Estimate*.
SOURCE: Comptroller of Public Accounts (CPA).

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

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

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

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

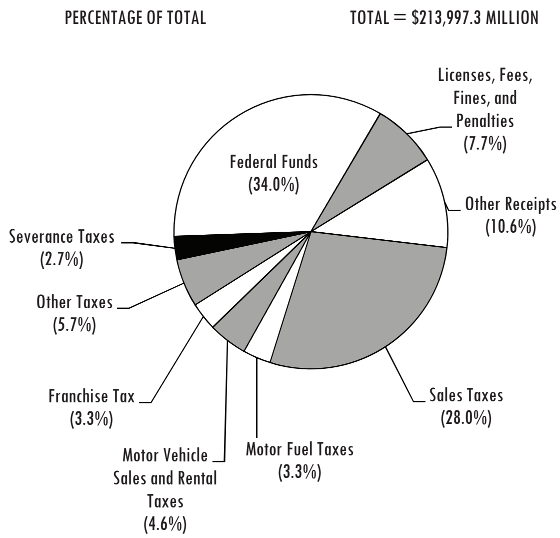
The state tax rate is 6.25 percent, which has been in place since 1990. Subject to certain exemptions, the state sales and use tax is imposed on retail sales, leases, and rentals of goods purchased within or brought into the state, and some taxable services. The largest exemptions include property used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

OIL AND GAS PRODUCTION TAXES

The state levies an oil production tax at 4.6 percent of market value and a natural gas production tax at 7.5 percent of market value, less certain deductions. During the 2014–15 biennium, annual oil production was approximately 903.0 million barrels in fiscal year 2014 and 1,085.9 million barrels in fiscal year 2015. Oil was taxed at a price of approximately $96.56 per barrel in fiscal year 2014 and $59.97 per barrel in fiscal year 2015. Annual natural gas production was 7.4 trillion cubic feet in each of fiscal years 2014 and 2015, while taxable natural gas prices were $4.36 per 1,000 cubic feet (Mcf) in fiscal year 2014, and approximately $3.06 per Mcf in fiscal year 2015.

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

FIGURE 31
ESTIMATED STATE REVENUE COLLECTIONS
2016–17 BIENNIUM



Source: Comptroller of Public Accounts.

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

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

MOTOR FUEL TAXES

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

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

MOTOR VEHICLE SALES AND RENTAL TAX

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

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

FRANCHISE TAX

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

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

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

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

CIGARETTE AND TOBACCO TAXES

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

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

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

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

ALCOHOLIC BEVERAGE TAXES

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

INSURANCE OCCUPATION TAXES

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

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

UTILITY TAX

Texas has three forms of utility gross receipts taxes: the gas, electric, and water tax; the public utility gross receipts assessment; and the gas utility pipeline tax. The largest revenue generator is the gas, electric, and water tax, which provides for more than 80.0 percent of the state's total utility tax revenues. This tax is imposed on utility gross receipts at rates ranging from 0.581 percent to 1.997 percent, depending on city population. The public utility gross receipts tax is levied at a rate of 0.001667 percent of gross receipts. The gas utility pipeline tax is a levy of 0.5 percent on gas utility gross receipts, less the cost of gas sold.

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

HOTEL OCCUPANCY TAX

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

OTHER TAXES

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

NONTAX REVENUES

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

FEDERAL RECEIPTS

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

LICENSES, FEES, FINES, AND PENALTIES

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

INTEREST AND INVESTMENT INCOME

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

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

LOTTERY REVENUE

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

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

LAND INCOME

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

TOBACCO SETTLEMENT REVENUE

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

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

OTHER REVENUE

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

STATE TAXES

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

POPULATION

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

PERSONAL INCOME

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

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

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

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

FIGURE 33
RESIDENT POPULATION RANKING, CALENDAR YEARS 2004 AND 2014

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

SOURCE: U.S. Census Bureau.

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

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

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

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

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

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

SOURCE: U.S. Bureau of Economic Analysis.

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

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

SOURCE: Missouri Economic Research and Information Center.

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

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

SOURCE: U.S. Bureau of Economic Analysis.

MAJOR STATE FUNDS

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

GENERAL REVENUE FUND

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

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

AVAILABLE SCHOOL FUND

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

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

FOUNDATION SCHOOL FUND

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

STATE HIGHWAY FUND

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

TEXAS MOBILITY FUND

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

PROPERTY TAX RELIEF FUND

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

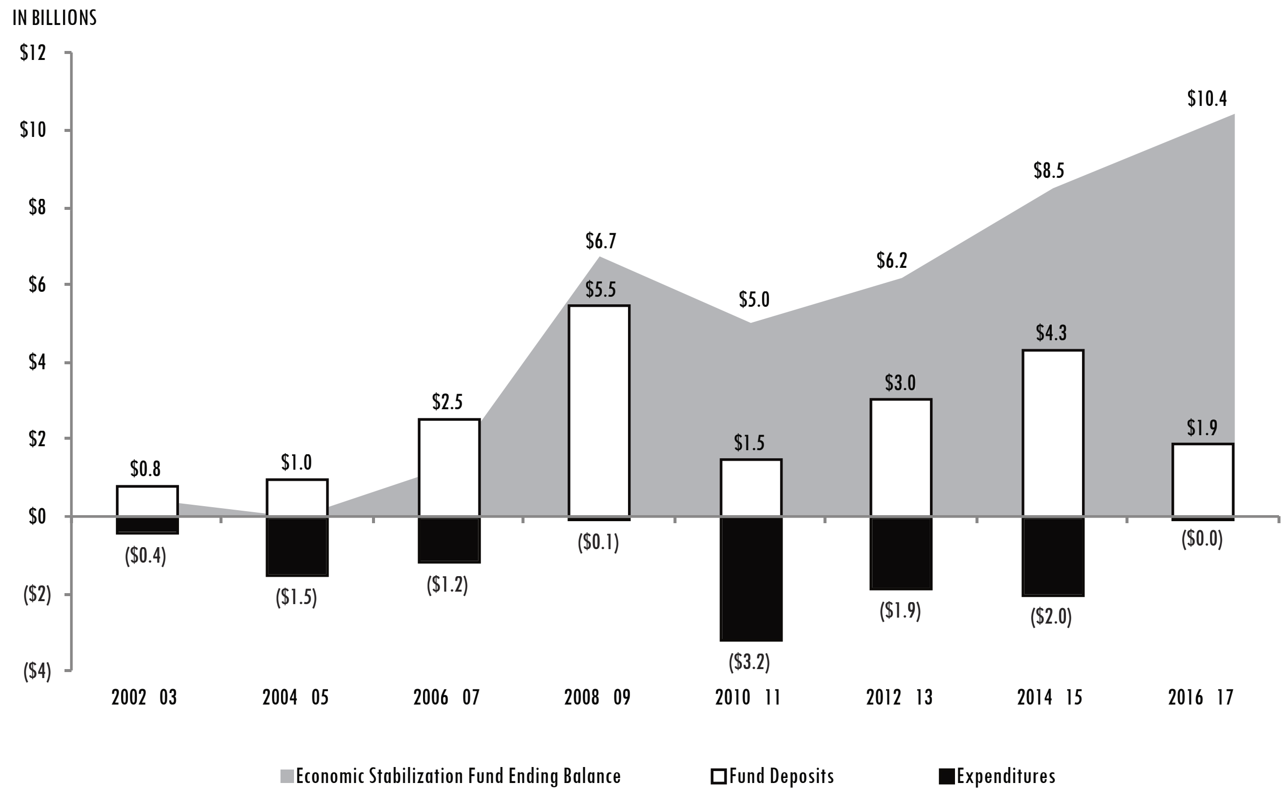
ECONOMIC STABILIZATION FUND

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

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

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

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



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

FEDERAL FUNDS APPROPRIATIONS

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

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

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

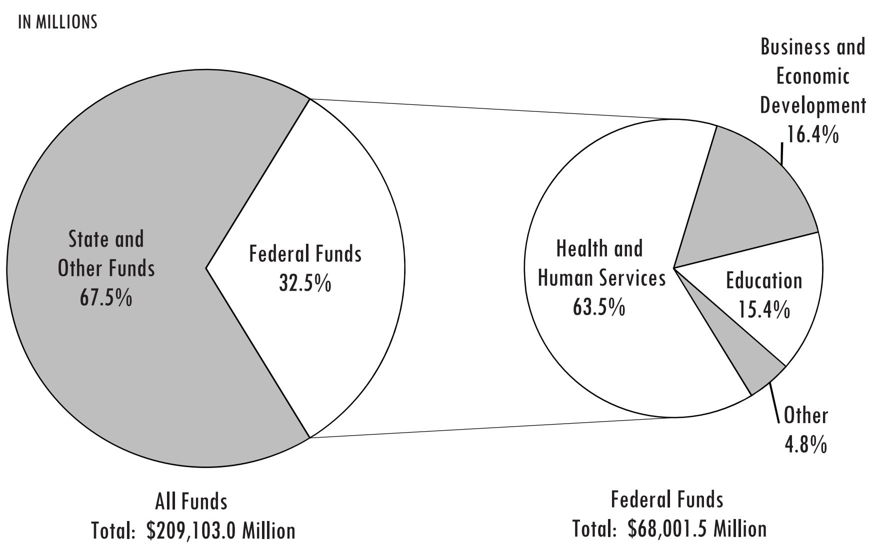
FIGURE 38
FUNDING BY METHOD OF FINANCE, FEDERAL FUNDS

(IN MILLIONS)

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

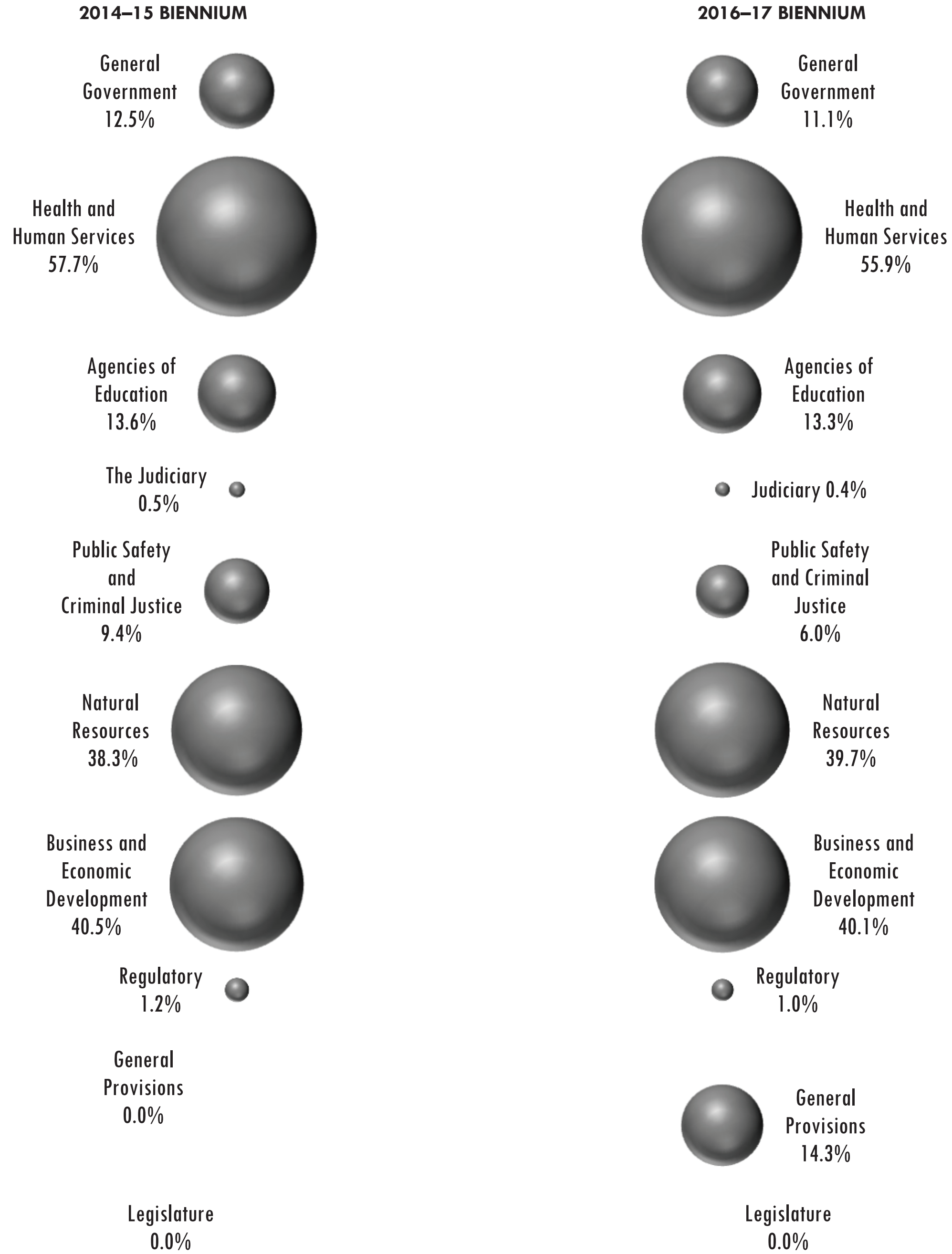
NOTE: Biennial change and percentage change are calculated on actual amounts before rounding. Therefore, figure totals may not sum due to rounding.
SOURCE: Legislative Budget Board.

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



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

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



SOURCE: Legislative Budget Board.

HEALTH AND HUMAN SERVICES

In the 2016–17 GAA, it is estimated that Health and Human Services agencies will receive $43.2 billion in Federal Funds, which is 63.5 percent of the state's total Federal Funds. Federal Funds for these agencies are expected to increase $21.6 million from the 2014–15 biennial levels. This increase is primarily attributable to the Medicaid program. The Health and Human Services Commission, which administers the state's Medicaid program and Children's Health Insurance Program, receives 76.1 percent of the function's total Federal Funds.

BUSINESS AND ECONOMIC DEVELOPMENT

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

EDUCATION

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

OTHER FUNCTIONS

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

LOCAL REVENUE

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

PROPERTY TAXES

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

TAXABLE VALUES

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

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

PROPERTY TAX LEVIES

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

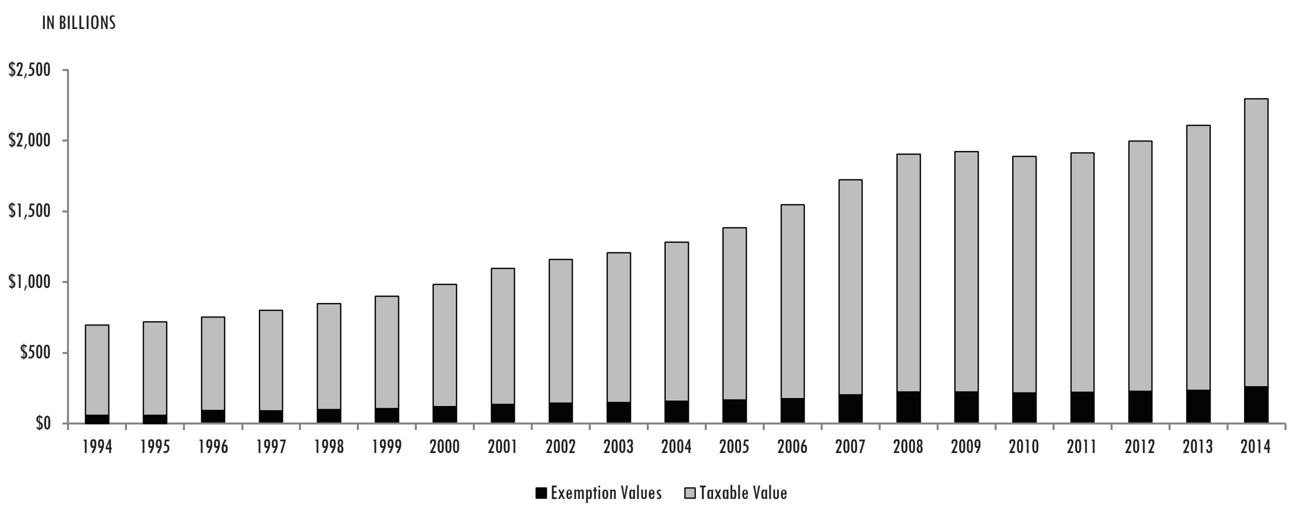
From calendar years 1993 to 2013, statewide property tax levies increased by $30.5 billion, or 206.7 percent. School district levies increased by the largest amount, $16.2 billion, accounting for 53.0 percent of the total increase. In calendar year 1993, school districts levied approximately $8.7 billion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

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

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

SOURCE: Comptroller of Public Accounts.

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



SOURCE: Comptroller of Public Accounts.

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

IN MILLIONS

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

Source: Comptroller of Public Accounts.

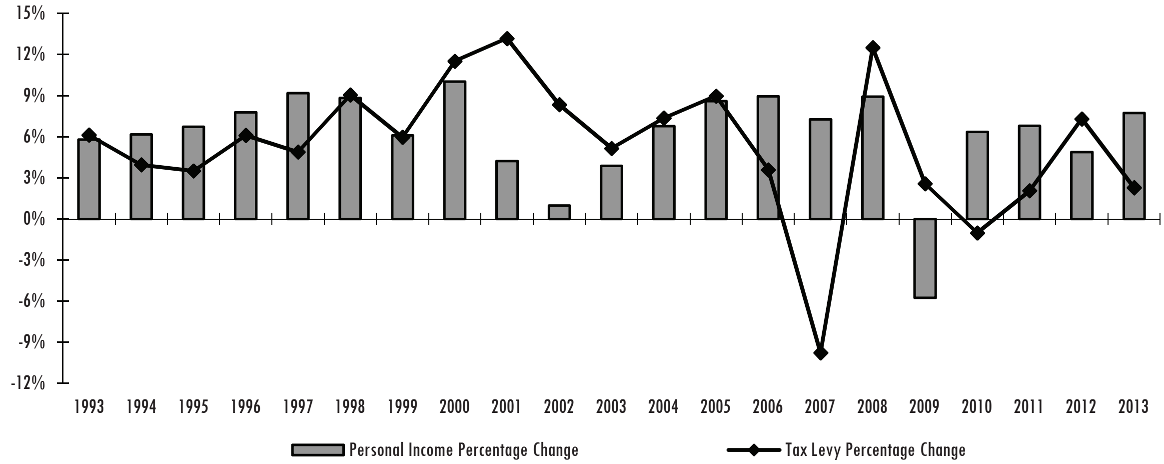
FIGURE 44
PROPERTY TAX LEVIES, CALENDAR YEARS 1993 TO 2013

IN MILLIONS

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

Source: Comptroller of Public Accounts.

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



SOURCE: Comptroller of Public Accounts.

LOCAL SALES TAX

Local governmental entities, such as cities, counties, metropolitan transit authorities, and special districts, may impose local sales and use taxes. State law caps the combined rate set by local jurisdictions at 2.0 percent. The taxes are administered and collected by the CPA and then remitted back to the local jurisdiction. **Figure 46** shows the remittances for fiscal years 2013 to 2015. Sales tax remittances to local government entities for the 2014–15 biennium increased from the preceding biennium by 13.2 percent.

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

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

SOURCE: Comptroller of Public Accounts.

ECONOMIC OUTLOOK

U.S. ECONOMIC INDICATORS

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

The U.S. finally regained all of the 8.7 million jobs lost during the most recent recession, passing the pre-recession peak of non-farm payroll employment in April 2014. A total of 5.6 million jobs were established in the U.S. during the 2014–15 biennium, representing growth rates of 2.0 percent in fiscal year 2014 and 2.1 percent in fiscal year 2015. The fastest-growing sectors in terms of job growth were construction (4.1 percent annual growth rate), arts, entertainment, and recreation (3.2 percent annual growth rate), and professional and business services (3.1 percent annual growth rate). On the other hand, the only two sectors to lose jobs during the biennium were mining and logging (which includes oil and gas extraction) and the federal government. Biennial job gains, combined with a gradual decrease in the labor force beginning in January 2015, led to a further decrease in the U.S. unemployment rate. The number of unemployed as a percentage of the civilian labor force was 5.1 percent in August 2015, decreased from 7.2 percent at the beginning of the 2014–15 biennium and the recent recession peak of 10.0 percent reached in October 2009. The unemployment rate is forecast to remain very stable during the 2016–17 biennium, averaging 5.1 percent in fiscal year 2016 and 5.0 percent in fiscal year 2017. Despite both major job market measures indicating a strengthening U.S. labor market, growth in average hourly earnings remained weak relative to historical levels, averaging 2.1 percent year-over-year increase during the biennium. Further employment gains combined with a falling unemployment rate should lead to a pickup in this measure during the next two fiscal years.

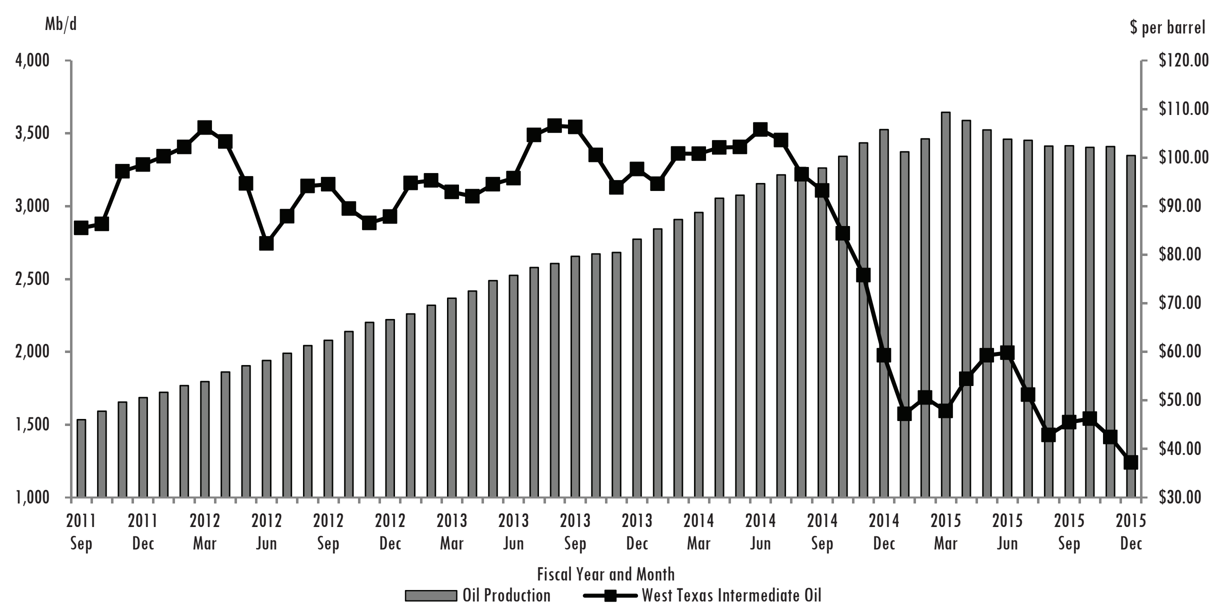
For the second consecutive biennium, the U.S. housing sector was a contributor to growth in the economy. National housing prices (as measured by the S&P Case-Shiller 20-City Composite Home Price Index) increased at a steady rate of more than 5.0 percent per fiscal year during the 2014–15 biennium. However,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

U.S. equity markets recorded the third consecutive biennium of strong gains leading to large increases in consumer wealth, and, consequentially, consumption expenditures. The S&P 500, Dow Jones Industrial Average, and NASDAQ Composite indices gained 20.8 percent, 11.6 percent, and 33.1 percent, respectively during the 2014–15 biennium. Strong U.S. corporate earning contributed much of the gains, along with a strengthening outlook for the U.S. and global economies. Also contributing were the continued quantitative easing policies of the Federal Reserve Bank, which resulted in less than normal interest rates throughout the biennium and make stocks relatively more attractive for investors. Constant maturity rates on U.S. 10-year Treasury securities averaged 2.4 percent during the 2014–15 biennium, while corresponding rates on the highest-rated U.S. corporate debt averaged 4.1 percent during the same period. The Federal Reserve Bank did begin its slow withdrawal of accommodative monetary policy by gradually reducing and then ending its monthly purchases of long-term treasury securities and agency mortgage-backed securities. Because of improving U.S. economic conditions, the Bank has begun to slowly raise the federal funds target rate (from the near-zero level the rate has had since late 2008) beginning in December 2016. These actions should lead to gradually increasing interest rates during the 2016–17 biennium.

TEXAS ECONOMIC INDICATORS

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

FIGURE 47
TEXAS OIL PRODUCTION, FISCAL YEARS 2012 TO 2016

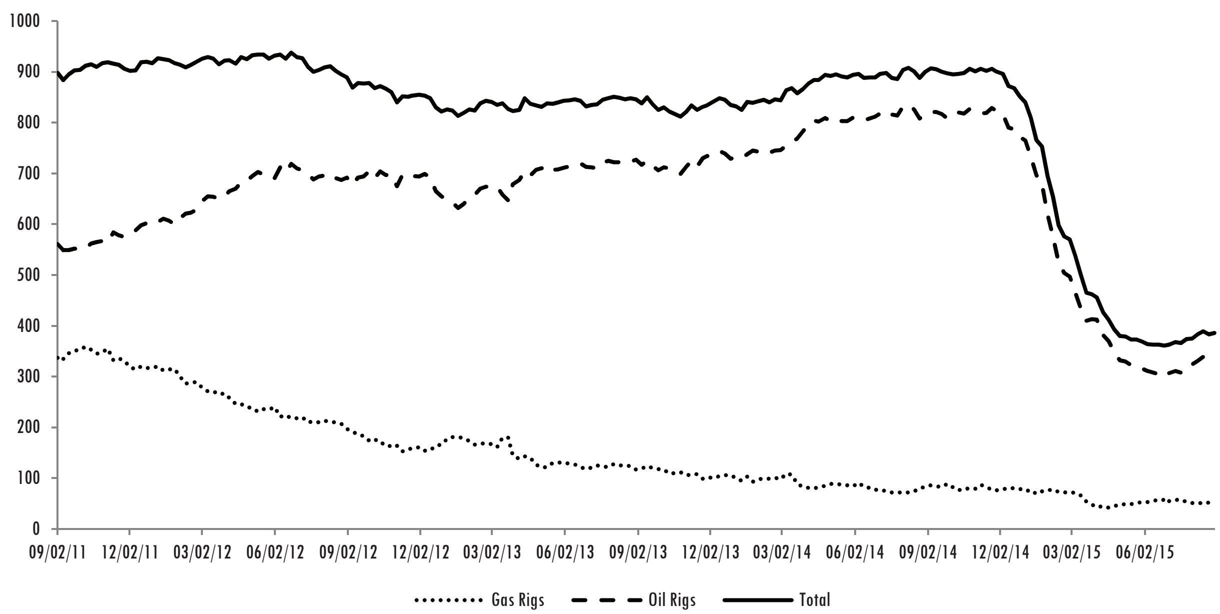


NOTE: Mb/d = thousands barrels per day.
SOURCE: Energy Information Administration.

in the U.S., Canada, and several Organization for Petroleum Exporting Countries (OPEC), combined with slowing rates of consumption increases in Europe, China, and Japan, led to total worldwide supply outstripping total worldwide consumption by 0.9 MM b/d in 2014 and 1.8 MM b/d in 2015. In such an oversupplied market, price decreases become inevitable and necessary to either reduce supply, increase demand, or some combination of both; however, this market reaction has been slower than anticipated for a variety of reasons, thus continuing and increasing the price slump. First, many of these countries are experiencing slowing economic growth or economic contractions, which have muted the demand for oil that would normally be induced by lower prices. In addition, supply growth has been slow to react to decreasing prices. Producers in Texas (and the rest of the U.S.) have sharply curtailed drilling activity in response to decreasing prices, with the number of active drilling rigs in the state decreasing to 386 by the end of the 2014–15 biennium, down 57.5 percent from a biennial peak of 908 rigs (**Figure 48**). However, of the rigs remaining, most have drilled in the highest-producing areas of various underground formations, a process known as high-grading. Additionally, drilling technology and process improvements have increased productivity (defined as the initial b/d production rate of a drilling rig) by 53.8 percent in the Eagle Ford region in south central Texas and by 103.4 percent in the Permian Basin region in west Texas. Because of these factors, Texas and total U.S. production did not peak until spring 2015, eight months after price decreases began, and has remained relatively steady since, averaging 2.9 MM b/d in fiscal year 2014 and 3.5 MM b/d in fiscal year 2015 (**Figure 47**). Gradually slowing supply is expected to bring balance to global oil markets in 2016 and allow for a modest increase in prices. WTI prices are expected to average $46.80 in fiscal year 2016 and $59.85 in fiscal year 2017.

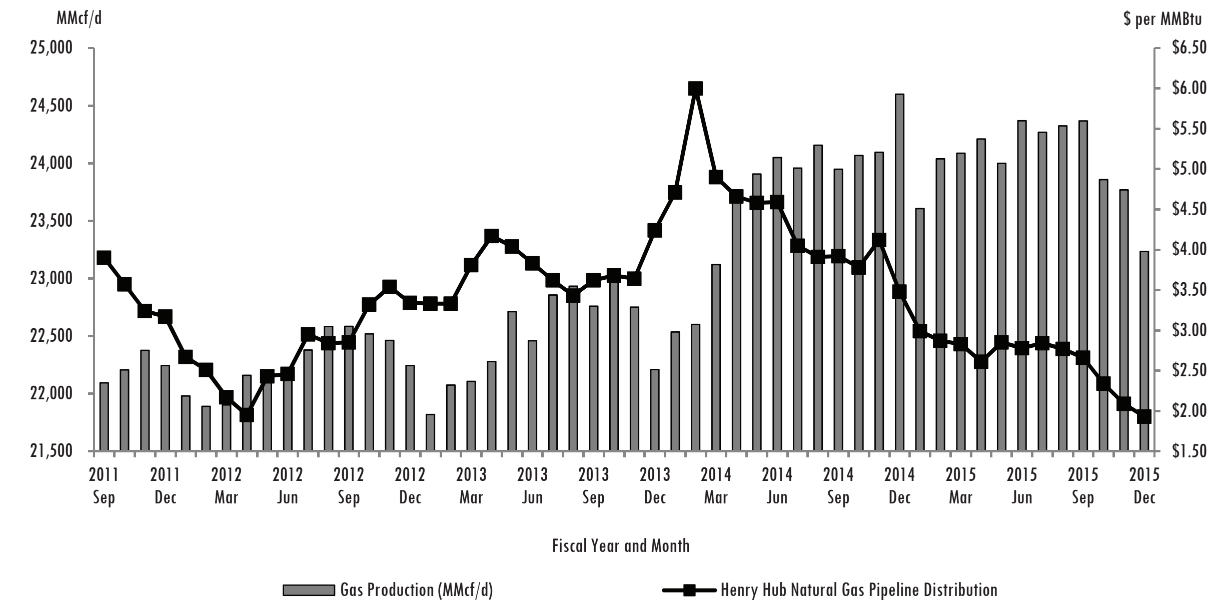
Natural gas markets recorded many of the same oversupply fundamentals and price decreases during the 2014–15 biennium, although much of the supply gains were not in Texas, but rather in the northeast states of Pennsylvania, West Virginia, and Ohio. Prices peaked at $6.00 per Million British Thermal Units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

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



Source: Baker Hughes.

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



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

Texas real gross state product (GSP) grew by 5.2 percent in calendar year 2014, which was slightly slower than the previous two calendar year gains of 5.5 and 6.2 percent, but more than the corresponding national growth rate of 2.4 percent during the same period. Sectors with the fastest pace of GSP growth in 2014 included non-durable goods manufacturing (10.2 percent), mining (9.3 percent), and professional and business services (8.9 percent). On the other hand, industries that registered growth less than the statewide average included transportation and warehousing (1.2 percent), information (1.7 percent), government (0.4 percent), and agriculture (-0.1 percent). The large decrease in hydrocarbon prices during 2015 is expected to slow output growth in Texas. Large capital expenditure reductions by oil and gas exploration and production companies will have the greatest effect on the mining industry; however, industries that supply that industry with either products used to recover oil and gas, such as steel product or machinery manufacturing, or services, such as accommodations and food services, will also be negatively affected. Output growth in other industries not directly tied to hydrocarbon production, such as healthcare, technology, and education, is expected to offset the decreases to some extent, and keep the Texas economy from contracting during the next biennium. GSP growth is forecast to be 3.9 percent in calendar year 2015, 2.9 percent in calendar year 2016, and 3.9 percent in calendar year 2017. If the forecasts are accurate, 2016 would be the first year that Texas GSP growth has not exceeded the U.S. growth level since 2005. Also in calendar year 2014, Texas per capita personal income increased by 4.3 percent to $45,669 per Texas resident. This amount ranked Texas as the 22nd highest state in the country and just less than the national average per capita personal income of $46,049. Texas per capita personal income is forecast to increase by 3.2 percent in calendar year 2016 and 4.7 percent in calendar year 2017.

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

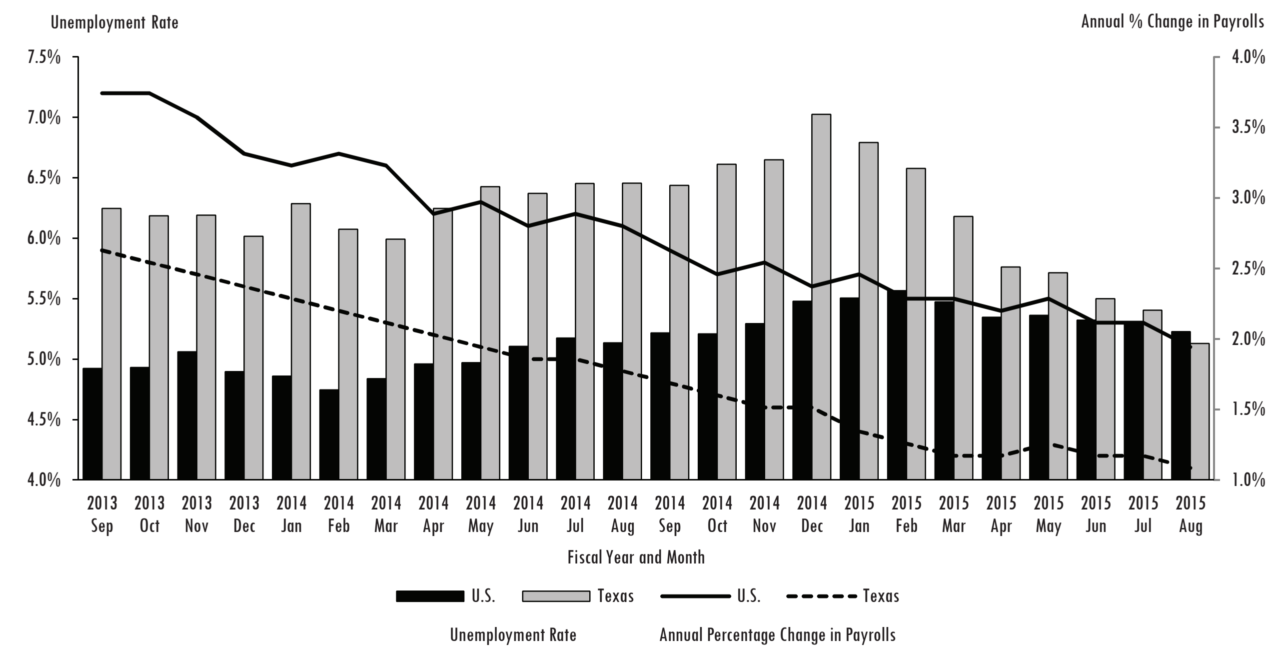
FIGURE 50
TEXAS NONFARM EMPLOYMENT BY SECTOR, FISCAL YEARS 2007 TO 2015

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

Source: Texas Workforce Commission.

force participation rate led to a steadily decreasing statewide unemployment rate, which was 5.9 percent entering the 2014–15 biennium and decreased to 4.1 percent by the end of the two-year period. The Texas unemployment rate has now been less than the corresponding U.S. rate for 108 consecutive months. **Figure 51** shows a comparison of the monthly unemployment rate and annualized monthly job gains for Texas and the U.S. during the 2014–15 biennium. As shown in the figure, Texas job growth was less than the U.S. level during the final month of the biennium. The rate of job growth is predicted to decrease from recent levels during the upcoming biennium but remain positive, averaging 1.4 percent in fiscal year 2016 and 1.8 percent in

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



SOURCE: U.S. Bureau of Labor Statistics.

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

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

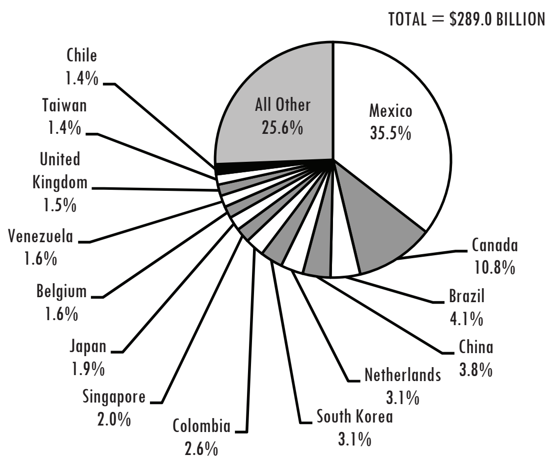
FIGURE 52
EXPORTS OF 15 LARGEST EXPORTING STATES CALENDAR YEARS 2013 AND 2014

IN BILLIONS

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

SOURCE: World Institute for Strategic Economic Research.

FIGURE 53
TEXAS' EXPORT MARKET SHARES, CALENDAR YEAR 2014



SOURCE: World Institute for Strategic Economic Research.

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

IN BILLIONS

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

SOURCE: World Institute for Strategic Economic Research.

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

3. SUMMARY OF SIGNIFICANT FISCAL LEGISLATION

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

BILLS WITH SIGNIFICANT BUDGETARY IMPLICATIONS

HOUSE BILL 2

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

Figure 55 shows the 10 supplemental bills enacted since 2003.

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

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

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

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

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

SOURCE: Legislative Budget Board.

FIGURE 56
HOUSE BILL 2 APPROPRIATIONS, FISCAL YEAR 2015

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

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

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

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

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

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

HOUSE BILL 4

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

HOUSE BILL 9

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

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

HOUSE BILL 10

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

HOUSE BILL 11

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

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

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

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

HOUSE BILL 26/SENATE BILL 632

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

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

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

HOUSE BILL 100

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

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

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

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

HOUSE BILL 700

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

HOUSE BILL 1474

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

House Bill 1474 also requires the Commissioner of Education to establish instructional materials allotment (IMA) amounts based on enrollment in the previous biennium and to deposit the full biennial amounts in district accounts in the first year of the biennium. Additionally, HB 1474 gives authority to the Texas Education Agency, to the extent authorized by the General Appropriations Act, to make temporary transfers from the Foundation School Fund No. 193 for payment of the IMA.

HOUSE BILL 1690

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

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

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

HOUSE BILL 2463

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

The legislation also requires that independent living services for persons who are blind or visually impaired and for persons with disabilities other than blindness are integrated into a single program by the start of fiscal year 2017. The legislation further requires that independent living services are provided through centers for independent living (CILs) and no longer directly through DARS, except in certain cases. DARS is required to provide technical assistance to the CILs and to monitor their performance.

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

SENATE BILL 18

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

SENATE BILL 200

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

The legislation establishes a Transition Legislative Oversight Committee (TLOC), composed of 11 voting members: four senators appointed by the Lieutenant Governor; four representatives appointed by the Speaker of the House; and three members of the public appointed by the Governor, to oversee the reorganization. The Health and Human Services Executive Commissioner serves as an ex officio nonvoting member of the committee. The legislation requires:

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

SENATE BILL 202

Senate Bill 202 discontinues eight former Department of State Health Services (DSHS) regulatory programs, transfers 13 occupational licensing programs from DSHS to the Texas Department of Licensing and Regulation (TDLR), and transfers four occupational licensing programs from DSHS to the Texas Medical Board (TMB). The agencies are required to complete the transfer of 11 of the programs as soon as practicable after September 1, 2015, while the remaining six programs transfer to TDLR on September 1, 2017. The legislation reconstitutes the existing advisory boards for each program at DSHS as advisory committees at TDLR, and establishes necessary advisory boards and committees at TMB. The legislation also discontinues state involvement in the licensing, registration, and permitting of indoor air quality in government buildings, rendering, sale of bedding, tanning facilities, bottled or vended drinking water operators, personal emergency response systems, opticians, and contact lens dispensers.

SENATE BILL 208

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

SENATE BILL 633

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

SENATE BILL 746

Senate Bill 746 reforms the system of civilly committing sexually violent predators (SVP) who have completed stays of incarceration related to the punishment of the original criminal offenses. The bill changes the name of the Office of Violent Sex Offender Management to the Texas Civil Commitment Office (TCCO). The Eighty-fourth Legislature, 2015, appropriated the TCCO an increase of $7.1 million in General Revenue Funds to provide enhanced treatment services with the goal of the SVP's eventual release from the program. The bill requires DSHS and DADS to provide psychiatric services, disability services, and housing for committed individuals with mental illness, intellectual or developmental disabilities, or physical disabilities that prevent the person from effectively participating in the civil commitment program. The bill also provides judicial causes of action for committed persons to seek less restrictive tiers or to challenge transfers to higher tiers, and establishes new classes of litigation at the Office of the Attorney General. The bill changes the jurisdiction over civil commitment cases from the 435th Judicial District in Montgomery County to a district court in the county of the SVP's most recent convection for a sexually violent offense, resulting in a savings of $0.4 million in court staff and operating costs. The responsibility for initiating civil commitments would change from the Special Prosecution Unit (SPU), headquartered in Walker County, to the local prosecutor serving the court of original conviction. Appropriations for the SPU division formerly handling civil commitments were continued at $5.1 million from General Revenue Funds for the 2016–17 biennium so that the SPU may provide technical assistance and funds for expert witnesses to local prosecutors statewide now charged with initiating commitments.

SENATE BILL 1366/HOUSE BILL 158

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

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

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

SENATE BILL 1630

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

SENATE BILL 2004

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

The bill calls on the Joint Oversight Committee on Government Facilities, consisting of three members of the Senate and three members of the House of Representatives, to review and receive implementation updates on deferred maintenance actions by state agencies. Furthermore, the bill calls for the committee to biannually provide a report to the legislatures that includes (1) the amount of money expended from the deferred maintenance fund, (2) the maintenance projects to be completed through expenditures from the fund, and (3) the status of ongoing and completed projects.

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

FISCAL POLICY AND TAXATION

FISCAL MATTERS AND FUND ACCOUNTING

HOUSE BILL 6

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

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

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

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

HOUSE BILL 7

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

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

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

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

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

- reducing the diesel surcharge tax deposited to Texas Emissions Reduction Plan Account No. 5071 and the petroleum product delivery fee deposited to Petroleum Storage Tank Remediation Account No. 655, respectively;
- redirecting the allocation of smokeless tobacco tax revenue from the Physician Education Loan Repayment Program Account No. 5144 to the General Revenue Fund;
- consolidating two of the state's dedicated accounts for trauma care by abolishing the Regional Trauma Account No. 5137 and transferring the account balance and redirecting account revenue sources to Designated Trauma Facility and EMS Account No. 5111;

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

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

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

- repealing the $200 annual occupation tax on certain professions, reducing revenues to the General Revenue Fund and Foundation School Fund No. 193 by $251.5 million in the 2016–17 and subsequent biennia;
- abolishing the Emerging Technology Fund (ETF) and transferring management of the portfolio to the Comptroller's Texas Treasury Safekeeping Trust Company (TTSTC), which would be required to wind down the ETF investment portfolio, including existing ETF agreements and awards. The unencumbered balances in the ETF may only be appropriated to the Comptroller of Public Accounts for expenses incurred in managing the investment portfolio and for certain programs, including Texas Research Incentive Program; the Texas Research University Fund; and the Governor's University Research Initiative Fund; and
- establishing the Tax Rate Conversion Account within the General Revenue Fund to provide additional state aid to school districts that have compressed tax rates of less than $1.00 that are assessing rates eligible for tax rate conversion.

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

HOUSE BILL 903

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

SENATE BILL 20

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

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

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

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

IN MILLIONS

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

NOTE: Cannot be determined (CBD).
SOURCES: Legislative Budget Board, Comptroller of Public Accounts.

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

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

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

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

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

SENATE BILL 1512

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

SENATE JOINT RESOLUTION 5

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

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

TAX AND REVENUE BILLS

HOUSE BILL 32

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

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

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

SENATE BILL 1/SENATE JOINT RESOLUTION 1

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

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

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

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

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

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

SOURCE: Legislative Budget Board.

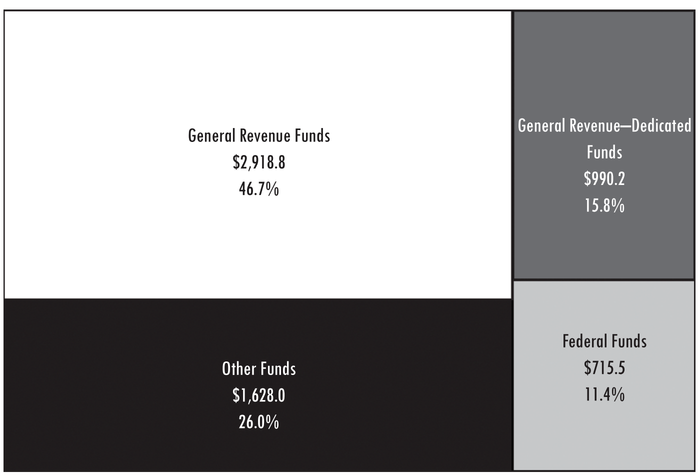
4. GENERAL GOVERNMENT

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

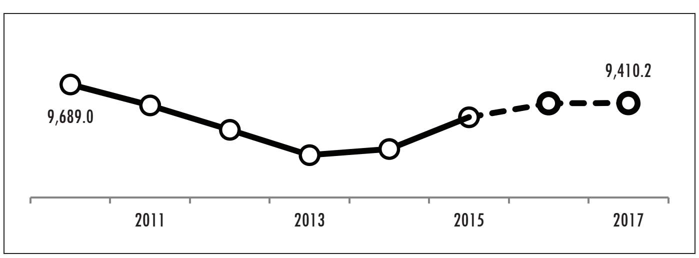
FIGURE 60
ARTICLE I – GENERAL GOVERNMENT, BY METHOD OF FINANCE

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

SHARE OF FUNDING BY METHOD OF FINANCE (IN MILLIONS)



FULL-TIME-EQUIVALENT POSITIONS



SIGNIFICANT DEVELOPMENTS

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

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

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

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

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

FIGURE 61
ARTICLE I – GENERAL GOVERNMENT APPROPRIATED BY AGENCY, ALL FUNDS

(IN MILLIONS)

FUNCTION	EXPENDED/BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE
Commission on the Arts	$13.3	$17.7	$4.4	33.3%
Office of the Attorney General	$1,128.1	$1,153.6	$25.4	2.3%
Bond Review Board	$1.9	$1.6	($0.3)	(16.2%)
Cancer Prevention and Research Institute of Texas	$596.2	$600.1	$3.9	0.7%
Comptroller of Public Accounts	$522.2	$588.4	$66.3	12.7%
Fiscal Programs within the Office of the Comptroller of Public Accounts	$1,009.8	$964.2	($45.6)	(4.5%)
Commission on State Emergency Communications	$145.9	150.3	$4.4	3.0%
Texas Emergency Services Retirement System	$4.4	$4.7	$0.3	5.8%
Employees Retirement System	$19.5	$19.5	$0.0	0.0%
Texas Ethics Commission	$7.5	$6.0	($1.5)	(19.5%)
Facilities Commission	$208.9	$1,139.1	$930.2	445.3%
Public Finance Authority	$2.5	$2.6	$0.1	4.3%
Office of the Governor	$24.5	$21.3	($3.2)	(13.2%)
Trusteed Programs within the Office of the Governor	$878.0	$578.1	($299.9)	(34.2%)
Historical Commission	$62.8	$64.3	$1.5	2.5%
Department of Information Resources	$582.2	$734.1	$151.9	26.1%
Library and Archives Commission	$54.4	$64.2	$9.8	18.0%
Pension Review Board	$1.7	$1.9	$0.1	7.6%
Preservation Board	$32.3	$43.3	$11.0	34.0%
State Office of Risk Management	$102.2	$101.9	($0.3)	(0.3%)
Secretary of State	$69.6	$60.5	($9.1)	(13.1%)
Veterans Commission	64.1	$101.4	$37.3	58.3%
Subtotal, General Government	**$5,531.9**	**$6,418.7**	**$886.8**	**16.0%**
Employee Benefits and Debt Service	$533.1	$666.0	$132.9	24.9%
Less Interagency Contracts	$743.5	$832.1	$88.6	11.9%
Total, All Functions	**$5,321.5**	**$6,252.6**	**$931.1**	**17.5%**

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

MAJOR FUNDING ISSUES

ACROSS ARTICLE APPROPRIATIONS

The 2016–17 biennial funding levels of General Government programs increased by $931.1 million compared to the 2014–15 biennial spending levels.

CENTRALIZED ACCOUNTING AND PAYROLL/ PROCESSING SYSTEM (CAPPS)

Funding for CAPPS statewide enterprise resource planning system for the Comptroller of Public Accounts (CPA) increased by approximately $40.4 million in General Revenue Funds for the agency to deploy 17 additional agencies and the judicial branch to CAPPS during the 2016–17 biennium.

DEFERRED MAINTENANCE

Funding includes $387.7 million in General Revenue Funds and General Revenue–Dedicated Funds for deferred maintenance projects at state buildings directed by the Facilities Commission ($217.2 million), Military Department ($19.6 million), Department of Criminal

Justice ($60.0 million), and Parks and Wildlife Department ($91.0 million).

DATA CENTER CONSOLIDATION SERVICES

Funding for data center consolidation services provided by the Department of Information Resources (DIR) increased by $118.3 million in Other Funds. The increases are related to an anticipated increase in service consumption primarily for servers and storage affected by agencies' initiatives started in the 2014–15 biennium, and to increases related to disaster recovery services and server software purchases. Data center consolidation services include server, mainframe, network services, disaster recovery, data center facilities, bulk print and mail operations, and help desk functions.

GENERAL GOVERNMENT AGENCIES

The 2016–17 biennial funding levels of several General Government agencies changed significantly compared to the 2014–15 biennial spending levels, include the following:

- funding for the Comptroller of Public Accounts includes an increase of $66.3 million, or 12.7 percent, from the 2014–15 biennium primarily related to the improvement and modernization of taxpayer services and systems and the implementation of CAPPS;
- funding for the Fiscal Programs within the Office of the Comptroller of Public Accounts includes a decrease of $45.6 million, or 4.5 percent, from the 2014–15 biennium, primarily due to $87.7 million in onetime supplemental funding in fiscal year 2015 to pay a portion of the unfunded liability of the Texas Guaranteed Tuition Plan, offset by increases for certain statutorily required disbursements and payments;
- funding for the Texas Facilities Commission includes an increase of $930.2 million, or 445.3 percent, from the 2014–15 biennium; the increase is primarily related to an increase in funding from Revenue Bond Proceeds for several new construction projects and General Revenue Funds for deferred maintenance projects, emergency repairs, and facilities planning;
- appropriations for the Trusteed Programs within the Office of the Governor for the 2016–17 biennium are decreased by $299.9 million, or 34.2 percent, from the 2014–15 biennium. Funding reflects decreases in General Revenue funding for disaster funds, onetime expenditures, and contingency funding for economic development, tourism, and film and music marketing. Funding includes $38.4 million in General Revenue Funds for border security initiatives, including grants to local law enforcement agencies. Funding also includes an appropriation of $85.0 million from the Emerging Technology Fund to the Enterprise Fund ($45.0 million) and to the new Governor's University Research Initiative ($40.0 million) to provide matching funds to Texas public universities to recruit Nobel Laureates and National Academy members to Texas; and
- funding for the Department of Information Resources includes an increase of $151.9 million, or 26.1 percent. This increase is primarily due to an estimated increase in consumption of telecommunications and data center services by customer agencies and local entities.

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

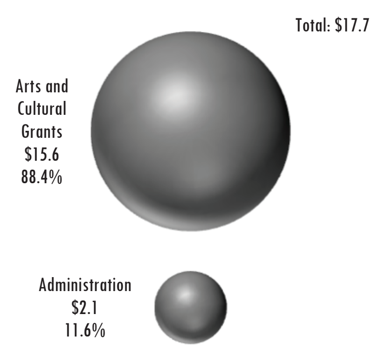
GOVERNANCE: Commission—nine members appointed by the Governor with advice and consent of the Senate

FIGURE 62
TEXAS COMMISSION ON THE ARTS BY METHOD OF FINANCE

	IN MILLIONS			
METHOD OF FINANCE	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$10.7	$14.3	$3.6	33.8%
General Revenue–Dedicated Funds	$0.0	$0.8	$0.8	N/A
Federal Funds	$1.8	$1.8	$0.0	2.4%
Other Funds	$0.8	$0.8	$0.0	0.8%
Total, All Methods of Finance	**$13.3**	**$17.7**	**$4.4**	**33.3%**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2016	14.0
2017	14.0

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

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

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

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

MAJOR FUNDING

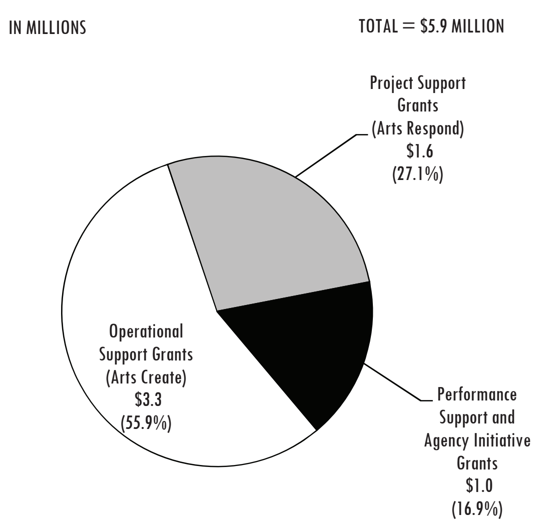
Funding for the Texas Commission on the Arts (TCA) was increased by $9.9 million, or 74.0 percent from the 2014–15 biennium. This increase is primarily attributable to an increase in General Revenue funding for the agency's Cultural District grants. The Governor's veto proclamation subsequently reduced the agency's appropriation for fiscal year 2017 by $5.7 million, to a biennial total of $17.7 million.

PROGRAMS

The agency carries out responsibilities through two major program areas: (1) arts and cultural grants; and (2) administration.

Providing financial assistance to local entities through grants is the primary function of the Texas Commission on the Arts. The majority of grants are awarded in two distinct categories: operational support grants (Arts Create) and project support grants (Arts Respond). However, additional grants are awarded for various purposes, such as performance support and special agency initiatives. **Figure 63** shows the agency's funding allocation for the separate grant categories in fiscal year 2016. To promote effective grant distribution, agency staff consults with grant recipients on grant-writing procedures and presents workshops and seminars on issues of particular relevance to applicants. Agency staff also conducts site visits of grant recipients to monitor and evaluate the use of grant funds. TCAnet, a website that links arts information and services throughout the state, provides online technical assistance, an online grant application system, and online evaluation report forms. In fiscal year 2015, the agency received an estimated 1,550 applications requesting more than $36.2 million in grants; of these amounts, the agency awarded $5.9 million to 1,542 applicants. In fiscal year 2016, the agency estimates it will process 1,650 grant applications and distribute approximately $7.6 million in grant awards, an increase of $1.7 million, or 29.0 percent, from the previous fiscal year.

FIGURE 63
TEXAS COMMISSION ON THE ARTS
GRANT AWARD ALLOCATIONS, FISCAL YEAR 2016



NOTE: Fiscal year 2016 allocations are estimated.
SOURCE: Texas Commission on the Arts.

The Arts Create program and the Arts Respond program are the agency's largest grant programs. The Arts Create program provides operational support grants to nonprofit and local government arts organizations for administration, exhibits, performances, production, touring exhibitions, and other core programs. Arts Create grants are awarded to arts organizations in six categories: established arts organizations with operating budgets greater than $5.0 million; those with operating budgets from $1.0 million to $5.0 million; those with budgets from $50,000 to $1.0 million; established minority arts organizations with budgets of at least $50,000; local arts organizations; and local arts organizations for subgranting purposes. Arts Create grant awards range from approximately $3,500 to $21,000, and Arts Create subgrant awards to the cities of Austin, Dallas, El Paso, Fort Worth, Houston, and San Antonio average about $30,000 each. All Arts Create grant awards require an equal match from recipients. Appropriations for the 2016–17 biennium for the Arts Create program are approximately $13.7 million.

The Arts Respond program includes project support grants and financial assistance for specific projects proposed by the grantee. Arts Respond grants are awarded in five categories based on the state's priorities established by the Governor. These categories include economic development, education, health and human services, natural resources and agriculture, and public safety and criminal justice. Economic development grants are awarded to projects that focus on job growth or cultural tourism, such as festivals, fairs, and marketing campaigns. Education project grants are awarded to projects that use art in a primary or secondary school setting or during the school day. Examples include creative writing workshops, outreach programs targeted at students from low-income families, and teacher resource programs. Health and human services project grants address health-related topics, serve specific populations, or occur in a healthcare or human services setting, such as workshops or outreach programs at hospitals, senior activity centers or women's shelters. Natural resources and agricultural grants support projects relating to ecological or agricultural issues and those which occur in rural counties, such as exhibitions highlighting indigenous and folk arts or environmental topics. Public safety and criminal justice grants address projects that use art to prevent juvenile delinquency and recidivism in youth and adults, including programs for at-risk youth, juvenile offenders, or incarcerated offenders. Arts Respond grants also require a one-to-one match with awards typically ranging from $1,000 to $9,000. Appropriations for the 2016–17 biennium for the Arts Respond program are approximately $4.9 million.

The agency also administers smaller grant programs, such as Arts Respond Performance Support and Young Masters. These grants assist organizations with providing for the fees of artists or companies on the Texas Commission on the Arts Touring Artists and Companies Roster to perform or present at events, including those for schools and school districts. The TCA Touring Artists and Companies Roster is a roster of Texas-based artists and companies willing to perform outside their communities regularly and that maintain reasonable artistic fees for performances. The Young Masters program awards grants to students in grades eight to 11 to develop their skills in their chosen arts discipline. The agency also awards grants from other funding sources—including those from the National Endowment for the Arts and private donors—for various purposes or initiatives, including Poetry Out Loud, a poetry recitation competition for high school students. Appropriations for these other grant programs total approximately $2.7 million for the 2016–17 biennium.

TCA's economic development programs are designed to increase the number of visitors to various regions of the state by promoting the state as a destination for arts and cultural tourism. To achieve this objective, the agency entered into a memorandum of understanding with the Texas Economic Development Tourism Office within the Office of the Governor, the Texas Department of Transportation, the Texas Parks and Wildlife Department, and the Texas Historical Commission. Appropriations for the 2016–17 biennium total $6.3 million, including $5.0 million in grant funding for the Cultural Districts Program. The program recognizes areas with a concentration of arts and cultural venues and provides constituent organizations grant funding for items that help promote tourism and economic development in those areas. Additionally, the agency also supports cultural tourism through its website by providing access to information on cultural tourism development and support. TCA's Tools for Results Toolkit contains information on a number of development topics for arts and cultural organizations, such as marketing and fundraising.

OFFICE OF THE ATTORNEY GENERAL

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

ESTABLISHED: 1876

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

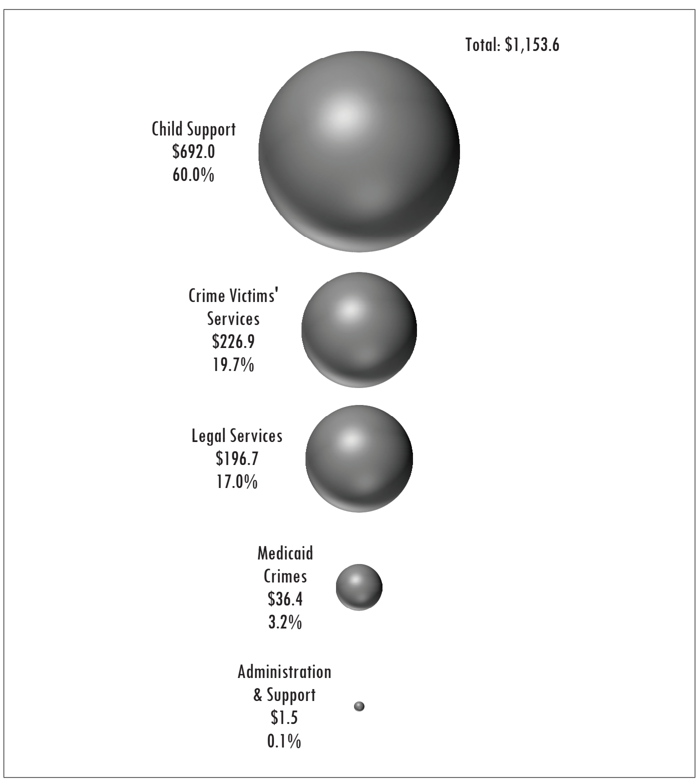
GOVERNANCE: Statewide elected official

FIGURE 64
OFFICE OF THE ATTORNEY GENERAL BY METHOD OF FINANCE

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

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2016	4,195.4
2017	4,195.4

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

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

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

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

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

MAJOR FUNDING

Appropriations for the Office of the Attorney General (OAG) increased by $25.4 million. This increase is attributable to an increase of $26.8 million for reprocurement of the State Disbursement Unit contract for child support collections and payments, an increase of $17.9 million for increased resources for legal services, an increase of $9.4 million from increased Federal Funds from the federal Crime Victims Compensation Grant and General Revenue–Dedicated Account No. 469 Compensation to Victims of Crime, and $4.1 million to increase resources for Medicaid investigations. These amounts are partially offset by a decrease of $32.7 million, primarily attributable to the transfer of funding for Court Appointed Special Advocates (CASA) and Children's Advocacy Center of Texas grants to the Texas Health and Human Services Commission (HHSC).

PROGRAMS

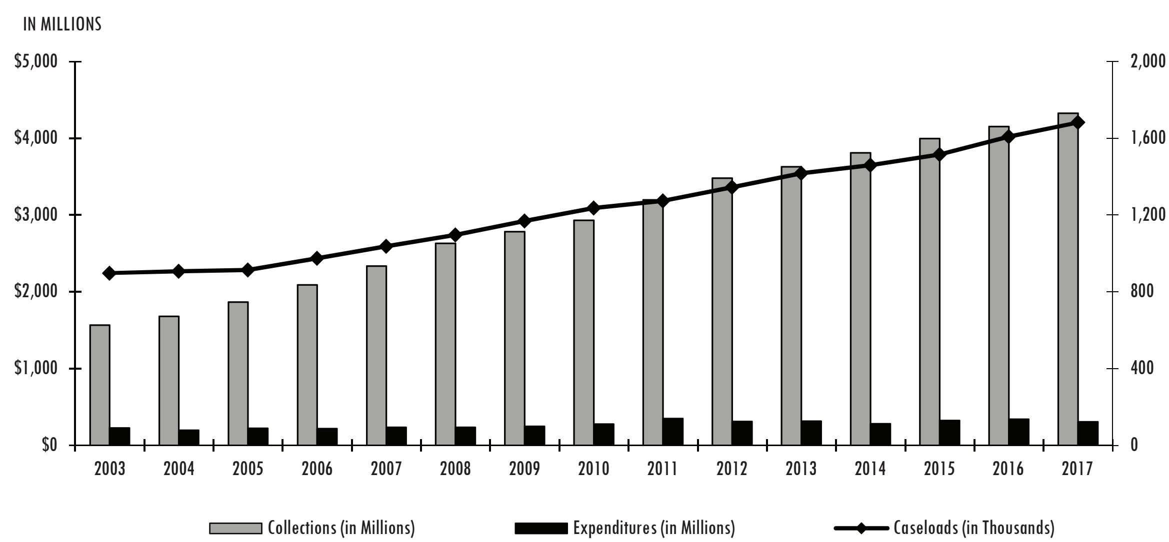
The agency carries out its mission through five main program areas: (1) Child Support; (2) Crime Victims' Services; (3) legal services; (4) Medicaid crimes; and (5) other.

CHILD SUPPORT

The Child Support Division is the OAG's largest program area. The OAG is the state agency responsible for the Child Support Enforcement Program, as provided in the federal Social Security Act, Title IV, Part D. The OAG Child Support Division provides services that locate delinquent parents, establishes paternity and court-ordered support obligations, and enforces the collection of established support obligations. These activities are supported by state funds, which are matched with Federal Funds. The Legislature appropriated $643.5 million and 2,736.2 full-time-equivalent (FTE) positions for the 2016–17 biennium for child support enforcement activities. As part of the federal funding, the agency receives Federal Performance Incentive Payments, which are based on performance of five key areas: percentage of established child support cases, collections of child support arrears, number of cases with support orders, collections on current support, and overall cost effectiveness. These incentive payments, which are competitive across the nation, are intended to reward individual states with the most efficient and effective child support programs. Texas, which received $63.9 million for fiscal year 2012 performance, ranked first nationally for the amount of incentive payments awarded by the federal government.

More than 82.0 percent of child support cases filed with the agency obtain child support orders, and the agency is focusing greater resources on enforcement of child support orders, as opposed to establishing paternity and court-ordered support obligations. In fiscal year 2015, the agency collected approximately $4.0 billion in child support payments and is projecting to reach $4.1 billion in fiscal year 2016 and $4.3 billion in fiscal year 2017. **Figure 65** shows

FIGURE 65
TEXAS OFFICE OF THE ATTORNEY GENERAL CHILD SUPPORT COLLECTIONS, FISCAL YEARS 2003 TO 2017



NOTE: Fiscal years 2016 and 2017 are projected.
SOURCE: Office of the Attorney General.

the child-support enforcement expenditures, collections, and caseloads for fiscal years 2003 to 2017. Child support operations are conducted in 64 field offices organized into nine regional offices around the state. These regions are: Austin, Dallas, El Paso, Fort Worth, Houston, Lubbock, McAllen, Tyler, and San Antonio. San Antonio is also the location of the State Disbursement Unit (SDU). The SDU, which is required by federal welfare reform legislation passed in 1996, provides a central location for employers to send child support payments that are withheld from employees' paychecks. Since 2001, the SDU has operated in San Antonio through a contract with a private vendor.

In an effort to improve the agency's child support system, the OAG began an initiative in 2007 to update the child support enforcement system used to establish child support orders, enforce order compliance, and collect and disburse child support payments. The new system referred to as the Texas Child Support Enforcement System 2.0 (T2), will be a web-based system that allows for updated access by consumers and agency staff. T2 project costs are split between the federal government (66.0 percent) and the state (34.0 percent). Initial project cost estimates were approximately $202.7 million in All Funds, with an estimated completion date of mid-2017. The T2 project has been delayed several times and is over budget. Updated project estimates for the T2 system development costs are approximately $378.5 million, with a projected launch date of 2018. Once the system is operational estimated maintenance costs will be $38.9 million each fiscal year. The OAG's 2016–17 biennial appropriations for child support-related activities total approximately $692.0 million and include 2,736.2 FTE positions each fiscal year.

CRIME VICTIMS' SERVICES

The OAG's second largest program area is related to the Crime Victims' Services Division. The OAG administers several programs designed to assist victims of crime, which include crime victims' compensation, grants to state and local programs that assist victims, and programs that address confidentiality for victims of family violence, stalking, and sexual assault. Much of the funding for these programs comes from the General Revenue–Dedicated Compensation to Victims of Crime (CVC) Fund, which is constitutionally dedicated to provide payments and services to crime victims. Revenues, which come from court costs assessed against persons convicted of certain felonies and misdemeanors, are collected in municipal and county treasuries and deposited in the state Treasury.

The largest of the OAG victims' assistance programs is the Crime Victims' Compensation Program. The program pays for a variety of expenses ranging from medical expenses to loss of wages incurred by victims of violent crimes. Appropriations for the 2016–17 biennium for the Crime Victims' Compensation Program total $160.3 million in All Funds and provide 125.8 FTE positions. These appropriations include approximately $106.4 million in General Revenue–Dedicated Funds from the CVC Fund. The program is expected to pay out more than $152.7 million in compensation during the biennium. **Figure 66** shows victims assistance programs that receive funding from the CVC Fund, and identifies allocation of appropriations to the programs for the 2016–17 biennium by All Funds and CVC Funds. **Figure 67** shows the distribution of fiscal year 2015 awards among various categories. **Figure 68** shows the trend in compensation awarded and the trend in the number of victims receiving awards from fiscal years 2007 to 2017.

The OAG is appropriated funds to make grants to local programs that assist crime victims by providing counseling, crisis intervention, assistance with the Crime Victims' Compensation Program, legal assistance, victim advocacy, referrals, and other related information. The agency also administers an address confidentiality program for victims of family violence, stalking, and sexual assault. This program, started in fiscal year 2008, assists victims by keeping their actual addresses confidential. The Texas Address Confidentiality Program (ACP) provides a substitute address and mail forwarding service for these victims and members of their households. Applicants in the ACP must meet with a local domestic violence shelter, sexual assault center, or law enforcement staff member to discuss a safety plan and enroll in the program. OAG grants also provide for sexual assault nurse examiner training and help local governments cover the costs of victims' assistance coordinators. The CASA program, which provides volunteer guardian assistance to abused and neglected children, and the Children's Advocacy Centers, which provide services to victims of child abuse were transferred by the Eighty-fourth Legislature, 2015, to HHSC beginning in fiscal year 2016. Appropriations for the Crime Victims' Services Division total approximately $226.9 million and include approximately 160.4 FTE positions each fiscal year.

LEGAL SERVICES

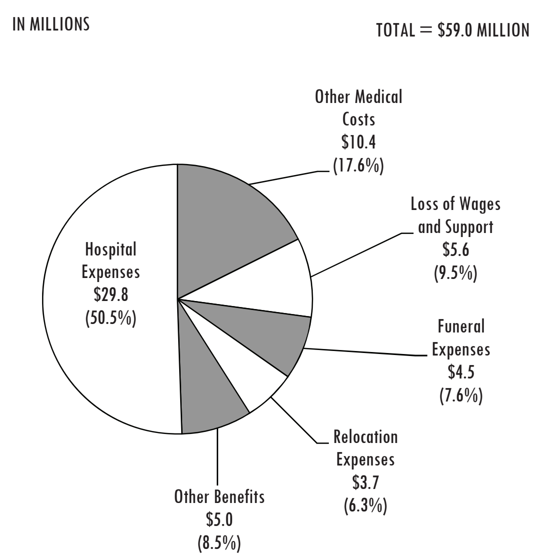
As the state's legal counsel, the OAG provides a wide array of legal and investigatory services. The agency defends state officials and agencies in lawsuits, provides general counsel

FIGURE 66
VICTIMS ASSISTANCE PROGRAMS PARTIALLY FUNDED WITH GENERAL REVENUE–DEDICATED COMPENSATION TO VICTIMS OF CRIME FUND, 2016–17 BIENNIUM

PROGRAMS AT THE OFFICE OF THE ATTORNEY GENERAL	ALL FUNDS	GENERAL REVENUE–DEDICATED FUNDS
Victim Assistance Organizations and Programs Funding for grants to support various programs in the state that serve victims of crime, such as Mothers Against Drunk Driving, Safe Place, People Against Violent Crime, Domestic Violence High Risk Teams, and others.	$21.1	$14.1
Sexual Assault Prevention and Crisis Services Program Provides funding and technical assistance to sexual assault programs in the state. Distributes training materials for law enforcement, medical personnel, and sexual assault staff and volunteers. Provides evidence collection protocol for sexual assault forensic evidence collection. Certifies sexual assault training programs and Sexual Assault Nurse Examiners.	$26.2	$2.1
Victim Notification System Funding for the implementation of a statewide automated system at the county level to provide victims with information about a change in offender status or change in court date.	$6.2	$4.3
Victim-related Civil Legal Services Funding for the Supreme Court to provide grants to local programs that offer civil legal services for victims of violent crime.	$5.0	$3.3
Victims Assistance Coordinators and Victims Liaisons Provides grants to local law enforcement agencies and prosecutor's offices to fund statutorily required coordinator and liaison positions.	$4.9	$3.3
Sexual Assault Services Program Grants Provides a grant to the Texas Association Against Sexual Assault (TAASA) for program development, technical assistance, and training to support local sexual assault programs. The grant is also used for statewide training for local programs, law enforcement agencies and other victim services groups.	$2.3	$0.5
TOTAL, PROGRAMS AT THE OFFICE OF THE ATTORNEY GENERAL	**$66.2**	**$27.5**

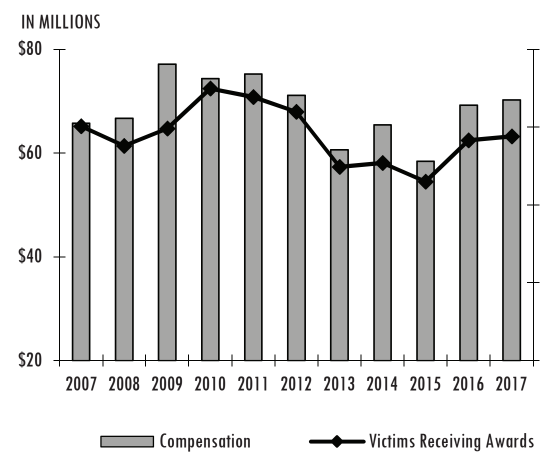
SOURCES: Legislative Budget Board; Office of the Attorney General.

FIGURE 67
GENERAL REVENUE–DEDICATED COMPENSATION TO VICTIMS OF CRIME FUND AWARDS, FISCAL YEAR 2015



SOURCE: Office of the Attorney General.

FIGURE 68
TEXAS CRIME VICTIMS' COMPENSATION PROGRAM FISCAL YEARS 2007 TO 2017

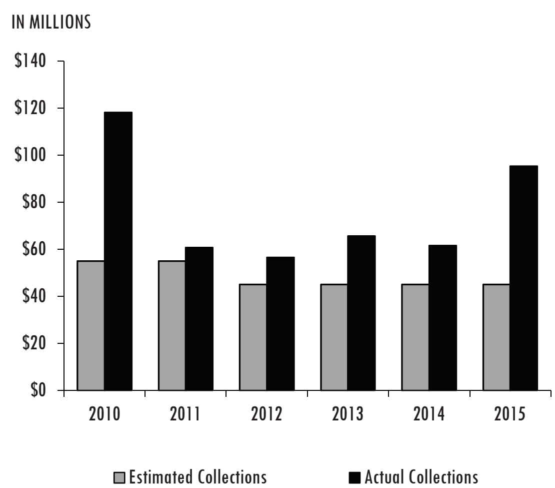


NOTE: Fiscal years 2016 and 2017 are estimated.
SOURCE: Office of the Attorney General.

upon request, issues opinions interpreting state law, rules on public information requests made to and disputed by governmental bodies, and approves bond issuances for state agencies and other political subdivisions of the state. The OAG also investigates and prosecutes violations of antitrust activities; banking and securities activities; and environmental offices, located in Austin, Dallas, El Paso, Houston, McAllen, and San Antonio.

The OAG is responsible for collecting certain delinquent judgments and debts owed to the state. For fiscal years 2010 to 2015, the agency estimated collections of $290.0 million and collected $458.0 million. **Figure 69** shows the estimated and actual collections for fiscal years 2010 to 2015.

FIGURE 69
DEBT COLLECTIONS, FISCAL YEARS 2010 TO 2015



SOURCE: Office of the Attorney General.

The agency's Cyber Crimes Unit is responsible for the investigation of Internet crimes against children. Law enforcement officers, posing as children in Internet chat rooms and social networking sites, actively seek out child predators that victimize children by soliciting sex online. In addition, the agency investigates individuals who produce, share, and distribute images of child sexual violence and exploitation. The unit also provides information and training to: law enforcement agencies around the state; various interest groups; school administrators; students; and the public in regards to child exploitation crimes and cyber safety.

Consumer protection and education is also an important role for the agency. The OAG files civil lawsuits against companies in violation of the state Deceptive Trade Practices Act (the Texas Business and Commerce Code, Chapter 17, Subchapter E) and other state consumer protection laws. Agency staff also receives and processes consumer complaints into a company's business practices, which may result in lawsuits filed on behalf of the state. These lawsuits are not filed on behalf of individual complainants, but are filed to enforce state law for the public good; however, some legal actions produce restitution for individual consumers. The agency also helps ensure public awareness by posting consumer rights and common scams on its website and offers information on a range of consumer issues.

The OAG also issues rulings and decisions that determine whether requested information is open to the public in accordance with the Texas Public Information Act (the Texas Government Code, Chapter 552). When a governmental body receives a written request for documents or other recorded information, Texas law requires that body to release the information to the requestor. If the governmental body believes an exception to disclosure may apply to the requested information, the governmental body must request a decision from the OAG as to whether the claimed exception applies to the requested information. The governmental body must submit its request for an OAG open records decision, along with the requested information and any legal arguments in support of withholding the requested information, within statutory deadlines established pursuant to the Texas Public Information Act. The OAG reviews the submitted information, the legal arguments, and applicable laws, and issues a decision within 45 business days of receiving the governmental body's request for the decision. During the 2014–15 biennium, the OAG issued approximately 41,445 rulings and estimates another 43,650 in the 2016–17 biennium.

As part of the legal services function, the OAG's Civil Medicaid Fraud Division is responsible for enforcing the Texas Medicaid Fraud Prevention Act (TMFPA, the Texas Human Resources Code, Chapter 36) and protecting the fiscal integrity of the Texas Medicaid program by identifying and litigating against fraudulent activity committed against the Medicaid program. The TMFPA provides for the recovery of damages, attorneys' fees, court costs, and civil penalties of up to $11,000 per violation. Because the federal government funds a significant portion of state Medicaid expenditures, it also receives a percentage of the state's financial recovery. During the 2014–15 biennium, the OAG recovered $184.0 million in accordance with TMFPA. Of that amount, $81.0 million was recovered to the state General Revenue Fund,

$17.0 million was retained by the OAG for attorney fees, and $79.0 million was provided to the federal government. Appropriations for the legal services function total $196.6 and provide for 1,079.6 FTE positions each fiscal year.

MEDICAID CRIMES

The OAG is responsible for administering a statewide Criminal Medicaid Fraud Investigation Program. This responsibility includes referring for prosecution all violations of laws pertaining to fraud or misconduct in the administration of the Texas Medicaid program and identifying overpayments obtained through fraudulent provider activity. During the 2014–15 biennium, the agency identified more than $103.3 million in Medicaid overpayments. The agency anticipates identifying overpayments totaling $56.6 million in each fiscal year of the 2016–17 biennium. Appropriations for Medicaid crimes total approximately $36.4 million and include 210.1 FTE positions each fiscal year.

OTHER

The OAG's fourth program area is related to the administrative support provided to the State Office of Risk Management (SORM). SORM is administratively attached to the OAG and is required to provide administrative support for items such as payroll, human resources, accounting, procurement, and other administrative support. In fiscal years 2014 and 2015, OAG's administrative costs for SORM totaled approximately $2.6 million. For the 2016–17 biennium, the agency is appropriated approximately $1.5 million and 9.1 FTE positions each fiscal year.

SIGNIFICANT LEGISLATION

House Bill 11 – Transnational and organized crime division. House Bill 11 establishes a transnational and organized crime division within OAG to provide assistance to local prosecutors in investigating and prosecuting trafficking of persons and related crimes.

Senate Bill 354 – Children's advocacy centers and volunteer advocate programs. Senate Bill 354 transfers the authority to administer grants and the rules for those grants for Children's Advocacy Centers and Court Appointed Special Advocates from the OAG to the Texas Health and Human Services Commission.

House Bill 7 – Expansion of use of sexual assault program fund. House Bill 7 effectively expands the grant possibilities from the sexual assault program fund at the OAG to include grants to prevent sex trafficking, provide services to victims of sex trafficking, standardize the quality of services provided for victims of sexual assault, prevent sexual assault, and improve services to survivors of sexual assault.

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

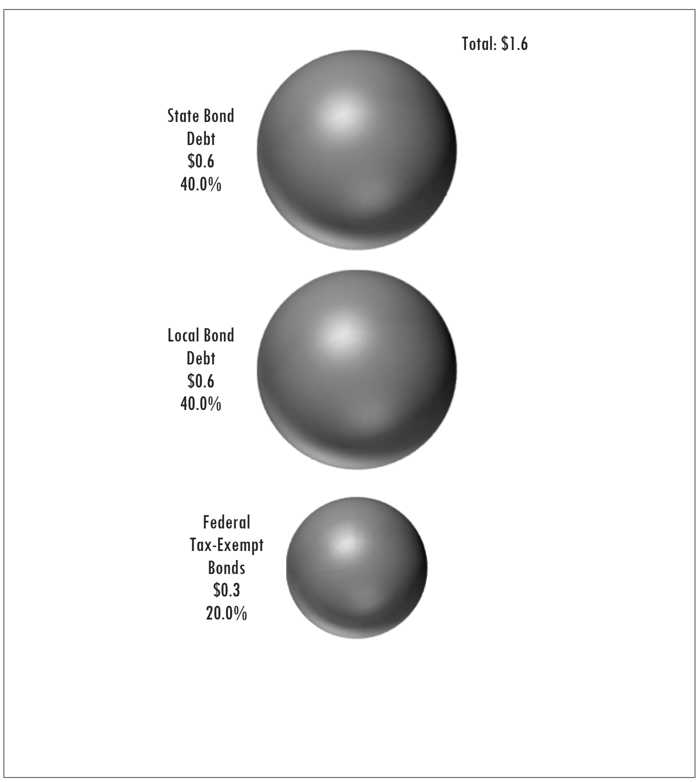
GOVERNANCE: Board—Governor, Lieutenant Governor, Speaker of the House of Representatives, who serves as a nonvoting member, and Comptroller of Public Accounts, or their respective designees

FIGURE 70
BOND REVIEW BOARD BY METHOD OF FINANCE

	IN MILLIONS			
METHOD OF FINANCE	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$1.9	$1.6	($0.3)	(16.2%)
General Revenue–Dedicated Funds	$0.0	$0.0	$0.0	N/A
Federal Funds	$0.0	$0.0	$0.0	N/A
Other Funds	$0.0	$0.0	$0.0	N/A
Total, All Methods of Finance	**$1.9**	**$1.6**	**($0.3)**	**(16.2%)**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2016	10.0
2017	10.0

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

Outstanding debt totaled $41.0 billion in fiscal year 2015 for all state agencies and universities, excluding conduit debt.

The agency **reviewed 26 bond documents,** including proposed bond applications and lease-purchase agreements for state issuers, during fiscal year 2015.

The agency **analyzed 1,685 local government financings** during fiscal year 2015.

MAJOR FUNDING

Appropriations to fund the Bond Review Board (BRB) for the 2016–17 biennium decreased by $0.3 million, or 16.2 percent from the 2014–15 biennium. The decrease is primarily related to a decrease of approximately $0.5 million in onetime funding in the 2014–15 biennium for a new database system. The decrease is partially offset by an increase of $0.2 million related to staff salary adjustments and ongoing maintenance of the database system.

PROGRAMS

The agency carries out its responsibilities through three major program areas: (1) oversight of state debt issuance; (2) providing local government bond debt support; and (3) administration of private activity bonds and other federal tax-exempt bonds programs.

STATE BOND DEBT

The BRB's first major program area ensures that Texas state bonds attain the highest possible rating and are issued in the most cost-effective manner. Agency initiatives to accomplish this goal include the establishing of debt issuing guidelines, reviewing state debt issuance, and statewide capital planning. The agency verifies the legal authorization for all bond issues proposed by state agencies and certain educational institutions and evaluates the proposed use of the proceeds, investment provisions, debt-administration provisions, market conditions for timing the sale of the bonds, and issuance costs.

BRB staff produces reports for the Legislature, local public officials, investors, rating agencies, and other interested parties. These reports provide information on Texas' debt burden and credit-worthiness and include recommendations to ensure cost-effective capital financing practices to raise the state's bond rating and lower its borrowing costs. The agency reviews proposed bond applications and lease-purchase agreements to ensure proper legal authorization, accurate and adequate disclosure, appropriate use of call provisions, bond insurance, and other provisions of the projects.

BRB is required to submit an annual report to the Legislature on state and local debt burdens and the aggregate impact of all recommended state debt issuance on the state's debt burden. **Figure 71** shows the state's total outstanding debt in bonds for fiscal years 2009 to 2015, including General Obligation (GO) bonds, which are legally backed by the full faith and credit of the state, and non-GO bonds. These amounts exclude revenue bond conduit debt (approximately $6.1 billion as of August 31, 2015), which the state is not obligated to pay. However, **Figure 71** includes general obligation conduit debt, which would require repayment by the state in the event of default by the conduit borrower.

LOCAL BOND DEBT

The second major program area encompasses the role of the BRB to collect, maintain, analyze, and report on the status of local debt. In addition, the agency ensures that local public officials have access to updated information regarding debt issuance, finance, and debt management. However, BRB does not have direct oversight of local government debt issuance. As of August 31, 2015, the state had a total of $212.4 billion in local government debt outstanding, an increase of 3.5 percent compared to $205.1 billion at the end of fiscal year 2014. These entities include school districts, counties, community and junior colleges, cities, health and hospital districts, water districts, and other special districts. The state's local governments issue debt to finance construction and renovation of government facilities (school instructional facilities, public safety buildings, city halls, and county courthouses), public infrastructure (roads, water and sewer systems), and various other projects authorized by law.

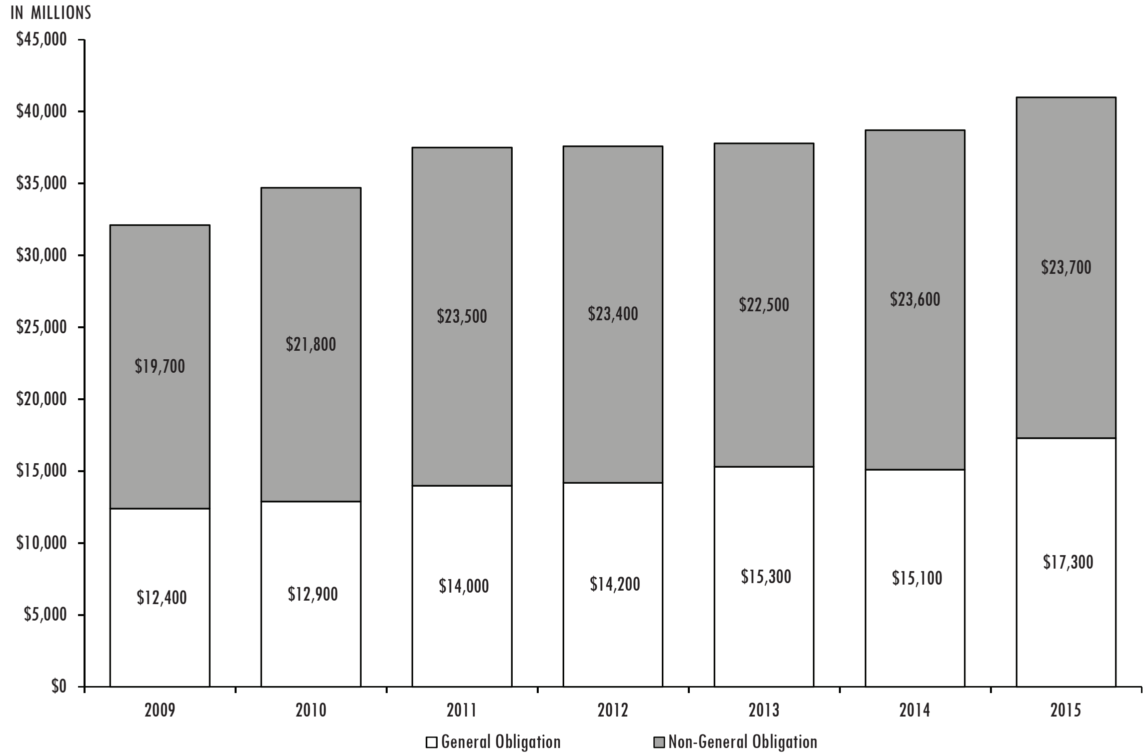
The Office of the Attorney General collects information on bond-issuing entities in the state and forwards the information to BRB. The agency analyzes the information to ensure reporting accuracy, prepares detailed fiscal year-end reports on tax-supported and revenue debt outstanding that include debt trends and debt ratios (debt to assessed value, debt per capita, debt per student), and provides its findings to bond-issuing entities and state officials.

The agency also compiles data on local government debt on its website for policy makers and other interested parties and assists these local entities. Visitors to the BRB website can access and download spreadsheets that contain debt outstanding, debt ratio, and population data by government type at fiscal year end. During fiscal year 2015, the agency analyzed 1,685 local government financings, and approximately 7,750 different users of the BRB's website downloaded more than 27,650 spreadsheets containing local government debt data.

FEDERAL TAX-EXEMPT BONDS

The third program area involves the administration of federal tax-exempt bonds, primarily private activity bonds and Qualified Energy Conservation Bonds. The Private Activity Bond Allocation Program (PAB) is a federal program

FIGURE 71
OUTSTANDING DEBT FOR ALL STATE AGENCIES AND UNIVERSITIES, FISCAL YEARS 2009 TO 2015 (IN MILLIONS)



SOURCE: Bond Review Board.

authorized by the federal Tax Reform Act of 1986. The PAB statutes and rules regulate the amount of tax-exempt bonds that may be issued in the state and restrict the type of privately owned, public-use projects that may take advantage of this tax-exempt financing authority. The agency must ensure that issuance of tax-exempt bonds by public and private entities are consistent with federal law. BRB administers the PAB by regulating the state's total allocation of PAB authority (state ceiling or volume cap) for issuance of tax-exempt bonds and by monitoring the amount of demand for, and the use of, private activity bonds each calendar year. The state's volume cap is based on a per capita amount multiplied by the state's most recent population estimate as published by the U.S. Census Bureau. Total issuance authority for calendar year 2015 was set at a ceiling of $100 per capita and indexed for inflation. For calendar year 2015, Texas' state ceiling totaled $2.70 billion. The state divides its volume cap into six categories (or subceilings) that receive annual allocations, or set-asides, based on percentages established by state law. Eligible entities may apply for private activity bond authority and receive a reservation that converts into a permanent authorization provided certain transaction closing deadlines are met. **Figure 72** shows the subceiling authorizations for the PAB and the actual amount of the state ceiling that was issued as of October 26, 2015, showing that only approximately 2.2 percent of the total state ceiling has been issued. Issuers have three years to issue authority that has been carried forward from previous years. The majority of the PABs issued are from previous years' authority and do not affect the state ceiling.

The Qualified Energy Conservation Bond (QECB) program is a tax-exempt bond program established by the federal American Recovery and Reinvestment Act of 2009 and administered by BRB. QECB provides bonds to finance a broad range of energy efficiency projects, such as reducing energy consumption in publicly owned buildings, implementing green community programs, producing renewable energy, and promoting energy efficiency through public education campaigns. Of the state's total QECB allocation of $252.4 million, $205.9 million was allocated to large local issuers (cities and counties with populations of

FIGURE 72
TEXAS PRIVATE ACTIVITY BOND ALLOCATION PROGRAM, 2015 SET-ASIDE COMPARED TO ISSUED ALLOCATION AMOUNTS AS OF OCTOBER 26, 2015

IN MILLIONS

SUBCEILING	SET-ASIDE ALLOCATION	PERCENTAGE OF TOTAL	ISSUED ALLOCATION	PERCENTAGE OF TOTAL
Single-family Housing	$754.8	28.0 %	$42.5	1.6%
State-voted Issues	$215.7	8.0%	$0.0	0.0%
Small-issue Industrial Development Bonds	$53.9	2.0%	$0.0	0.0%
Multifamily Housing	$593.0	22.0%	$0.0	0.0%
Student Loan Bonds	$283.0	10.5%	$0.0	0.0%
All Other Issues	$795.2	29.5%	$17.4	0.6%
TOTAL	**$2,695 .7**	**100.0%**	**$59.9**	**2.2%**

NOTE: Totals may not sum due to rounding.
SOURCE: Bond Review Board.

more than 100,000), and the state has $41.5 million in remaining unencumbered QECB authority.

SIGNIFICANT LEGISLATION

House Bill 100 – Issuance of revenue bonds to fund capital projects at public institutions of higher education. HB 100 authorized $3.1 billion in Tuition Revenue Bond (TRB) debt. Historically, the Legislature has appropriated funds in an amount equal to all or a portion of the debt service on tuition revenue debt issued.

House Bill 122 – Limitations on Texas Mobility Fund. HB 122 limits the issuance of debt secured by the Texas Mobility Fund (Other Funds) solely to refundings or issuances that replace variable-rate debt.

Senate Bill 900 – Operation of the Texas Windstorm Insurance Association. SB 900 reduced the issuance amounts to $500.0 million for Class 1 and $250.0 million each for Class 2 and Class 3 securities for the Texas Windstorm Insurance Association (TWIA). The bill also requires TWIA to purchase reinsurance or use an alternative risk financing mechanism to cover the costs of a 100-year hurricane.

CANCER PREVENTION AND RESEARCH INSTITUTE OF TEXAS

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

ESTABLISHED: 2007

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

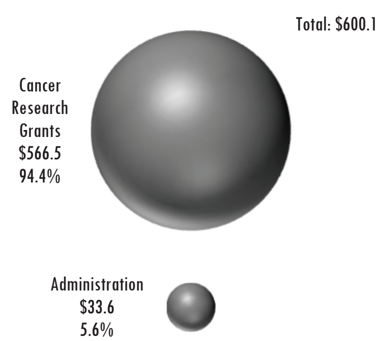
GOVERNANCE: Cancer Prevention and Research Institute of Texas Oversight Committee—nine members with three members each appointed by the Governor, the Lieutenant Governor, and the Speaker of the House of Representatives

FIGURE 73
CANCER PREVENTION AND RESEARCH INSTITUTE BY METHOD OF FINANCE

	IN MILLIONS			
METHOD OF FINANCE	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$0.0	$0.0	$0.0	N/A
General Revenue–Dedicated Funds	$0.0	$0.0	$0.0	N/A
Federal Funds	$0.0	$0.0	$0.0	N/A
Other Funds	$596.2	$600.1	$3.9	0.7%
Total, All Methods of Finance	**$596.2**	**$600.1**	**$3.9**	**0.7%**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2016	32.0
2017	32.0

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



Source: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

The Cancer Prevention and Research Institute of Texas (CPRIT) has awarded **914 grants** totaling **$1.34 billion** through the end of fiscal year 2015.

During the 2016–17 biennium, CPRIT will offer **13 types of grant awards** for Academic Research Grants, **3 types of grant awards** for Product Development Research Grants, and **6 types of grant awards** for Prevention Grants.

Of the $3.0 billion bond authorization that funds CPRIT grants and agency functions, **$750.0 million** in General Obligation bond authority will remain available for legislative appropriation following the 2016–17 biennium.

MAJOR FUNDING

Funding for the Cancer Prevention and Research Institute of Texas (CPRIT) increased by $3.9 million, or 0.7 percent from the 2014–15 biennium. The increase is primarily related to approximately $5.9 million in General Obligation (GO) Bond Proceeds to be transferred to the Department of State Health Services to administer the Cancer Registry in the 2016–17 biennium. This increase is partially offset by unexpended balances that were issued for grants in previous biennia and were carried forward and encumbered or expended during the 2014–15 biennium. CPRIT is almost entirely funded with GO Bond Proceeds, but approximately $15,000 per fiscal year in revenue is appropriated from the sale of the Texans Conquer Cancer license plate and the Cancer of Unknown Primary Origin Awareness license plate. CPRIT also receives approximately $40,000 per fiscal year in Appropriated Receipts from reimbursements from product development grant applicants.

PROGRAMS

The agency carries out responsibilities through two major program areas: (1) cancer research grants and (2) administration.

CANCER RESEARCH GRANTS

CPRIT's first major program area is cancer research grants, which fund projects to directly or indirectly benefit subsequent cancer research efforts, cancer public health policy, or the continuum of cancer care from prevention to treatment and cure. Eligible grant recipients must be a Texas-based entity, including: a public or private institution of higher education; academic health institution; government organization; nongovernmental entity; or a company established in or relocating to Texas upon receipt of grant award. Grants are made in various amounts across multiyear periods, and GO Bond Proceeds are issued to pay grant recipients on a reimbursement basis.

Within the scope of cancer research grants are academic research grants and product development research grants. Academic research grants provide financial support to entities for research topics or issues related to cancer biology, causation, prevention, detection or screening, treatment or cure. Product development research grants are related to cancer diagnosis, treatment, or prevention that develop new products with the ability to commercialize and produce returns on investment for the state. CPRIT may take equity ownership in companies receiving CPRIT awards or receive royalty payments, whichever provides the best return to the state, from investments in companies with successfully commercialized discoveries. Royalty payments from these investments are deposited to the General Revenue Fund. Appropriations for the 2016–17 biennium for academic research grants and product development research grants total $516.4 million in GO Bond Proceeds.

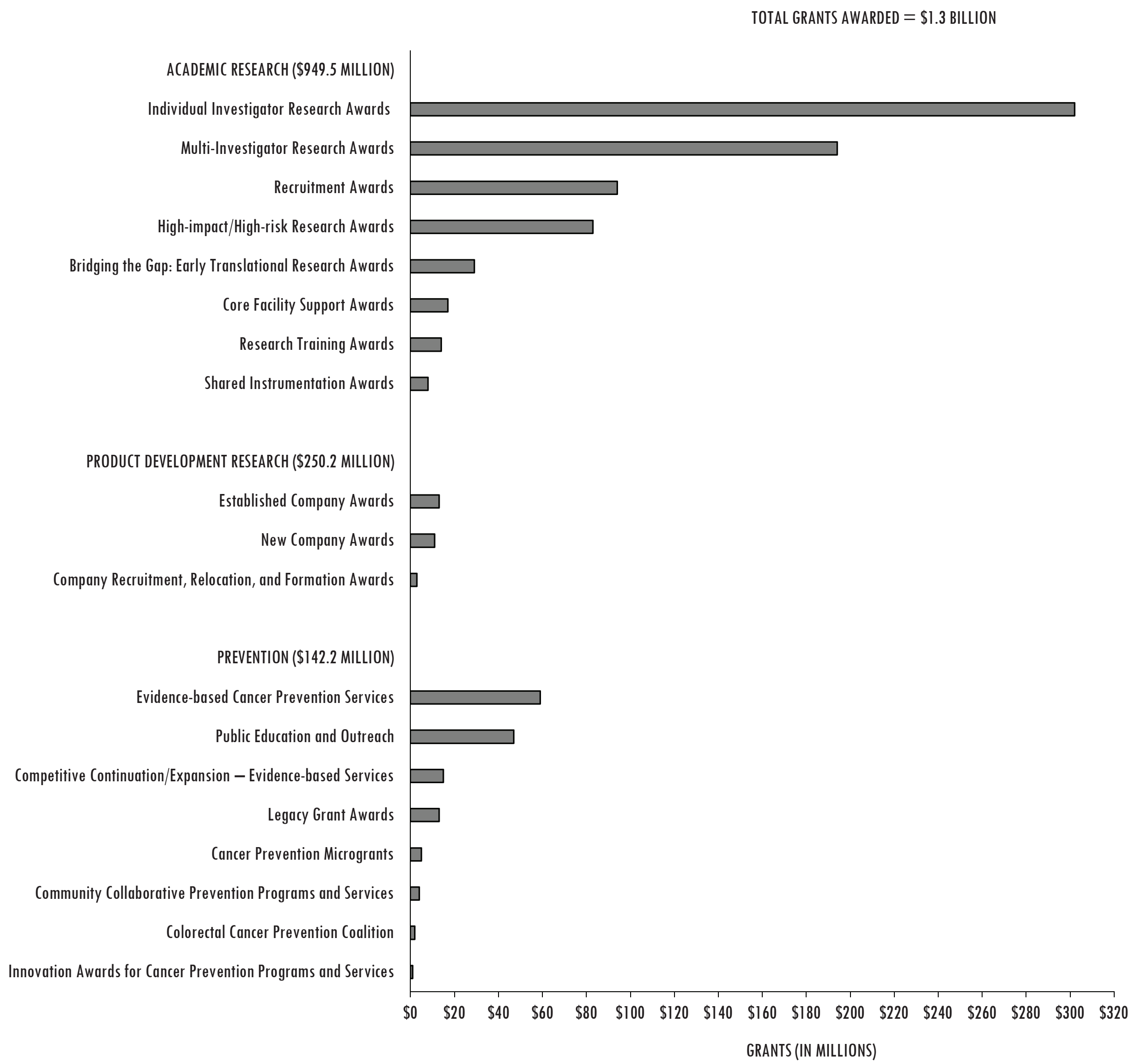
The cancer research grants program area also includes cancer prevention grants, which are grants that: affect the incidence, mortality, or morbidity of cancer; should affect personal behaviors leading to prevention, risk reduction, and early detection of cancer; and improve the quality of life for survivors. Appropriations for cancer prevention grants total $56.7 million for the 2016–17 biennium primarily from GO Bond Proceeds, including $30,000 in Other Funds generated from the sale of the certain license plates.

Since its inception, CPRIT has awarded a total of $1.34 billion in grant awards. Of this amount, $949.5 million was awarded for academic research grants, $250.2 million was awarded for product development research grants, and $142.2 million was awarded for cancer prevention grants. The number of awards by grant type is shown in **Figure 74**.

ADMINISTRATION

CPRIT's other major program area is administration, which includes indirect administration to support the agency and the direct administration for grant awarding and oversight. Grant applications for cancer research and prevention projects are reviewed and scored by the Scientific Research and Prevention Program committees, which subsequently recommend eligible grant awards to the program integration committee in a prioritized list. The program integration committee then recommends grant funding to the CPRIT Oversight Committee, which must approve grants by a two-thirds vote. During the 2014–15 biennium, CPRIT established a grant compliance program that monitors compliance of all CPRIT grant recipients with reporting and matching fund requirements. Appropriations for administration total $33.6 million for the 2016–17 biennium, including $80,000 in Appropriated Receipts from reimbursements from product development grant applicants, which support 32.0 full-time-equivalent positions.

FIGURE 74
CANCER PREVENTION AND RESEARCH INSTITUTE OF TEXAS GRANT AWARDS BY PROGRAM TYPE
FISCAL YEARS 2010 TO 2015



SOURCE: Cancer Prevention and Research Institute of Texas.

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

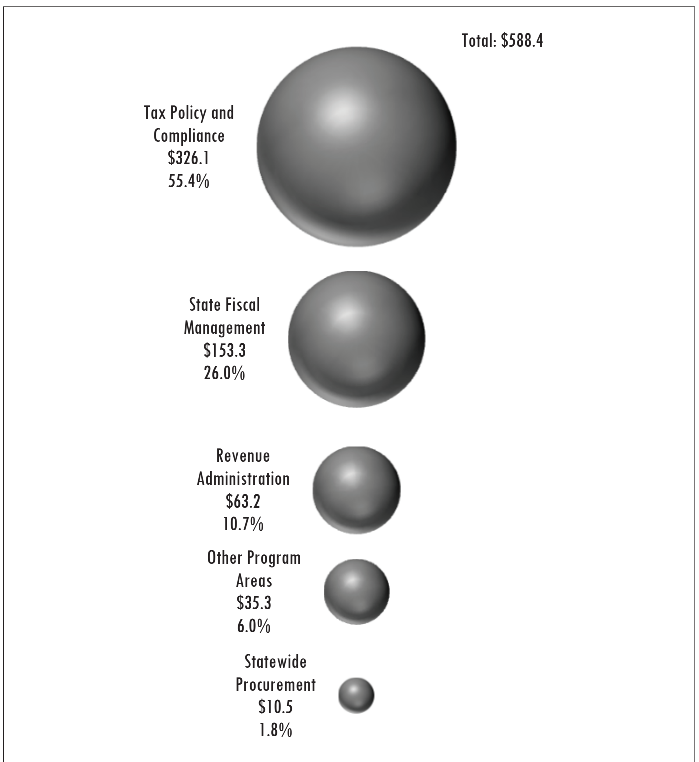
GOVERNANCE: Statewide elected official

FIGURE 75
COMPTROLLER OF PUBLIC ACCOUNTS BY METHOD OF FINANCE

	IN MILLIONS			
METHOD OF FINANCE	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$473.0	$556.3	$83.3	17.6%
General Revenue–Dedicated Funds	$0.0	$0.3	$0.3	N/A
Federal Funds	$0.0	$0.0	$0.0	N/A
Other Funds	$49.2	$31.9	($17.3)	(35.1%)
Total, All Methods of Finance	**$522.2**	**$588.4**	**$66.3**	**12.7%**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2016	2,819.3
2017	2,823.3

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

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

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

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

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

MAJOR FUNDING

Appropriations for the Comptroller of Public Accounts (CPA) include $32.0 million in General Revenue Funds for improvement and modernization of taxpayer services. Appropriations provide salary increases and new classifications for tax auditors, tax analysts, and independent audit reviewers; improve the dissemination of tax information to taxpayers by establishing an internal training program and providing additional tax policy staff; and modernize the integrated tax system infrastructure.

Total funding to the CPA for maintenance and deployment of several agencies onto the Centralized Accounting and Payroll/Personnel System (CAPPS) includes $95.6 million in All Funds, which represents an increase of $26.3 million from the 2014–15 biennium. Amounts reflect increases of $40.4 million in General Revenue Funds and $6.0 million in Appropriated Receipts from vendor fees from the online SmartBuy procurement system, offset by a decrease of $20.1 million in Interagency Contracts from various state agencies.

Additionally, General Revenue funding increases are provided to replace the Unclaimed Property System ($4.1 million), purchase new office furnishings for central and field offices ($3.0 million), and implement provisions of Senate Bill 20, Eighty-fourth Legislature, 2015, ($1.6 million) affecting statewide procurement programs.

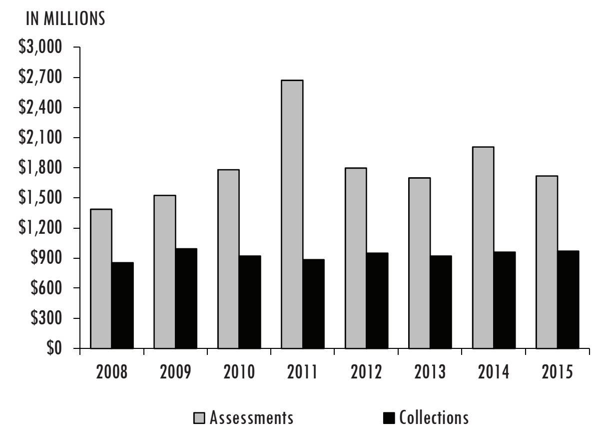
PROGRAMS

The agency carries out its responsibilities through five major program areas: (1) tax policy and compliance; (2) state fiscal management; (3) revenue administration; (4) statewide procurement; and (5) other program areas.

TAX POLICY AND COMPLIANCE

The tax policy and compliance program area interprets and applies tax laws, provides outreach to taxpayers, collects delinquent tax payments, and audits tax collections. The audit program reviews taxpayer records to determine compliance with state tax laws and educates taxpayers about tax requirements. In conjunction with audit functions, the CPA's Criminal Investigation Division detects, investigates, and prosecutes tax-related fraud. The tax laws compliance program manages and tracks delinquent taxpayer accounts for collections and initiates contact with taxpayers for payment and services. Through audit and compliance activities, the agency's delinquent tax collections increased from $855.4 million in fiscal year 2008 to an estimated $967.9 million in fiscal year 2015. **Figure 76** shows tax audit assessments (additional amounts owed by a taxpayer after an audit) compared to delinquent tax collections for fiscal years 2008 to 2015. During the 2016–17 biennium, the agency projects more than $2.6 billion in tax audit assessments and estimates delinquent tax collections of approximately $2.0 billion.

FIGURE 76
TEXAS TAX AUDIT ASSESSMENTS DELINQUENT COLLECTIONS, FISCAL YEARS 2008 TO 2015



SOURCE: Comptroller of Public Accounts.

Additionally, within the tax information program the agency interprets tax laws, develops rules and bulletins to help taxpayers understand and comply with laws, and responds to taxpayer questions. The agency offers seminars and webinars to taxpayers that provide overviews of the tax responsibilities of buyers, sellers, and service providers to ensure their understanding and compliance of appropriate tax laws. Additionally, the CPA, through the tax hearings program, implements an interagency contract with the State Office of Administrative Hearings (SOAH) to hold redetermination and refund hearings requests. The Legal Counsel represents the agency during these hearings and provides agencywide legal research. Appropriations for programs within the tax policy and compliance area total $326.1 million and provide 1,792.0 full-time-equivalent (FTE) positions.

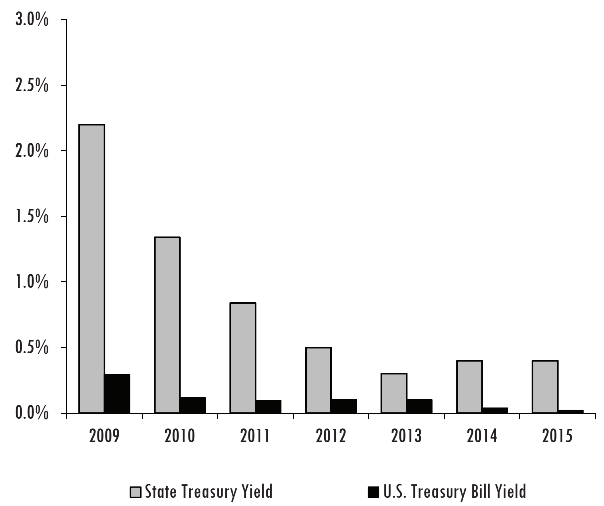
STATE FISCAL MANAGEMENT

The state fiscal management programs include statewide accounting, revenue forecasting, and cash management functions of the state. The agency establishes and monitors appropriations to more than 170 state agencies and institutions of higher education for more than 675 funds and accounts each year; processes and issues payments for the state of Texas; and conducts post-payment audits of agencies' purchase, travel, and payroll expenditures to ensure compliance with state laws governing expenditures. This area also monitors and projects state revenue, and produces fiscal analyses of legislation affecting state revenue, including analyzing appropriations bills to determine whether the funds appropriated are within the amount of revenue certified to be available. Additionally, the area prepares the state's Annual Cash Report and the Texas Comprehensive Annual Financial Report, which is a set of financial statements detailing the financial condition of the state.

Fiscal management utilizes various information technology tools in performing accounting functions, such as the Uniform Statewide Accounting System (USAS) and Uniform Statewide Payroll/Personnel System (USPS). These systems and others are becoming outdated and will eventually retire. To replace these systems and consolidate their functions, the agency implemented and is in the process of transitioning agencies to the Centralized Accounting and Payroll/Personnel System (CAPPS), an enterprise resource planning system. CAPPS uses a web-based system that includes financials modules and human resources (HR) and payroll modules that enables agencies to have updated access to financial and HR and payroll information and provides enhanced reporting capabilities. CAPPS also eliminates obsolete business processes, including manual processing and reconciliation and duplicate data entry. Twelve state agencies are using CAPPS Financials, and 11 state agencies are using CAPPS HR/Payroll. During the 2016–17 biennium, an additional 27 state agencies will transition to using CAPPS Financials and 35 state agencies to CAPPS HR/Payroll.

The CPA manages the state Treasury and invests state cash and securities, pays state warrants, and enforces the state's cigarette and tobacco product laws. A primary function of the Treasury program is to manage and ensure the safety of the state's cash and securities while maximizing the return on investments. In fiscal year 2015, the average state Treasury portfolio balance was $35.3 billion. This amount includes an average of $490.0 million in state funds deposited at financial institutions throughout the state and more than $142.0 million in interest earned from the portfolio balance. **Figure 77** shows the yields on annual state Treasury investments as compared to the three-month U.S. Treasury Bill interest rate yield for fiscal years 2009 to 2015. In addition, the banking and electronic processing function of the Treasury program ensures that all legitimate warrants are paid expeditiously and that all revenues are deposited within legally required timeframes to maximize interest earnings and minimize collection overhead. Appropriations for state fiscal management programs total $153.3 million and provide 356.8 FTE positions in fiscal year 2016 and 360.8 positions in fiscal year 2017.

FIGURE 77
AVERAGE YIELD ON STATE FUNDS IN THE STATE TREASURY, FISCAL YEARS 2009 TO 2015



SOURCE: Comptroller of Public Accounts.

REVENUE ADMINISTRATION

The revenue administration program area collects and processes the state's taxes, including the sales, franchise, crude oil, natural gas, fuels, motor vehicle sales, cigarette and alcoholic beverage taxes. CPA also collects and remits local sales taxes on behalf of approximately 1,500 Texas cities and county governments, special districts, and transit authorities. This area is also responsible for maintaining taxpayer accounts and processing tax payment exceptions and adjustments. In fiscal year 2015, the agency processed approximately 5.2 million tax returns. In fulfilling these responsibilities, revenue administration relies heavily on information technology systems to improve service and voluntary compliance with tax laws through a variety of automated systems. Those systems include access to self-service options for taxpayers to register, pay, and file taxes either through online or automated voice systems. Advanced document management systems help staff support a high-volume, paper-intensive, and time-sensitive operation. Instead of manually processing millions of tax returns, documents, and payments, processing occurs through a scanning and imaging system, which allows timely and accurate processing and results in fewer taxpayer data errors. Appropriations for the revenue administration program total $63.2 million with 434.1 FTE positions.

STATEWIDE PROCUREMENT

The statewide procurement program area is responsible for statewide procurement and support services duties for state and local government agencies. As the state's purchasing manager, the CPA's Texas Procurement and Support Services (TPASS) Division awards and manages hundreds of statewide contracts to more than 12,000 state vendors. TPASS duties range from administering the Centralized Master Bidders List to processing hundreds of bid invitations, tabulations, and awards for all statewide term, Texas Multiple Award Schedules, and open market contracts. TPASS also provides a statewide training and certification program for state agencies, a state credit card account for travel and vehicle management, and support for the Statewide Historically Underutilized Business Program. The support services function consists of the State Mail Office and Office of Vehicle Fleet Management. The State Mail Office supports statewide mail-related initiatives such as postage, and mail equipment and service reviews to other agencies. The Office of Vehicle Fleet Management is primarily charged with the administration and management of the State Vehicle Fleet Management Plan, which details recommendations for improving the administration and operation of the state's vehicle fleet, and the statewide vehicle data reporting system, which assists agencies in the management of their vehicle fleets. Appropriations for the statewide procurement program area total $10.5 million and provide 73.0 FTE positions.

OTHER PROGRAM AREAS

Other programs administered by the CPA include the property tax program and unclaimed property administration. The property tax program provides the annual Property Value Study (PVS), which is used to certify the taxable value of all property in the state's approximately 1,000 school districts to the Commissioner of Education for the determination of allocations of state funding for public education. Agency field appraisers inspect and appraise real and personal property by: verifying the condition, description, and contract terms for property that has sold; appraising property that has not sold but is included in the random sample of properties to be studied; obtaining deed information from county clerks; and collecting sales data from multiple listing services, real estate brokers, and fee appraisers. The program develops values for properties that are uniformly appraised across county lines, such as railroads, pipelines, utilities, oil and gas interests, and agricultural and timber lands. Although the agency conducts the PVS annually, approximately one-half of Texas school districts are subjects of the PVS each year. In the year in which the PVS is not conducted for a school district, the values certified for the school district are the values as determined by the appraisal district. The program also conducts reviews of governance, taxpayer assistance, operations, and appraisal procedures in the years in which a PVS is not conducted. Appropriations for the property tax program include $18.6 million and 103.3 FTE positions.

The CPA also administers the unclaimed property program. Businesses, financial institution, and government entities, referred to as holders, remit property to the CPA that is presumed abandoned. Property is typically in the form of forgotten bank accounts, insurance proceeds, uncashed checks, security deposits, and utility refunds. The agency processes claims and provides outreach efforts to help owners identify and claim their property, including an online searchable database, notice mailings, and participation in MissingMoney.com, a national unclaimed property database. Appropriations for the program include $16.7 million and 60.1 FTE positions.

SIGNIFICANT LEGISLATION

Senate Bill 20 – State agency contracting requirements. The enactment of SB 20 provides several changes to state agency contracting, purchasing, and accounting procedures. SB 20 requires the CPA, in cooperation with the Governor's budget and policy staff, to conduct a study examining the feasibility and practicality of consolidating state purchasing functions and reducing the number of vendors authorized to contract with the state; the findings should be released by December 31, 2016. Agencies are required to report certain solicitation and contracting information in CAPPS as required by the CPA. Institutions of higher education are now required to participate in the training and certification process offered by CPA to state agencies. The bill requires agencies to use the CPA's vendor performance tracking system to determine whether to award a contract to a vendor reviewed in the system; the CPA is required to develop an evaluation process to rate vendors on a scale of A to F in the system. Additionally, the CPA is authorized to bar vendors from participating in state contracts if more than two contracts between the vendor and the state have been terminated by the state within the last three years.

Senate Bill 1664 – Texas Achieving a Better Life Experience (ABLE) Program. The enactment of SB 1664 establishes the Texas ABLE program, as authorized by federal law. The program, to be administered by the Prepaid Higher Education Tuition Board within the CPA, would encourage individuals and families to save funds for the purpose of supporting individuals with disabilities in maintaining health, independence, and quality of life and to provide secure funding for qualified disability expenses on behalf of designated beneficiaries with disabilities that will supplement, but not supplant, benefits provided through other sources. The bill establishes the Texas ABLE savings plan account as a trust fund outside of the state Treasury. Contributions to a participant's ABLE savings account and the earnings on those contributions would be used to finance a beneficiary's qualified disability expenses. The board's program expenses are financed through administrative fees and service charges authorized in accordance with the bill.

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

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

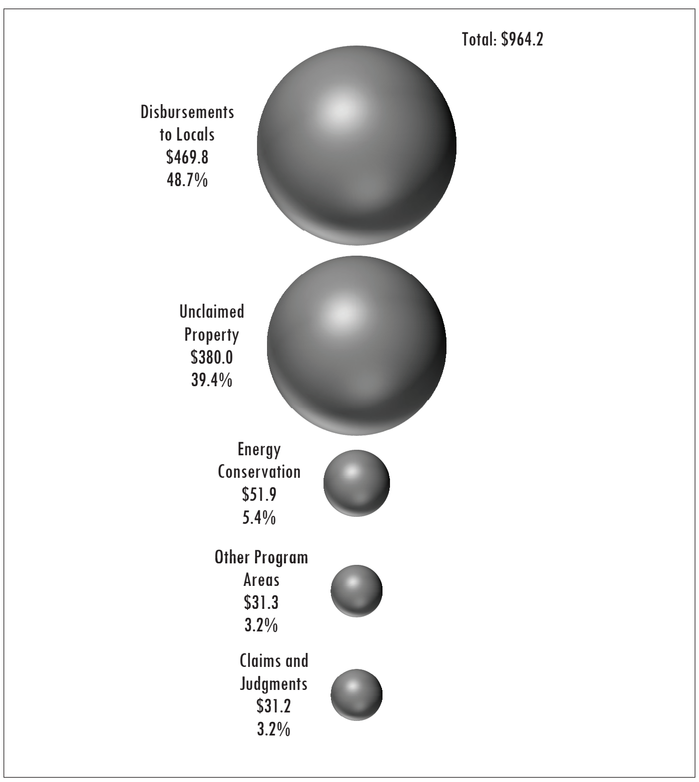
GOVERNANCE: Comptroller of Public Accounts, statewide elected official

FIGURE 78
FISCAL PROGRAMS WITHIN THE OFFICE OF THE COMPTROLLER OF PUBLIC ACCOUNTS BY METHOD OF FINANCE

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

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2016	15.0
2017	15.0

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

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

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

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

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

MAJOR FUNDING

Appropriations for Fiscal Programs within the Office of the Comptroller of Public Accounts (CPA) reflect an overall decrease of $45.6 million. This decrease is primarily related to funding of $87.7 million in supplemental appropriations in House Bill 2, Eighty-fourth Legislature, 2015, for the 2014–15 biennium for the purpose of reducing the long-term unfunded liability of the Texas Guaranteed Tuition Plan which was projected to be approximately $594.0 million as of September 1, 2015. This appropriation is not continued into the 2016–17 biennium.

Funding provides $408.5 million, an increase of $42.9 million, for mixed beverage taxes reimbursements to counties and incorporated municipalities. Appropriations maintain statutorily set minimum disbursement levels of 10.7143 percent of the mixed beverage gross receipts and sales taxes; the increase is based on anticipated growth in mixed beverage sales.

Funding provides $380.0 million in General Revenue Funds for unclaimed property payments, which is an increase of $10.0 million for estimated growth in unclaimed property claims.

Funding is eliminated for two programs: Jobs and Education for Texans (JET) and Reimbursements to General Revenue for the Cost of Certain Insurance Tax Credits. The JET program, which provides grants to public junior and technical colleges for career and technical education programs, received appropriations of $10.0 million in the 2014–15 biennium. This funding level is continued at the Texas Workforce Commission, which now administers the program pursuant to House Bill 3062, Eighty-fourth Legislature, 2015. Additionally, funding levels reflect a decrease of $10.0 million in General Revenue–Dedicated Texas Department of Insurance Operating Account No. 36 to eliminate reimbursements to General Revenue Funds for the cost of insurance premium tax credits for examination fees and overhead assessments.

Pursuant to House Bill 7, Eighty-fourth Legislature, 2015, funding is provided for two new programs. Legislation requires the CPA to provide assistance payments to qualifying cities and counties disproportionately affected by total property tax exemptions for 100.0 percent or totally disabled veterans. The same bill also directs the Comptroller, through the Safekeeping Trust Company, to manage, wind down, and liquidate the state's emerging technology investment portfolio related to awards made in accordance with the General Revenue–Dedicated Emerging Technology Fund program at the Office of the Governor. Appropriations of $5.0 million are provided for the disabled veteran assistance payments and $12.0 million for management of the emerging technology investment portfolio.

PROGRAMS

Fiscal Programs within the Office of the CPA carries out its responsibilities through five major program areas: (1) disbursements to locals; (2) unclaimed property; (3) energy conservation; (4) claims and judgments; and (5) other program areas.

DISBURSEMENTS TO LOCALS

Appropriations within the disbursements to locals program area typically provide for state obligations for disbursements to cities and counties. The largest disbursement within this area is of mixed beverage revenues, both the gross receipts tax and sales tax, pursuant to the Texas Tax Code, Section 183.051. In accordance with the Texas Tax Code and Eighty-fourth Legislature, General Appropriations Act (GAA) 2016–17 Biennium, the Comptroller is required to distribute to counties and incorporated municipalities 10.7143 percent of mixed beverage tax revenues received from permit holders within the county or municipality. Estimated funding of $408.5 million is included for this purpose.

Appropriations in this area also allocate an estimated $34.6 million to counties for roads and bridges, including a portion of gross weight and axle weight permit fees and a portion of motor fuels tax revenue, pursuant to provisions in the Texas Transportation Code. Counties in which University of Texas endowment lands are located also receive funding distributions from the CPA for payment of county taxes pursuant to constitutional provisions. Grant funding of $12.0 million is allocated to local law enforcement agencies for continuing education and training of peace officers. Additionally, beginning with the 2016–17 biennium, certain qualifying cities and counties will begin receiving payments to offset the loss of revenue from total property tax exemptions for totally disabled veterans or their surviving spouses (see the Significant Legislation section). Total funding for disbursements to locals includes $469.8 million.

UNCLAIMED PROPERTY

Appropriations also provide payments of individuals' claims for unclaimed property that was presumed abandoned and remitted to the state by businesses, financial institutions, and government entities. Property is typically in the form of forgotten bank accounts, insurance proceeds, uncashed checks, security deposits and utility refunds. Funding for payment of these claims is estimated to be $380.0 million during the 2016–17 biennium.

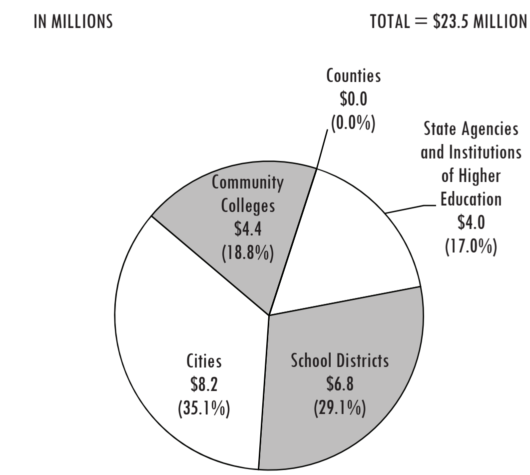
ENERGY CONSERVATION

The energy conservation program area includes administration of the State Energy Conservation Office (SECO) and distribution of Oil Overcharge Funds and federal State Energy Program (SEP) funds for energy efficiency projects. SECO's largest program, Loans to Save Taxes and Resources (LoanSTAR), is a revolving loan program that finances energy-efficient facility retrofits for state agencies, institutions of higher education, cities, counties, public schools, hospitals, and other governmental entities. The program's revolving loan mechanism enables borrowers to repay loans through cost savings generated by the funded projects. Funding for the LoanSTAR program comes from two sources: Oil Overcharge Funds and federal State Energy Program funds. Oil Overcharge Funds became available to states as a result of federal court settlements dealing with violations of price controls in effect for crude oil and refined petroleum products between 1973 and 1981; approximately $125.0 million is allocated to LoanSTAR. Additionally, SECO allocated $75.1 million of funds received through the federal American Recovery and Reinvestment Act of 2009 to the Building Efficiency and Retrofit revolving loan program; the repayments from these loans are incorporated into the LoanSTAR Program. **Figure 79** shows the distribution of LoanSTAR loans by entity type for the 2014–15 biennium. SECO also administers other energy programs that provide technical assistance, training, and grants to state agencies and local entities related to energy conservation and renewable or alternative fuels. Appropriations for energy conservation programs total $51.9 million and 15.0 full-time-equivalent positions.

CLAIMS AND JUDGMENTS

The claims and judgments program area provides for payment of certain claims, judgments and settlements against the State. Appropriations provide for payments of settlements approved and judgments issued by federal courts and settlements and judgments issued by state courts related to the Texas Civil Practice and Remedies Code, Chapters 101 and 104, pertaining to government liability and state liability for the conduct of public servants. These settlements and judgments include indemnification for criminal prosecution, and medical malpractice claims against institutions of higher education pursuant to the Texas Education Code, Chapter 59. Authority is also provided for the CPA to pay other miscellaneous claims against the state for which an appropriation does not otherwise exist or for which the appropriation has lapsed, and payments to individuals wrongfully imprisoned. Appropriations for claims and judgments total $31.2 million.

FIGURE 79
LOANSTAR PROGRAM DISTRIBUTIONS OF APPROPRIATIONS, 2014–15 BIENNIUM



SOURCE: Comptroller of Public Accounts.

OTHER PROGRAM AREAS

Other programs and functions administered within the Fiscal Programs include payments to victims of crime who have not made a claim for restitution from local probation departments; contracts with outside tax examiners to perform audits and for modernization of tax administration technology; funding for the Habitat Protection Fund outside of the Treasury for research on certain species for the development and administration of conservation plans; and management and wind-down of the state's emerging technology investment portfolio (see the Significant Legislation section). Funding levels for these programs total $31.3 million.

SIGNIFICANT LEGISLATION

House Bill 7 – Disabled veteran assistance payments and Emerging Technology Fund portfolio management. The enactment of HB 7 directs the CPA to make payments to qualifying local governments disproportionately affected by property tax exemptions for totally disabled veterans.

Qualifying local governments include cities adjacent to U.S. military installations and counties in that an installation is wholly or partly located that have lost in excess of 2.0 percent of their general fund revenue due to the granting of total homestead property tax exemptions for totally disabled veterans or their surviving spouses. The disabled veteran assistance payment made to the cities and counties would be equal to the amount of lost property tax revenue less 1.0 percent of the general fund revenue for that city or county.

The bill also abolishes the Emerging Technology Fund (ETF) program at the Trusteed Programs within the Office of the Governor and directs the Safekeeping Trust Company, which is managed by the CPA, to manage, wind-down and liquidate the ETF investment portfolio.

SOCIAL SECURITY AND BENEFIT REPLACEMENT PAY

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

ESTABLISHED: 1935

AUTHORIZING STATUTE: The Texas Government Code, §606.063

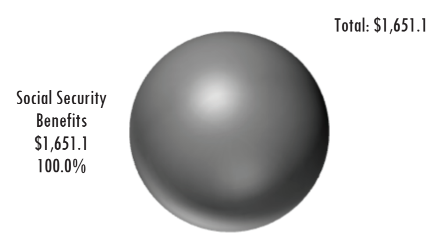
GOVERNANCE: N/A

FIGURE 80
SOCIAL SECURITY AND BENEFIT REPLACEMENT PAY BY METHOD OF FINANCE

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

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2016	0.0
2017	0.0

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

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

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

SOURCE: Legislative Budget Board.

MAJOR FUNDING

Appropriations for the 2016–17 biennium for the employer Social Security payroll tax reflect an increase of $82.4 million in All Funds. This increase is primarily related to biennialization of the fiscal year 2015 statewide salary increase, 0.5 percent payroll growth for state employees and 4.0 percent payroll growth for higher education employees, and full-time-equivalent position changes at certain state agencies.

Appropriations for the 2016–17 biennium for Benefit Replacement Pay (BRP) contributions decreased by approximately $8.5 million in All Funds, which reflects the recent trend of 9.5 percent annual turnover of state employees hired before September 1, 1995.

PROGRAMS

The Comptroller of Public Accounts (CPA) is responsible for the payment of state and employee Social Security taxes to the federal government. Appropriations for the 2016–17 biennium fund the 6.2 percent employer payroll tax contribution for the Social Security program and the 1.45 percent payroll tax for the state Medicare program. The Social Security wage base, which is the amount of wages subject to the 6.2 percent tax, increased from $117,000 in 2014 to $118,500 in 2015. The federal government has indicated that this amount will not increase in 2016 and no limit will remain on the Medicare tax.

Also appropriated to the CPA within the Social Security benefits program area are BRP contributions for certain state employees. Before fiscal year 1996, the state paid for a portion of the employees' Social Security obligations. The Seventy-fourth Legislature, 1995, replaced with a benefit supplement to ensure that take-home pay was not reduced. Employees retain BRP as long as they do not have a break in service from the state for 30 days. Employees hired after August 31, 1995, are not eligible to receive the benefit supplement or the additional state-paid Social Security.

As with Employees Retirement System state contributions, the General Appropriations Act allocates the Social Security appropriation by functional area of state government, as shown in **Figure 81.**

FIGURE 81
SOCIAL SECURITY AND BENEFIT REPLACEMENT PAY, 2014–15 AND 2016–17 BIENNIA

IN MILLIONS	EXPENDED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE
Social Security – Employer Match				
General Government	$71.5	$74.3	$2.8	3.9%
Health and Human Services	$329.8	$335.1	$5.3	1.6%
Education	$551.1	$583.2	$32.1	5.8%
Judiciary	$22.1	$22.5	$0.4	1.8%
Public Safety and Criminal Justice	$327.6	$358.5	$30.9	9.5%
Natural Resources	$65.8	$67.5	$1.6	2.5%
Business and Economic Development	$124.0	$132.3	$8.4	6.8%
Regulatory	$22.5	$23.1	$0.6	2.7%
Legislature	$15.9	$16.2	$0.3	1.8%
Subtotal, Social Security	**$1,530.4**	**$1,612.8**	**$82.4**	**5.4%**
Benefit Replacement Pay				
General Government	$3.6	$3.0	($0.7)	(18.1%)
Health and Human Services	$15.1	$12.1	($3.0)	(20.0%)
Education	$0.8	$0.7	($0.2)	(18.1%)
Judiciary	$0.6	$0.5	($0.1)	(18.1%)
Public Safety and Criminal Justice	$13.7	$11.2	$2.5)	(18.1%)
Natural Resources	$3.4	$2.8	($0.6)	(18.1%)
Business and Economic Development	$7.8	$6.7	($1.1)	(14.4%)
Regulatory	$1.2	$1.0	($0.2)	(18.1%)
Legislature	$0.5	$0.4	($0.1)	(18.1%)
Subtotal, Benefit Replacement Pay	**$46.8**	**$38.3**	**($8.5)**	**(18.1%)**
TOTAL, SOCIAL SECURITY AND BENEFIT REPLACEMENT PAY	**$1,577.2**	**$1,651.1**	**$73.9**	**4.7%**

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

COMMISSION ON STATE EMERGENCY COMMUNICATIONS

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

ESTABLISHED: 1987

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

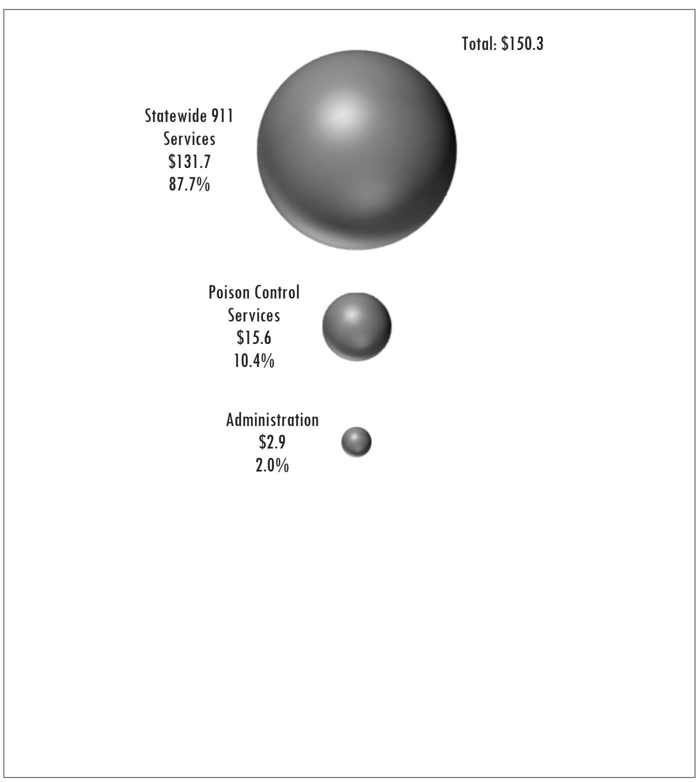
GOVERNANCE: Commission—12 members: nine appointed members and three ex officio members

FIGURE 82
COMMISSION ON STATE EMERGENCY COMMUNICATIONS BY METHOD OF FINANCE

	IN MILLIONS			
METHOD OF FINANCE	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$0.0	$0.0	$0.0	N/A
General Revenue–Dedicated Funds	$145.9	$150.3	$4.4	3.0%
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	**$145.9**	**$150.3**	**$4.4**	**3.0%**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2016	25.0
2017	25.0

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

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

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

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

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

SOURCE: Legislative Budget Board.

MAJOR FUNDING

Funding for the agency was increased by $4.5 million primarily due to improving regional 9-1-1 network reliability and salary increases at regional poison control centers. Appropriations from General Revenue–Dedicated Funds constitute 100.0 percent of the agency's budget. Appropriations to the agency are derived from four telecommunications fees: the 9-1-1 equalization surcharge, the emergency service fee, the wireless emergency service fee, and the prepaid wireless emergency service fee. **Figure 83** and **Figure 84** show an overview of each telecommunications fee for the 2016–17 biennium. As shown in **Figure 84,** the decrease in the emergency service fee collected is attributed to fewer households having standard phones and instead switching to wireless services. All other fees are increasing or remaining constant due to expanded use of wireless phones.

PROGRAMS

The agency carries out its responsibilities through two major program areas: (1) administering the state 9-1-1 service program; and (2) the statewide poison control program.

STATEWIDE 9-1-1 SERVICES

The first major program area is providing 9-1-1 emergency communication services statewide primarily by administering grants to Regional Planning Commissions (RPCs). The agency also undertakes public education efforts, reviews regional plans for compliance with statewide standards and funding allocations, coordinates 9-1-1 activities with emergency communications districts and national organizations, and participates in state and federal regulatory proceedings.

Texas residents who use landline telephones in their homes or businesses to place 9-1-1 calls can be located immediately because their addresses are relayed to a 9-1-1 public safety answering point (PSAP). In addition, wireless carriers are required to provide the wireless telephone number from which the 9-1-1 call is made to the PSAP. All counties in Texas have implemented services that assist emergency responders by providing (1) a call-back number in the event of a dropped call, and (2) caller location by providing their approximate location by latitude and longitude.

In fiscal year 2010, the agency was awarded $5.4 million in federal grant funds for the beginning stages of Next Generation 9-1-1 implementation, representing 13.0 percent of the total federal funding provided nationwide ($41.3 million). The federal grant, which is related to the Ensuring Needed Help Arrives Near Callers Employing 911 Act (ENHANCE 911 Act), was for the acquisition of information resource technologies to begin implementation of an Internet protocol (IP) emergency network. Appropriations for the 2016–17 biennium include $7.7 million in General Revenue–Dedicated Funds for the continued implementation of Phase I of III of a state-level digital 9-1-1 emergency communications network ($7.1 million) and reflect a decrease of $5.2 million related to the completion of a 9-1-1 geospatial database capital project during the 2014–15 biennium. Once implemented, the IP emergency network will be more compatible with digital devices that transmit texts, images, and videos. Additionally, emergency calls will also be rerouted faster, more efficiently, and more reliably. Caller information will be able to be transferred between geographically dispersed PSAPs and to the appropriate public safety dispatchers.

FIGURE 83
COMMISSION ON STATE EMERGENCY COMMUNICATIONS TELECOMMUNICATION FEES, 2016–17 BIENNIUM

CHARACTERISTIC	EMERGENCY SERVICE FEE	EMERGENCY SERVICE FEE FOR WIRELESS CONNECTIONS	PREPAID WIRELESS EMERGENCY SERVICE FEE	9-1-1 EQUALIZATION SURCHARGE
Rate	Maximum of $0.50 per telephone line per month; may vary by RPC, but currently at $0.50 in all 24 RPCs	$0.50 per wireless connection per month	2.0% of the retail sale of the prepaid wireless service	Not more than $0.10 per telephone line or wireless connection per month; excludes prepaid wireless
Levied on	Standard telephone service	Wireless telephone service	Prepaid wireless telephone service	Standard and wireless telephone service
Rate set by	Agency, with review and comment by PUC	Legislature	Legislature	Agency, with review and comment by PUC

NOTES:
(1) Fee on prepaid wireless service was collected beginning June 1, 2010.
(2) At the time of publication, the monthly rate set by Commission on State Emergency Communications (CSEC) for 9-1-1 Equalization Surcharge was $0.06 per month.
(3) RPC = Regional Planning Commission; PUC = Public Utility Commission.
SOURCE: Commission on State Emergency Communications.

FIGURE 84
COMMISSION ON STATE EMERGENCY COMMUNICATIONS TELECOMMUNICATION FEE COLLECTIONS
FISCAL YEARS 2008 TO 2017

NOTE: Fiscal years 2016 and 2017 are estimated.
SOURCE: Commission on State Emergency Communications.

Appropriations for 9-1-1 activities include an increase of $2.0 million, or 1.5 percent, from the 2014–15 biennial spending level primarily due to funding for improving regional 9-1-1 network reliability. Appropriations primarily fund grants to the RPCs for 9-1-1 network operation costs.

POISON CONTROL SERVICES

The second major program area is to provide a statewide poison control center network that aids in the treatment and prevention of poisonings. The Texas Poison Center Network provides information to Texans who suspect they have been exposed to toxic substances and call the poison control toll-free telephone number. The network is composed of six geographically diverse poison centers residing within medical facilities and linked by a telecommunications network. Individuals calling the poison control network speak directly with a healthcare professional trained in various aspects of toxicology and poison control and prevention. The aim is to provide sufficient information to treat a poison incident at home, precluding the dispatch of emergency medical services or a visit to a healthcare facility. According to the federal Centers for Disease Control and Prevention, research has shown that poison centers save $13 in healthcare expense for every $1 spent.

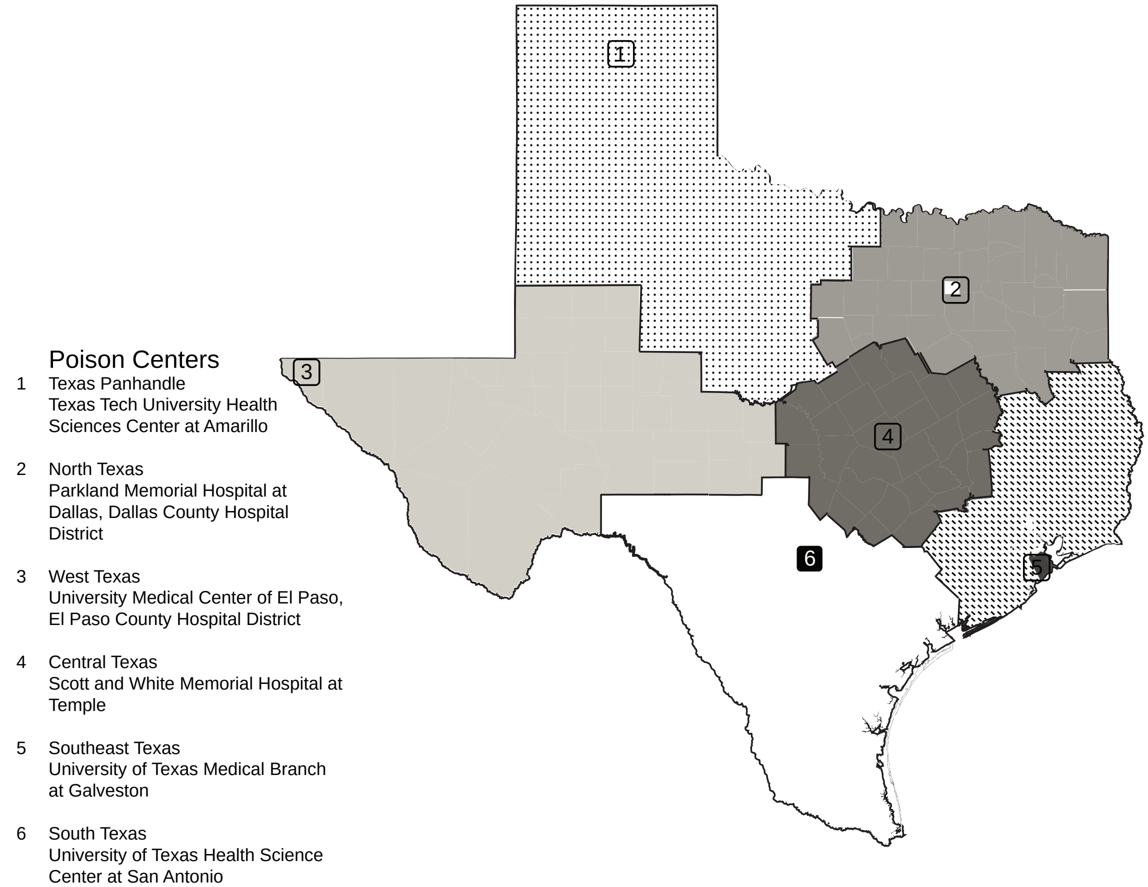
The agency operates a program to award grants to the six regional poison control centers defined in statute (see **Figure 85**), oversees poison center operations, and administers the telecommunications network operations. The regional centers are located at the University of Texas Medical Branch at Galveston, the Dallas County Hospital District/Parkland Hospital, The University of Texas Health Science Center at San Antonio, the Texas Tech University Health Science Center at Amarillo, the Scott and White Memorial Hospital at Temple, and the University Medical Center of El Paso, El Paso County Hospital District.

Appropriations for the poison control center program include an increase of $1.3 million, or 9.1 percent, primarily due to salary increases for medical directors and Specialists in Poison Information (SPI) at the six regional poison control centers. This appropriation consists primarily of grants to the regional poison control centers that are used to pay the salaries of the SPIs, managing and medical directors, public educators, and support staff; and to fund the statewide telecommunications network, databases, and call equipment.

SIGNIFICANT LEGISLATION

Senate Bill 1108 – Creation of regional emergency communication districts. The Eighty-fourth Legislature, 2015, passed SB 1108, which authorizes a state planning region with a population of less than 1.5 million and that operates a 9-1-1 system solely through an RPC to establish a regional emergency communication district (ECD). The establishment of such an ECD would result in a decrease in collections by the state of the Emergency Service Fee, but it would also result in a decreased expense by the state, in that

FIGURE 85
TEXAS POISON CENTER NETWORK, 2016–17 BIENNIUM



SOURCE: Commission on State Emergency Communications.

9-1-1 services would no longer be provided by the state to the newly established ECD.

House Bill 479 – Transfer of the Regional Emergency Medical Dispatch Resource Centers Program. The Eighty-fourth Legislature, 2015, passed HB 479, which transfers the Regional Emergency Medical Dispatch Resource Centers Program and related funding from the University of Texas Medical Branch at Galveston to the Commission on State Emergency Communications. Furthermore, the bill requires the agency, with the assistance of the Texas Tech University Health Sciences Center, to establish a pilot project to provide emergency medical services and pre-hospital care instructions to regional trauma resource centers.

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

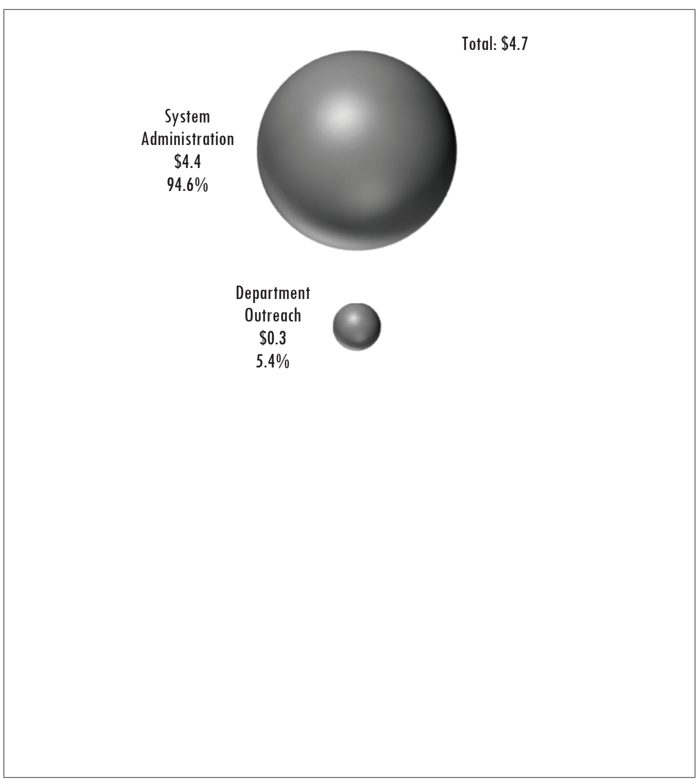
GOVERNANCE: Board of Trustees–nine members appointed by the Governor, subject to Senate confirmation

FIGURE 86
TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM BY METHOD OF FINANCE

	IN MILLIONS			
METHOD OF FINANCE	**EXPENDED/ BUDGETED 2014–15**	**APPROPRIATED 2016–17**	**BIENNIAL CHANGE**	**PERCENTAGE CHANGE**
General Revenue Funds	$4.4	$1.5	($2.9)	(66.0%)
General Revenue–Dedicated Funds	$0.0	$3.2	$3.2	N/A
Federal Funds	$0.0	$0.0	$0.0	N/A
Other Funds	$0.0	$0.0	$0.0	N/A
Total, All Methods of Finance	**$4.4**	**$4.7**	**$0.3**	**5.8%**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2016	10.0
2017	10.0

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



Source: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

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

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

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

MAJOR FUNDING

Increased appropriations of $0.3 million at the agency are primarily to enhance recruiting and technical assistance initiatives. The agency was appropriated an additional 2.0 full-time-equivalent (FTE) positions for these initiatives and another 2.0 positions to reduce reliance on professional services for chief financial officer and receptionist positions. In addition, $3.2 million from General Revenue–Dedicated Fund No. 5064, Volunteer Fire Department Assistance, is appropriated for the state's contribution to the retirement system instead of General Revenue Funds as in past biennia.

PROGRAMS

The agency carries out its responsibilities through two major program areas: (1) administering the Texas Emergency Services Retirement System (TESRS) and (2) department outreach.

SYSTEM ADMINISTRATION

The primary function at the agency is to administer the statewide retirement system for volunteer firefighters and volunteer emergency medical personnel in Texas. This function includes collecting contributions, investing the proceeds, and calculating and paying benefits to retirees and their beneficiaries. Contributions to TESRS are made by participating departments on behalf of each eligible member. State statute directs a state contribution as necessary to make the system actuarially sound each year; the state contribution is capped at one-third of local governing bodies' contributions to the system.

At the end of fiscal year 2015, 226 fire departments and emergency service districts participated in TESRS, representing 6,227 vested and nonvested individuals, including 4,016 active members. At the close of fiscal year 2015, the system was providing monthly annuity payments to 2,991 retirees and beneficiaries, totaling approximately $4.5 million in benefit payments for the year.

The most recent actuarial valuation as of August 31, 2014, conducted by Rudd and Wisdom, Inc., indicates that the TESRS fund has an adequate contribution arrangement to fund current benefit provisions. The 2014 valuation shows a decrease in the unfunded actuarially accrued liability (UAAL) from $33.9 million in 2012 to $26.1 million in 2014. The years to amortize the UAAL changed from an Infinite amortization period, meaning the UAAL can never be amortized and will increase every year, to actuarially sound with a 30-year amortization period. Likewise, the funded ratio increased from 66.7 percent to 76.2 percent. The actuary's calculations assume that the state will maintain regular contributions at the statutory maximum level.

This report is a significant change from the previous valuation as of August 31, 2012, largely because of positive investment experience, data corrections, and demographic experience. Additionally, the fund has now recouped investment losses that occurred in 2008 and 2009, due to the national economic downturn in those years.

Figure 87 shows the net market value of TESRS assets from fiscal years 2005 to 2015.

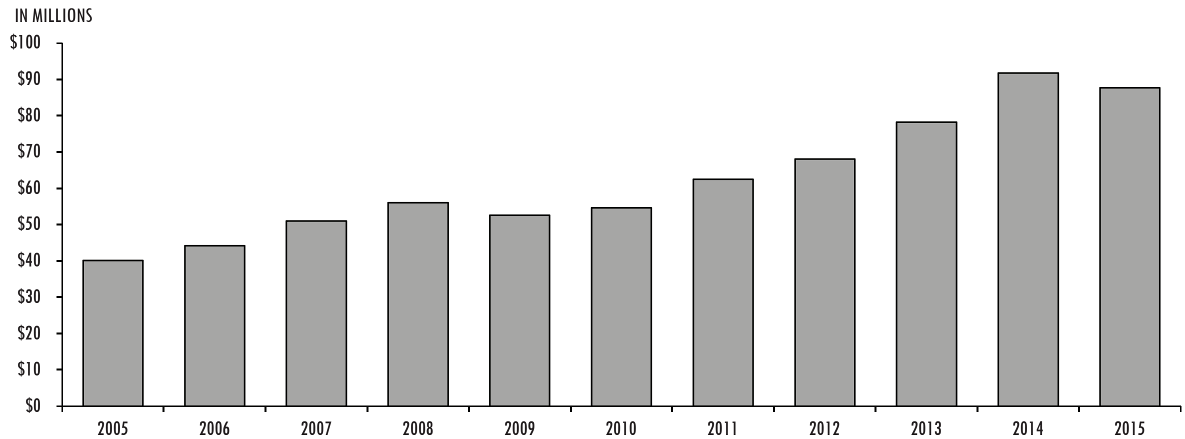
DEPARTMENT OUTREACH

Recruiting and technical assistance is a new program area at the agency. Appropriations will provide funding to enroll more departments into the system and monitor departments. The agency asserts that contract monitoring and member recruitment are good for the long-term success of the fund. Funding for these activities totals $252,000 in General Revenue Funds for the 2016–17 biennium and 2.0 FTE positions.

SIGNIFICANT LEGISLATION

House Bill 7 – Expand Use of Volunteer Fire Department Assistance Account. The Eighty-fourth Legislature, 2015, passed HB 7, which authorizes the Legislature to fund the statutory state contribution to TESRS with proceeds in General Revenue–Dedicated Fund No. 5064, Volunteer Fire Department Assistance. State contributions were previously paid from General Revenue Funds.

FIGURE 87
TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM FUND NET MARKET VALUE OF ASSETS
FISCAL YEARS 2005 TO 2015



SOURCE: Texas Emergency Services Retirement System.

EMPLOYEES RETIREMENT SYSTEM

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

ESTABLISHED: 1947

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

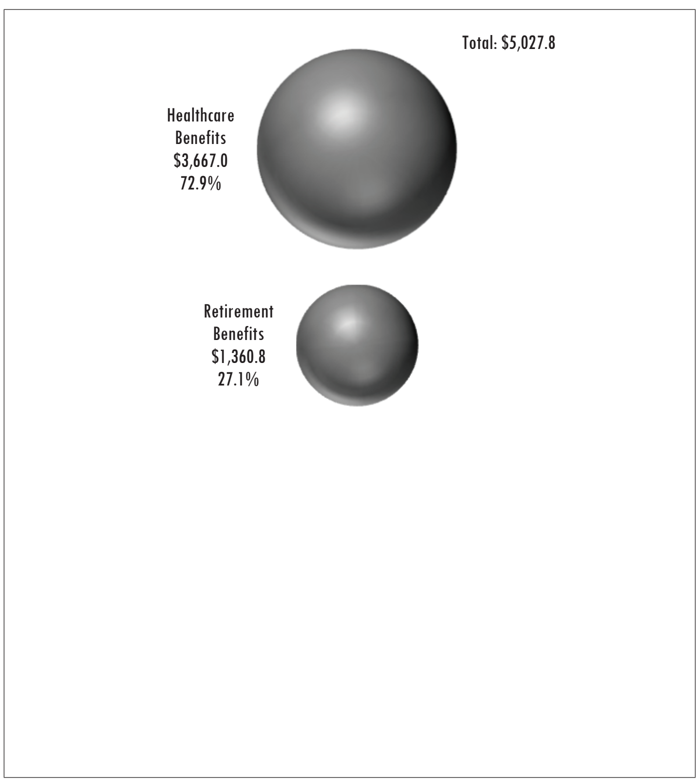
GOVERNANCE: Board of Trustees—one member appointed by Governor, one appointed by the chief justice of the Supreme Court, and one appointed by the Speaker of the House of Representatives, all with advice and consent of the Senate, and three elected members

FIGURE 88
EMPLOYEES RETIREMENT SYSTEM BY METHOD OF FINANCE

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

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2016	356.0
2017	360.0

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

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

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

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

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

SOURCE: Legislative Budget Board.

MAJOR FUNDING

Funding for the Employees Retirement System (ERS) increased by $953.6 million in All Funds, or 23.4 percent from the 2014–15 biennium. This increase is primarily due to an increase of $616.6 million in All Funds to the state contribution for group insurance benefits for general state employees, retirees, and their dependents. This increase provides for a 7.19 percent increase in the state contribution for fiscal year 2016 and a 7.17 percent increase for fiscal year 2017, which are intended to fund an annual benefit cost trend of 7.0 percent, when combined with the spend-down of approximately $231.0 million from the contingency reserve fund. Amounts also reflect an annual state employee retirement rate of 5.0 percent and full-time-equivalent (FTE) position changes at certain state agencies.

The overall increase in funding to ERS also includes an increase of $329.8 million in All Funds for the state contribution to the ERS retirement plan. Funding provides for a 9.5 percent state contribution rate in each fiscal year of the 2016–17 biennium. Funding also provides for biennialization of the fiscal year 2015 statewide salary increase, payroll growth for state employees and FTE position increases at certain state agencies. Pursuant to House Bill 9, Eighty-fourth Legislature, 2015, an estimated amount of $32.0 million in All Funds is appropriated to ERS for elimination of the 90-day waiting period for state contributions to ERS Retirement.

House Bill 9, 2015, also increases the member contribution to ERS retirement to 9.5 percent in both fiscal years of the 2016–17 biennium. The Legislature provided approximately $332.0 million in All Funds for an across-the-board pay raise of 2.5 percent in fiscal year 2016 for employees that contribute to ERS to offset the increased member contribution. The combination of the increased state and member contributions and the elimination of the 90-day waiting period were intended to reduce the funding period of the ERS Retirement pension from infinite to nearly 31 years, which is the statutorily defined funding period for actuarial soundness. As of the August 31, 2015, actuarial valuation, the funding period is 33 years.

Figure 89 shows 2016–17 biennial appropriations for all benefits administered by ERS, compared with 2014–15 biennial budgeted/expended amounts.

PROGRAMS

The agency carries out responsibilities through two major program areas: (1) healthcare benefits and (2) retirement benefits.

HEALTHCARE

ERS provides healthcare benefits to state employees, retirees, and their dependents through the Group Benefits Program (GBP). This program provides group health insurance, life insurance, dental insurance, accident insurance, and short-term and long-term disability income protection insurance to GBP participants. There is a 90-day delay before new hires are eligible to receive health benefits. The state pays 100.0 percent of the insurance premium for full-time employees and 50.0 percent of dependent coverage; members pay the

FIGURE 89
EMPLOYEES RETIREMENT SYSTEM EMPLOYEE BENEFITS APPROPRIATIONS, 2016–17 BIENNIUM

IN MILLIONS	ALL FUNDS			
ERS ADMINISTERED BENEFITS	2014–15 BUDGETED/EXPENDED	2016–17 APPROPRIATED	BIENNIAL CHANGE	PERCENTAGE CHANGE
Employees Retirement System Retirement Contributions	$896.0	$1,225.8	$329.8	36.8%
Law Enforcement and Custodial Officers Supplemental Retirement Fund	$15.5	$17.4	$1.9	12.2%
Judicial Retirement System - Plan 2	$24.3	$24.3	$0.0	0.0%
Judicial Retirement System - Plan 1	$54.8	$53.1	($1.8)	(3.2%)
Public Safety Benefits	$13.6	$20.6	$7.0	51.3%
Retiree Death Benefits	$19.5	$19.5	$0.0	0.0%
Group Insurance Program	$3,050.4	$3,667.0	$616.6	20.2%
TOTAL	**$4,074.2**	**$5,027.8**	**$953.6**	**23.4%**

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

other 50.0 percent of the dependent coverage. Active employees who work part-time receive a state contribution equal to 50.0 percent of the rate of full-time employees for health insurance. Employees are fully responsible for the costs of voluntary coverage, such as accidental death insurance, dental insurance, and disability plans.

The combination of state contributions, the 1.0 percent agency contribution, employee premium payments, refunds, rebates, and subsidies earned from the federal Medicare Part D prescription drug plan provide revenue for the insurance trust fund, which provides funding for expenses paid by the healthcare program. **Figure 90** shows the distribution of funding sources for the benefits and the major categories of expenditures projected for the 2016–17 biennium.

Through a separate appropriation, the Higher Education Group Insurance program, the state also contributes toward group insurance for higher education employees who are paid with state funds. The University of Texas and Texas A&M University systems administer separate group health insurance programs for their employees and retirees. Employees and retirees of the other institutions of higher education, including community colleges, are part of the Group Benefits Program within ERS.

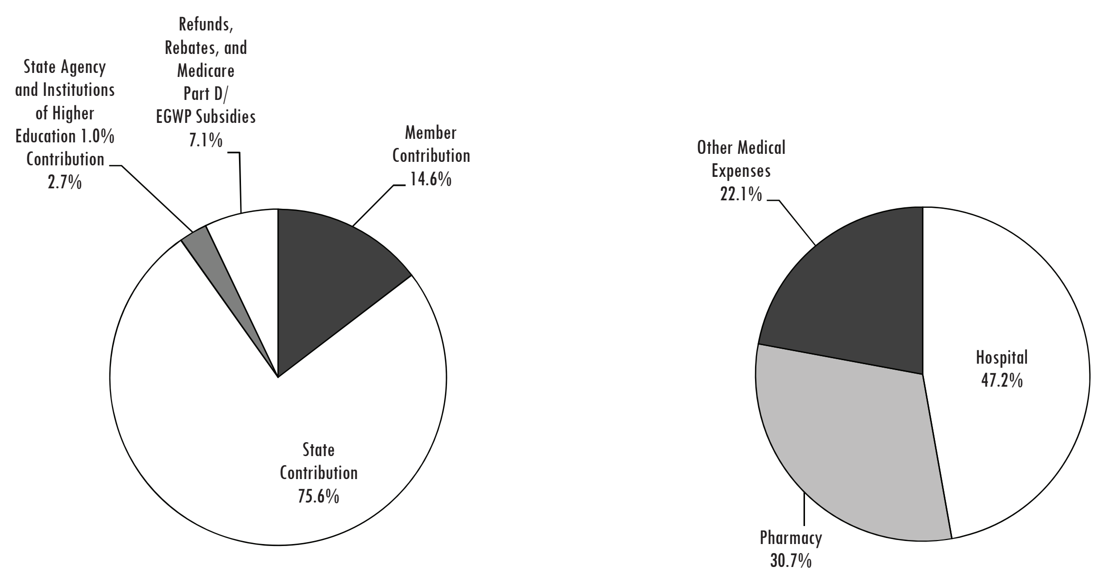
ERS offers a prescription drug plan and a managed healthcare plan called HealthSelect through the state-contracted vendors, Caremark and United Healthcare, respectively. Although ERS self-insures the programs, outside administrators are contracted with the state to administer the managed-care, point-of-service health plan and the prescription drug plan. The system also contracts with various health maintenance organizations that serve primarily urban areas across Texas to provide state employees with healthcare alternatives to HealthSelect.

The state contribution for group insurance covers various levels of health coverage, depending on the category of coverage selected by the employee (e.g., employee only, employee and spouse). **Figure 91** shows the state and employee contribution as a portion of the total cost in each of the various coverage categories for the HealthSelect plan for fiscal years 2012, 2014, and 2016.

RETIREMENT

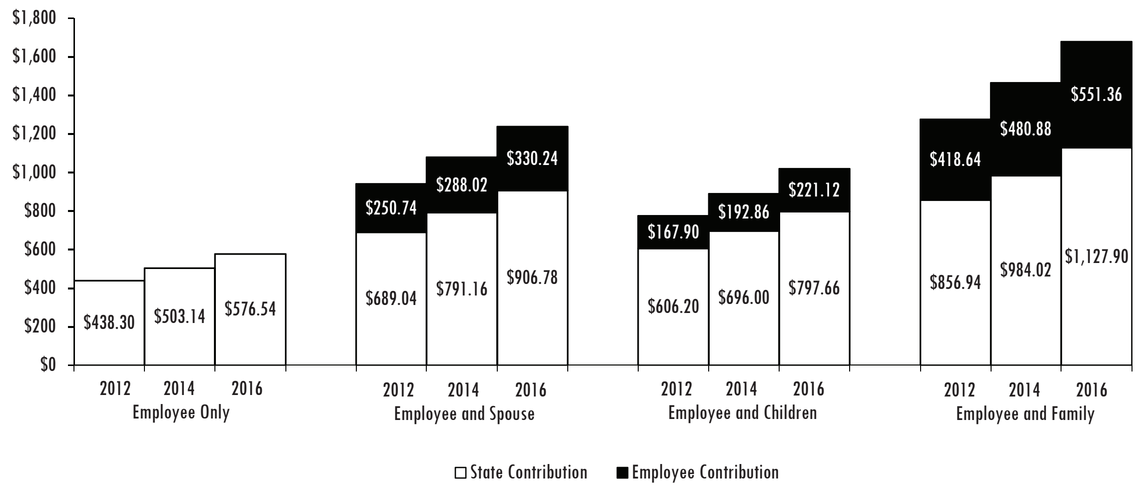
The second program area administered by ERS includes various retirement and death benefits available to state employees. ERS Retirement is the primary retirement plan offered by ERS to general state employees and members of the elected class. This plan is a defined benefit retirement that results in a guaranteed annuity. The formula used to calculate a member's annuity multiplies years of service by final average salary by the benefit multiplier of 2.3 percent. Pursuant to the Texas Constitution, the state's contribution for employees'

FIGURE 90
DISTRIBUTION OF EMPLOYEES RETIREMENT SYSTEM HEALTHCARE FUNDING AND EXPENDITURES, 2016–17 BIENNIUM



NOTE: EGWP = Employer Group Waiver Plan.
SOURCE: Employees Retirement System.

FIGURE 91
HEALTHSELECT MONTHLY CONTRIBUTION LEVELS, FISCAL YEARS 2012, 2014, AND 2016



SOURCE: Employees Retirement System.

retirement may not exceed 10.0 percent of total payroll except in an emergency declared by the Governor, nor may it be less than 6.0 percent of total payroll. The state's retirement contribution rate established by the Eighty-fourth Legislature, 2015, is 9.5 percent in each fiscal year of the 2016–17 biennium, and is increased to 10.0 percent when combined with the 0.5 percent agency contribution.

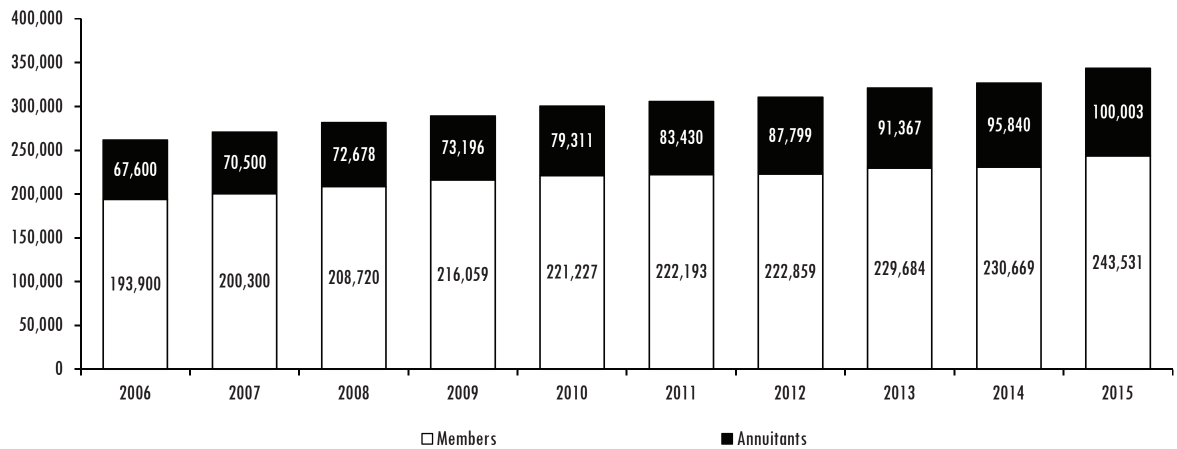
An actuarial valuation report is completed annually for the ERS retirement trust fund, and an additional valuation update is completed during each regular legislative session. An actuarial valuation is a report on the financial status of the pension plan at a given point in time. The valuation includes a measurement of the plan's accrued liability and compares it to the plan's assets, then analyzes the reasons for changes from the previous year. The valuation also determines the actuarial soundness of the total contribution rate to the pension plan. For the plan to be actuarially sound, contributions must be sufficient to fund the normal cost (the cost of benefits being earned during the year by active members) plus amortize the unfunded accrued liability during no more than 31 years. According to the August 31, 2015, actuarial valuation, the combined state and employee contribution rate of 19.50 percent for the 2016–17 biennium is lower than the contribution required for the fund to be actuarially sound, which is 19.62 percent. According to the same valuation, the total normal cost rate is 12.27 percent, which is lower than the combined contribution rate of 19.50 percent. However, the excess contribution of 7.23 percent is insufficient to pay down the existing unfunded accrued liability in 31 years. Although the funding period is reduced from infinite to 33 years, the fund remains actuarially unsound.

The August 31, 2015, actuarial valuation of the ERS retirement trust fund assessed the unfunded actuarial accrued liability—the amount of liabilities in excess of the assets—at $8.0 billion, an increase of $0.5 billion from the August 31, 2014, actuarial valuation. The plan's funded ratio, which is the plan's assets divided by the plan's liabilities, was 76.3 percent, which is 0.9 percentage points lower than the August 31, 2014, funded ratio of 77.2 percent. According to the valuation, this decrease was largely the result of asset losses from prior unfavorable investment experience being recognized in the actuarial value of assets.

As of August 31, 2015, ERS had 142,409 active contributing members and 101,122 noncontributing members (former state employees who have not withdrawn their retirement funds). At that time, 100,003 retirees and beneficiaries were receiving annuities. **Figure 92** shows ERS membership for current and retired employees since 2006.

Trained professional personnel, in accordance with trustee policies and constitutional and statutory regulations, invest state contributions, member contributions, and investment income. To assist the agency staff with investment recommendations and decisions, the ERS board employs investment managers and utilizes an Investment Advisory Committee composed of members of the financial and business community of Texas appointed by the ERS board.

FIGURE 92
EMPLOYEES RETIREMENT SYSTEM MEMBERSHIP, FISCAL YEARS 2006 TO 2015



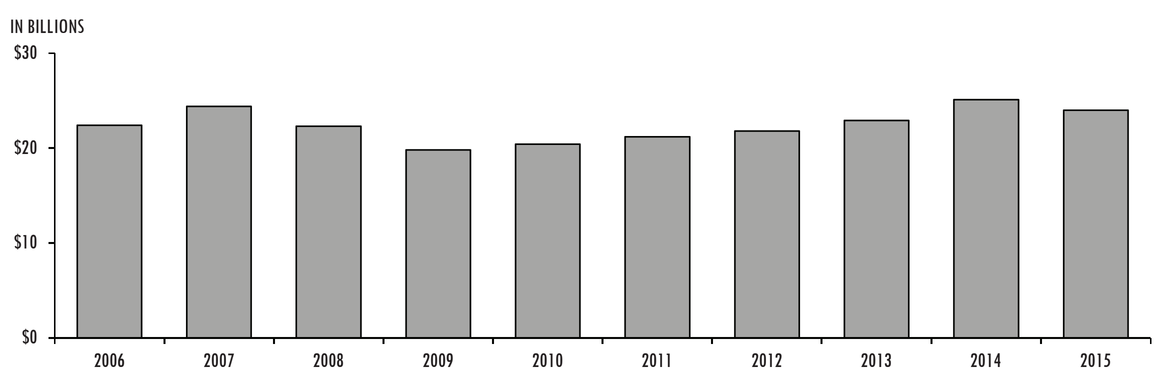
SOURCE: Employees Retirement System.

ERS also retains an independent consultant to evaluate and analyze investment results. As of August 31, 2015, the market value of the ERS assets was $24.0 billion, which was $1.1 billion less than at the end of fiscal year 2014 and can be attributed to market volatility. **Figure 93** shows the fluctuating market value trend in the assets of the ERS retirement fund since 2006, with the decreases in fiscal years 2008 and 2009 attributable to the national economic recession.

Certain members of ERS are also members of the Law Enforcement and Custodial Officer Supplemental (LECOS) Retirement Fund, which provides an increased retirement benefit for certain employees who are certified peace officers and custodial officers. LECOS funds a 0.5 percent supplement to the principal retirement formula. This supplement increases the total retirement formula to 2.8 percent per year of service for those who have completed 20 or more years of services or have become occupationally disabled while serving as commissioned law enforcement or custodial officers. Members of LECOS will receive about 80.0 percent of their retirement annuity from the ERS Trust Fund, and 20.0 percent from the LECOS Retirement Fund Trust. The state's LECOS contribution rate established by the Eighty-fourth Legislature, 2015, is 0.5 percent for the 2016–17 biennium, which continues the contribution rate from the 2014–15 biennium.

According to the August 31, 2015 actuarial valuation of the LECOS fund, the combined contribution rate is estimated to be 2.20 percent during the 2016–17 biennium, which consists of 0.5 percent member and state contribution rates

FIGURE 93
MARKET VALUE OF EMPLOYEES RETIREMENT SYSTEM CONSOLIDATED PENSION INVESTMENT FUND ASSETS
FISCAL YEARS 2006 TO 2015



SOURCE: Employees Retirement System.

and a portion of collected court costs, which is expected to be approximately $20.0 million in each fiscal year or 1.20 percent of payroll for LECOS members. This rate is less than the contribution (3.01 percent) required for the fund to be actuarially sound. According to the same valuation, the total normal cost rate is 1.77 percent, which is lower than the current combined contribution rate. The combined contribution of 2.20 percent is insufficient to pay down the existing unfunded accrued liability, so the expected funding period remains infinite, meaning the unfunded accrued liability is expected to grow indefinitely.

As of August 31, 2015, the market value of the LECOS Retirement Fund was $844.1 million, a decrease of $25.7 million from the August 31, 2014, valuation report. The rate of investment return for that period decreased due to market volatility.

Eligible employees include law enforcement officers with the Texas Department of Public Safety, the Texas Alcoholic Beverage Commission, the Texas Parks and Wildlife Department, custodial officers at the Texas Department of Criminal Justice, and parole officers and caseworkers at the Board of Pardons and Paroles. As of August 31, 2015, there were 38,526 active contributing members in the fund, 12,962 noncontributing members, and 10,845 retirees and beneficiaries receiving supplemental benefits.

ERS administers two retirement plans for judges: the Judicial Retirement System Plan I (JRS I) and Judicial Retirement System Plan II (JRS II). JRS I was closed on August 31, 1985, and is financed on a pay-as-you-go basis. Funds required for monthly annuity payments and refunds of member contributions are appropriated each fiscal year from the General Revenue Fund. As of August 31, 2015, 10 active contributing members and three noncontributing members remained in the system. As of the same date, 391 retirees and beneficiaries were receiving annuities.

JRS II was established for judges who joined the bench on or after September 1, 1985. The JRS II plan is prefunded on an actuarial basis, similar to the ERS Retirement Fund and the LECOS Retirement Fund. The state contribution rate established by the Eighty-fourth Legislature, 2015, is 15.663 percent in each fiscal year of the 2016–17 biennium, which continues the contribution rate from the 2014–15 biennium. For fiscal year 2016, the member contribution rate is 7.2 percent of payroll, with contributions optional after members accrue 20 years of service credit or have served 12 years on an appellate court and attained the Rule of 70. According to the August 31, 2015 actuarial valuation of the JRS Plan II Fund, the fiscal year 2016 combined contribution rate of 22.823 percent (15.663 percent state contribution and a 7.16 member contribution) is less than the contribution rate required for the fund to be actuarially sound, which is 23.79 percent. According to the same valuation, the normal cost rate is 21.40 percent, which is lower than the combined contribution. However, the excess contribution of 1.423 percent is insufficient to pay down the existing unfunded accrued liability, so the expected funding period remains infinite. As of August 31, 2015, 563 active members were contributing with 148 noncontributing members. As of the same date, 322 retirees and beneficiaries were receiving annuities.

Figure 94 shows the combined contributions to the ERS retirement trust fund, the LECOS retirement fund, and the JRS II fund compared to the actuarially sound contribution rate for each fund for fiscal year 2016.

FIGURE 94
STATE, MEMBER, AND ACTUARIALLY SOUND CONTRIBUTION RATES FOR ERS RETIREMENT, LECOS, AND JRS II, FISCAL YEAR 2016

	ERS RETIREMENT	LECOS	JRS II
State	10.00%	1.70%	15.66%
Member	9.50%	0.50%	7.16%
Total	19.50%	2.20%	22.82%
ASC Rate	19.62%	3.01%	23.79%
Difference	0.12%	0.81%	0.97%

NOTES:
(1) State contribution for the Employees Retirement System (ERS) retirement plan includes a 0.5 percent agency contribution in each fiscal year.
(2) State contribution for Law Enforcement and Custodial Officer Supplement (LECOS) includes a portion of collected court costs equal to 1.2 percent in each fiscal year.
(3) JRS II = Judicial Retirement System Plan II.
SOURCES: Legislative Budget Board; Employees Retirement System.

ERS also administers two death benefit programs, public safety death benefits and retiree death benefits. Survivors of a law enforcement officer, firefighter, or other public safety employee killed in the line of duty receive a $500,000 payment and other benefits such as funeral expenses and additional benefits for surviving children. The benefit amount was increased, effective September 1, 2015, due to House Bill 1278, Eighty-fourth Legislature, 2015. Retiree death benefits include a $5,000 lump sum death benefit provided to the survivor or estate of a person retired while a member of any of the retirement programs administered by ERS.

SIGNIFICANT LEGISLATION

House Bill 9 – Member contribution rate and 90-day waiting period. The enactment of HB 9 eliminates the 90-day membership waiting period, which authorizes retirement contributions by the state and members to the ERS retirement plan to begin on the first day of employment. The legislation also increases the member contribution rate to the plan from 7.2 percent in fiscal year 2016 and 7.5 percent in fiscal year 2017 to 9.5 percent in each fiscal year of the 2016–17 biennium and afterward.

House Bill 408 – Retirement benefits for certain elected state officials. The enactment of HB 408 prevents certain members of the elected class from transferring service earned in the elected class to the employee class, or from retiring from the employee class while still in elected office.

House Bill 966 – Creation of a consumer-directed health plan. The enactment of HB 966 directs ERS to establish a voluntary consumer-directed health plan, which would include a high-deductible health plan and a health savings account, as an option for GBP participants. The legislation also requires the state to contribute the difference, if any, between the full state contribution to HealthSelect and coverage cost of the high-deductible plan to a health savings account.

House Bill 1278 – Public safety employees' survivor benefits. The enactment of HB 1278 increases the financial assistance paid to the survivors of certain law enforcement officers, firefighters, and other public employees killed in the line of duty.

House Bill 3307 – Availability of a TRICARE Military Health System supplemental plan. The enactment of HB 3307 requires ERS to make a TRICARE Military Health System (TRICARE) supplemental plan available to its members and annuitants who waive coverage from the basic ERS plan and are eligible for benefits from TRICARE. ERS will make the supplemental plan available through Beneplace, its Discount Purchase Program that allows members to purchase certain products or services at discounted prices.

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

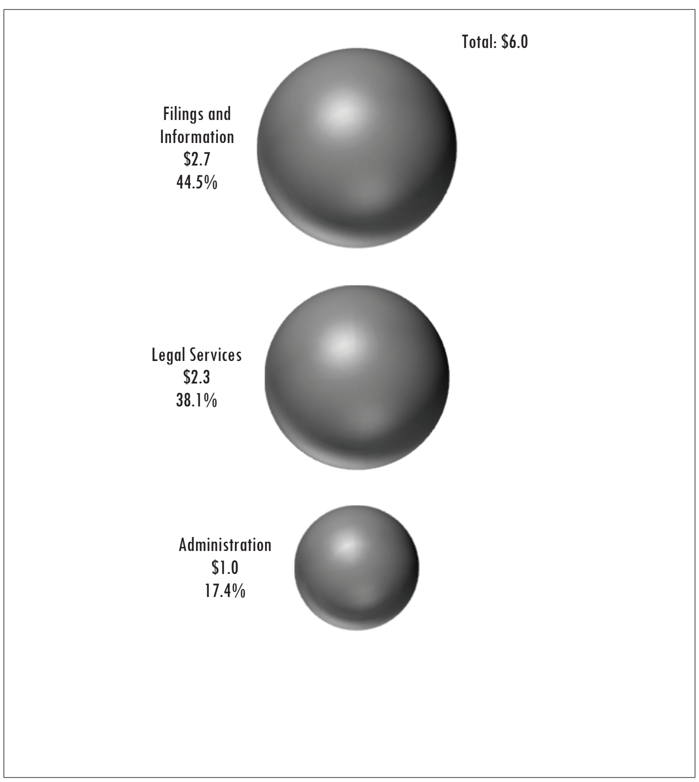
GOVERNANCE: Commission—four members appointed by the Governor, two members appointed by the Lieutenant Governor, two members appointed by the Speaker of the House of Representatives, with no more than four commissioners from the same political party

FIGURE 95
TEXAS ETHICS COMMISSION BY METHOD OF FINANCE

	IN MILLIONS			
METHOD OF FINANCE	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$7.5	$6.0	($1.5)	(19.4%)
General Revenue–Dedicated Funds	$0.0	$0.0	$0.0	N/A
Federal Funds	$0.0	$0.0	$0.0	N/A
Other Funds	$0.0	$0.0	($0.0)	(37.9%)
Total, All Methods of Finance	**$7.5**	**$6.0**	**($1.5)**	**(19.5%)**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2016	33.4
2017	33.4

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



Source: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

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

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

MAJOR FUNDING

Appropriations for the Texas Ethics Commission (TEC) reflect a decrease of approximately $1.5 million in General Revenue Funds, primarily related to the reduction of a portion of onetime funding for an electronic filing system. Of the agency's 2016–17 biennial appropriations, approximately 99.7 percent consists of General Revenue Funds. Appropriations include a decrease of $10,000 in Appropriated Receipts, which are derived from copying charges the agency collects from those who request and obtain information or reports the agency maintains. This source of revenue has decreased due to the availability of reports and databases on the agency's website.

PROGRAMS

The agency carries out its responsibilities through three major program areas: (1) filings and information; (2) legal services; and (3) administration.

FILINGS AND INFORMATION

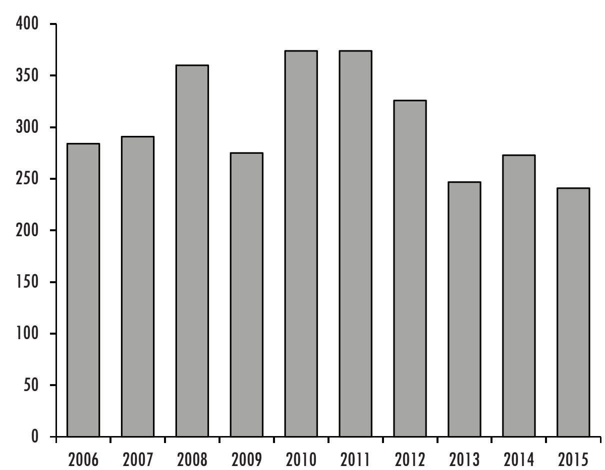
TEC's first major program area relates to filings and information, which includes appropriations for administering, supporting, and enforcing deadlines related to financial and campaign reports submitted to the agency by elected officials, candidates for elected office, lobbyists, and certain state officials. The TEC makes certain reports available on the agency's website, and other reports are available upon request. State law requires that certain disclosure reports be filed electronically with the agency. All disclosure reports are processed through an agency-maintained electronic filing system, which was purchased and developed during the 2014–15 biennium. The system, which has been fully implemented and deployed, consists of web-based filing applications for campaign finance, lobby, and personal financial statements for the state's filers, an internal filing application manager, and other databases. Appropriations for filings and information total approximately $2.7 million for the 2016–17 biennium and provide for 12.0 full-time-equivalent (FTE) positions.

LEGAL SERVICES

The second major program area provides legal services to the public and filers by responding to requests for guidance, primarily by telephone, and providing instruction on laws administered by the agency. TEC utilizes an online training program and agency-developed educational guides and brochures to educate state employees and the public of ethics laws. The agency also issues advisory opinions, which assist the public and those regulated by the agency to understand the laws it enforces. In fiscal year 2015, the agency issued 10 advisory opinions and received more than 45,000 calls to the legal division.

Legal services also includes enforcing provisions of campaign finance law, lobby law, and government ethics laws on individuals filing with the TEC or filing with local authorities such as the county or city clerk. The agency may initiate investigations and subpoena witnesses as it pertains to violations of state law related to ethics. These services include receiving sworn complaints from individuals alleging violation of certain laws that TEC is responsible for enforcing. **Figure 96** shows the number of complaints received by the agency from fiscal years 2006 to 2015. The agency has no control of the number of sworn complaints received, however the number of complaints is related to several factors, such as elections. TEC is authorized to impose civil penalties through fines for reporting violations. The fines that the agency levies and collects are deposited directly into the General Revenue Fund and are not appropriated to the agency. Appropriations for legal services total approximately $2.3 million for the 2016–17 biennium and provide for 14.4 FTE positions.

FIGURE 96
TEXAS ETHICS COMMISSION SWORN COMPLAINTS RECEIVED, FISCAL YEARS 2006 TO 2015



SOURCE: Texas Ethics Commission.

ADMINISTRATION

The agency's final program area is administration, which includes the indirect administrative functions that support the agency. Appropriations for administration total approximately $1.0 million for the 2016–17 biennium and provide for 7.0 FTE positions.

SIGNIFICANT LEGISLATION

House Bill 1295 – Disclosure of information by persons contracting with governmental entities and state agencies. The Eighty-fourth Legislature, 2015, passed HB 1295, which requires the TEC to adopt rules and develop a form used by governmental entities or state agencies to disclose a list of interested parties on contracts with a value of at least $1.0 million and of a contract that requires an action or vote by the governing body. An interested party is defined as a person who benefitted financially from a contract. The TEC would also be required to post a copy of the form on the agency's website.

TEXAS FACILITIES COMMISSION

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

ESTABLISHED: 2007

AUTHORIZING STATUTE: The Texas Government Code, Chapter 2152

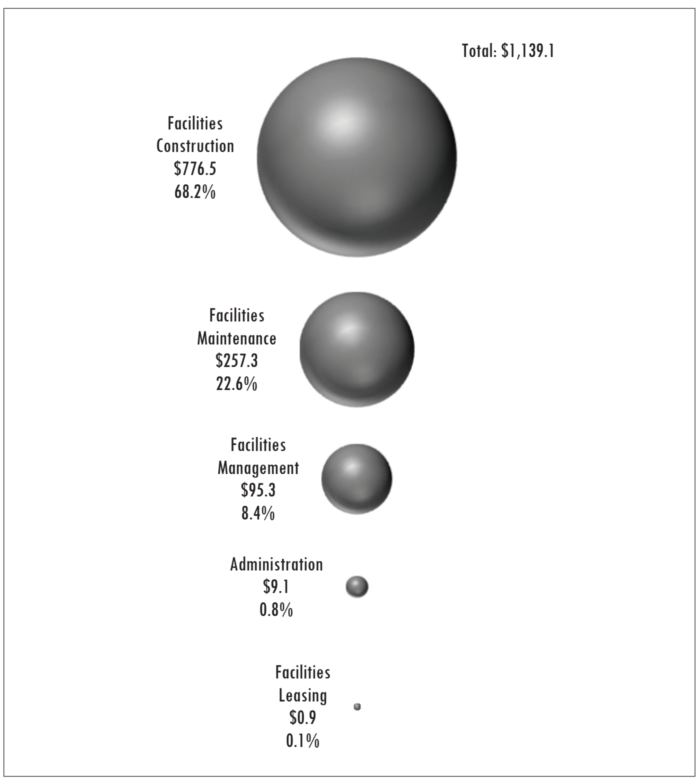
GOVERNANCE: Commission—five members appointed by the Governor, and two members appointed by the Lieutenant Governor

FIGURE 97
TEXAS FACILITIES COMMISSION BY METHOD OF FINANCE

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

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2016	498.4
2017	498.4

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

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

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

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

Source: Legislative Budget Board.

MAJOR FUNDING

Funding for the Facilities Commission (TFC) includes an increase of $767.7 million in Revenue Bond Proceeds for: construction of two new state office buildings and two parking structures in the Capitol Complex ($509.9 million); utility infrastructure upgrades and replacement, including walkable underground utility tunnels ($71.3 million); and construction of a new state office building and parking structure in North Austin primarily for employees of the Health and Human Services Commission ($186.4 million). General Revenue funding includes an increase of $221.6 million for: maintenance and repair of state facilities directed by the Facilities Commission, including the Texas School for the Deaf ($217.2 million); and transfer of funding for facility management at the Texas School for the Deaf and the Texas School for the Blind and Visually Impaired ($4.4 million).

Funding for the construction of a parking garage for the Elias Ramirez Building in Houston, a new headquarters for Department of Motor Vehicles, and a new office building and parking facilities at the G.J. Sutton State Office Complex in San Antonio were included in House Bill 1, but items were named in the Governor's Veto Proclamation. Therefore, the funding for these projects has been removed.

PROGRAMS

The agency carries out its responsibilities through five major program areas: (1) oversight and management of facilities design and construction; (2) oversight and management of facility repairs and deferred maintenance projects; (3) management of state-owned facilities; (4) agency administration; and (5) management of facility leasing for state agencies.

FACILITIES CONSTRUCTION

The facilities construction program area is responsible for providing professional architectural, engineering and construction project management services to all state agencies. As of September 2015, TFC is managing 89 projects throughout the state with a total value of approximately $1.1 billion. This portfolio includes ongoing projects in design and construction with an aggregate budget of approximately $100.0 million and $767.7 million for three new state office buildings, associated structured parking, and a Capitol Complex utility infrastructure project. Fifteen construction contracts, totaling approximately $40.0 million, were completed in fiscal year 2015, all within budget.

FACILITIES MAINTENANCE

The facilities maintenance program area involves administering the deferred maintenance and minor construction programs. Deferred maintenance projects include repairing or replacing broken or outdated building systems, upgrading building systems to increase building capacities, and improving energy conservation by installing high-efficiency equipment to lower utility costs. For the 2016–17 biennium, the agency is appropriated $219.9 million for emergency repairs, health and safety, and deferred maintenance projects. This amount includes $2.8 million in unexpended balances carried forward from the 2014–15 biennium. Additionally, a 2015 supplemental appropriation (House Bill 2, Eighty-fourth Legislature, 2015) includes $9.5 million in General Revenue Funds for TFC facilities and $11.0 million for the Texas School for the Deaf for critical health, safety, and deferred maintenance projects. Deferred maintenance priorities will include work on elevators for multiple buildings; fire protection systems; mechanical, electrical, and plumbing system repairs; and upgrades, lighting, roofs, building envelopes, indoor air quality remediation, architectural finishes, and security.

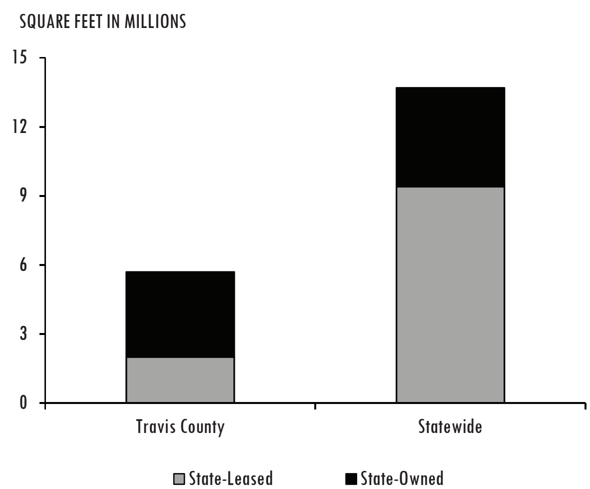
Additionally, minor renovations and rehabilitation for tenants of TFC buildings are performed by the Minor Construction program on a cost-recovery basis. TFC charges agencies $63 per hour for minor construction services or contract administration if a private vendor performs the renovation with TFC oversight. The total fee for contract administration varies depending on the size and complexity of the contract.

Along with $217.2 million in deferred maintenance funding granted to TFC, deferred maintenance funding appropriated to the Texas Military Department (TMD), Texas Department of Criminal Justice (TDCJ), Texas Parks and Wildlife Department (TPWD), Department of Public Safety, and the Texas Department of Transportation is overseen by the Joint Oversight Committee on Government Facilities, established through Senate Bill 2004, Eighty-fourth Legislature, 2015. Furthermore, the deferred maintenance appropriations for TFC, TMD, TDCJ and TPWD are transferred to the newly established deferred maintenance fund account to be overseen by the joint committee.

FACILITIES MANAGEMENT

The agency's facilities management program area is responsible for custodial services for state-owned buildings, facilities operation and management services, facilities planning, grounds management, parking and special events services, recycling and waste management, surplus property management, and utilities. In fiscal year 2015, the agency's portfolio of leased, owned, and managed facilities totaled more than 26.9 million square feet, supporting the needs of 105 state agencies housing 62,307 employees throughout 250 Texas cities and towns. TFC has planning and oversight responsibilities for determining facility requirements and for allocating and assigning space to the agencies located in TFC's leased, owned, and managed inventory. This program evaluates and approves all requests for space allocation, relinquishment, or modifications. As **Figure 98** shows, approximately 68.0 percent of all office space occupied by the state in Travis County consists of state-owned or state-built facilities managed by TFC. Statewide, state-owned and state-managed space makes up approximately 34.2 percent of the total inventory of office space occupied by the state.

FIGURE 98
STATE OFFICE SPACE, FISCAL YEAR 2015



SOURCE: Texas Facility Commission.

The Custodial Operations program provides cleaning services for state-owned and state-managed facilities within TFC's inventory. Inspections are performed randomly on all phases of custodial services to ensure that quality service is provided.

The Facilities Operations program is responsible for utility plants and building systems. This section is staffed on a continuous 24-hour work schedule to monitor central utility plants that provide chilled water and steam to various buildings. This program is also responsible for 67 stand-alone systems in buildings not receiving chilled water or steam from the central utility plants.

Facilities planning is a continuous process at TFC, in which the agency monitors and evaluates facility space utilization and needs along with the future requirements of state agencies. TFC works closely with other agencies to develop planning assessments to meet particular agency needs in the areas of space utilization, facility acquisition, disposition, leasing, modification, or new construction.

The Grounds Maintenance program maintains and repairs the grounds, parking garages, and surface lots on state property in Travis County. Agency staff, in conjunction with contract labor, performs routine landscape maintenance services such as mowing, edging, blowing, and weeding for approximately 288 acres of state-owned property in Travis County and also performs nightly cleaning for 18 state-owned parking garages.

The Commercial Parking and Special Events program is responsible for administering temporary leasing of state facilities in the Austin area for after-hours parking, movie productions, special events, and tailgating. Additionally, the program administers the conference room reservation system, a web-based scheduling system for conference rooms, common areas, or exterior areas in TFC-managed, state-owned buildings for use by state agencies. In fiscal year 2015, the program generated approximately $1.2 million in revenue returned to the state Treasury from fees charged for a combined total of 177,292 parking spaces for parking after hours, on weekends, during excess daytime special events, and lease agreements in the Capitol Complex and Hobby Complex.

TFC manages the state's recycling and waste program. The recycling program provides proper disposal of these items at no cost to tenants in TFC-managed buildings. TFC reported that state agencies recycled more than 1,900 tons of recycling material, and the agency collected nearly $0.2 million in fiscal year 2015 through the sale of recyclables to private recycling entities.

TFC is statutorily charged with the administration of the Texas State and Federal Surplus Property Programs. The State Surplus Property Program facilitates the placement and disposal of state surplus and salvage property for state agencies. For fiscal year 2015, the State Surplus Program deposited proceeds totaling approximately $6.2 million to the state Treasury, of which a portion may be expended by participating state agencies and counties. The Federal Surplus

Property Program is responsible for administering the donation of federal surplus personal property in Texas. In fiscal year 2015, TFC reported approximately $43.0 million in property was donated to eligible organizations through the Federal Surplus Property Program.

The Office of Energy Management explores ways to lower utility costs and to conserve energy in state-owned facilities. The program oversees procurement, use, and distribution of TFC's utilities appropriations. This function includes performing cost benefit analysis on equipment, evaluating and improving business practices, refining methods of building operation, developing and implementing program policies and procedures, and researching and planning for the use of advanced technologies. As **Figure 99** shows, utility expenditures fluctuate within any given fiscal year, often related to unforeseen changes in weather conditions. Appropriations for utility payments related to facilities operations for the 2016–17 biennium total $40.7 million in All Funds, an increase of $0.6 million, or 1.5 percent from the 2014–15 biennium.

ADMINISTRATION

The agency administration program area supports the overall efficiency and effectiveness of TFC operations. This program area is funded with approximately $9.0 million in General Revenue Funds.

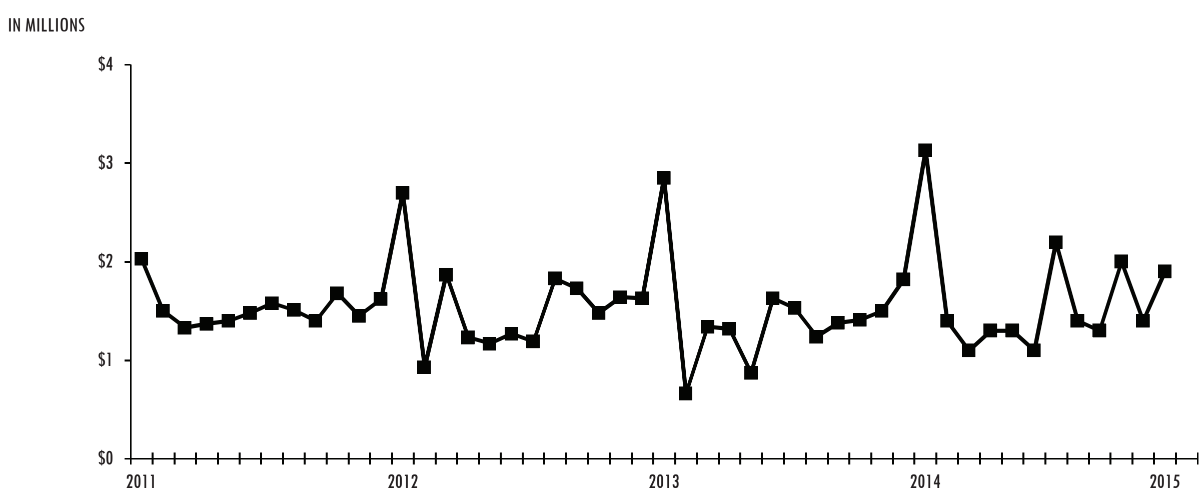
FACILITIES LEASING

TFC's Leasing Services program procures and manages leased facilities to meet the operational needs of state agencies throughout the state. In fiscal year 2015, the program managed 880 active leases for office, warehouse, and training purposes for 37 state agencies in 248 Texas cities and towns. The program evaluates the facility requirements of tenant agencies; monitors real estate market rent and operating cost characteristics; and procures, negotiates, and manages lease contracts that represent the best value to the state. TFC's leasing portfolio totaled 10.2 million square feet with a monetary value of $142.6 million in fiscal year 2015.

SIGNIFICANT LEGISLATION

House Bill 2 – Supplemental appropriations. The Eighty-fourth Legislature, 2015, passed HB 2, which provides $9.5 million for critical operations, deferred maintenance, and health and safety maintenance at state-owned buildings; $11.0 million for critical operations, deferred maintenance, and health and safety projects at the Texas School for the Deaf; and $0.5 million for additional architectural, engineering, and consultative services for a more comprehensive and in-depth assessment of the Capitol Complex.

FIGURE 99
STATE-OWNED FACILITIES UTILITY EXPENDITURES, FISCAL YEARS 2011 TO 2015



NOTE: Invoices for the end of each fiscal year are paid in the first month of the following fiscal year, as shown by the expenditure in the first month of fiscal year 2014.
SOURCE: Texas Facilities Commission.

Senate Bill 836 – Transfer of services from TSD and TSBVI. The Eighty-fourth Legislature, 2015, passed SB 836, which amends current law relating to management services for the physical facilities of TSBVI and TSD by transferring the responsibility for custodial, security, and ground maintenance activities at each campus to TFC, completing the consolidation of facilities-related maintenance and operations initiated by the Eighty-third Texas Legislature, Regular Session, 2013.

This bill transferred $605,271 and 19.3 full-time-equivalent (FTE) positions each fiscal year 2016 and 2017 from TSBVI to TFC and $1,077,610 and 32.0 positions in each fiscal year from TSD to TFC. In addition, TFC was appropriated 15.0 positions in each fiscal year and $530,983 in fiscal year 2016 and $494,543 in fiscal year 2017 for increased duties.

House Bill 2206 – Transfer of the Texas State Cemetery. The Eighty-fourth Legislature, 2015, passed HB 2206, which amends the Texas Government Code to transfer from TFC to the State Preservation Board, in cooperation with the State Cemetery Committee, the governance, oversight, and operation of the Texas State Cemetery. The bill removes the cemetery property from TFC responsibility pursuant to the Texas Government Code, Section 2165.007, and removes TFC as a nonvoting member of the committee. The bill also specifies that, on the bill's effective date, an employee of TFC who was performing duties exclusively related to the cemetery becomes an employee of the board.

House Bill 2475 – Creating the center for alternative finance and procurement. The Eighty-fourth Legislature, 2015, passed HB 2475, which amends the Texas Government Code to require TFC to establish the center for alternative finance and procurement to consult with governmental entities regarding best practices for procurement and the financing of qualifying facilities and infrastructure projects and to assist governmental entities in the receipt of proposals, negotiation of interim and comprehensive agreements, and management of qualifying projects with respect to public-private partnerships and the Partnership Advisory Commission. The bill authorizes TFC to collect a fee to cover the costs associated with these services and also eliminates submission of unsolicited proposals for potential public private partnership projects.

Senate Bill 2004 – Deferred maintenance funding. The Eighty-fourth Legislature, 2015, passed SB 2004, which establishes the Joint Oversight Committee on Government Facilities and the Deferred Maintenance Fund. The bill calls for the joint committee to review deferred maintenance plans and receive implementation updates. Concurrently, the Eighty-fourth Legislature, General Appropriations Act, 2016–17 Biennium, Article IX, Section 18.09, transfers General Revenue Funds for deferred maintenance appropriated to TFC, TMD, TDCJ, and TPWD to the newly established deferred maintenance fund account.

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

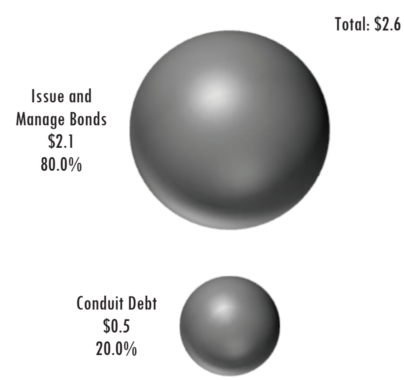
GOVERNANCE: Board of Directors—seven members appointed by the Governor with advice and consent of the Senate

FIGURE 100
PUBLIC FINANCE AUTHORITY BY METHOD OF FINANCE

	IN MILLIONS			
METHOD OF FINANCE	**EXPENDED/ BUDGETED 2014–15**	**APPROPRIATED 2016–17**	**BIENNIAL CHANGE**	**PERCENTAGE CHANGE**
General Revenue Funds	$2.5	$2.6	$0.1	4.5%
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	$0.0	($0.0)	(100.0%)
Total, All Methods of Finance	**$2.5**	**$2.6**	**$0.1**	**4.3%**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2016	14.0
2017	14.0

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

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

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

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

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

Source: Legislative Budget Board.

MAJOR FUNDING

Appropriations to fund the Texas Public Finance Authority (TPFA) for the 2016–17 biennium are divided into two components: agency operations, and debt service payments on new and existing General Obligation bonds. Funding for TPFA's agency operations increased by $0.1 million, or 4.5 percent from the 2014–15 biennium. The increase is primarily related to approximately $0.6 million in staff salary increases and agency contributions for employee benefits, offset by a decrease of $0.5 million related to the reduction of onetime funding for a new debt management system. Bond debt service payments increased by $7.8 million, or 1.2 percent from the 2014–15 biennium.

TPFA also received authority to carry forward an unexpended balance of approximately $0.5 million from the 2014–15 biennium into the 2016–17 biennium for the development and implementation of a comprehensive debt management system. This system will evaluate new debt structures and refinancings, manage federal post-issuance compliance tax laws, track capital project budgets and expenditures at the client agency and project level, and generate essential stakeholders' reports.

PROGRAMS

The agency carries out its responsibilities through two major program areas: (1) issuing and managing bonds on behalf of state agencies; and (2) issuing debt that is not a legal liability of the state on behalf of third-party entities.

ISSUE AND MANAGE BONDS

Within the first major program area, TPFA issues General Obligation and revenue bonds for designated state entities **(Figure 101)** and administers the Master Lease Purchase Program, which is used primarily to finance capital equipment such as computers, telecommunications systems, software, vehicles, and energy performance contracts.

TPFA issues General Obligation (GO) bonds on behalf of certain state agencies. GO debt requires a constitutional amendment, approval by two-thirds of the Legislature, and approval by a majority of voters in a statewide election. GO debt is backed by the full faith and credit of the state, requiring that the first monies coming into the state Treasury, not otherwise constitutionally dedicated, be used to pay the debt service on these obligations. The state operates several GO bond programs, including bonds for general state government construction projects on behalf of several state agencies, the Texas Military Revolving Loan Fund for loans

FIGURE 101
PUBLIC FINANCE AUTHORITY CLIENT AGENCIES BY TYPE OF FINANCING, 2016–17 BIENNIUM

GENERAL OBLIGATION BONDS	REVENUE BONDS	MASTER LEASE PURCHASE PROGRAM
Cancer Prevention and Research Institute of Texas	Facilities Commission	All state agencies and institutions of higher education
Facilities Commission	Historical Commission	
Historical Commission	State Preservation Board	
Texas Military Preparedness Commission (Texas Military Value Revolving Loan Fund)	Health and Human Services Commission	
Department of Aging and Disability Services	Department of State Health Services	
Department of State Health Services	Texas Military Department	
School for the Blind and Visually Impaired	Department of Criminal Justice	
School for the Deaf	Parks and Wildlife Department	
Texas Military Department	Texas Workforce Commission	
Department of Public Safety	Midwestern State University	
Department of Criminal Justice	Texas Southern University	
Juvenile Justice Department	Texas Windstorm Insurance Association	
Department of Agriculture		
Texas Agricultural Finance Authority		
Parks and Wildlife Department		
Department of Transportation		

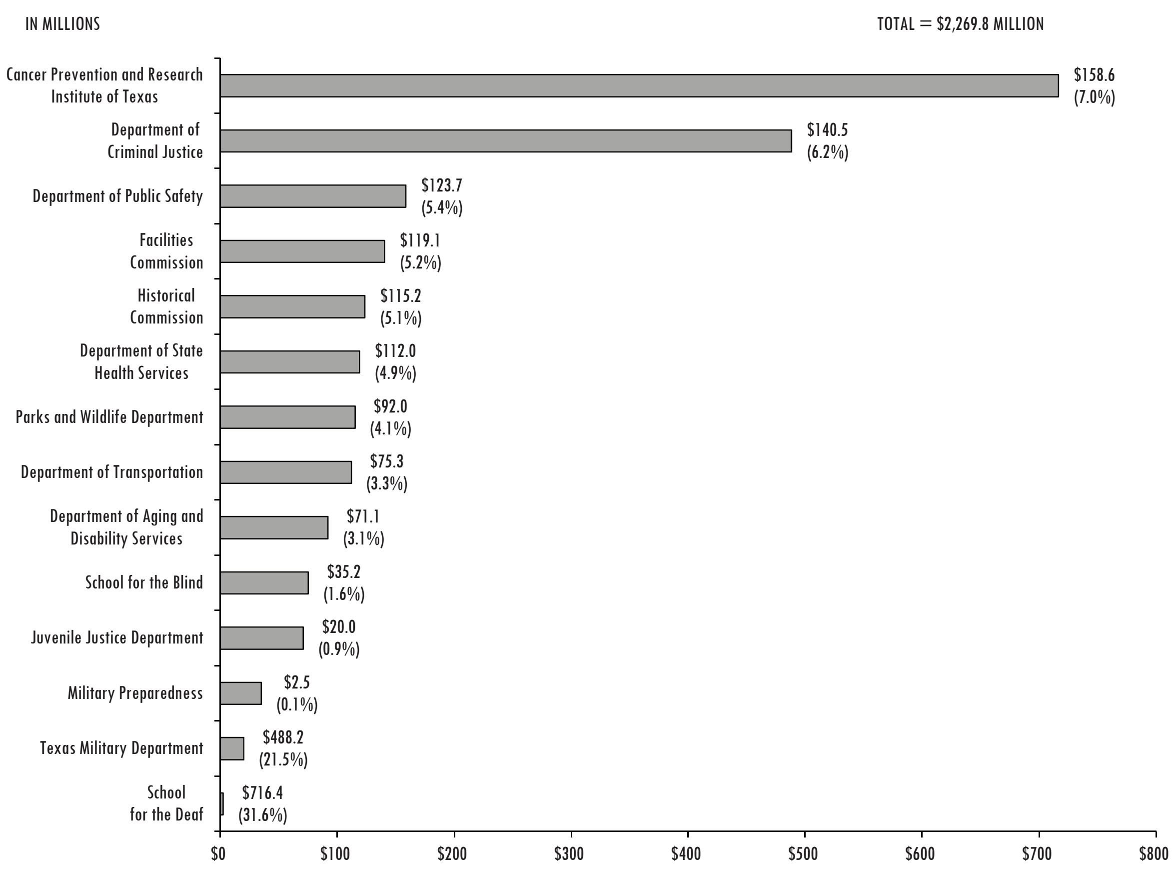
SOURCE: Texas Public Finance Authority.

to defense communities, and initiatives of the Cancer Prevention and Research Institute of Texas. The agency monitors all debt obligations to ensure compliance with federal tax law and bond covenants. The staff manages ongoing bond proceeds and ensures timely payments of principal and interest to the bond holders.

As of August 31, 2015, outstanding non-self-supporting GO bonds totaled $2.2 billion, and outstanding self-supporting GO bonds totaled $35.2 million. **Figure 102** shows the amount of debt outstanding by agency. Appropriations for debt service payments for GO bonds total $662.4 million for the 2016–17 biennium, an increase of $7.8 million, or 1.2 percent, from the 2014–15 biennial estimated and budgeted amounts. **Figure 103** shows the appropriations for debt service on GO bonds for the 2016–17 biennium by agency.

Unlike GO bonds, revenue bonds do not require voter approval. TPFA issues lease revenue bonds to fund a project on behalf of another state agency and leases the project to the agency. Funds for debt service payments on revenue bonds are appropriated to the applicable agency as lease payments to TPFA. These appropriations are typically General Revenue Funds. For the 2016–17 biennium, the Eighty-fourth Legislature, 2015, authorized and appropriated $957.7 million of revenue bond proceeds to fund construction of state-owned office and parking facilities. Appropriations for debt service payments on revenue bonds total $108.1 million for the 2016–17 biennium, a decrease of $28.2 million, or 20.7 percent, from the 2014–15 biennial spending levels **(Figure 104).**

FIGURE 102
OUTSTANDING GENERAL OBLIGATION BOND DEBT AS OF AUGUST 31, 2015



Notes:
(1) Total may not sum due to rounding. Includes General Obligation (GO) bonds and commercial paper.
(2) Military Preparedness Commission Bonds are self-supporting GO bonds.
(3) State Preservation Board and Department of Agriculture GO bonds debt is less than 0.1 percent and not shown.
Source: Texas Public Finance Authority.

FIGURE 103
GENERAL OBLIGATION BOND DEBT SERVICE APPROPRIATIONS BY AGENCY, 2016–17 BIENNIUM

IN MILLIONS	ALL FUNDS			
AGENCY	2014–15 BUDGETED/EXPENDED	2016–17 APPROPRIATED	BIENNIAL CHANGE	PERCENTAGE CHANGE
Facilities Commission	$34.1	$43.4	$9.3	27.3%
Historical Commission	$21.8	$33.6	$11.8	(68.0%)
Cancer Prevention Institute of Texas	$128.5	$189.3	$60.9	47.4%
Texas Military Preparedness Commission	$19.0	$6.1	($12.9)	(68.0%)
Department of Aging and Disability Services	$21.8	$28.3	$6.5	30.0%
Department of State Health Services	$30.9	$33.3	$2.4	7.7%
School for the Blind and Visually Impaired	$21.0	$22.4	$1.3	6.4%
School for the Deaf	$1.7	$0.7	($1.0)	(57.5%)
Texas Military Department	$3.9	$5.4	$1.5	37.3%
Department of Public Safety	$40.1	$46.4	$6.3	15.7%
Juvenile Justice Department	$21.0	$22.1	$1.1	5.3%
Department of Criminal Justice	$259.3	$162.7	($96.6)	(37.3%)
Parks and Wildlife Department	$25.8	$38.0	$12.2	47.3%
Department of Transportation	$25.8	$30.8	$5.0	19.2%
TOTAL	**$654.6**	**$662.4**	**$7.8**	**1.2%**

NOTES:
(1) Totals may not sum due to rounding.
(2) State Preservation Board and Department of Agriculture General Obligation bonds debt service is less than $10,000 per biennia and not shown.
SOURCE: Texas Public Finance Authority.

FIGURE 104
REVENUE BOND DEBT SERVICE APPROPRIATIONS, 2016–17 BIENNIUM

IN MILLIONS	ALL FUNDS			
AGENCY	2014–15 BUDGETED/EXPENDED	2016–17 APPROPRIATED	BIENNIAL CHANGE	PERCENTAGE CHANGE
Facilities Commission	$58.2	$44.0	($14.1)	(24.3%)
Historical Commission	$1.6	$1.5	($0.0)	(6.8%)
State Preservation Board	$11.5	$10.4	($1.1)	(9.2%)
Department of State Health Services	$5.7	$4.6	($1.1)	(19.4%)
Higher Education Institutions	$43.8	$38.8	($5.0)	(11.4%)
Texas Military Department	$3.6	$2.5	($1.2)	(32.0%)
Department of Criminal Justice – Private Prison Lease/Purchase	$5.0	$0.0	($5.0)	(100.0%)
Parks and Wildlife Department	$6.8	$6.2	($0.6)	(9.4%)
TOTAL	**$136.3**	**$108.1**	**($28.2)**	**(20.7%)**

NOTES:
(1) Higher education institutions include Midwestern State University, Stephen F. Austin State University, and Texas Southern University. Higher education expended amounts are not verified by TPFA because the institutions make their own debt service payments.
(2) Totals may not sum due to rounding.
SOURCE: Texas Public Finance Authority.

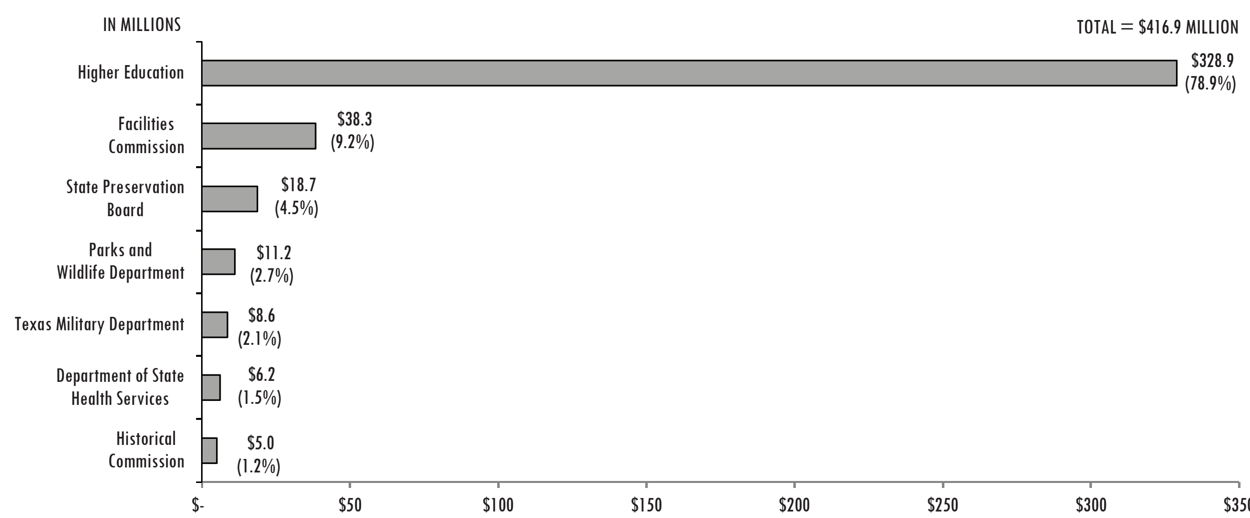
As shown in **Figure 105**, outstanding revenue bond debt totaled $416.9 million as of August 31, 2015. Of this amount, $328.9 million, or 78.9 percent, is outstanding debt primarily for tuition revenue bonds issued by TPFA on behalf of certain higher education institutions (Midwestern State University, Stephen F. Austin State University, and Texas Southern University).

The Master Lease Purchase Program (MLPP) is a lease revenue-financing program initially authorized by the Seventy-first Legislature, Regular Session, 1989, primarily to finance equipment acquisitions for state agencies. The program provides financing for computers, telecommunications, and other capital equipment on purchases in excess of $10,000, and for equipment with a useful life of at least three years. The Bond Review Board began accepting applications for energy performance contracts in fiscal year 2011 after a brief moratorium. MLPP acquisitions are funded with tax-exempt commercial paper, a short-term, variable-rate financing instrument. The agency charges its client agencies an administrative fee based on the outstanding principal balance of each lease. As of August 31, 2015, approximately $43.0 million in debt was outstanding for the MLPP. **Figure 106** shows the total amount of assets and type of projects financed since the program's inception in 1992. The agency reports an estimated 70.0 percent decrease in the number of leases processed from fiscal years 2014 to 2015.

CONDUIT DEBT

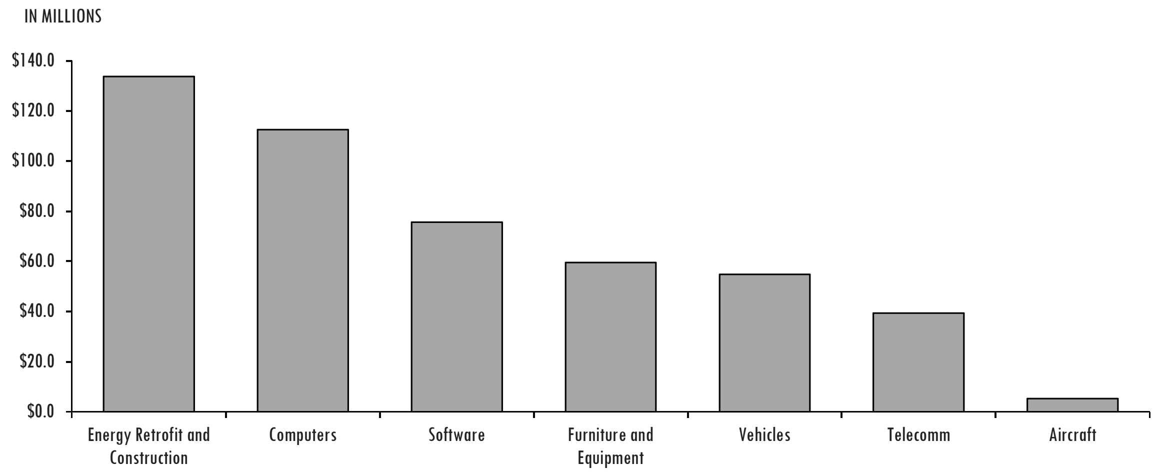
The second major program area is issuing debt that is not a legal liability of the state on behalf of third-party entities. The state is authorized by statute to issue conduit debt for certain purposes including charter schools, transportation, single-family mortgages, multifamily dwellings, and economic development. TPFA issues conduit debt for the Texas Windstorm Insurance Association and for Texas charter schools, via the TPFA Charter School Finance Corporation. In 2015, TPFA issued $83.3 million in debt on behalf of three charter schools, and $500.0 million in bonds for the Texas Windstorm Association. Debt service for conduit debt is typically provided by project revenue and is secured by a third party. Although conduit revenue debt obligations bear the name of the agency as the issuer, the agency is not financially liable for the debt beyond the revenues provided by a lease or loan with the third party on whose behalf they are issued.

FIGURE 105
OUTSTANDING REVENUE BOND (NON-GENERAL OBLIGATION) DEBT, AS OF AUGUST 31, 2015



NOTE: Higher education includes Midwestern State University, Stephen F. Austin University, and Texas Southern University.
SOURCE: Texas Public Finance Authority.

FIGURE 106
ASSETS FINANCED VIA MASTER LEASE PURCHASE PROGRAM, FISCAL YEARS 1992 TO 2015



SOURCE: Texas Public Finance Authority.

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

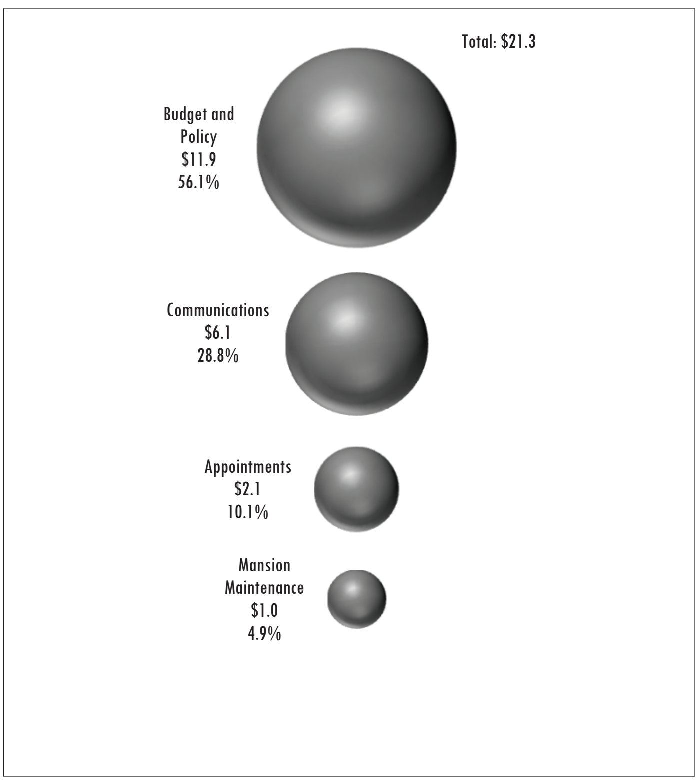
GOVERNANCE: Statewide elected official

FIGURE 107
OFFICE OF THE GOVERNOR BY METHOD OF FINANCE

	IN MILLIONS			
METHOD OF FINANCE	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$24.0	$20.7	($3.2)	(13.5%)
General Revenue–Dedicated Funds	$0.0	$0.0	$0.0	N/A
Federal Funds	$0.0	$0.0	$0.0	N/A
Other Funds	$0.5	$0.5	$0.0	0.0%
Total, All Methods of Finance	**$24.5**	**$21.3**	**($3.2)**	**(13.2%)**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2016	120.1
2017	120.1

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



Source: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

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

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

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

MAJOR FUNDING

Appropriations to fund the Office of the Governor for the 2016–17 biennium decreased by $3.2 million, or 13.2 percent from the 2014–15 biennium. The decrease is primarily related to efficiencies realized through reductions in overhead and payroll expenditures in the 2014–15 biennium and continued in the 2016–17 biennium.

PROGRAMS

The agency carries out responsibilities through four major program areas: (1) budget and policy; (2) communications; (3) appointments; and (4) mansion maintenance.

BUDGET AND POLICY

The first major program area encompasses the Governor's Office Budget Division, which assists the Governor in formulating and implementing state policy by coordinating with state agencies, the Legislature, and various constituents and stakeholder groups. The Budget Division provides fiscal information and analysis in support of the Governor's statutory role as the state's chief budget officer. It advises the Governor on the state's fiscal condition, recommends fiscal policies to the Governor, and prepares the Governor's state biennial budget for distribution to the Legislature. Other budget activities include approving agency requests to enter into contracts with consultants and reviewing agency budget and other submissions required by law. In conjunction with the Legislative Budget Board, the Budget Division coordinates the state agency strategic planning process, issues budget instructions to state agencies, and conducts hearings on agency budget requests. Funding for the budget and policy program area is $11.9 million, or 56.1 percent of total appropriations in the 2016–17 biennium.

COMMUNICATIONS

Communications is the second major program area of the Office of the Governor. The Communications Office manages media relations for the Governor and the First Lady by providing information to print and broadcast media. The office prepares news releases and speeches for the Governor and handles media calls and requests for interviews. The office receives calls from Texans with concerns or issues about state government through its information and referral hotline, refers callers to appropriate agencies for assistance, and reports constituent concerns to the Governor. In addition, the office makes travel arrangements and prepares detailed schedules for the Governor. Funding for the communications program area is $6.1 million, or 28.8 percent of total appropriations in the 2016–17 biennium.

APPOINTMENTS

The third major program area helps the Governor recruit, screen, select, and prepare individuals appointed to the state's many boards, commissions, and advisory committees. When required, the Appointments Office prepares appointees for confirmation by the Texas Senate. This office also supports the processes of filling vacancies in statewide elected and judicial district offices. During a four-year term, the Governor makes approximately 3,000 appointments. Funding for the appointments program area is $2.1 million, or 10.1 percent of total appropriations in the 2016–17 biennium.

MANSION MAINTENANCE

Mansion maintenance is the fourth major program area of the Office of the Governor. The Governor's Mansion has served as the official residence of the Texas governors and their families since 1856. The mansion staff provides for the standard operations of the mansion. The mansion staff also plans, coordinates, and executes special events. Funding for the mansion maintenance program area is $1.0 million, or 4.9 percent of total appropriations in the 2016–17 biennium.

TRUSTEED PROGRAMS WITHIN THE OFFICE OF THE GOVERNOR

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

ESTABLISHED: 1845

AUTHORIZING STATUTE: The Texas Constitution, Article IV

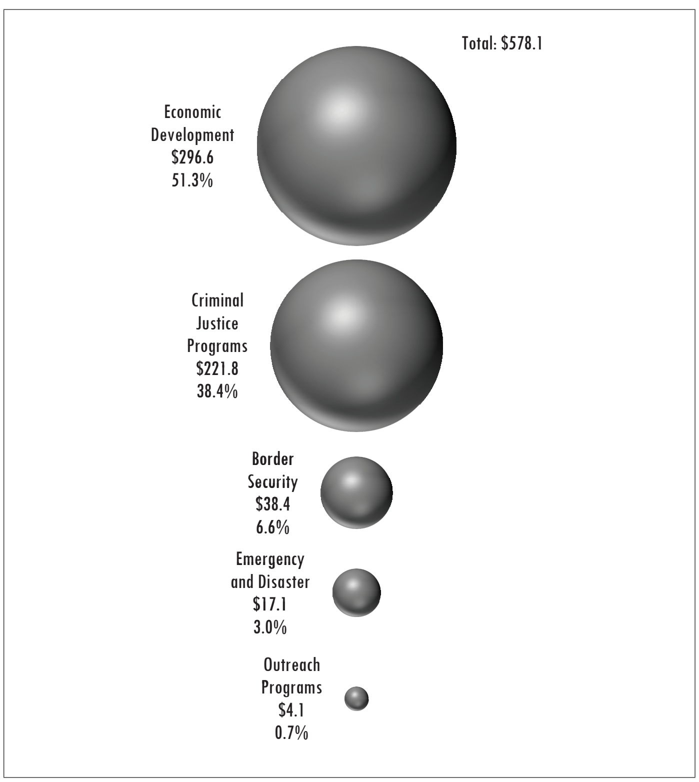
GOVERNANCE: Governor, statewide elected official

FIGURE 108
TRUSTEED PROGRAMS WITHIN THE OFFICE OF THE GOVERNOR BY METHOD OF FINANCE

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

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2016	168.3
2017	168.3

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



Source: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

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

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

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

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

MAJOR FUNDING

Funding for the Trusteed Programs within the Office of the Governor in the 2016–17 biennium decreased by $299.9 million, or 34.2 percent from the 2014–15 biennium. The decrease is primarily due to decreases in disaster funding, contingency funding for economic development, tourism, and film and music marketing, and the abolishment of the General Revenue–Dedicated Emerging Technology Fund. The decreases are offset by funding for new programs including $40.0 million for the Governor's University Research Initiative, $34.8 million for border security activities, $30.0 million for grants to defense communities, $10.0 million for grants to law enforcement entities for body-worn cameras, and $5.7 million for the Child Sex Trafficking Prevention Unit. The Texas Enterprise Fund increased to $90.0 million including the transfer of $45.0 million from the abolished Emerging Technology Fund (ETF).

In addition to appropriated amounts, the agency has authority to carry forward certain unexpended balances from the 2014–15 biennium into the 2016–17 biennium. The estimated amounts include: $82.5 million for criminal justice activities; $67.5 million for disaster funding; $66.3 million for economic development and tourism programs; $31.2 million for film and music marketing activities; and a direct appropriation of $200.4 million in General Obligation Bond Proceeds related to the agency's authority to issue General Obligation bonds for the Texas Military Revolving Loan program.

PROGRAMS

The agency carries out its responsibilities through five major program areas: (1) economic development; (2) criminal justice activities; (3) border security; (4) emergency, deficiency, and disaster grants; and (5) other outreach programs.

ECONOMIC DEVELOPMENT

The first major program area includes the Economic Development and Tourism Division, which is tasked to help Texas continue to be the nation's economic leader by attracting businesses, jobs, innovation, opportunities and events to Texas. The Eighty-fourth Legislature, 2015, made the Economic Development and Tourism Division responsible for administering the state's events funds programs that are intended to attract business and job opportunities to Texas through strategic incentives. These funds include the Events Trust Fund, Major Events Reimbursement Program and the Motor Sports Racing Trust Fund.

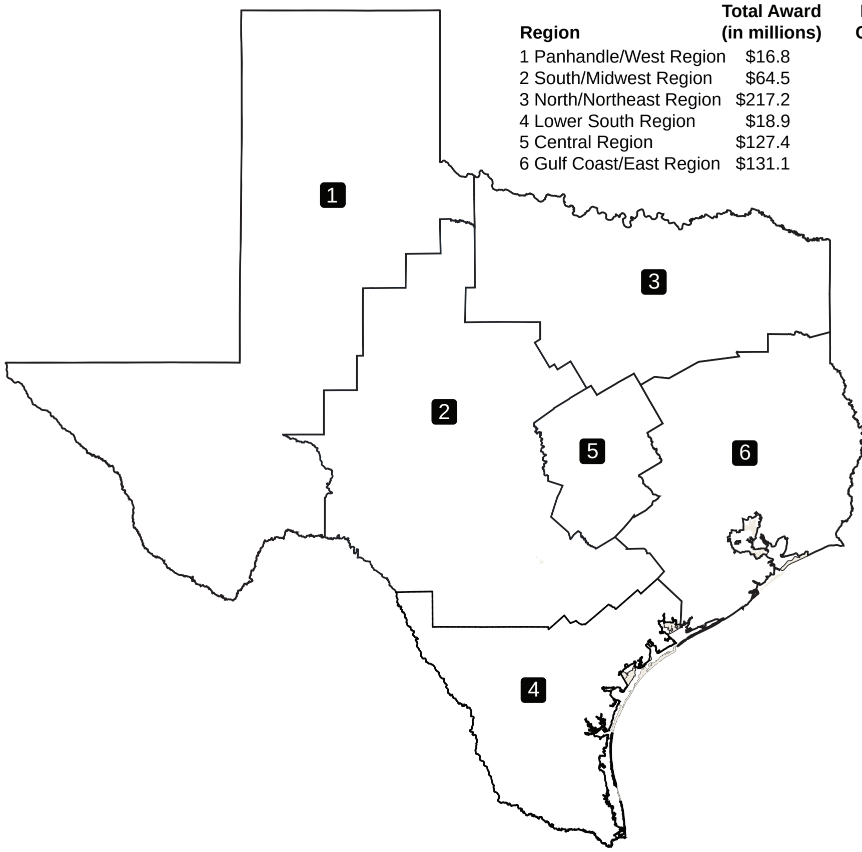
The Texas Tourism program markets Texas as a travel and tourist destination in out-of-state domestic and international markets. The program promotes Texas as a premier travel, meetings, and convention destination, utilizing advertising in digital media, national cable television, consumer and trade publications, radio, and the TravelTex.com website. In addition, the program analyzes trends in domestic and international travel and the effectiveness of travel literature, the influence of Texas advertising, and consumers' images of Texas. Appropriations for the Texas Tourism program in the 2016–17 biennium total $70.1 million in All Funds and 15.2 full-time-equivalent (FTE) positions.

Established in 2003, the Texas Military Preparedness Commission (TMPC) consists of 13 members appointed by the Governor. The core mission of TMPC is to preserve, protect, expand, and attract new military missions, assets, and installations in Texas. Additionally, the TMPC encourages defense-related businesses to expand or relocate to Texas. The TMPC administers the Defense Economic Adjustment Assistance Grant Program (DEAAG). The DEAAG program assists defense communities affected or potentially affected by U.S. Department of Defense plans or decisions. Appropriations for TMPC in the 2016–17 biennium total $31.5 million in All Funds and 2.9 FTE positions.

The Texas Enterprise Fund (TEF) was established by legislation passed by the Seventy-eighth Legislature, Regular Session, 2003. The fund, which is statutorily administered by the Governor, promotes economic, infrastructure, and community development; job training programs; and business incentives. Since the beginning of fiscal year 2004, approximately $576.0 million in Texas Enterprise Fund grants have been awarded to 131 entities. **Figure 109** shows the amounts disbursed, announced, and committed from the Texas Enterprise Fund by region since fiscal year 2004. Appropriations for TEF in the 2016–17 biennium total $90.0 million in General Revenue–Dedicated Funds, which includes $45.0 million for the abolished ETF.

The Eighty-fourth Legislature, 2015, established the Governor's University Research Initiative (GURI) to help Texas universities recruit top-tier faculty to Texas, including Nobel Laureates and members of National Academies or other honorific societies. Priority of awards is given to applications from academic institutions that involve the recruitment of distinguished researchers in the fields of

FIGURE 109
TEXAS ENTERPRISE FUND EXPENDITURES BY REGION, FISCAL YEARS 2004 TO 2015



Region	Total Award (in millions)	New Jobs Committed
1 Panhandle/West Region	$16.8	4,537
2 South/Midwest Region	$64.5	13,738
3 North/Northeast Region	$217.2	23,315
4 Lower South Region	$18.9	1,919
5 Central Region	$127.4	18,604
6 Gulf Coast/East Region	$131.1	15,635

NOTES:
(1) Variances in regional award totals may occur due to some multiregion projects.
(2) Totals may not sum due to rounding.
SOURCE: Office of the Governor.

science, technology, engineering, mathematics, and medicine. GURI is a matching grant program, and grants will be given to Texas institutions of higher education on an ongoing basis. Appropriations for GURI in the 2016–17 biennium total $40.0 million in General Revenue–Dedicated Funds and 7.0 FTE positions.

The Texas Film Commission (TFC) provides information on filming locations; the state's industry infrastructure such as crews, talent, and vendors; and state laws and sales tax exemptions for filmmakers seeking to produce movies or television shows in Texas. TFC also manages the Moving Image Industry Incentive Program, which offers grants to production companies that help generate jobs by producing films, television programs, video games, instructional and educational videos or commercials in Texas. Appropriations in the 2016–17 biennium include $22.0 million in General Revenue Funds for the Moving Image Industry Incentive Program, contingent on certification by the Comptroller of Public Accounts that sufficient revenue is generated from the program to offset the cost of the appropriations. TFC works statewide with local communities to realize and promote regional assets for filmmaking activity through the Film Friendly Texas certification program and, beginning in 2016, helps local communities realize continued economic benefit after films are produced in their regions through the Texas Film Tourism program.

The Texas Music Office (TMO) helps promote the Texas music industry by providing referrals to Texas music businesses, performers, and events to attract new business to Texas and foster the economic development of in-state music businesses and musicians. The office publishes the annual Texas Music Industry Directory online, and contains more than 17,000 Texas music businesses cross-referenced by numerous music categories. This resource attracted 245,973 users in fiscal year 2015. TMO also maintains the Texas Music International Tip Sheet, a referral network consisting of international music businesses interested in Texas music and music businesses, and administers a specialty license plate grant program and uses the grant program's proceeds to provide musical instruments and music lessons to students in low-income schools. Appropriations for the TFC and TMO in the 2016–17 biennium total $32.0 million in All Funds and 24.1 FTE positions.

CRIMINAL JUSTICE

The second major program area is criminal justice, which encompasses most of the programs administered by the Criminal Justice Division (CJD). The mission of the CJD is to establish and support programs that increase public safety, reduce crime, provide services to victims, and promote accountability, efficiency, and effectiveness within the state's criminal justice system. Eligible applications for CJD grant funds include state agencies, regional councils of governments, cities, counties, independent school districts, higher education institutions, and nonprofit organizations that are related to criminal justice. CJD serves as the State Administering Agency for a variety of formula grants from the federal government. CJD grants are used to fund efforts to enhance public safety by prosecuting criminal offenders, reduce domestic violence, prevent sexual assault and human trafficking, reduce gang activity, increase services for victims of crime, reduce drug and juvenile crime, support border security efforts, support safe schools, assist victims, and increase the safety and effectiveness of law enforcement personnel. In the 2016–17 biennium, $10.0 million in General Revenue Funds is appropriated for grants to provide body-worn cameras for law enforcement officers.

Criminal justice grants are monitored and evaluated by CJD and Governor's compliance staff. **Figure 110** shows the top five state and federal grant and program funding amounts estimated to be available during the 2016–17 biennium, and a brief summary of eligible uses for each funding source. Appropriations for criminal justice activities, including grants and division operations, for the 2016–17 biennium total $221.8 million in All Funds, including $98.3 million in General Revenue Funds and General Revenue–Dedicated Funds and $123.5 million in Federal Funds.

BORDER SECURITY

The Eighty-fourth Legislature, 2015, appropriated funds to the Trusteed Programs within the Office of the Governor for border security activities, the third major program area. Appropriations totaling $22.2 million in General Revenue Funds and $6.0 million in General Revenue–Dedicated Funds will be used for border security operations in coordination with CJD for enhanced patrol and prosecution efforts, installation and maintenance of border cameras, and helicopter operations. In addition, $10.2 million in General Revenue Funds is appropriated for antigang programs and reported as a part of the border security efforts. Total funding for the border security program area is $38.4 million, or 6.6 percent of total appropriations in the 2016–17 biennium.

FIGURE 110
GOVERNOR'S CRIMINAL JUSTICE DIVISION FUNDING TOP FIVE PROGRAMS AND GRANTS, 2016–17 BIENNIUM

PROGRAM/FUND	ESTIMATED FUNDING (IN MILLIONS)
Victims of Crime Act Formula Grant Program	$63.4
Federal Funds. Eligible Uses: Provide services and assistance directly to victims of crime.	
State Criminal Justice Planning Fund	$51.6
General Revenue Funds and General Revenue–Dedicated Funds. Eligible Uses: Support programs designed to reduce crime and improve the criminal or juvenile justice system.	
Edward Byrne Justice Assistance Grants	$30.9
Federal Funds. Eligible Uses: Programs that prevent and control crime and make improvements to the criminal justice system.	
Violence Against Women Act Fund	$17.8
Federal Funds. Eligible Uses: Develop and strengthen effective criminal justice strategies and victim services programs to combat violent crimes against women.	
Body Worn Cameras	$10.0
General Revenue Funds. Eligible Uses: Provide grants to provide body-worn cameras for law enforcement officers.	

SOURCE: Legislative Budget Board.

EMERGENCY AND DISASTER FUNDS

The fourth major program area is emergency, deficiency, and disaster funding. The Governor is authorized by the Texas Government Code, Section 403.075, to fund and solve certain fiscal problems of the state without calling a special legislative session or using budget execution. The emergency deficiency grants program provides assistance to state agencies with insufficient funds to operate or to meet the needs of unforeseen circumstances. The Governor may also provide disaster assistance grants to local and state governments to respond to unforeseen disasters. According to the Texas Government Code, Chapter 418, disaster funds are available only after funds to state and local agencies for disasters are depleted. The Governor has the authority to consider approval of disaster assistance grants for agencies with insufficient funds to operate or meet unanticipated situations. Examples of disaster funding provided to state and local entities include grants to fight and assist with recovery related to severe floods, wildfires, hurricane recovery efforts along the Gulf Coast, evacuation assistance for segments of the population forced out of dangerous or unsafe areas, and rebuilding of infrastructure such as roads and public buildings after a disaster event. The Eighty-fourth Legislature, 2015, appropriated $2.3 million in General Revenue Funds for Emergency and Deficiency Grants and $14.8 million in General Revenue Funds for Disaster Assistance Grants.

OUTREACH PROGRAMS

The fifth major program area, outreach programs, contains three programs: the Office of State-Federal Relations, the Governor's Committee on People with Disabilities, and the Governor's Commission for Women. The Office of State-Federal Relations (OSFR) acts as primary liaison to the federal government for the Governor, the Legislature, and state agencies. The mission of the OSFR is to advance state policy by promoting communications and building relationships between the state and federal government. Appropriations for OSFR in the 2016–17 biennium total $2.1 million in All Funds and 6.6 FTE positions.

The Governor's Committee on People with Disabilities (GCPD) was established by the Seventy-second Legislature, Regular Session, 1991, and is guided by statutory mandates found in the Texas Human Resources Code, Chapter 115. GCPD makes recommendations to the Governor and Legislature on disability issues; promotes compliance with disability-related laws; promotes a network of local committees doing similar work; recognizes employers for hiring and retaining employees with disabilities; and recognizes media professionals and students for positively depicting Texans with disabilities. GCPD also serves as the state's liaison agency in working with the President's Committee on Employment of Persons with Disabilities and other entities involved in activities or concerns affecting persons with disabilities. Appropriations for GCPD in the 2016–17 biennium total $1.5 million in General Revenue Funds and 6.7 FTE positions.

The Governor's Commission for Women (GCW) promotes and advances the status of women through its research and advocacy activities, education initiatives, referral services, recognition of outstanding Texas women, and professional training for state employees. Among GCW's primary missions during the 2016–17 biennium is to help make Texas the national leader in women-owned businesses, to help women armed services veterans transition into the Texas workforce, and to encourage young women to study science, technology, engineering, and mathematics (STEM). Texas ranks second nationally in the number of women-owned businesses, and businesses owned by women in Texas are growing at more than twice the rate of all firms nationwide. The Governor's Commission for Women has 11 commissioners who are appointed by the Governor to serve two-year terms. Appropriations for GCW in the 2016–17 biennium total $0.5 million in General Revenue Funds and 1.4 FTE positions.

SIGNIFICANT LEGISLATION

House Bill 10 and **House Bill 1446 – Program for victims of child sex trafficking.** The enactments of HB 10 and HB 1446 establish new programs within CJD aimed at preventing child sex trafficking and properly assisting child victims. The programs will focus on providing comprehensive, individualized services to address the rehabilitation and treatment needs of child victims of sex trafficking, provide support for child sex trafficking prosecutions, and coordinate care for the victims with state and local agencies.

House Bill 12 – Border Prosecution Unit. The enactment of HB 12 codifies the Border Prosecution Unit, which provides prosecutorial assistance for border-related criminal offenses, within the Office of the Governor.

Senate Bill 158 – Body-worn camera program. The enactment of SB 158 requires CJD to administer grants to provide body-worn cameras for law enforcement officers. Eligible applicants include police departments, sheriffs, and the Department of Public Safety.

HISTORICAL COMMISSION

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

ESTABLISHED: 1953

AUTHORIZING STATUTE: The Texas Government Code, Chapter 442

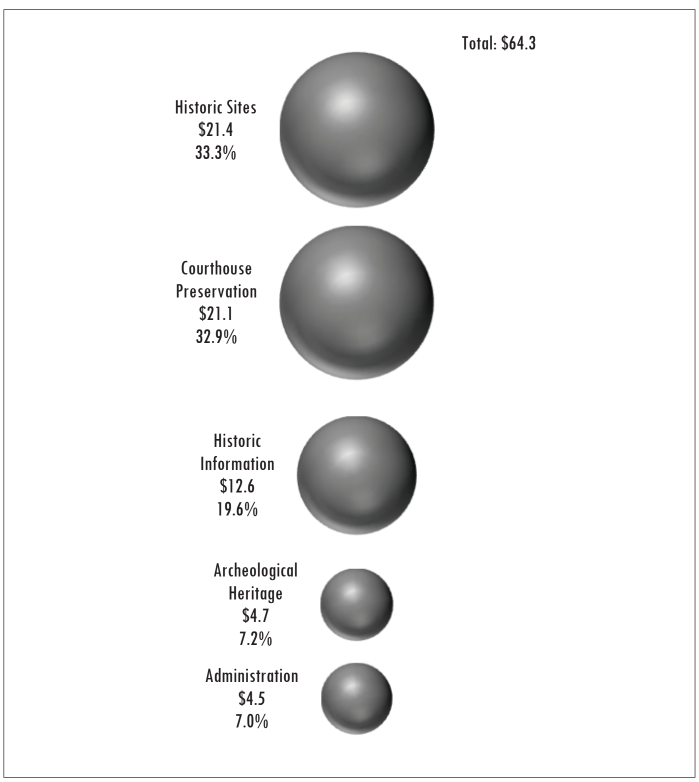
GOVERNANCE: Commission—nine members appointed by the Governor, with the advice and consent of the Senate

FIGURE 111
HISTORICAL COMMISSION BY METHOD OF FINANCE

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

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2016	217.7
2017	217.7

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

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

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

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

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

SOURCE: Legislative Budget Board.

MAJOR FUNDING

Funding for the Historical Commission (THC) includes an increase of $28.5 million in General Revenue Funds for Courthouse Preservation grants ($20.0 million), maintenance of historic sites ($0.8 million), rehabilitation of the National Museum of the Pacific War ($2.0 million), construction at the San Felipe de Austin State Historic Site ($2.0 million), and additional staff ($3.7 million).

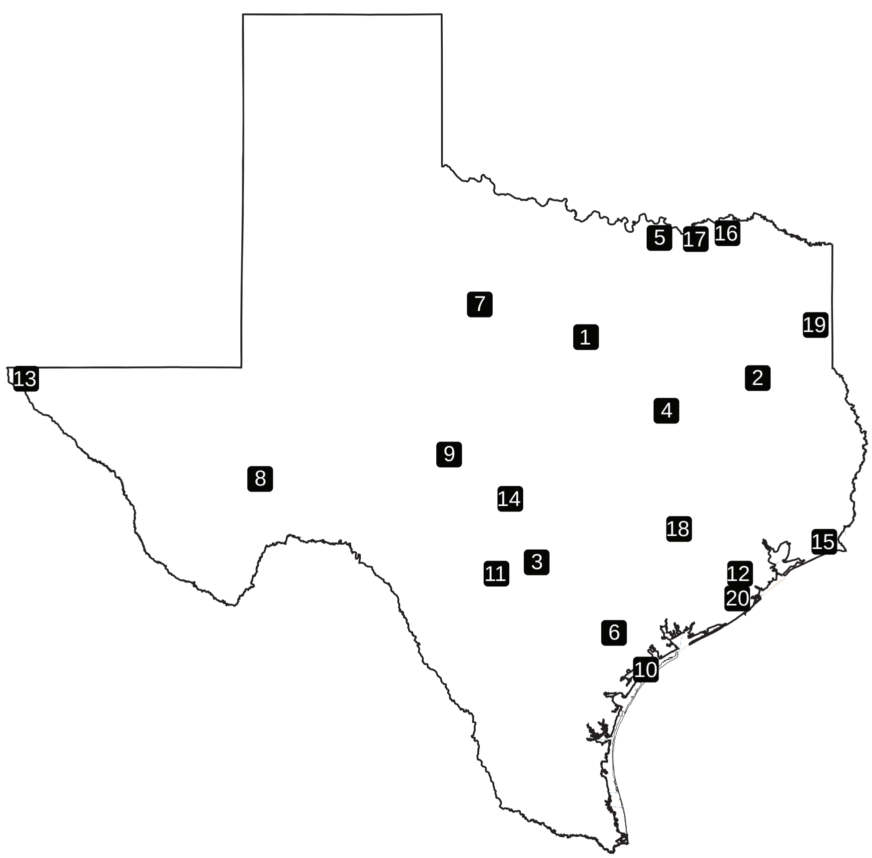
PROGRAMS

The agency carries out its responsibilities through five major program areas: (1) overseeing the agency's 20 historic attractions throughout the state; (2) providing grants and technical assistance through the Texas Historic Courthouse Preservation program; (3) promoting and providing outreach and assistance for the historic and cultural resources of Texas; (4) identifying, protecting and preserving Texas' archaeological heritage; and (5) performing administrative duties in support of all agency functions.

HISTORIC SITES

In addition to assisting local communities with the protection of local historic sites and buildings, the agency oversees five historic buildings within the Capitol Complex that provide THC staff with office space: Carrington-Covert House, Gethsemane Lutheran Church, Luther Hall, the Elrose Apartment building, and the Christianson-Leberman Building. THC also maintains and operates 20 historic sites throughout the state, as shown in **Figure 112**. The agency administers the Sam Rayburn House Museum in Bonham and assumes responsibility for the operation of the National Museum of the Pacific War in Fredericksburg. In 2008, an additional 18 sites, including forts, battlegrounds, homes, plantations, and other historically significant sites, were transferred from the Texas Parks and Wildlife Department to

FIGURE 112
TEXAS HISTORICAL COMMISSION HISTORIC SITES, 2016–17 BIENNIUM



1 Acton State Historic Site
Acton, Hood County
2 Caddo Mounds
Alton, Cherokee County
3 Casa Navarro
San Antonio, Bexar County
4 Confederate Reunion Grounds
Mexia, Limestone County
5 Eisenhower Birthplace
Denison, Grayson County
6 Fannin Battleground
Goliad, Goliad County
7 Fort Griffin
Albany, Shackelford County
8 Fort Lancaster
Sheffield, Pecos County
9 Fort McKavett
Fort McKavett, Menard County
10 Fulton Mansion
Fulton, Aransas County
11 Landmark Inn
Castroville, Medina County
12 Levi Jordan
Brazoria County
13 Magoffin Home
El Paso, El Paso County
14 National Museum of the Pacific War
Fredericksburg, Gillespie County
15 Sabine Pass Battleground
Sabine Pass, Jefferson County
16 Sam Bell Maxey House
Paris, Lamar County
17 Sam Rayburn House Museum
Bonham, Fannin County
18 San Felipe de Austin State Historic Site
San Felipe, Austin County
19 Starr Family Home
Marshall, Harrison County
20 Varner-Hogg Plantation
West Columbia, Brazoria County

SOURCE: Texas Historical Commission.

THC. Additional funding in the 2016–17 biennium includes $4.8 million to provide for the repair and renovation of the National Museum of the Pacific War, construction of buildings and facilities for the San Felipe de Austin State Historic Site, and deferred maintenance and safety renovations at historic sites throughout the state. Appropriations for the historic sites program area total $21.4 million.

COURTHOUSE PRESERVATION

After the National Trust for Historic Preservation added Texas courthouses to its list of America's 11 Most Endangered Historic Places in 1998, the Historic Courthouse Preservation Program was established in 1999. Through this program, THC provides matching grants of up to $6.0 million to eligible entities, including counties and cities, for the preservation of their courthouses. Since the program was initiated, $250.2 million has been awarded to assist with the restoration and preservation of 91 courthouses, including 63 full restorations, of which 62 are complete. THC anticipates making approximately eight to 14 Courthouse Preservation grants during the 2016–17 biennium **(Figure 113)**. Funding for the program totals $21.1 million.

HISTORIC INFORMATION

Acting in partnership with communities and regions throughout Texas, the agency works to stimulate tourism and economic development. Through the Main Street Program, THC helps Texas cities revitalize their historic downtowns and commercial districts. Each year, the Main Street Interagency Council, composed of staff from the THC, Legislative Budget Board, Texas Department of Agriculture's Office of Rural Affairs, and Office of the Governor, may recommend up to five cities to receive services that include onsite evaluations by architects and other experts in historic preservation, marketing programs for heritage tourism, and training for Main Street managers and board members. Across Texas, 90 cities have been designated by the Main Street program.

Through its Heritage Tourism initiative, the agency works with communities to identify historic resources and develop heritage corridors that stimulate tourism within an area of the state. Although originally developed to stimulate tourism around 10 scenic driving trails developed by the Governor and the Texas Department of Transportation, the agency expanded the Heritage Trails program to include communities on and off of the trails. The agency provides networking, statewide heritage travel promotion, and professional support training to the 10 heritage regions, and financially supports regional volunteer heritage tourism boards.

THC assists local communities in historic preservation by providing leadership and training to county historical commissions, heritage organizations, and museums in Texas' 254 counties. Through the state's historical marker program the agency reviews requests for three types of markers: (1) Recorded Texas Historic Landmarks; (2) educational subject markers; and (3) Historic Texas Cemetery markers.

FIGURE 113
HISTORIC PRESERVATION GRANTS, FISCAL YEARS 2012 TO 2017

	2012	2013	2014	2015	2016	2017
Texas Preservation Trust Fund Grants						
Total Amount	$0	$0	$0	$530,000	$265,000	$265,000
Grants Awarded	0	0	0	23	10–15	10–15
Certified Local Government Grants						
Total Amount	$133,489	$133,489	$155,255	$137,248	$133,489	$133,489
Grants Awarded	10	14	10	8	10	10
Texas Historic Courthouse Preservation Program ($ in millions)						
Total Amount	$20.8	$0.6	$6.0	$0.4	$10.0	$10.0
Grants Awarded	21	6	19	2	4–7	4–7
Heritage Tourism Grants						
Total Amount	$750,000	$750,000	$750,000	$790,350	$344,750	$0
Grants Awarded	10	10	10	10	10	0

NOTE: Fiscal years 2016 and 2017 are budgeted amounts.
SOURCE: Texas Historical Commission.

In coordination with the National Park Service, THC also reviews nominations for the National Register of Historic Places.

In addition, the agency offers financial assistance for preservation activities through several grant programs. In accordance with the Certified Local Government Program, at least 10.0 percent of Federal Historic Preservation Funds received by the agency must be used for matching grants to communities for the development of preservation programs and planning. Another matching grant program, the Local Preservation Grants Program, provides for the historic preservation of architecture and archeological properties from the Preservation Trust Fund Account. **Figure 113** shows the number of grantees and amounts awarded for each of THC's historic preservation grant programs. Appropriations for the historic information program area total $12.6 million.

ARCHEOLOGICAL HERITAGE

The agency's Archeology Division performs review and advisory activities to identify, protect, and preserve Texas' archeological heritage. In accordance with the National Historic Preservation Act of 1966 and the Antiquities Code of Texas (the Texas Natural Resource Code, Title 9, Chapter 191), the division conducts reviews of public construction projects that may affect an archeological site and is also responsible for designating State Antiquities Landmarks (formerly known as State Archeological Landmarks). THC archeologists also provide assistance, primarily to private landowners, in identifying, recording, and preserving archeological sites throughout Texas and administer the Texas Archeological Stewardship Network, in which volunteer vocational archeologists assist in the preservation of archeological sites and artifacts. The Archeology Division also coordinates the annual observance of Texas Archeology Month.

THC is charged, pursuant to the Antiquities Code of Texas, with ensuring the proper care and management of archeological collections within the public domain of the state, referred to as state held-in-trust collections. Due to the vastness of such collections, the agency transfers stewardship of them to various curatorial facilities in Texas. The agency's Curatorial Facility Certification Program ensures that these facilities meet standards related to the care and management of state artifact collections, facilitates the housing of these artifacts in museums and repositories across the state, and maintains an inventory of these state held-in-trust collections.

The Texas Historic Sites Atlas is a website THC maintains, which includes more than 300,000 historic and archeological site records documenting Texas history. Included in the website's database is detailed information about Official Texas Historical Markers, the National Register of Historic Places, historic courthouses, museums, and cemeteries. Although originally established to provide state and federal land-use planners with information on the location and condition of Texas' cultural resources, the site provides the public and qualified users with detailed textual descriptions, historic photographs, and interactive maps of historic sites in Texas. Appropriations for the archeological heritage program area total $4.7 million.

ADMINISTRATION

The agency administration program area supports the overall efficiency and effectiveness of THC operations. Appropriations for the administration program area total $4.5 million.

SIGNIFICANT LEGISLATION

House Bill 3230 – Tax credit for rehabilitation of certified historic structures. The enactment of HB 3230 expands eligibility of the existing historic structures rehabilitation credit for the state franchise tax to nonprofits exempt from federal income tax.

House Bill 2332 – Historic sites naming rights. The enactment of HB 2332 authorizes the naming of an area of a historic site without historical value in honor of a donor or other benefactor as THC considers appropriate.

House Bill 978 – Route 66 historic corridor. The enactment of HB 978 requires THC to identify relevant segments of former U.S. Highway 66 located in Texas as a historic corridor.

House Bill 3868 – Don Juan de Onate Trail. The enactment of HB 3868 requires THC to designate Westside Drive in El Paso County as the Don Juan de Onate Trail and a Texas historic highway.

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

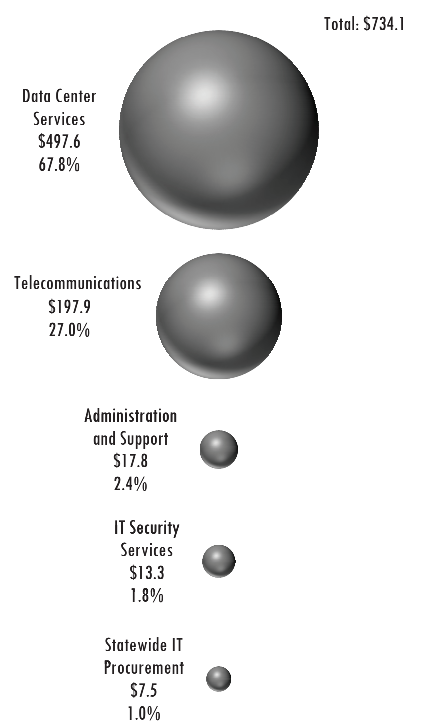
GOVERNANCE: Board of Directors—seven voting members appointed by the Governor with the advice and consent of the Senate and three ex officio nonvoting members specified in the Government Code, §2054.021(c)

FIGURE 114
DEPARTMENT OF INFORMATION RESOURCES BY METHOD OF FINANCE

	IN MILLIONS			
METHOD OF FINANCE	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$0.0	$0.0	$0.0	N/A
General Revenue–Dedicated Funds	$0.0	$0.0	$0.0	N/A
Federal Funds	$0.0	$0.0	$0.0	N/A
Other Funds	$582.2	$734.1	$151.9	26.1%
Total, All Methods of Finance	**$582.2**	**$734.1**	**$151.9**	**26.1%**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2016	198.0
2017	198.0

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

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

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

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

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

MAJOR FUNDING

Appropriations to the Department of Information Resources (DIR) primarily provide pass-through payments to service providers of telecommunications and data center services for costs of services for which the agency directly bills customers (i.e., state agencies, institutions of higher education, and local entities). Appropriations include $664.9 million in All Funds for cost of services for the following programs:

- Capitol Complex Telephone System (CCTS): Funding provides $5.1 million, which reflects an increase of $1.2 million due to the expansion of voice over Internet protocol (VoIP) phone service for the Capitol Complex;

- Texas Agency Network (TEX-AN): Funding provides $169.7 million, which reflects an increase of $25.3 million primarily related to increased consumption of data services by nonstate customers (local entities); and

- Data Center Services (DCS): Funding provides $490.1 million, which reflects an increase of $118.3 million. The increases are typically agency-driven and are related to an anticipated increase in service consumption primarily for servers and storage affected by agencies' initiatives started in the 2014–15 biennium, along with increases related to disaster recovery services and server software purchases.

Funding also provides $2.0 million in All Funds for reprocurements of the Texas.gov contract, which is set to expire on August 31, 2017, and the DCS program oversight and print and mail services contracts, both of which expire on August 31, 2018. The increase of $1.5 million from the 2014–15 biennium provides for specialized legal services in the area of information technology and consulting services to consider alternative funding and service models.

DIR is entirely funded through fees generated through the telecommunications, Cooperative Contracts, and DCS programs. In almost all instances, the revenue received by the agency is generated from an administrative fee levied by DIR on services or goods provided by contracted vendors. In fewer instances for certain telecommunications services that DIR directly provides, the fee is included in service pricings. The fees recover DIR's operational costs to oversee the three related programs and costs for statewide policy functions, information technology (IT) security initiatives, administration of the Texas.gov contract, and DIR's indirect administrative costs. **Figure 115** shows an overview of the fees charged to customers, both to state agencies and other public entities that are eligible to utilize DIR's programs.

PROGRAMS

DIR carries out its responsibilities through five major program areas: (1) data center services; (2) telecommunications; (3) information technology (IT) security services; (4) statewide IT procurement; and (5) administration and support.

DATA CENTER SERVICES

DIR's consolidated DCS program provides IT services to multiple state agencies on a cost-sharing basis. With the goal of upgrading technology, increasing security, and leveraging economies of scale, the Seventy-ninth Legislature, Regular Session, 2005, initiated a program to merge the data centers of 27 state agencies into two consolidated data centers in Austin and San Angelo. Consolidated data center services include mainframe, server, and bulk print and mail operations; standardization of security and disaster recovery plans and annual testing; and replacement of older technology, including a hardware and software refresh schedule.

Data center services are provided in accordance with three service provider contracts, which include contracts with: (1) Capgemini as the oversight and services integration vendor that coordinates services, provides service-level calculation and management, desk support, program management, business continuity, disaster recovery testing and planning, financial management and invoicing; (2) Atos for the delivery of infrastructure services for mainframe, servers, networks, and data center operations; and (3) Xerox for bulk printing and mail services. Agencies are billed for each specific service consumed, such as mainframe central processing unit (CPU) hours or tape storage. Each service has an associated rate, which is based on monthly baseline volumes. Actual rates fluctuate monthly based on service consumption levels. Discounts are applied for services consumed at more than baseline volumes, resulting in overall lower rates across participating agencies. Conversely, premiums are applied for services consumed at less than baseline volumes, resulting in higher rates across participating agencies. Data center infrastructure services are provided to 27 state agencies (including DIR), one state agency for print and mail operations only (Department of Agriculture), and three additional agencies (Military Department, Board of Architectural Examiners, and Racing Commission) that

FIGURE 115
DEPARTMENT OF INFORMATION RESOURCES COST-RECOVERY PROGRAMS AND FUNDING SOURCES

PROGRAM	FEE RATES	ACCOUNT (OTHER FUNDS)
Telecommunications (Capitol Complex Telephone System (CCTS) and Texas Agency Network (TEX-AN))	For services that Department of Information Resources (DIR) directly provides, such as CCTS and shared Internet services, fees are included in the prices. Fee levels for other telecommunication services are: • 12.0 percent for services billed by DIR; • 2.0 percent for wireless services and conferencing services that are directly billed by the vendor; • 4.0 percent for local services and other TEX-AN Next Generation services that are directly billed by the vendor; and • 0.5 percent for managed services that are directly billed by the vendor. Fee rates are not capped and are not applied to surcharges billed from telecommunication providers.	Telecommunications Revolving Account (Appropriated Receipts and Interagency Contracts)
Cooperative Contracts	Actual fees vary by contract and are included in the purchase price of information technology commodities and services. • Average fee: 0.65 percent • Maximum fee: 1.0 percent Fee rates are capped at 2.0 percent in the 2016–17 GAA, Article I, DIR, Rider 3.	Clearing Fund (Appropriated Receipts)
Data Center Services	Fee is set at 2.95 percent of data center services costs billed by contracted service providers. Fee is uncapped. Agency must receive written approval from the Legislative Budget Board and Office of the Governor before increasing the fee, pursuant to the 2016–17 GAA, Article I, DIR, Rider 9.	Statewide Technology Account (Appropriated Receipts and Interagency Contracts)

Notes:
(1) 2016–17 GAA = Eighty-fourth Legislature, General Appropriations Act (GAA), 2016–17 Biennium.
(2) Estimated rates for fiscal year 2016.
Source: Department of Information Resources.

procure only Internet-based email services through the DCS program. Appropriations for Data Center Services include $497.6 million and provide for 27.1 full-time-equivalent (FTE) positions.

TELECOMMUNICATIONS

DIR's telecommunications programs provide voice, data, video, and Internet services for the state through the CCTS and TEX-AN. CCTS operations provide local telephone service for 40 state office buildings in the Capitol Complex and several satellite office buildings in Austin. CCTS services include installation of new telephones or telephone services, moving and removal of existing telephones, and voicemail installation and training. TEX-AN is the long-distance, voice, and data communication system for state government and offers enhanced Internet and video-teleconferencing capabilities. Through TEX-AN, the agency also offers telecommunication services to other political subdivisions such as cities, counties, councils of governments, public school districts, and public institutions of higher education, with the goal of providing significant cost savings and communications service options to meet their business needs. Funding for CCTS and TEX-AN totals $197.9 million and provides 64.1 FTE positions.

IT SECURITY SERVICES

DIR provides several IT security services to state agencies and institutions of higher education and is responsible for the physical and logical security of the state's data systems and networks. DIR operates the Network Security Operations Center (NSOC) to provide computer network security services to state agencies. NSOC monitors, reports, analyzes, and provides coordinated responses to cyberthreats and attacks against the state network. NSOC also provides network testing services to identify and evaluate network and system vulnerabilities that are susceptible to cyberattack.

DIR develops statewide IT security policies, procedures, standards, and guidelines to state agencies; monitors agencies' compliance with state security policies; recommends remedial actions for agencies out of compliance; and provides access to security research and advisory materials, and security training. Additionally, security assessments provided by a third-party vendor assess agencies' overall security postures and identify areas for improvement. Appropriations for the agency's IT security operations total $13.3 million and provide 11.0 FTE positions.

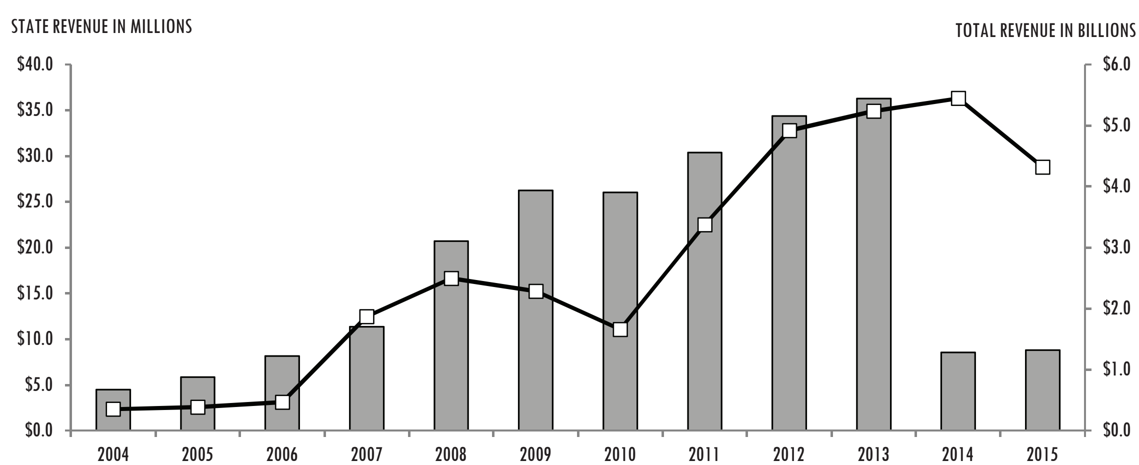
STATEWIDE IT PROCUREMENT

The agency is responsible for the solicitation, negotiation, and management of the statewide IT procurement program known as Cooperative Contracts. The program's objective is to leverage the state's buying power to lower the cost and improve the quality of technology commodities and services to state agencies and political subdivisions. All governmental entities in Texas are eligible customers, including state agencies, universities, cities, counties, and public schools. The program streamlines the procurement process for customers by eliminating the need to issue individual solicitations. The program provides favorable prices for commodity items such as personal computers, laptops, and related desktop software, hardware, and software maintenance; staffing services; disaster recovery planning; and other associated goods and services with high customer demand. According to DIR, the program provided more than 4,400 eligible customers savings and cost avoidance of approximately $199.3 million in fiscal year 2015. Funding for the Cooperative Contracts program totals $7.5 million and provides 26.5 FTE positions.

ADMINISTRATION AND SUPPORT

DIR's administration and support programs include agencywide administrative and technology support, management of large enterprise contracts, the Texas.gov program, and statewide technology planning and policy development. The Texas.gov program provides contract oversight, performance monitoring, planning, policy development, and program management of the state's Texas.gov web portal. Through Texas.gov, the public can access state agency and local government services and applications in a variety of languages. Several agencies' services are offered through Texas.gov, such as driver license renewal, vehicle registration, professional and occupational license renewals, vital records (i.e., birth, death and marriage certificates), and utility bill payments. In accordance with the contract with the National Information Consortium (NICUSA) to operate the portal, which expires August 31, 2017, revenue generated from transactions conducted through Texas.gov is shared between NICUSA (60.0 percent) and the state's unappropriated General Revenue Funds (40.0 percent). Revenue generated through Texas.gov primarily consists of convenience fees charged for services provided through the portal. **Figure 116** shows the

FIGURE 116
STATE REVENUE SHARE FROM TEXAS.GOV, FISCAL YEARS 2004 TO 2015



NOTE: Fiscal year 2015 is estimated.
SOURCE: Department of Information Resources.

state's revenue share in contrast with total revenues processed through Texas.gov from fiscal years 2004 to 2015. The decrease beginning in fiscal year 2014 is due to the transfer of the Webfile tax filing system from Texas.gov program to the Comptroller of Public Accounts (CPA) and consequently removal of tax collections previously processed through Texas.gov. Additionally, the decrease in State Revenue Share in fiscal year 2015 is due to the removal of the SmartBuy system from the Texas.gov program to the CPA.

The Technology Planning and Policy program provides strategic policy, procedures, and direction for implementing and managing technology in the state. The office manages one of the agency's core activities: development of the State Strategic Plan for Information Resources Management. Through the State Strategic Plan, DIR establishes a common direction for all state agencies and universities for implementing technology, thus promoting coordination and eliminating redundancy. In conjunction with the State Strategic Plan, the agency develops the Biennial Report for Information Resources Management, which evaluates the state's progress in information technology. Funding for the agency's administration and support programs total $17.8 million and provide 69.3 FTE positions.

SIGNIFICANT LEGISLATION

House Bill 1890 – Statewide strategy for legacy system modernization. House Bill 1890 requires DIR, in collaboration with state agencies, to develop a plan for statewide legacy system modernization and to develop and implement a shared data reporting and business analytics service and a shared application portfolio management program for state agencies. The bill requires state agencies to identify information security issues of legacy systems and to develop a plan to prioritize the remediation and mitigation of those security issues. Additionally, the bill requires state agencies, when considering and implementing new applications or remediation strategies, to prioritize standardization and consolidation by emphasizing shared solutions.

House Bill 1912 – Statewide data coordinator. House Bill 1912 requires the executive director of DIR to employ a statewide data coordinator to improve the control and security of information collected by state agencies; promote information sharing between state agencies; and to reduce information collection costs. The bill also requires the coordinator to develop and implement best practices among state agencies related to information coordination, collection, analysis, and sharing.

Senate Bill 20 – State agency contracting requirements. The enactment of SB 20 provides several changes to state agency contracting, purchasing, and accounting procedures. Among those changes affecting the DIR and the Cooperative Contracts program, SB 20 requires state agencies making purchases through the program to submit pricing requests from certain numbers of vendors based on the value of the anticipated contract: (1) for contract values less than $50,000, no additional request for pricing is required; (2) for contract values between $50,000 to $150,000, pricing requests must be submitted to at least three vendors; and (3) for contract values between $150,000 and $1.0 million requests must be submitted to at least six vendors. For anticipated contract values greater than $1.0 million, the agency may not enter into a contract for IT commodities and services through the Cooperative Contracts program. Additionally, agencies are required to receive approval from DIR for statements of work on purchases through the program worth more than $50,000.

Senate Bill 34 – Statewide Information security report. Senate Bill 34 requires DIR to submit by January 13 of each odd-numbered year a report to the Governor, Lieutenant Governor, and the Legislature that evaluates the security of the state's information resources.

Senate Bill 1878 – Study of identification and access management. Senate Bill 1878 requires DIR to conduct a study to determine the feasibility of implementing new identification and access requirements for accessing certain information electronically stored by the state, including personal identifying information and sensitive personal information.

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

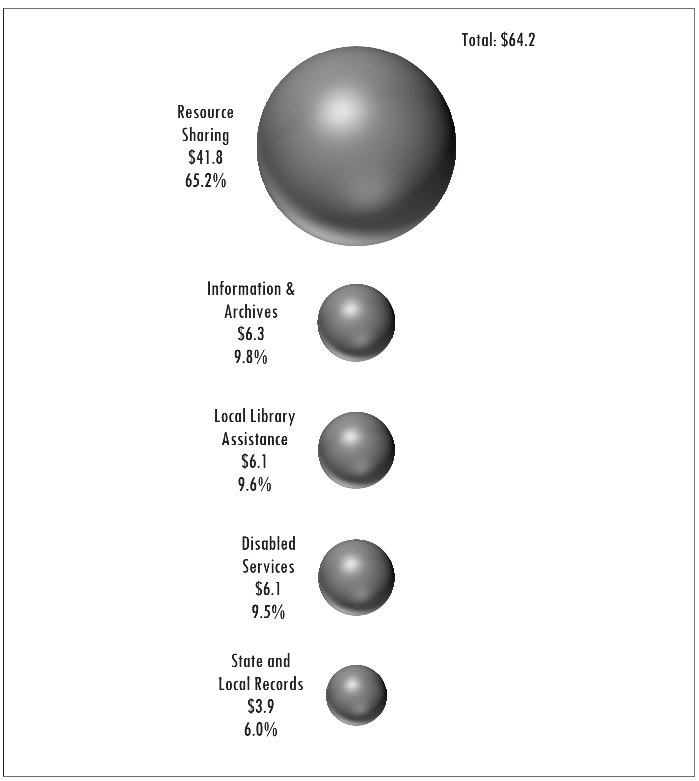
GOVERNANCE: Commission—seven members appointed by the Governor with advice and consent of the Senate

FIGURE 117
LIBRARY AND ARCHIVES COMMISSION BY METHOD OF FINANCE

	IN MILLIONS			
METHOD OF FINANCE	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$23.7	$31.5	$7.7	32.6%
General Revenue–Dedicated Funds	$0.0	$0.0	$0.0	N/A
Federal Funds	$19.9	$20.1	$0.2	1.1%
Other Funds	$10.8	$12.6	$1.8	16.8%
Total, All Methods of Finance	**$54.4**	**$64.2**	**$9.8**	**18.0%**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2016	168.5
2017	168.5

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

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

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

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

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

Source: Legislative Budget Board.

MAJOR FUNDING

Funding increases at the Texas State Library and Archives Commission (TSLAC) are primarily due to additional funding for resource sharing programs TexShare and TexQuest. General Revenue Funds for resource sharing programs increased by $5.9 million, and Other Funds increased by $2.2 million. Other funding increases were for the new Texas Digital Archive at the Texas State Archives, implementation of the Centralized Accounting and Payroll/Personnel System (CAPPS), and staff salary increases.

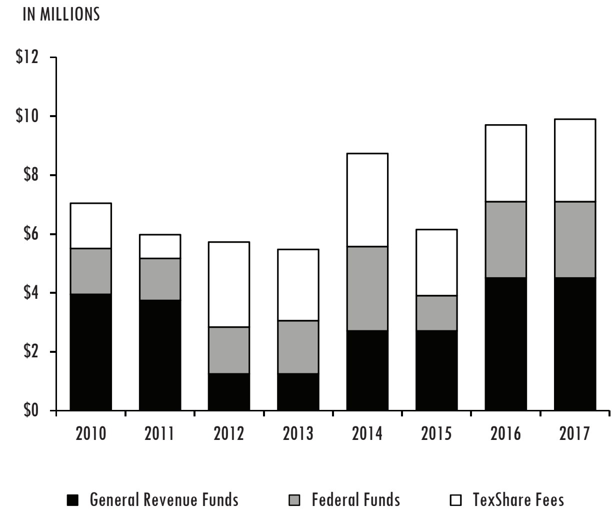
PROGRAMS

The agency carries out its responsibilities through five major program areas: (1) resource sharing, (2) information and archives, (3) local library assistance, (4) disabled services, and (5) state and local records.

RESOURCE SHARING

In its resource sharing functions, the agency encourages the development of and cooperation among public, academic, special, and other types of libraries. The agency offers library resource sharing services in three main program areas: TexShare, TexQuest, and the interlibrary loan program. TexShare is a statewide consortium of more than 700 academic, public, and clinical medicine libraries, in which TSLAC purchases access to e-resources, providing full-text articles through TexShare member libraries. In fiscal year 2015, 62 TexShare e-resources were available 24 hours a day in the homes or offices of registered patrons of participating Texas libraries. **Figure 118** shows TexShare funding. In the TexQuest program, TSLAC negotiates a cost-sharing database package for primary and secondary public school libraries. These databases provide age-appropriate content and sources for reliable online information for student learning and research for all grade levels. TexQuest appropriations are $8.6 million for the 2016–17 biennium. The TexNet statewide interlibrary loan network provides Texans access to materials in addition to those at their local libraries and is appropriated $5.6 million in the 2016–17 biennium.

FIGURE 118
TEXSHARE DATABASE FUNDING LEVELS
FISCAL YEARS 2010 TO 2017



NOTES:
(1) TexShare Fees for fiscal years 2010 to 2012 include funds collected and held outside the state Treasury.
(2) Fiscal years 2016 and 2017 are estimated.
SOURCE: Texas State Library and Archives Commission.

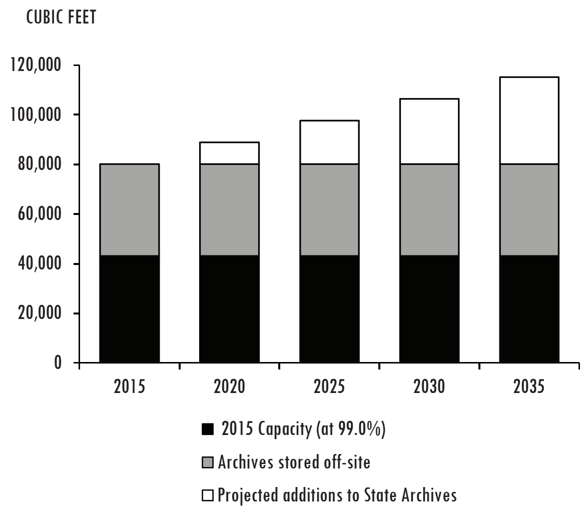
INFORMATION AND ARCHIVES

In TSLAC's archives and information services, the agency identifies, collects, and provides access to the essential records and published resources that document the rights and contributions of Texans, the responsibilities and actions of government, and the history and culture of the state. The Texas State Archives is the repository for the permanently valuable official records of Texas government and now includes the newly established Texas Digital Archive, digital audio and video files. For the 2016–17 biennium, funding includes $706,593 and 3.0 full-time-equivalent (FTE) positions for the Texas Digital Archive. **Figure 119** shows short- and long-term storage needs at the State Archives. Other archives and information programs include the Sam Houston Regional Library and Research Center in Liberty, the Reference/Documents Collection, the Genealogy Collection, and the Cataloging and Metadata department.

LOCAL LIBRARY ASSISTANCE

The agency provides consulting services and training to libraries statewide to help ensure that all libraries meet the needs of their communities. Training and technical assistance are offered in all areas of library management, particularly in grant writing, establishing libraries, small library management, services to underserved populations, and technology assistance. The agency also collects public library statistics annually as part of both the state accreditation and federal data collection processes, and serves as the state's coordinator for the federal E-rate program, which provides public libraries a discount of up to 90.0 percent of their telecommunications and Internet access costs. Additional

FIGURE 119
PROJECTED ARCHIVAL STORAGE NEEDS OF STATE ARCHIVES, FISCAL YEARS 2015 TO 2035



Source: Texas State Library and Archives Commission.

programs, such as supporting summer reading programs in public libraries, are designed to support libraries' involvement in community initiatives. In addition to consultation, training, and technical assistance, the agency awards competitive grants to local libraries to assist them with supporting literacy and educational attainment in their communities, providing programs and services to meet the needs of local communities, and technology to serve the information needs of Texans. In the 2016–17 biennium the agency is appropriated $3.7 million for competitive grants to libraries.

SERVICES TO TEXANS WITH DISABILITIES

Through the Talking Book Program, TSLAC provides free library service by mail to individuals who cannot read standard print because of visual, physical, or reading disabilities. TSLAC also collaborates with other state programs, libraries, and the National Library Services in providing a service that delivers narrated downloadable digital audio books directly to blind, low-vision, and otherwise print-impaired users. TSLAC loans and distributes the materials at no cost to qualified, registered persons across the state. In fiscal year 2015, the Talking Book Program circulated 773,963 pieces of reading materials (books and magazines) to 15,614 individuals, and more than 205,000 items were downloaded.

STATE AND LOCAL RECORDS

Finally, in order to assist state and local governments in records management, TSLAC offers records consulting and training services, sets the statewide minimum retention schedule, and reviews and approves retention schedules submitted by state agencies and local governments. In fiscal year 2015, a total of 9,221 state and local government employees were assisted or trained in records management. In addition, the agency offers on a cost-recovery basis document imaging services and storage of noncurrent records at the State Records Center to approximately 9,850 state and local government offices. In fiscal year 2015, the cost per cubic foot of records stored and maintained was $2.67 per cubic foot for approximately 313,000 cubic feet of stored records. Appropriations for records management services includes $2.8 million in fees from cost-recovery operations.

SIGNIFICANT LEGISLATION

Senate Bill 20 – Contracting changes. Senate Bill 20 requires new oversight and reporting regarding contracts at most state agencies; TSLAC is working to hire appropriate staff and comply with these regulations. Additionally, the agency's State and Local Records Management group is working with other agencies to propose changes to administrative rules regarding contract and contract documentation retention to meet the new seven-year retention required in the Texas Government Code, Section 441.1855.

Senate Bill 1455 – Required reports. Senate Bill 1455 amends agency reporting requirements identified in the 2015 edition of the *Required Reports Prepared by State Agencies and Institutions of Higher Education.* This biennial publication is required by TSLAC budget rider. TSLAC researches changes in statute and asks for report recipient assessments. Assessments may suggest repeal, consolidation, due date, or recipient changes. Senate Bill 1455 affects about 30 reports.

PENSION REVIEW BOARD

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

ESTABLISHED: 1979

AUTHORIZING STATUTE: The Texas Government Code, §801.101

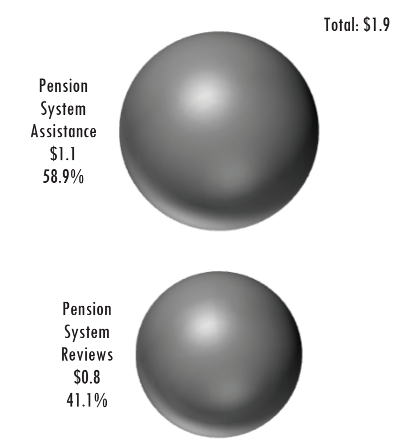
GOVERNANCE: Board—seven board members appointed by the Governor with advice and consent of the Senate

FIGURE 120
PENSION REVIEW BOARD BY METHOD OF FINANCE

	IN MILLIONS			
METHOD OF FINANCE	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$1.7	$1.8	$0.1	6.5%
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	$0.0	$0.0	N/A
Total, All Methods of Finance	**$1.7**	**$1.9**	**$0.1**	**7.6%**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2016	15.0
2017	15.0

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

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

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

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

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

SOURCE: Legislative Budget Board.

MAJOR FUNDING

The Pension Review Board (PRB) was appropriated an additional $33,000 in General Revenue Funds for salary increases and an additional $12,000 in General Revenue Funds for its payroll contributions to employees' group insurance and retirement. In addition, $60,000 in General Revenue Funds was appropriated for the Minimum Education Training (MET) program. The MET core curriculum includes subject matters such as fiduciary matters, ethics, investments, and actuarial matters.

PROGRAMS

The agency carries out its responsibilities through two major program areas: (1) providing technical assistance and information to public pension systems, and (2) reviewing public retirement systems.

PENSION SYSTEM ASSISTANCE

The PRB's first major program area is providing technical assistance and information to public pension systems. This area may include recommending policies, practices, and legislation to public retirement systems and appropriate governmental entities. The agency is also charged with preparing and providing an actuarial impact statement for a bill or resolution that proposes to change the amount or number of benefits or participation in benefits of a public retirement system or that proposes to change a fund liability of a public retirement system. Additionally, the PRB is directed to develop and administer an educational training program for trustees and system administrators of Texas public retirement systems. During the Eighty-fourth Legislature, 2015, the PRB tracked 125 bills, including 82 pension bills, and provided 56 actuarial impact statements on proposed legislation. Appropriations for providing technical assistance and other information are $1.1 million for the biennium.

PENSION SYSTEM REVIEWS

The second major program area is reviewing public retirement systems. This area includes ongoing reviews of public retirement systems by compiling and comparing information about benefits, creditable service, financing and administration of systems; and by conducting intensive studies of potential or existing problems that threaten the actuarial soundness of or inhibit an equitable distribution of benefits in one or more public retirement systems. All public retirement systems in Texas are required to register and file certain reports for review with PRB. The agency reviews public pension plans to detect plans in need of corrective action and monitors public plans with amortization periods greater than 40 years. The PRB has oversight responsibility for 331 public retirement systems in Texas: 93 actuarially funded defined benefit plans; 157 defined contribution and 81 pay-as-you-go volunteer firefighter plans. As of September 2015, the 93 defined benefit plans had approximately $243.0 billion in total net assets. Appropriations for this review function are approximately $0.8 million for the 2016–17 biennium.

SIGNIFICANT LEGISLATION

House Bill 3310 – Actuarial soundness of public retirement systems. HB 3310 requires public retirement systems to: (1) notify the sponsoring entity if they receive an actuarial valuation indicating that contributions are insufficient to amortize the unfunded actuarial accrued liability within 40 years; and (2) develop a funding soundness restoration plan after receiving a certain number of insufficient valuations. The bill requires the PRB to post online the most recent funding soundness restoration plan data received from public retirement systems. The bill also requires an actuarial valuation of a public retirement system to include the recommended contribution rate that is necessary to achieve and maintain an amortization period that does not exceed 30 years. Additionally, the bill requires a public retirement system with assets of at least $100.0 million to conduct an actuarial experience study once every five years, and to submit a copy of the study to the PRB.

PRESERVATION BOARD

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

ESTABLISHED: 1983

AUTHORIZING STATUTE: The Texas Government Code, Section 443.001

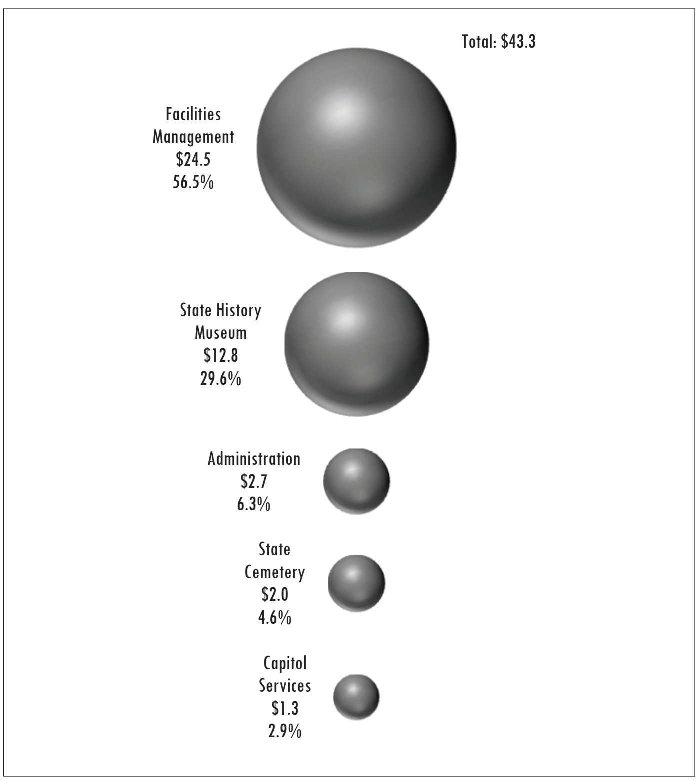
GOVERNANCE: Board—six members including the Governor, Lieutenant Governor, Speaker of the House of Representatives, one senator, one representative, and one public representative

FIGURE 121
PRESERVATION BOARD BY METHOD OF FINANCE

	IN MILLIONS			
METHOD OF FINANCE	**EXPENDED/ BUDGETED 2014–15**	**APPROPRIATED 2016–17**	**BIENNIAL CHANGE**	**PERCENTAGE CHANGE**
General Revenue Funds	$31.9	$43.2	$11.3	35.4%
General Revenue–Dedicated Funds	$0.0	$0.0	$0.0	N/A
Federal Funds	$0.0	$0.0	$0.0	N/A
Other Funds	$0.3	$0.0	($0.3)	(87.6%)
Total, All Methods of Finance	**$32.3**	**$43.3**	**$11.0**	**34.0%**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2016	120.0
2017	120.0

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

Repair and preservation projects for the Capitol, Capitol Visitors Center, and Texas State History Museum are appropriated **$15.0 million**.

The Texas State History Museum's IMAX Theatre is provided $1.5 million for the conversion of the film projectors from a film to digital format and other theater improvements.

The Texas State Cemetery is now administered by the board, with supporting appropriations of $2.0 million, through a transfer from the Facilities Commission, pursuant to **House Bill 2206, Eighty-fourth Legislature, 2015**.

MAJOR FUNDING

Appropriations for the State Preservation Board's Facilities Management program area reflect an overall increase of $15.7 million. This amount primarily includes an increase of $1.2 million for the construction and placement of an African American Texans Memorial Monument on the Capitol grounds, $1.1 million to replace funding for a housekeeping services contract from the agency's funds outside the state Treasury to General Revenue Funds, and $15.0 million for several maintenance and repair capital projects for the Capitol, Capitol Visitors Center (CVC), and Texas State History Museum. Included within funding for the capital projects are restoration of the Capitol windows, carpet replacements, roof and ceiling replacement at the CVC, and various other projects. Additionally, $0.4 million in increased funding for other maintenance costs are offset by reductions of $2.1 million for completed onetime projects from the 2014–15 biennium.

Funding for Texas State History Museum operations and programs include an overall decrease of $6.7 million primarily due to reductions in funding for the Texas State History Education program ($5.0 million) providing online and distance learning content, the La Belle exhibit ($2.0 million) and estimated debt service payments ($1.1 million), offset by an increase of $1.5 for the museum's IMAX theater, which includes converting the film projectors from a film to digital, laser-based format and other theater improvements.

Additionally, appropriations of $2.0 million reflect the transfer of oversight of the Texas State Cemetery from the Facilities Commission pursuant to House Bill 2206, Eighty-fourth Legislature, 2015. Amounts include $1.7 million for operations of the cemetery and $0.3 million for cemetery capital projects including replacing the plaza, renovating the caretaker cottage, and other improvements.

PROGRAMS

The State Preservation Board (SPB) carries out its responsibilities through five major program areas: (1) facilities management; (2) State History Museum; (3) State Cemetery; (4) Capitol services; and (5) administration.

FACILITIES MANAGEMENT

The facilities management program area includes several programs and functions. The Maintenance Services and Mansion Maintenance programs provide facilities repairs, renovation, and maintenance services to the Capitol, Capitol Extension, CVC, Governor's Mansion, and the State History Museum. A primary goal for SPB is to preserve the historic integrity of artifacts and buildings within its purview. As a result, the agency's Building Modifications and Design program is responsible for approving all repairs and changes involving construction, restoration, and repair to the Capitol and grounds, the CVC, and the Governor's Mansion. SPB's Curatorial Services program employs a curator to oversee repairs and renovation to these buildings and their content. In fiscal year 2015, the agency repaired or restored 437 historical items that had been damaged.

In addition to providing maintenance and repair services, SPB is responsible for general housekeeping of buildings within its purview. Agency staff provides housekeeping services and responds to building occupants and visitors during business hours. After hours, a vendor provides housekeeping functions, which includes services such as floor cleaning, waste collection, and other general custodial services. In addition to general housekeeping functions, a vendor provides grounds-keeping services for the Capitol grounds, which includes mowing, hedge cutting, and other general landscaping duties. Appropriations for facilities management programs total $24.5 million and provide 52.0 full-time equivalent (FTE) positions.

STATE HISTORY MUSEUM

State History Museum programs include the operation of the museum and educational and curatorial services. The Bullock Texas State History Museum, which opened in Austin on April 21, 2001, was established for the purpose of engaging visitors in the exciting and unique story of Texas and displaying objects and information relating to the state's history. **Figure 122** shows visitation figures for the museum from fiscal years 2009 to 2015. To retain and build audiences, the museum offers changing exhibitions and programs and three floors of permanent galleries devoted to the story of Texas. The agency is developing a permanent exhibit displaying and interpreting the seventeenth-century La Belle shipwreck recovered from Matagorda Bay and artifacts from the shipwreck. It is anticipated that completion of the La Belle exhibit will occur in fall 2018. In addition, the museum presents professional development training for teachers and curriculum-based onsite and distance learning opportunities for students. Revenues generated by the museum from admission fees, parking, gift shop, concessions, an IMAX Theater, and facility rentals are deposited into the Museum Fund, held outside the state Treasury, which is used to operate the museum and meet its future needs. Additionally, appropriations also support and provide for debt service

FIGURE 122
VISITORS TO THE CAPITOL VISITORS CENTER AND TEXAS STATE HISTORY MUSEUM, FISCAL YEARS 2009 TO 2015

SOURCE: State Preservation Board.

payments for the museum. Appropriations for the State History Museum total $12.8 million and provide 13.0 FTE positions.

STATE CEMETERY

Effective September 1, 2015, the oversight of the State Cemetery is transferred from the Facilities Commission to SPB pursuant to House Bill 2206, Eighty-fourth Legislature, 2015. The cemetery, established in 1851 and located in Austin, is the final resting place for governors, senators, legislators, members of congress, judges, and other eligible persons who have made a significant contribution to Texas history. The cemetery grounds are located approximately one mile east of the State Capitol and include several monuments dedicated to honor different groups of Texans, including veterans. Appropriations for the Texas State Cemetery include $2.0 million for operations and renovation projects, and provide for 10.5 FTE positions.

CAPITOL SERVICES

Capitol services programs provide educational and visitation services at the Capitol and CVC and manage enterprises, events, and activities at the Capitol and Capitol grounds. SPB provides interpretation and guided tours of the Capitol and CVC. Tours are provided in English and several other languages to better serve international visitors to the state. Other educational programs offered at the CVC include interactive computer learning stations, multimedia presentations, and traditional exhibits to encourage interest in the diverse history of the state. **Figure 122** shows the number of visitors to the Visitors Center from fiscal years 2009 to 2015.

Additionally, the agency coordinates public events, activities and exhibits and manages revenue-generating enterprises, such as gift shops, cafeterias, parking meters, visitor parking garages, and leasing of other Capitol spaces. Revenue generated is deposited to the Capitol Fund, which is held outside the state Treasury and supports educational programming, historic preservation, facilities services, and other operating expenses of the Capitol and CVC. Additionally, funds may also be transferred from the Capitol Fund to the Capital Renewal Fund, also outside the Treasury, for major repairs and renovations at the Capitol and CVC. Appropriations for Capitol services total $1.3 million and provide 26.5 FTE positions.

ADMINISTRATION

SPB is also appropriated $2.7 million and provided 18.0 FTE positions for the administration program area which provides agencywide support functions, including executive leadership, finance, internal audit, legal services, purchasing, human resources management, and staff services.

SIGNIFICANT LEGISLATION

House Bill 2206 – Transfer of the Texas State Cemetery. The enactment of HB 2206 transfers the administrative oversight and support for the Texas State Cemetery from the Texas Facilities Commission to SPB. The bill also establishes the State Cemetery Trust Fund held outside the state Treasury by the Comptroller of Public Accounts in trust. The trust fund would consist of money transferred or appropriated to the fund and gifts or donations received by the State Cemetery Committee. Additionally, the trust fund would receive the proceeds of the sale of property described in the Texas Government Code, Section 2165.256(b), also known as the Texas State Cemetery Annex or Bull Creek property in Austin. The trust fund would only be used to maintain, renovate or repair the State Cemetery.

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

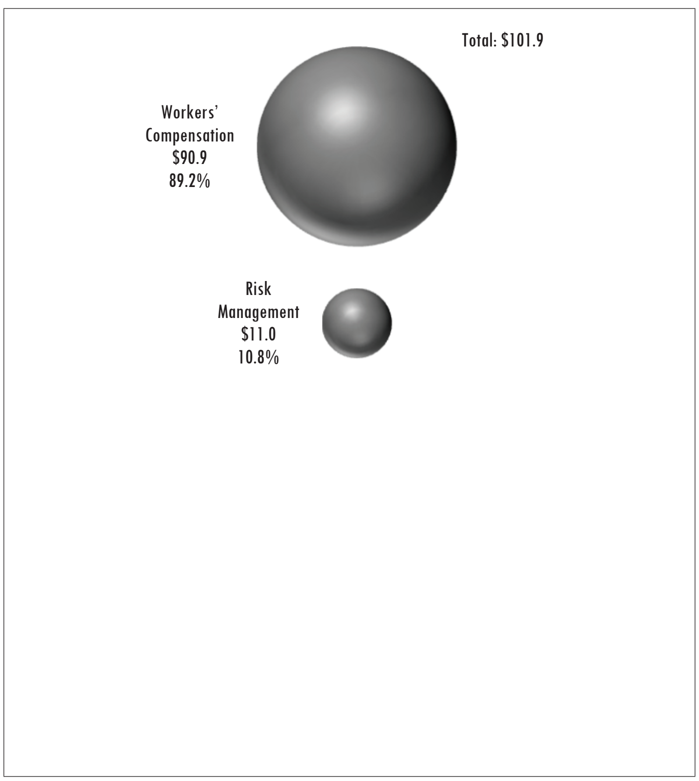
GOVERNANCE: Risk Management Board—five members appointed by the Governor with staggered six-year terms

FIGURE 123
STATE OFFICE OF RISK MANAGEMENT BY METHOD OF FINANCE

	IN MILLIONS			
METHOD OF FINANCE	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$0.0	$0.0	$0.0	N/A
General Revenue–Dedicated Funds	$0.0	$0.0	$0.0	N/A
Federal Funds	$0.0	$0.0	$0.0	N/A
Other Funds	$102.2	$101.9	($0.3)	(0.3%)
Total, All Methods of Finance	**$102.2**	**$101.9**	**($0.3)**	**(0.3%)**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2016	121.6
2017	121.6

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

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

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

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

Source: Legislative Budget Board.

MAJOR FUNDING

Appropriations for the State Office of Risk Management (SORM) decreased by $0.3 million from the 2014–15 biennium. This decrease is primarily attributable to decreases related to capital project purchases in the 2014–15 biennium for the agency's claim management system redesign and other workstation upgrades.

PROGRAMS

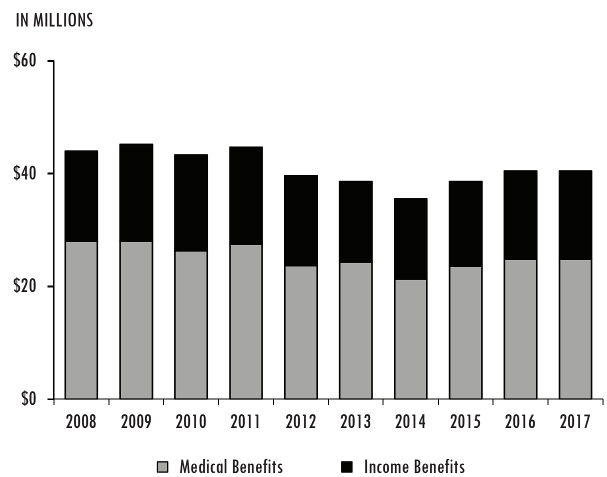
SORM carries out its mission through two main program areas: (1) workers' compensation and (2) risk management.

WORKERS' COMPENSATION

SORM's largest program area is related to workers' compensation administration. SORM administers the state workers' compensation program, which covers all state employees except those statutorily exempt at The University of Texas System, the Texas A&M University System, the Employees Retirement System, the Teacher Retirement System, and the Texas Department of Transportation. Also covered within the state workers' compensation program are county employees at community supervision and corrections departments and employees of the Windham School District. The Claims Operation Department investigates reported injury claims, determines indemnity, determines medical benefits for each claim, and maintains a customer service call center to provide claims processing information to state employees. In addition, SORM oversees contracted medical cost containment services, including auditing medical bills, identifying duplicate bills, and ensuring compliance with Texas Department of Insurance, Division of Workers' Compensation, requirements. The Eighty-fourth Legislature, 2015, appropriated $15.7 million in Interagency Contracts and provided for 83.1 full-time-equivalent (FTE) positions to administer claims processing, including contracted medical cost containment services. This appropriation is a decrease of $0.4 million, or 2.4 percent from 2014–15 biennial spending levels. The agency is expected to process an average of 104,000 medical bills and 26,000 indemnity bills (income payments) each fiscal year of the 2016–17 biennium.

Appropriations of $79.7 million are made to SORM to provide payments to approved workers' compensation claimants during the 2016–17 biennium. Of this amount, $78.6 million, or 98.6 percent, is funded by assessments to client agencies for workers' compensation coverage. The annual assessments are based on a formula consisting of payroll size, number of FTE positions, claims costs, number of claims, and injury frequency rate (per 100.0 FTE positions). The formula determines a proportionate share for each agency of the total workers' compensation costs to the state. SORM anticipates that agencies that reduce injuries and losses will see a decrease in their proportionate share; and those agencies whose loss performance worsens relative to all other client agencies will be responsible for a larger share of the total. **Figure 124** shows the amount paid in recent years for medical and income benefits. In fiscal year 2015, SORM processed 7,240 claims and payments totaling $38.6 million, which is a 1.6 percent decrease in the number of claims processed and an 8.7 percent increase in the amount of total payments from fiscal year 2014. SORM's appropriations for workers' compensation-related activities account for approximately $90.9 million of the agency's 2016–17 biennial appropriations.

FIGURE 124
STATE WORKERS' COMPENSATION BENEFITS PAID
FISCAL YEARS 2008 TO 2017

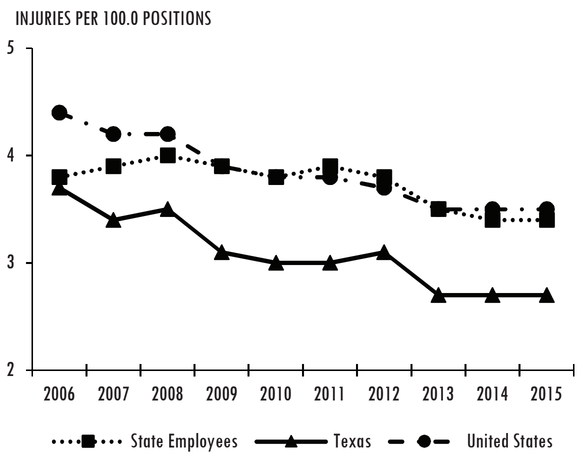


NOTE: Fiscal years 2016 and 2017 are estimated.
SOURCE: State Office of Risk Management.

RISK MANAGEMENT

SORM's second program area is risk management. SORM's risk management specialists review existing state agency risk management programs and assist the agencies in establishing employee health and safety programs to ensure a safe environment for state employees and the public served by state agencies. SORM develops and distributes risk management manuals, programs, and procedures for use by smaller agencies and prepares a biennial report to the Legislature on state agencies' risk exposure and related losses in the areas of workers' compensation, general liability, property, and casualty. The agency approves all purchases of insurance coverage by state agencies, such as property, casualty, and liability, and has the authority to require state agencies to purchase any line of insurance coverage, other than health or life insurance, through policies administered by SORM. **Figure 125** shows a comparison of the number of injuries sustained per 100.0 FTE positions by state employees at agencies that have contracts with SORM for risk management services, by Texas private industry employees, and by employees nationwide since fiscal year 2006. Appropriations for SORM's risk management program area total approximately $11.0 million and 37.5 positions for the 2016–17 biennium.

FIGURE 125
INJURY FREQUENCY RATES PER 100.0 FULL-TIME-EQUIVALENT POSITIONS, FISCAL YEARS 2006 TO 2015



NOTES:
(1) For fiscal year 2014, the Texas and U.S. amounts are carried forward from 2013.
(2) For fiscal year 2015, the State Employees amounts are estimated. Texas and U.S. amounts are carried forward from 2013.
(3) State employees are only those employed by agencies or entities that have contracts with the State Office of Risk Management.

SOURCE: State Office of Risk Management.

SIGNIFICANT LEGISLATION

House Bill 3750 – Study of insurable state assets. The enactment of HB 3750 requires SORM to conduct a study of insurable state assets utilizing information provided by the Legislative Budget Board to develop a statewide strategy to ensure that all real property owned by the state, including buildings, facilities, and land is adequately insured.

House Bill 796 – Certain insurance coverage and risk management services for the Texas State University System. The enactment of HB 796 effectively removes the Texas State University System and its component institutions from the insurance program and other related risk management oversight from SORM.

SECRETARY OF STATE

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

ESTABLISHED: 1845

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

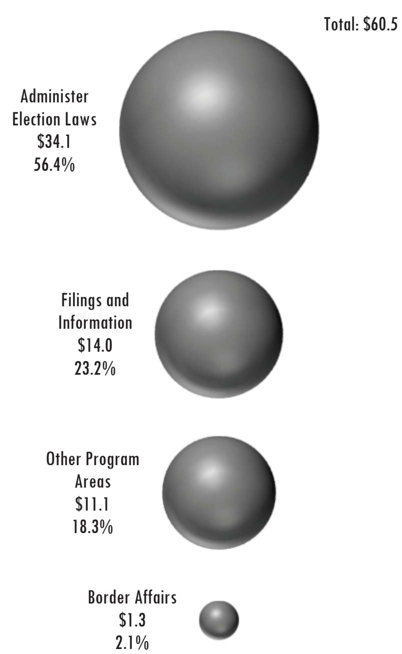
GOVERNANCE: Constitutional office appointed by the Governor with advice and consent of the Senate

FIGURE 126
SECRETARY OF STATE BY METHOD OF FINANCE

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

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2016	203.0
2017	203.0

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

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

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

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

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

SOURCE: Legislative Budget Board.

MAJOR FUNDING

Continued decreases in federal funding from the Help America Vote Act (HAVA) program are the primary reason for the Secretary of State's (SOS) decreased funding. HAVA funding at SOS decreased by $12.3 million for the biennium due to the upcoming depletion of the Federal Funds that were awarded to the state in 2004. However, General Revenue Funds for elections administration increased by $4.2 million, 96.0 percent, to cover the education programs that HAVA funded the past five federal election cycles.

PROGRAMS

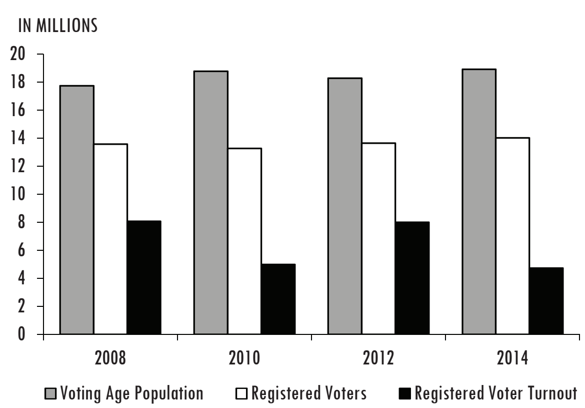
The agency carries out its responsibilities through three major program areas: (1) administering election laws, (2) filings and information, and (3) border affairs.

ADMINISTERING ELECTION LAWS

As chief elections officer, the SOS is responsible for the interpretation and application of the Texas Election Code. The SOS administers election laws through five interrelated functions: administration of statewide elections, election and voter registration funds, constitutional amendments, administration of HAVA, and voter registration.

Historical data regarding voter turnout and registration is shown in **Figure 127**. Voting age population refers to the total number of persons in the state who are age 18 or older, regardless of citizenship, military status, felony conviction, or mental state. As mentioned previously, HAVA federal funding decreases were partially covered by General Revenue Funds increases to maintain a voter education program previously funded by Federal Funds. The Eighty-fourth Legislature, 2015, passed seven proposed constitutional amendments for Texas voters to vote on in the November 2015 election. The SOS will also disburse approximately $13.2 million to county political parties for payment of poll workers and operating costs associated with primary elections in fiscal year 2016. Appropriations for administering election laws include $34.1 million and 35.0 full-time-equivalents (FTE) positions.

FIGURE 127
TEXAS GENERAL ELECTION TURNOUT AND VOTER REGISTRATION, FISCAL YEARS 2006 TO 2012



SOURCE: Texas Office of the Secretary of State.

FILINGS AND INFORMATION

The agency's responsibilities with regard to information management are to provide accurate, reliable, and timely access to public information; to efficiently process documents; and to ensure compliance with laws and rules relating to filing documents and accessing documents filed with the agency. The agency's electronic filing system website, the Secretary of State OnLine Access (SOSDirect), allows external users to file documents and obtain information on uniform commercial code (UCC) and business-entity filings. In the business and public filings program, the agency accepts or rejects business-entity documents, UCC documents, notary public, assumed names, trademark documents, and other statutory filings. The agency anticipates processing 15.0 million filings and related information requests in the 2016–17 biennium. The business and public filings program is appropriated $13.1 million and 101.4 FTE positions for the biennium. The other primary program within information management is document publishing, which provides for the filing, editing, compiling, and publishing of the Texas Administrative Code and the *Texas Register* weekly journal, with a budget of $1.0 million and 8.6 positions for the biennium.

BORDER AFFAIRS

The border affairs programs at the agency have two primary functions. First, the SOS provides for protocol services and the representation of the Governor and the state at meetings with Mexican officials and at events and conferences involving the diplomatic corps, government officials, and business leaders. Second, the Colonias Initiative program coordinates state activities at about 1,892 colonias in Texas, located primarily along the state's 1,248-mile border with Mexico. Approximately 376,272 people live in colonias, unincorporated settlements along the Texas–Mexico border that may lack basic water and sewer systems, electricity, paved roads, and safe and sanitary living conditions.

Appropriations for these programs include approximately $1.3 million for the biennium and provide for 9.0 FTE positions.

SIGNIFICANT LEGISLATION

House Bill 2511 – Human trafficking prevention partnership. The enactment of HB 2511 requires the SOS, by rule, to establish and implement a human trafficking prevention business partnership. The purpose of the partnership is to recognize those corporations and other private entities that voluntarily meet certain criteria aimed at the prevention of human trafficking. The bill requires the SOS to develop procedures and requirements for those corporations and private entities that desire to participate.

House Bill 2358 – Registration exemptions during disasters. The enactment of HB 2358 exempts certain out-of-state business entities whose transaction of business is limited to the performance of disaster- or emergency-related work during a disaster response period from registration with the Secretary of State. The bill authorizes the SOS to request an out-of-state business entity (or an in-state entity for any out-of-state affiliate) that comes to the state for the purpose of performing disaster- or emergency-related work to provide certain identifying and contact information.

Senate Bill 519 – Dental support organization registration. The enactment of SB 519 adds the Texas Business and Commerce Code, Chapter 73, to require a dental support organization (DSO) to register annually with the SOS. A DSO is defined as an entity that, in accordance with an agreement, provides two or more business support services to a dentist. The registration must be filed no later than January 31 of each year for which the registration is required and corrected quarterly as necessary.

Senate Bill 1389 – Border Commerce Coordinator responsibilities. The enactment of SB 1389 adds responsibilities to the Border Commerce Coordinator such as addressing unique planning and capacity needs of the border region, working to require and increase the use of low-sulfur fuel, appointing a border mayor task force, and other additional studies and recommendations. As of August 2015, the Governor appointed the Secretary of State as Border Commerce Coordinator.

Senate Bill 1703 – Procedural changes. The enactment of SB 1703 conforms deadlines for processes and procedures involving an election in the Texas Election Code and other related codes, such as the Texas Education Code.

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

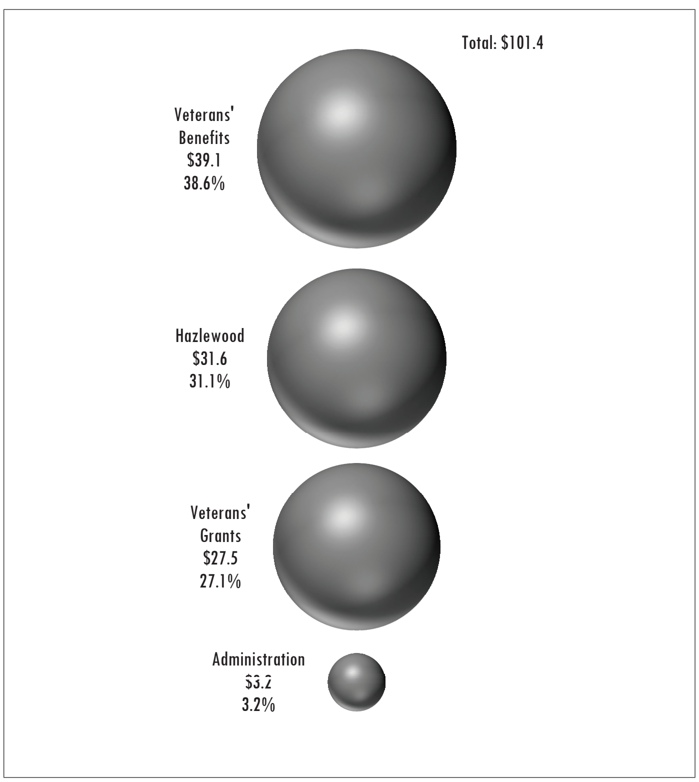
GOVERNANCE: Commission—five members appointed by the Governor with advice and consent of the Senate

FIGURE 128
VETERANS COMMISSION BY METHOD OF FINANCE

	IN MILLIONS			
METHOD OF FINANCE	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$20.4	$55.0	$34.6	169.8%
General Revenue–Dedicated Funds	$0.0	$0.0	$0.0	N/A
Federal Funds	$20.9	$21.9	$0.9	4.4%
Other Funds	$22.7	$24.6	$1.8	8.0%
Total, All Methods of Finance	**$64.1**	**$101.4**	**$37.3**	**58.3%**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2016	407.5
2017	407.5

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

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

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

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

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

MAJOR FUNDING

Appropriations for the Texas Veterans Commission (TVC) increased by $37.3 million, or 58.3 percent. The increase is primarily related to the transfer of the Hazlewood Exemption Legacy Program from the Higher Education Coordinating Board, totaling approximately $30.8 million. The remainder of the increase is attributable to an increase of $2.6 million in the Fund for Veterans' Assistance (Other Funds Account No. 368), to provide grants to organizations providing services to veterans and their families, and $3.8 million for general assistance grants provided to veterans and their families. Amounts are partially offset by a $0.8 million decrease in Interagency Contract funding from the Department of State Health Services for Veteran Mental Health Grants.

PROGRAMS

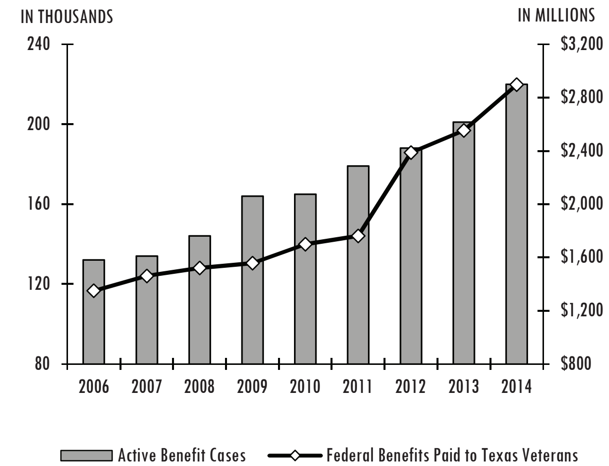
The agency carries out its responsibilities through four major program areas: (1) veterans' benefits, (2) the Hazlewood Act, (3) veterans' grants, and (4) administration.

VETERANS' BENEFITS

The Veterans Commission's largest program area is related to the administration of veterans' benefits. This area includes advocacy and assistance for veterans, their dependents, and their survivors in obtaining eligible benefits. This assistance is accomplished through a variety of outreach and claims filing services performed by agency personnel and local veterans county service officers throughout the state. In fiscal year 2015, the agency managed more than 234,393 cases involving veteran's benefits. The agency's claims representation and counseling services are available statewide in 39 agency offices. Additionally, veterans' assistance counselors offer training to the state's veterans' county service officers that represent veterans whose claims are filed at a county office. Throughout the state, 210 county offices include 253 county service officers who assist with veterans' claims. Utilizing the Public Assistance Reporting Information System, TVC has collected a total of $2,859,901 in benefits for veterans and $907,406 in retroactive payments to date. **Figure 129** shows the number of active benefit cases compared to the federal benefits paid to Texas veterans. Appropriations for these types of services total approximately $18.1 million in the 2016–17 biennium.

Employment services are another area of support provided by TVC. The objective is to assist veterans obtain and retain long-term meaningful employment. The agency accomplishes this objective through a variety of services. Veterans Career

FIGURE 129
FEDERAL BENEFITS AND CASE REPRESENTATION BY THE VETERANS COMMISSION, FISCAL YEARS 2006 TO 2014



SOURCE: Texas Veterans Commission.

Advisors work individually with veterans or qualified persons with significant barriers to employment. The veterans career advisor's primary responsibility is to provide job coaching services that include: job matching and referral; resume preparation; employer outreach; job search workshops; vocational guidance; labor market information; and referrals to training and other supportive services. Another way of providing employment services is through Veteran Employer Liaisons, who act as a liaison between veterans seeking work and businesses, federal contractors, employer associations, and other related entities looking to fill vacancies. These liaisons develop and facilitate employment opportunities within the local workforce area by highlighting and promoting the benefits of hiring eligible veterans. Family Career Advisors also provide a full range of employment, training, placement, and outreach services to meet the needs of caretakers and family members of injured veterans and military spouses. According to the 2015 U.S. Department of Labor Veteran and Non-Veteran Job Seekers Study, Texas veterans are entering employment at a much higher rate than the national average, 62.0 percent compared to 48.0 percent. Texas veterans also retained employment at much higher rates than the national average**,** 81.0 percent compared to 69.0 percent. In fiscal years 2016 and 2017, TVC is appropriated more than $20.0 million for veterans' employment services.

Educational support is another service TVC provides Texas veterans. TVC's Veterans Education Program is the State

Approving Agency for federal GI Bill benefits. In this role, the agency reviews, evaluates, approves, and oversees education and training programs for veterans and other eligible persons. TVC conducts VA-directed compliance survey visits examining school and training establishment reporting accuracy, tuition and fee charges to both the veterans and the VA, and VA payment accuracy. As of the end of fiscal year 2015, approximately 1,400 TVC-approved Texas colleges, universities, trade and vocational schools, and training facilities enabled eligible veterans and their families to use GI Bill benefits. According to the most recent information available from the VA for federal fiscal year 2014, Texas ranked second in the nation in the number of veterans receiving GI Bill education benefits, totaling approximately $1.36 billion for an estimated 94,500 student veterans. During fiscal year 2015, the TVC Veterans Education program responded to more than 12,500 inquiries regarding education benefits; conducted more than 460 onsite visits, including 230 VA-directed compliance survey visits, to colleges, universities, trade and vocational schools, and training sites throughout the state; and participated in more than 300 veterans job fairs, veterans benefits fairs and other outreach events in Texas. Approximately $2.2 million is appropriated for the 2016–17 biennium for veterans' education-related services.

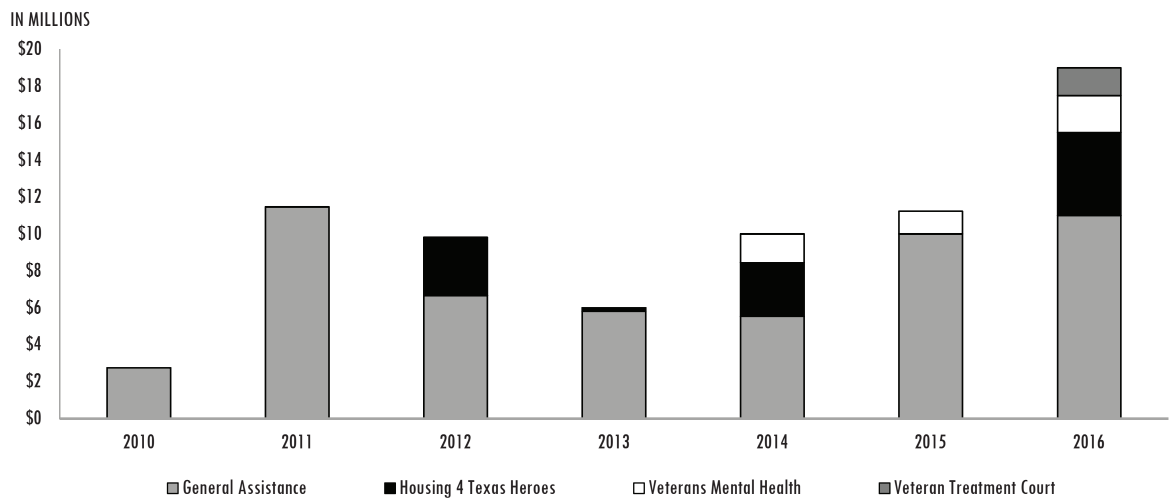
HAZLEWOOD

The second largest program area for TVC is related to the Hazlewood Act (the Texas Education Code, Section 54.341), which provides an educational benefit to eligible Texas veterans residing in the state and certain dependents or spouses of Texas veterans. Senate Bill 1158, Eighty-third Legislature, Regular Session, 2013, transferred the administration of the Hazlewood Tuition Exemption Program from the Texas Higher Education Coordinating Board to TVC. The Hazlewood exemption program is a state of Texas benefit that provides qualified individuals with an education benefit of up to 150 semester credit hours of tuition exemption, including most fees, at public institutions of higher education in Texas. The Hazlewood Legacy Program, which began in fall 2009, enables a veteran to pass on this educational benefit to a child. Spouses and dependents of veterans are eligible for this exemption if a veteran spouse or parent was killed in action, died while in service, died as a result of service-related injuries or illness, is classified as missing in action, became totally and permanently disabled, or meets the requirements for individual unemployability due to a service-related injury. Approximately 40,000 eligible veterans and family members used the Hazlewood exemption at institutions of higher education in Texas in 2014. TVC's Veterans Education program, which also oversees GI Bill benefits, also manages the Hazlewood database and coordinates with the Legislative Budget Board and the Comptroller of Public Accounts on the distribution of appropriated General Revenue Funds and proceeds from the Hazlewood investment trust to institutions of higher education to help defray the costs of Hazlewood to institutions of higher education in Texas. For the 2016–17 biennium, TVC was appropriated approximately $31.6 million for the Hazlewood administration and reimbursements.

VETERANS' GRANTS

The Fund for Veterans' Assistance (FVA) (Other Funds) awards reimbursement grants to nonprofit and local government organizations to provide direct services to Texas veterans and their families in four categories: General Assistance; Veterans Mental Health; Veteran Treatment Court; and Housing4TexasHeroes. Since 2009, the FVA program has awarded more than $51.0 million through 282 grants to 138 nonprofit and local government entities. As of June 30, 2015, grantees have served more than 190,000 Texas veterans and dependents. **Figure 130** shows the awards granted from the FVA since fiscal year 2010. Organizations receiving FVA General Assistance grants provide direct services to Texas veterans and their families to address needs including: limited emergency assistance; transportation services; family and child services; and other supportive services. Organizations that receive Veterans Mental Health grants provide direct counseling and mental health services to veterans and their families. Counseling services may include peer and group sessions, veteran family member counseling, equine therapy, veteran drop-in centers, and unique projects addressing post traumatic stress and/or reintegration for veterans and family members. Veterans Treatment Court grants assist Texas veterans and their families in obtaining services through programs established pursuant to the Texas Government Code, Sections 124.001 to 124.006. This grant program is new for fiscal years 2016 and 2017. Finally, organizations receiving grants from the Housing4TexasHeroes program assist Texas veterans and their families in obtaining, maintaining, or improving housing. These grants address homeless and housing needs and home modification assistance needs of disabled veterans, low-income, and very low-income veterans. These grants are partially funded through federal Housing Trust Fund money

FIGURE 130
TEXAS VETERANS COMMISSION FUND FOR VETERANS' ASSISTANCE GRANTS, FISCAL YEARS 2010 TO 2016



NOTE: Fiscal year 2016 is estimated.
SOURCE: Texas Veterans' Commission.

transferred from the Texas Department of Housing and Community Affairs. In fiscal years 2016 and 2017, TVC is appropriated approximately $27.5 million for this program area.

ADMINISTRATION

These funds facilitate the management and distribution of funds, grants, and other support services provided by TVC. Amounts for the 2016–17 biennium total approximately $3.2 million for this purpose.

SIGNIFICANT LEGISLATION

Senate Bill 660 – Regional coordinators within the Veteran Entrepreneur Program. The enactment of SB 660 established regional coordinators within the Veterans Entrepreneur Program at the Texas Veterans Commission. These regional coordinators will be strategically placed around the state to assist aspiring veteran business owners and those veterans that are already business owners.

House Bill 19 – Mental health programs for veterans and military families. The enactment of HB 19 strengthens the Military Veteran Peer Network (MVPN) of the Texas Veterans Commission and the Department of State Health Services by enhancing mental health intervention services for veterans. It requires the Department of Family and Protective Services to establish preventive family crisis support services for veterans and military families and supports local collaboration of both mental health services and preventive family crisis support services. HB 19 formally codifies the MVPN program with TVC statute.

House Bill 1762 – Healthcare advocacy program for veterans. The enactment of HB 1762 codifies the efforts of the Texas Health Care Strike Force Team within TVC and establishes a permanent healthcare advocacy program for veterans. In partnership with the VA, the healthcare advocacy program will strategically place liaisons in VA medical facilities throughout the state and work directly with VA staff to resolve access issues involving healthcare-related services such as doctors' appointments, healthcare-related testing and lab testing, pharmacy assistance, and attaining outside referrals for health-related issues.

Senate Bill 805 – Veteran's employment preference. The enactment of SB 805 authorizes the direct hiring of veterans through the Texas Workforce Commission's automated system, requires agencies to increase the number of veterans in an agency's interview pool, and requires large agencies to have a designated veteran employment liaison.

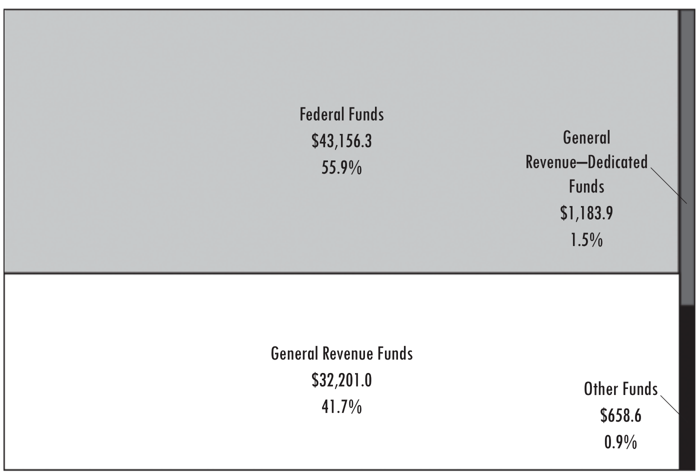
5. HEALTH AND HUMAN SERVICES

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

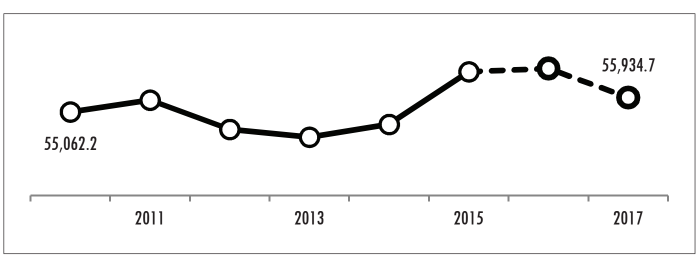
FIGURE 131
ARTICLE II – HEALTH AND HUMAN SERVICES, BY METHOD OF FINANCE

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

SHARE OF FUNDING BY METHOD OF FINANCE (IN MILLIONS)



FULL-TIME-EQUIVALENT POSITIONS



SIGNIFICANT DEVELOPMENTS

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

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

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

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

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

FIGURE 132
ARTICLE II – HEALTH AND HUMAN SERVICES APPROPRIATIONS BY AGENCY, ALL FUNDS

(IN MILLIONS)

FUNCTION	EXPENDED/BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE
Department of Aging and Disability Services	$11,631.5	$8,833.2	($2,798.4)	(24.1%)
Department of Assistive and Rehabilitative Services	$1,217.7	$958.0	($259.7)	(21.3%)
Department of Family and Protective Services	$3,090.8	$3,487.2	$396.4	12.8%
Department of State Health Services	$6,497.3	$6,451.9	($45.3)	(0.7%)
Health and Human Services Commission	$51,716.9	$56,590.2	$4,873.3	9.4%
Article II, Special Provisions	$0.0	$0.0	$0.0	N/A
Subtotal, Health and Human Services	**$74,154.2**	**$76,320.5**	**$2,166.3**	**2.9%**
Employee Benefits and Debt Service	$1,769.5	$2,067.4	$297.9	16.8%
Less Interagency Contracts	$1,172.2	$1,188.2	$15.9	1.4%
Total, All Functions	**$74,751.5**	**$77,199.8**	**$2,448.3**	**3.3%**

NOTES:
(1) May include anticipated supplemental spending adjustments.
(2) Excludes Interagency Contracts.
(3) Biennial change and percentage change are calculated on actual amounts before rounding. Therefore, figure totals may not sum due to rounding.
(4) Includes changes due to: House Bill 2, Eighty-fourth Legislature, 2015; technical and/or reconciled adjustments; and the Governor's vetoes.
SOURCE: Legislative Budget Board.

MAJOR FUNDING ISSUE: MEDICAID

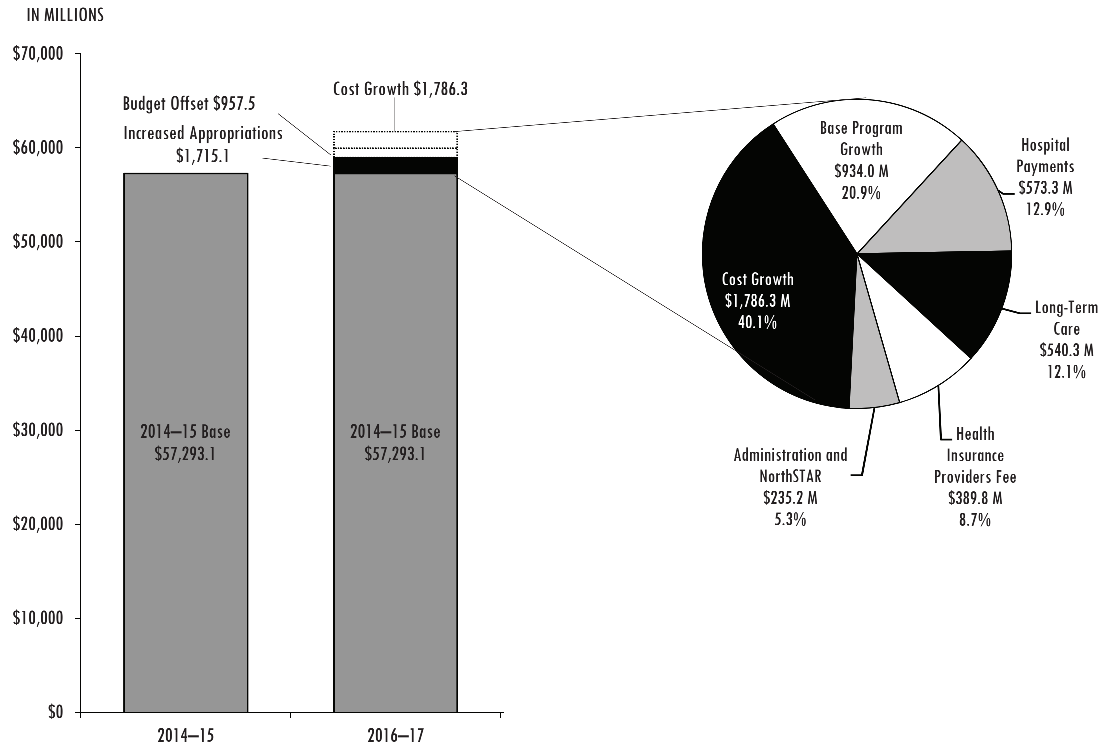
The primary funding issue for the health and human services (HHS) function is the Texas Medicaid program, constituting more than three-quarters of HHS All Funds appropriations. More than 96 percent of Medicaid funding pays for client services provided by the Health and Human Services Commission (HHSC) and the Department of Aging and Disability Services, associated Medicaid contracts, and administration at HHSC. A total of $59.0 billion in All Funds ($24.1 billion in General Revenue Funds, $0.2 billion in General Revenue–Dedicated Funds, $0.7 billion in Other Funds, and $34.1 billion in Federal Funds) is appropriated to support these client services and associated contracts and administration in the 2016–17 biennium. These appropriations represent a $1.7 billion increase in All Funds (3.0 percent) from the 2014–15 biennial expenditure level.

Figure 133 shows a projected increase in funding demand for the 2016–17 biennium of $4.5 billion in All Funds. This increased demand was addressed in three ways: (1) increased appropriations of $1.7 billion in All Funds as described previously; (2) appropriations assume a $1.0 billion in All Funds budget offset to this increased demand in the form of cost-containment initiatives ($0.9 billion in All Funds) and savings associated with funding certain initiatives ($0.1 billion in All Funds); and (3) an estimated $1.8 billion in All Funds in projected cost growth was not funded. Absent the budget offset and if cost growth had been funded, Medicaid appropriations would have totaled $61.8 billion in All Funds, a 7.8 percent increase. In addition to cost growth, the major components of the increased funding demand include base program growth, new funding for hospital-based care, new investments in long-term care, a full biennium and increase in the Health Insurance Providers Fee and associated federal income tax, increased administrative costs, and the end of the NorthSTAR program in calendar year 2017.

BASE PROGRAM GROWTH

Aside from cost growth, the largest component of the increased funding demand for the 2016–17 biennium ($0.9 billion in All Funds) can be attributed to base program growth. Base program growth includes the cost of projected growth in caseloads independent of policies to fund additional long-term-care caseloads implemented by the Eighty-fourth Legislature, 2015. It also includes the cost of maintaining fiscal year 2015 average costs per client, which are mostly higher than fiscal year 2014 average costs, for most programs for a full biennium. These increases are offset by reductions in funding demand due to the end of higher primary care physician reimbursement rates ($1.1 billion in All Funds) and the end of state funding for Disproportionate

FIGURE 133
MEDICAID ACUTE AND LONG-TERM-CARE SERVICES AND SUPPORTS FUNDING FOR CLIENT SERVICES (ALL FUNDS) 2014–15 AND 2016–17 BIENNIA



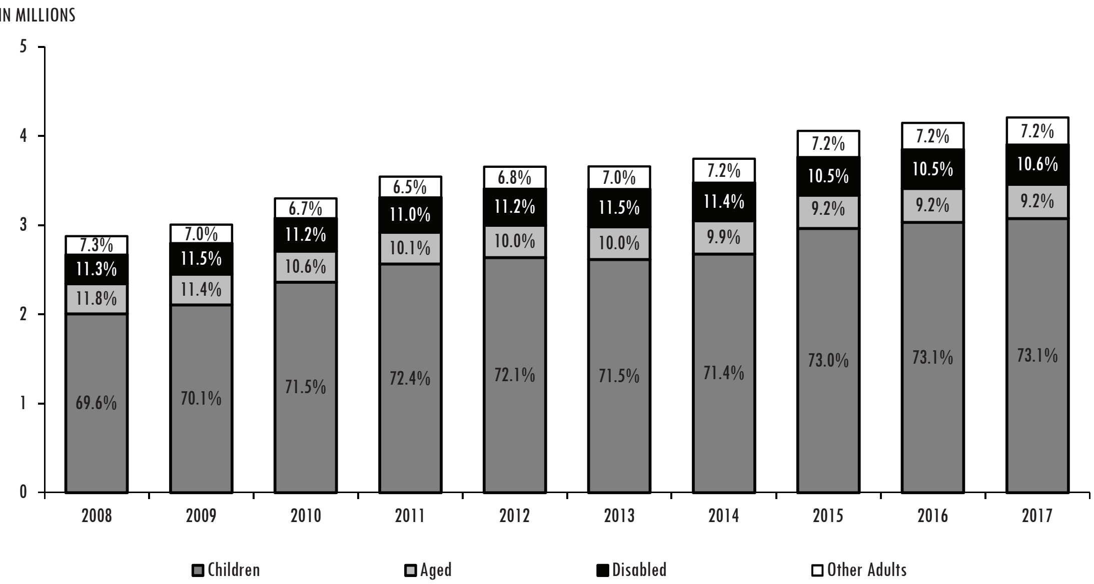
SOURCE: Legislative Budget Board.

Share Hospital payments ($0.7 billion in All Funds). Without these offsets, growth related to caseloads and maintaining costs would have been $2.8 billion in All Funds.

Figure 134 shows average monthly acute care Medicaid caseloads for fiscal years 2008 to 2017 by enrollment group. Children constitute more than 70 percent of the acute care caseload in Texas with the proportion growing significantly in fiscal year 2015 as children ages 6 to 18 from 100 percent to 138 percent of the federal poverty level (FPL) previously receiving services through the Children's Health Insurance Program (CHIP) shifted to Medicaid pursuant to the federal Affordable Care Act (ACA). Acute care caseload growth is projected to stabilize in the 2016–17 biennium, increasing from 4.1 million in fiscal year 2015 to 4.2 million in fiscal year 2017. This stabilization follows nearly a decade of significant growth in the program; from fiscal years 2007 to 2017, the acute care Medicaid caseload is projected to grow by nearly 50 percent from 2.8 million to a projected 4.2 million.

Figure 135 shows average monthly long-term-care Medicaid caseloads at the Department of Aging and Disability Services (DADS) for fiscal years 2008 to 2017. Much of the apparent decrease in long-term-care caseloads is related to the transition of clients from fee-for-service at DADS to managed care at HHSC. In September 2014, the statewide implementation of STAR+PLUS, a managed-care model that integrates acute care and long-term care, resulted in decreasing community care entitlement and waiver caseloads at DADS. And in March 2015, nursing facility carve-in to STAR+PLUS resulted in decreasing nursing facility clients at DADS. During the past decade, the expansion of managed care has resulted in significant shifts in the type of clients served through programs at DADS. In fiscal year 2008, nearly one-third of clients served by DADS were in an institutional setting; in fiscal year 2017, that proportion is projected to decrease to less than one-sixth. This decrease is due to decreasing caseloads in intermediate care facilities (private and State Supported Living Centers), primarily due to increased availability of community care waiver slots for persons with intellectual and developmental disabilities, and

FIGURE 134
ACUTE CARE MEDICAID AVERAGE MONTHLY CASELOADS AT THE HEALTH AND HUMAN SERVICES COMMISSION
FISCAL YEARS 2008 TO 2017



NOTES:
(1) The average monthly number of clients receiving Medicaid acute care health insurance services through the Health and Human Services Commission are shown.
(2) Aged and Disabled categories include clients enrolled in STAR+PLUS.
(2) Other Adults category includes Temporary Assistance for Needy Families adults, pregnant women, and medically needy clients.
(3) Fiscal year 2015 is estimated.
(4) Fiscal years 2016 and 2017 are targets established in the Eighty-fourth Legislature, General Appropriations Act, 2016–17 Biennium.
SOURCES: Legislative Budget Board; Health and Human Services Commission.

nursing facility carve-in to STAR+PLUS. The total number of clients receiving services through DADS is projected to decrease by 50 percent from fiscal years 2007 to 2017 from approximately 250,000 to approximately 125,000.

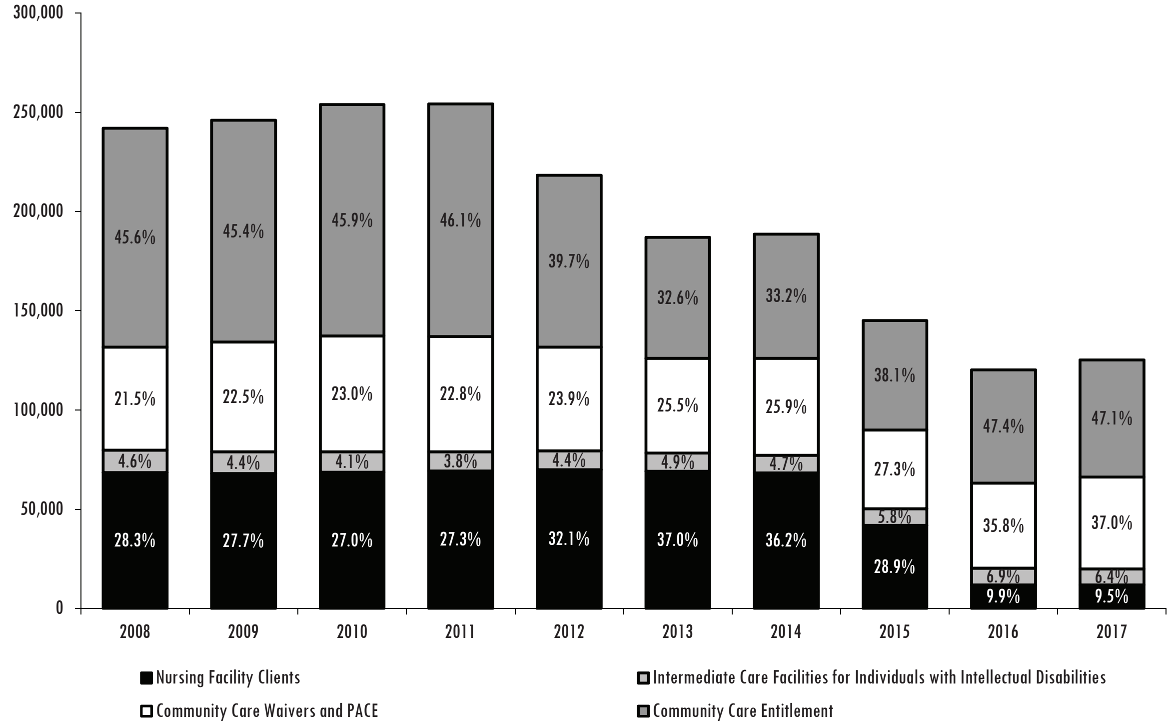
LONG-TERM-CARE

Funding for Medicaid long-term-care services at DADS and HHSC includes an increase of $540.3 million in All Funds. This amount includes $327.6 million in All Funds to increase Medicaid community care waiver slots by 5,601 by the end of fiscal year 2017 and to eliminate the interest list for STAR+PLUS waiver-like services. Additionally, $105.0 million in All Funds is provided to increase the base wage of personal attendants to $8.00 per hour beginning in fiscal year 2016 and to provide additional rate enhancements across community-based programs. Appropriations of $41.7 million in All Funds is provided for targeted rate increases in the Home and Community-based Services (HCS) waiver and a 2.2 percent rate increase for non-state-owned, Intermediate Care Facilities for Individuals with Intellectual Disabilities (ICF/IID). The remaining $66.0 million in All Funds is to increase or improve services for individuals with intellectual or developmental disabilities.

OTHER FUNDING INCREASES

The Eighty-fourth Legislature, 2015, made significant investments in payments to hospitals through the Medicaid program. Funding for payments to rural, trauma-designated, and safety-net hospitals was increased by $573.3 million in All Funds from the 2014–15 biennial level. The majority of the state share of these increases is funded through transfers to HHSC from appropriations to the Department of State Health Services (DSHS) from General Revenue–Dedicated Trauma Facility and EMS Account No. 5111. Appropriations of $583.0 million in All Funds, an increase of $389.8 million from the 2014–15 biennium, is provided to reimburse Medicaid managed care organizations for the cost of the Health Insurance Providers Fee (and associated federal income tax) pursuant to the ACA. Increased administrative funding includes $204.2 million in All Funds for increased costs associated with the claims administrator ($189.2 million in All Funds) and enrollment broker ($12.0 million

FIGURE 135
MEDICAID LONG-TERM-CARE SERVICES AND SUPPORTS AVERAGE MONTHLY CASELOADS AT THE DEPARTMENT OF AGING AND DISABILITY SERVICES, FISCAL YEARS 2008 TO 2017



Notes:
(1) Nursing facility includes Medicaid nursing facilities, Medicaid copayment for Medicare Skilled Nursing Facility Care, and Hospice.
(2) Intermediate Care Facilities for Individuals with Intellectual Disabilities (ICF/IID) includes private ICF/IID and State Supported Living Centers.
(3) Community care waivers include Community-based Alternatives, Home and Community-based Services, Community Living and Support Services, Deaf Blind with Multiple Disabilities, Medically Dependent Children Program, Consolidated Waiver, Texas Home Living, and Promoting Independence, PACE = Program of All-Inclusive Care for the Elderly.
(4) Community care entitlement includes Primary Home Care, Community Attendant Services, and Day Activity and Health Services.
(5) Fiscal year 2015 is estimated.
(6) Fiscal years 2016 and 2017 are targets established in the Eighty-fourth Legislature, General Appropriations Act, 2016–17 Biennium.

Sources: Legislative Budget Board; Department of Aging and Disability Services.

in All Funds) contracts and for increased staffing ($3.0 million in All Funds). An increase of $31.0 million in All Funds is associated with the end of the NorthSTAR behavioral health program at DSHS; services will be provided through the Medicaid program at HHSC beginning in January 2017.

PROGRAM FINANCING

In addition to these items that result in an All Funds increase to the Medicaid program, several factors result in shifts in how the Medicaid program is financed. A less favorable Federal Medical Assistance Percentage (FMAP) in both fiscal years 2016 and 2017 will result in a greater proportion of the Medicaid program's projected costs being funded with General Revenue Funds (an estimated increase of $797.3 million for the base program), with the net loss of specific enhanced Federal Funds matching rates further increasing the proportion of the program funded with General Revenue Funds (an estimated increase of $77.0 million for the base program). These increases are partially offset by a reduction to the proportion of the program funded with General Revenue Funds (a decrease of $278.7 million) related to a 23 percentage point increase to the Enhanced Federal Medical Assistance Percentage (EFMAP) pursuant to the ACA, which applies to certain children in Medicaid previously receiving services through CHIP. Additionally, $300.0 million in Interagency Contracts used to fund the Medicaid program in the 2014–15 biennium, was replaced with General Revenue Funds in the 2016–17 biennium, and an increase in Interagency Contracts of $32.6 million from lab revenue at

DSHS is assumed available to fund newborn screening services.

SIGNIFICANT LEGISLATION

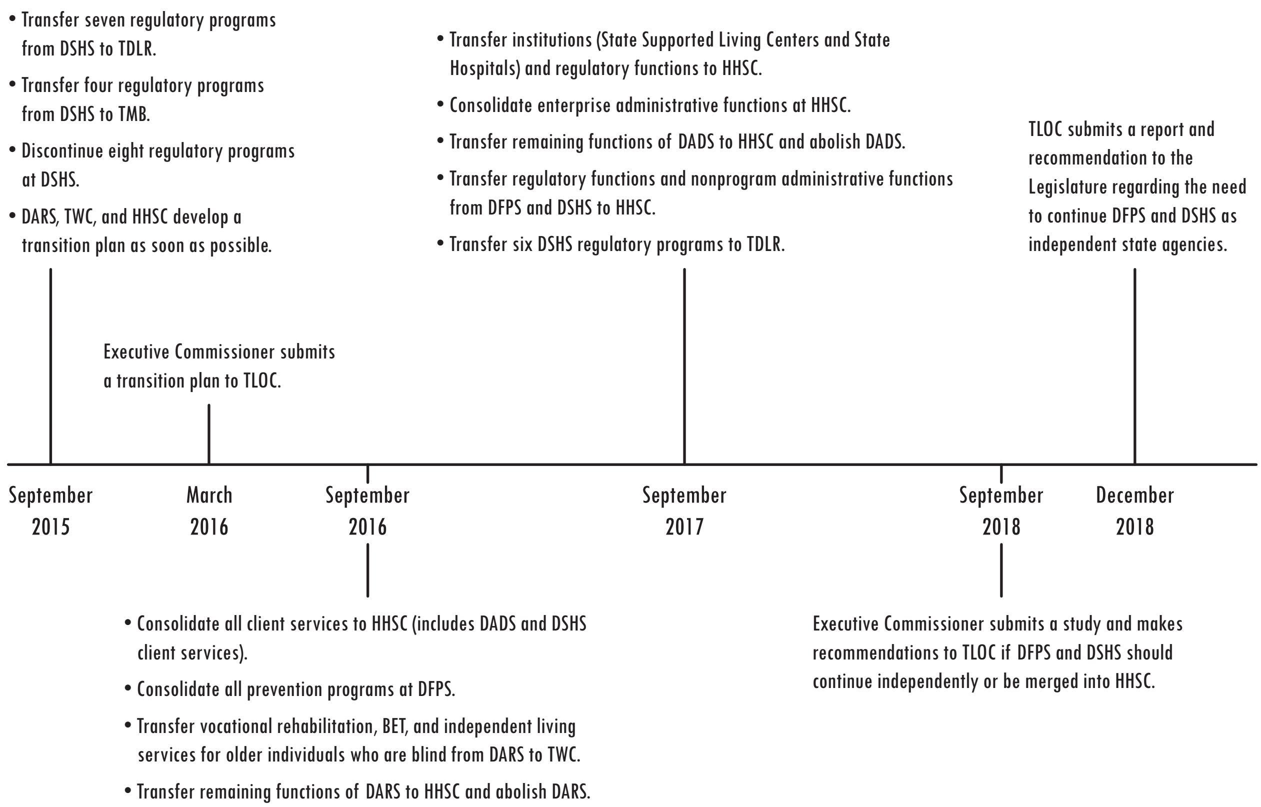
The Eighty-fourth Legislature, 2015, passed several bills consolidating various programs and implementing major recommendations by the Sunset Advisory Commission. These recommendations resulted from the 2014–15 biennial review cycle of the five health and human service agencies. Senate Bill 200, Eighty-fourth Legislature, 2015, the agencies' Sunset bill, significantly reorganizes and consolidates the five agencies into three agencies—Health and Human Services Commission (HHSC), Department of Family and Protective Services (DFPS), and Department of State Health Services (DSHS)—by September 1, 2017. The Sunset Advisory Commission identified problems in the health and human services system, including program fragmentation, organizational misalignments, and unclear accountability. The goal of restructuring the agencies is to achieve greater efficiencies and coordination across all programs. Similar programs are combined into one area, and administration is consolidated into one agency. Pursuant to the bill, DFPS and DSHS are authorized to continue as independent agencies with Sunset dates of September 1, 2023, and the consolidated HHSC is authorized to continue with a Sunset date of September 1, 2027.

Senate Bill 200 establishes a Transition Legislative Oversight Committee (TLOC), composed of 11 voting members, including four senators appointed by the Lieutenant Governor, four representatives appointed by the Speaker of the House, and three public representatives appointed by the Governor, to oversee the reorganization. The Health and Human Services Executive Commissioner serves as an ex officio, nonvoting member of the committee. The legislation requires the Executive Commissioner to submit a transition plan by March 1, 2016, to the TLOC, the Governor, and the Legislative Budget Board (LBB). The plan is not required to be approved by the TLOC, the Governor, or the LBB. TLOC is required to provide comments and recommendations to the Executive Commissioner on the plan. The Executive Commissioner is then required to publish in the Texas Register the transition plan, any adjustments to the transition plan recommended by TLOC, a statement regarding if the Executive Commissioner incorporated the recommendations by TLOC, and justification for any recommendations not incorporated in the transition plan.

Senate Bill 208, Eighty-fourth Legislature, 2015, transfers the Vocational Rehabilitation (including the Criss Cole Rehabilitation Center), Business Enterprises of Texas, and Independent Living Services for Older Persons Who Are Blind programs from the Department of Assistive and Rehabilitative Services to the Texas Workforce Commission as of September 1, 2016. A transfer plan for these programs is required to be included in the HHS consolidation plan submitted to the TLOC.

As shown in **Figure 136**, the consolidation and transfer of programs affected by Sunset legislation will follow a timeline from September 2015 to December 2018.

FIGURE 136
TIMELINE OF HEALTH AND HUMAN SERVICES AGENCIES' SUNSET BILLS IMPLEMENTATION, 2015 TO 2018



NOTE: DSHS = Department of State Health Services; TDLR = Texas Department of Licensing and Regulation; TMB = Texas Medical Board; DARS = Department of Assistive and Rehabilitative Services; TWC = Texas Workforce Commission; HHSC = Health and Human Services Commission; TLOC = Transition Legislative Oversight Committee; DADS = Department of Aging and Disability Services; DFPS = Department of Family and Protective Services; and BET = Business Enterprises of Texas.
SOURCE: Legislative Budget Board.

DEPARTMENT OF AGING AND DISABILITY SERVICES

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

ESTABLISHED: 2004

AUTHORIZING STATUTE: The Texas Human Resources Code, Chapter 161

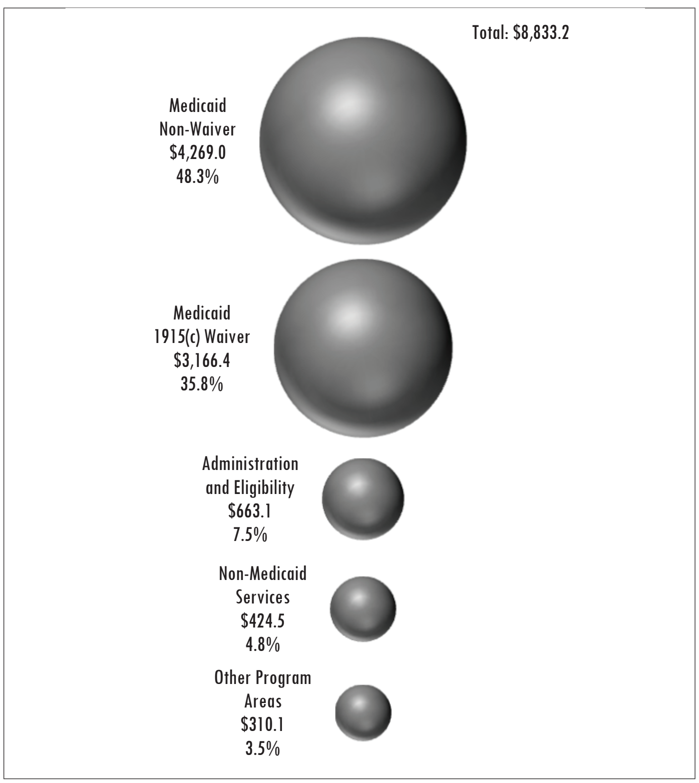
GOVERNANCE: Health and Human Services Executive Commissioner, appointed by the Governor, with advice and consent of the Senate; five advisory councils, including the Department of Aging and Disability Services Council, assist with system oversight

FIGURE 137
DEPARTMENT OF AGING AND DISABILITY SERVICES BY METHOD OF FINANCE

	IN MILLIONS			
METHOD OF FINANCE	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$4,605.3	$3,571.5	($1,033.8)	(22.4%)
General Revenue–Dedicated Funds	$131.4	$194.4	$63.0	47.9%
Federal Funds	$6,824.0	$5,022.4	($1,801.6)	(26.4%)
Other Funds	$70.9	$44.9	($26.0)	(36.6%)
Total, All Methods of Finance	**$11,631.5**	**$8,833.2**	**($2,798.4)**	**(24.1%)**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2016	16,888.3
2017	16,845.8

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

Provisions in Senate Bill 200 **transfer all agency functions** to the Health and Human Services Commission no later than September 1, 2017, and DADS is abolished on that date.

Appropriations for **5,601 additional community care waiver slots** to expand community-based services total $288.5 million.

STAR+PLUS expansion **transferred certain long-term-care services** from DADS to HHSC, resulting in a decrease of $1.5 billion in General Revenue Funds for DADS.

Medicaid community care entitlement, waiver, and institutional services will be provided by DADS until transferred to HHSC.

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

MAJOR FUNDING

Significant Medicaid funding issues affecting the agency's 2016–17 biennial appropriations include the following:

- funding for the agency is affected by the Federal Medical Assistance Percentage (FMAP) (the primary Medicaid matching rate) and enhanced matching rates. FMAP is calculated annually for each state, and as Texas' per capita personal income has increased in relation to the national per capita personal income, the FMAP has decreased. The enhanced matching rates for the agency are due to the Balancing Incentive Payment (BIP) program, the Money Follows the Person (MFP) demonstration, and the Community First Choice (CFC) program. The BIP enhanced matching rate provides an additional 2 percent in federal matching funds for community long-term-care services through September 2015. The MFP enhanced matching rate results in a 50 percent reduction in the state's share of expenditures in relation to the FMAP for services provided to certain persons transitioning from institutional services to community-based services. The CFC enhanced matching rate provides an additional 6 percent federal match for certain attendant and habilitation services and became effective June 1, 2015;

- funding includes a decrease of $3.7 billion in All Funds, including $1.5 billion in General Revenue Funds, to reflect the transfer of certain long-term-care services from the Department of Aging and Disability Services (DADS) to the Health and Human Services Commission (HHSC). The long-term-care services will be provided through the STAR+PLUS managed-care program pursuant to Senate Bill 7, Eighty-third Legislature, Regular Session, 2013;

- funding includes $122.2 million in All Funds, including $51.1 million in General Revenue Funds, to expand waiver slots by 3,040, to reduce the waiver program interest lists in the Medically Dependent Children Program (MDCP), Community Living Assistance and Support Services (CLASS), Deaf Blind with Multiple Disabilities (DBMD), and Home and Community-based Services (HCS). The interest list for the DBMD waiver program is assumed to be fully funded for the 2016–17 biennium;

- funding includes $81.8 million in All Funds, including $29.7 million in General Revenue Funds, to provide for 1,261 Promoting Independence slots in HCS for individuals who are either at risk for institutionalization, aging out of foster care, or wish to move from an institution to a community setting;

- appropriations include $84.5 million in All Funds, including $29.1 million in General Revenue Funds, for client services for 1,300 HCS slots for individuals with an intellectual or developmental disability either moving or diverted from a nursing facility. These slots are assumed to save $59.5 million in All Funds, including $25.7 million in General Revenue Funds, in nursing facility costs at HHSC in the 2016–17 biennium;

- appropriations include $41.7 million in All Funds, including $18.0 million in General Revenue Funds, for rate increases or add-ons for certain Intermediate Care Facilities for Individuals with an Intellectual Disability or Related Condition (ICF/IID) and HCS providers. These amounts include $27.9 million in All Funds, including $12.0 million in General Revenue Funds, in contingent rate increases; and

- funding includes $33.6 million in All Funds, including $14.1 million in General Revenue Funds, to comply with federal Preadmission Screening and Resident Review requirements by providing service coordination for nursing facility residents transitioning to the community and specialized services in nursing facilities.

Significant non-Medicaid funding issues affecting the agency's 2016–17 biennial appropriations include the following:

- appropriations include $26.8 million in All Funds, including $21.8 million in General Revenue Funds, for local authorities and community services providers to help prevent institutionalization for approximately 1,000 individuals with complex medical or behavioral needs and to provide intensive service coordination for residents of institutions transitioning to the community;

- appropriations include $39.2 million in All Funds ($17.6 million in General Revenue Funds) to provide wage or salary increases for direct-support professionals, registered nurses, licensed vocational nurses, and personal attendants; and

- appropriations include $1.4 billion in All Funds ($594.1 million in General Revenue Funds) for State

Supported Living Centers (SSLCs). Funding for SSLCs includes $7.1 million in All Funds, including $3.0 million in General Revenue Funds, to assist and improve the quality of care for residents who are transitioning to the community; and $3.0 million in General Revenue Funds to replace vehicles. Funding is also included for making repairs and renovations that comply with the National Fire Protection Association's Life Safety Code, pursuant to the Texas Health and Safety Code, Section 2342.039 ($9.6 million in General Revenue Funds).

For fiscal year 2015, House Bill 2, Eighty-fourth Legislature, 2015, decreased the DADS appropriation authority by $129.9 million in General Revenue Funds and transferred the appropriation authority to HHSC to address a shortfall in Medicaid acute care services. Additionally, capital budget authority was increased for BIP secure web portal and software licenses capital projects.

PROGRAMS

The agency carries out its responsibilities through five major program areas: (1) Medicaid non-waiver services; (2) Medicaid 1915(c) waivers; (3) non-Medicaid services; (4) other program areas; and (5) administration and eligibility.

MEDICAID NON-WAIVER SERVICES

Medicaid non-waiver services include entitlement services and Medicaid-funded programs to deliver and pay for healthcare services. Entitlement services are jointly funded by the state and federal government with each paying a percentage of the costs. Anyone who is eligible for the entitlement services has a right to receive them, and the state and federal governments are required to fund the services.

The Community Attendant Services program is an entitlement that provides attendant services to persons who have monthly income within 300 percent of the Supplemental Security Income (SSI) federal benefit rate, have an approved medical need for assistance with personal care tasks, and are otherwise not eligible to receive Medicaid. The federal benefit rate is the maximum dollar amount paid to aged, blind, or disabled persons who receive benefits from the SSI program. Funding totals $1.3 billion in All Funds ($558.3 million in General Revenue Funds).

The Day Activity and Health Services (DAHS) program is a community care entitlement that provides services in licensed adult day-care facilities to certain Medicaid recipients who reside in the community as an alternative to nursing facility placement. Funding for the DAHS program is $16.0 million in All Funds ($6.9 million in General Revenue Funds), reflecting a decrease due to statewide STAR+PLUS expansion with most clients now receiving services at HHSC.

The Primary Home Care program is a community care entitlement that provides attendant services to enrolled Medicaid recipients with an approved medical need for assistance with personal care tasks. Funding totals $33.6 million in All Funds ($14.5 million in General Revenue Funds), reflecting a decrease due to statewide STAR+PLUS expansion with most clients now receiving services at HHSC.

The Program of All-inclusive Care for the Elderly (PACE) is a Medicaid-funded program that provides comprehensive, community-based healthcare for older individuals and persons with disabilities. Services include inpatient and outpatient medical care and specialty care (e.g., dentistry, podiatry, and social services in-home care). Services are provided according to a capitated rate (i.e., a set fee paid per enrollee). Applicants must be age 55 or older, qualify for nursing facility level of care in accordance with both Medicare and Medicaid, reside in a PACE service area, and choose to receive PACE services. Funding for the program totals $77.5 million in All Funds ($33.3 million in General Revenue Funds), which supports 1,146 average monthly clients per fiscal year. Additionally, authority is available to transfer funds from Medicaid-related strategies at HHSC to DADS to serve additional clients at existing PACE sites and to establish new sites.

The Medicaid Nursing Facility Payments program provides institutional nursing facility care for Medicaid-eligible individuals whose medical condition requires the skills of a licensed nurse on a regular basis. Funding totals $272.5 million in All Funds ($123.4 million in General Revenue Funds), which is anticipated to serve an average of 2,897 individuals per month in each fiscal year of the 2016–17 biennium, reflecting a decrease due to carve-in of nursing facility services to STAR+PLUS, with most clients now receiving services at HHSC.

The Medicare Skilled Nursing Facility program provides funding for coinsurance payments to skilled nursing facilities for clients who are eligible for Medicare and Medicaid. The funding can finance up to the first 120 days of a client's institutional care. Funding for the program is $138.4 million in All Funds ($59.6 million in General Revenue Funds), which is anticipated to serve an average of 2,302 clients per month in each fiscal year of the 2016–17 biennium, reflecting a decrease due to carve-in of nursing facility services to STAR+PLUS, with most clients now receiving services at HHSC.

The Hospice program provides funding for palliative care services for terminally ill clients with a prognosis of six months or less to live. Hospice is a Medicaid-funded service, provided in nursing facilities and client homes. Funding totals $485.4 million in All Funds ($208.9 million in General Revenue Funds), which is anticipated to serve an average of 6,747 individuals in fiscal year 2016 and 6,688 individuals in fiscal year 2017.

The Intermediate Care Facilities for Individuals with Intellectual Disability (ICF/IID) federal program provides 24-hour supervised residential care and active treatment for persons with intellectual and developmental disability (IDD) or a related condition. Residents are served in community-based facilities operated by public and private entities (community centers), accommodating four or more individuals. The facilities can be small in size (serving eight or fewer persons), medium (nine to 13 residents), or large (14 or more residents). Most facilities are small, but two facilities serve more than 100 residents.

Appropriations for ICF/IID total $581.8 million in All Funds ($115.6 million in General Revenue Funds and $140.0 million in General Revenue–Dedicated Funds from Quality Assurance Fees assessed on ICF/IID). Appropriations support 31.4 full-time-equivalent (FTE) positions and a projected 5,247 average monthly clients. Included in these amounts is $10.3 million in All Funds ($9.7 million in General Revenue Funds) for capital repairs and renovations at ICF/IID.

SSLCs are large, state-operated ICF/IID and constitute a separate program. Appropriations support 12 centers across Texas, located in Abilene, Austin, Brenham, Corpus Christi, Denton, El Paso, Lubbock, Lufkin, Mexia, Richmond, San Angelo, and San Antonio. DADS also contracts with the Department of State Health Services to provide intellectual disability services at the Rio Grande State Center in Harlingen. The centers provide services for residents, most of whom function in the severe-to-profound range of intellectual disability, and many of whom have special medical or behavioral conditions. In 2005, the U.S. Department of Justice (DOJ) began an investigation into civil rights violations of residents at the facility in Lubbock. In June 2009, the DOJ and the state of Texas entered into a five-year, $112.0 million settlement agreement covering the 12 SSLCs and the ICF/IID component of the Rio Grande State Center. Each SSLC undergoes formal compliance reviews until substantial compliance with all settlement agreement provisions is achieved. As of fall 2014, the percentage of provisions in substantial compliance with the agreement ranged from 20.0 to 41.0 across centers that had undergone seven full rounds of monitoring.

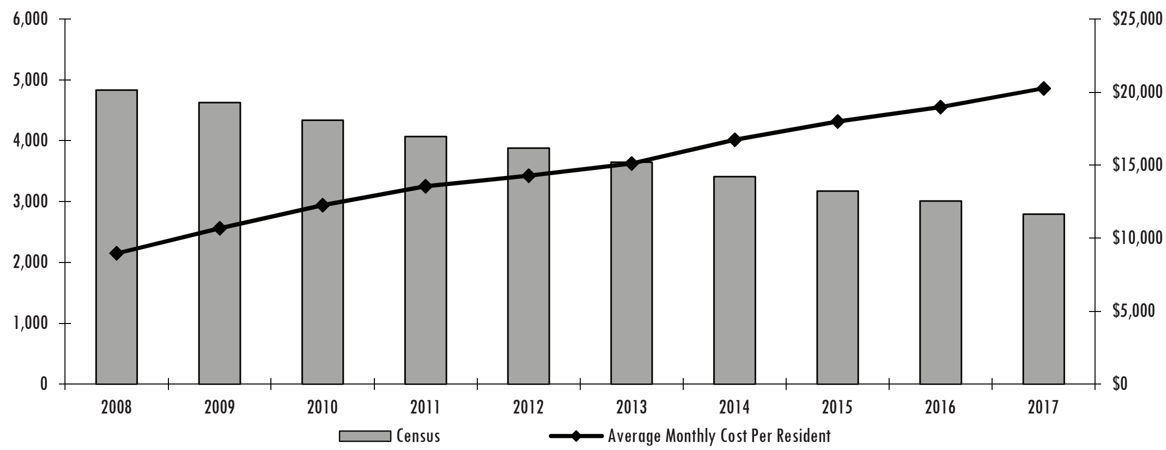
Appropriations for SSLCs total $1.4 billion in All Funds ($594.1 million in General Revenue Funds) and provide for 13,672 FTE positions in fiscal year 2016 and 13,582 FTE positions in fiscal year 2017, reflecting an increase in General Revenue Funds and a decrease in Federal Funds related to a less favorable FMAP. Appropriations for SSLCs have increased $159.7 million in All Funds, or 24.0 percent, since fiscal year 2008.

As shown in **Figure 138**, the average monthly SSLC census has been decreasing for many years, while the average monthly cost has been increasing. From fiscal years 2008 to 2017, the average monthly census is projected to decrease by 42.2 percent. As the census has decreased, the average monthly cost per resident has increased. This trend is partly due to the fact that overhead and fixed costs are shared by a decreasing number of residents, but also because of investments by the Legislature to comply with the DOJ settlement, improve the quality of care, and improve facility conditions. The average monthly cost is projected to increase from $17,507 in fiscal year 2015 to $18,828 in fiscal year 2016 and $20,104 in fiscal year 2017.

MEDICAID 1915(C) WAIVERS

States use home- and community-based services waivers to obtain federal Medicaid matching funds to provide long-term services and supports to individuals in settings other than institutions. The programs are called waivers because they are permitted to waive some of the requirements of institutional care. States gain discretion in that they can set the medical and financial eligibility criteria for waiver services, limit the number of persons served, and limit programs to certain geographic areas or populations. Unlike institutional care, there is no federal or state entitlement to waiver services. States can establish waiting lists for waiver programs. Texas operates interest lists instead of waiting lists; any individual may express interest in a program, and no determination of eligibility is made before list placement.

FIGURE 138
STATE SUPPORTED LIVING CENTERS AVERAGE MONTHLY CENSUS AND AVERAGE MONTHLY COST PER RESIDENT
FISCAL YEARS 2008 TO 2017



Notes:
(1) Fiscal year 2015 is estimated.
(2) Fiscal years 2016 and 2017 are projected.
(3) Average monthly cost includes appropriations for State Supported Living Centers and excludes capital repairs and renovations.
Source: Legislative Budget Board.

The federal Centers for Medicare and Medicaid Services must approve the waiver applications.

The agency uses MDCP to provide services for eligible clients who would otherwise be served in a nursing facility. MDCP offers in-home skilled nursing care for children age 20 or younger and respite services for caregivers. Respite services allow caregivers to take a break while having someone else look after their loved ones. Program funding totals $89.6 million in All Funds ($38.5 million in General Revenue Funds). It is anticipated that those enrolled in MDCP will receive services through STAR Kids managed care beginning in fall 2016.

Figure 139 shows that the average number of individuals served per month in MDCP experienced moderate fluctuation from fiscal years 2008 to 2017. Fiscal year 2009 is the high point, when the average number of individuals served per month was 2,744; fiscal year 2015 is the low point with an estimated average of 2,198 individuals served per month. As stated previously, it is anticipated those enrolled in MDCP will receive services through STAR Kids managed care beginning in fall 2016; however, **Figure 139** shows the projected average number of individuals served in fiscal years 2016 and 2017 if MDCP services are not provided through STAR Kids.

The agency uses the following waiver programs to provide services for eligible clients who would otherwise be served in an ICF/IID.

The HCS program enables persons with an intellectual disability to remain in a community setting by providing a variety of services, including day habilitation, supported employment, dental treatment, adaptive aids, and minor home modifications. The program offers residential and nonresidential service options and funding totals $2.3 billion in All Funds ($966.5 million in General Revenue Funds).

As shown in **Figure 140**, the average number of individuals served per month in HCS has increased since fiscal year 2008. In fiscal year 2008, the average number of individuals served per month in HCS was 13,386, and the number is projected to be 26,850 in fiscal year 2017.

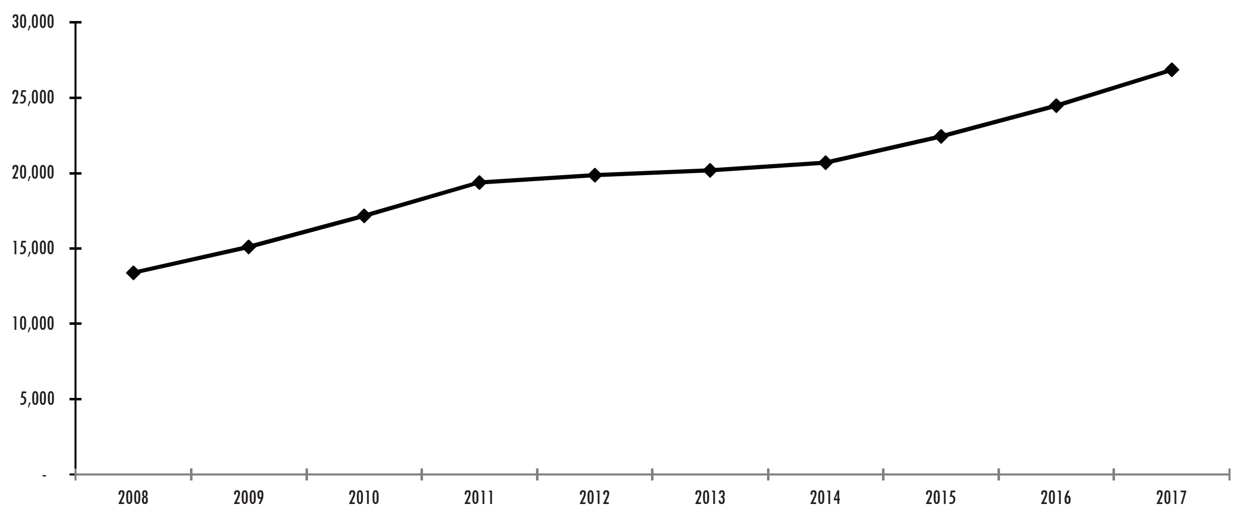
The CLASS program offers habilitation, specialized therapies, and other services for persons with developmental disabilities, such as epilepsy or brain injury, that originated before age 22. Program funding totals $511.8 million in All Funds ($200.5 million in General Revenue Funds).

Figure 141 shows that the average number of individuals served per month in CLASS increased from fiscal year 2008 through fiscal year 2012, with a slight decrease in fiscal years 2013 and 2014, and the upward trend resuming in fiscal year 2015. The projected number of individuals served per month

FIGURE 139
MEDICALLY DEPENDENT CHILDREN PROGRAM AVERAGE NUMBER OF INDIVIDUALS SERVED PER MONTH
FISCAL YEARS 2008 TO 2017

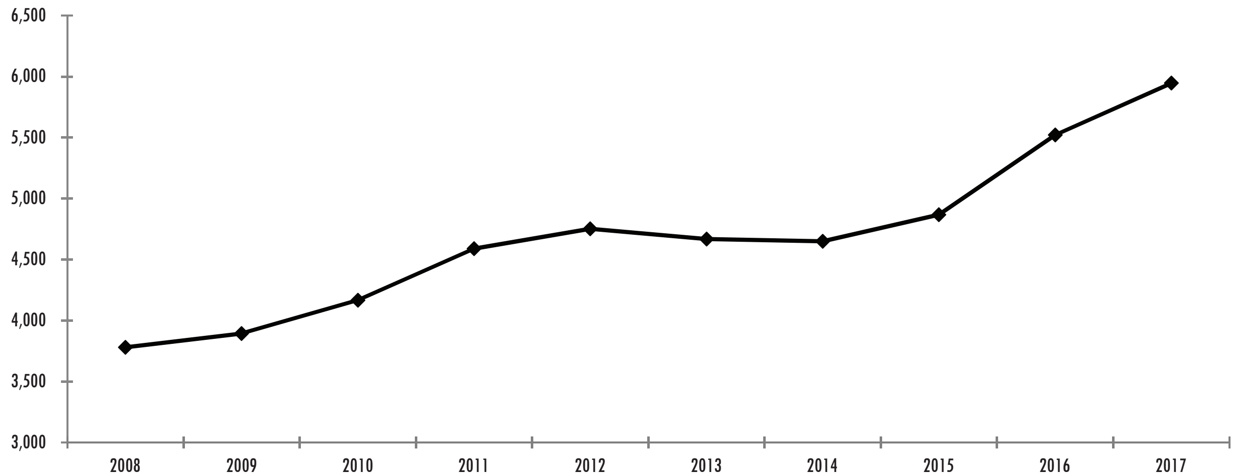
NOTES:
(1) Fiscal year 2015 is estimated.
(2) Fiscal years 2016 and 2017 are projected.
SOURCE: Legislative Budget Board.

FIGURE 140
HOME- AND COMMUNITY-BASED SERVICES AVERAGE NUMBER OF INDIVIDUALS SERVED PER MONTH
FISCAL YEARS 2008 TO 2017



NOTES:
(1) Fiscal year 2015 is estimated.
(2) Fiscal years 2016 and 2017 are projected.
SOURCE: Legislative Budget Board.

FIGURE 141
COMMUNITY LIVING ASSISTANCE AND SUPPORT SERVICES AVERAGE NUMBER OF INDIVIDUALS SERVED PER MONTH
FISCAL YEARS 2008 TO 2017



NOTES:
(1) Fiscal year 2015 is estimated.
(2) Fiscal years 2016 and 2017 are projected.
SOURCE: Legislative Budget Board.

in CLASS in fiscal year 2016 is 5,522 and 5,946 in fiscal year 2017.

The DBMD program offers services including adaptive aids, day habilitation, and intervener services for individuals with deaf-blindness and one or more other disabilities. Funding totals $28.3 million in All Funds ($11.5 million in General Revenue Funds).

As shown in **Figure 142**, the average number of individuals served per month in DBMD remained stable from fiscal years 2008 to 2015 with an upward trend projected for fiscal years 2016 and 2017. It is projected that the average number of individuals served per month in DBMD will be 268 in fiscal year 2016, representing an increase of 65 from fiscal year 2015.

The Texas Home Living (TxHmL) program provides services and supports to clients with IDD who live in their own homes, or in their family's homes, capped at an annual maximum of $17,000 per year. Program funding totals $131.0 million in All Funds ($54.5 million in General Revenue Funds).

Figure 143 shows that the average number of individuals served per month in TxHmL decreased slightly from fiscal years 2008 to 2011, followed by a substantial increase in fiscal year 2012, with an upward trend projected to continue into fiscal year 2017. It is projected that the average number of individuals served per month in TxHmL will be 6,059 in fiscal year 2016, representing an increase of 418 from fiscal year 2015.

As shown in **Figures 139** to **143**, the average number of individuals served in the community care waiver programs in fiscal years 2016 and 2017 is projected to increase. The projected increase is due to increased funding levels provided by the Eighty-fourth Legislature, 2015.

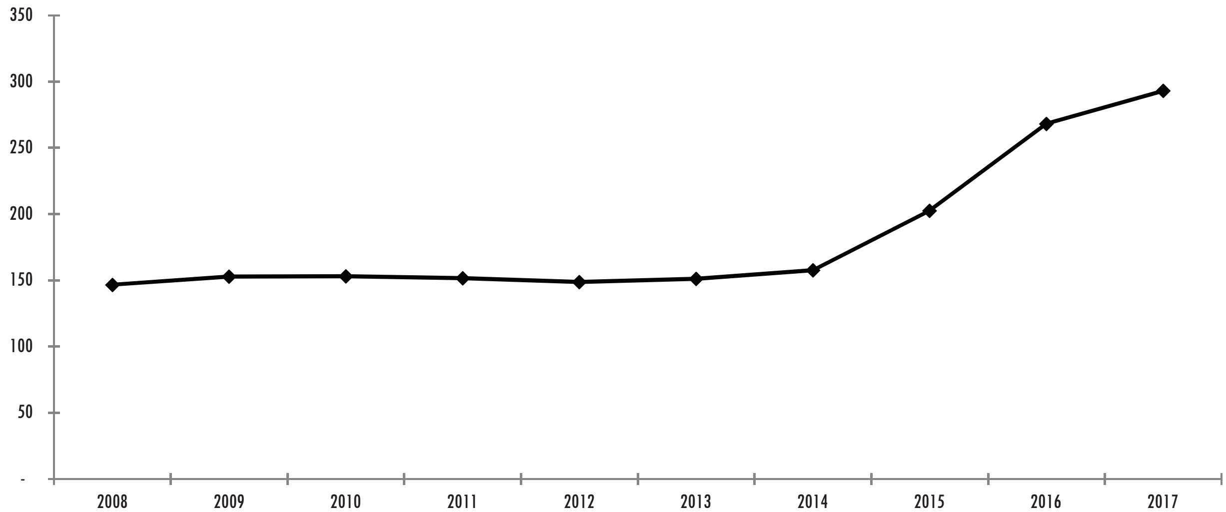
The 2016–17 biennial appropriations support 38,837 average monthly clients in fiscal year 2016 and 42,160 average monthly clients in fiscal year 2017 in the community care waiver programs. Funding for Medicaid community care waivers totals $3.1 billion in All Funds ($1.3 billion in General Revenue Funds).

NON-MEDICAID SERVICES

Non-Medicaid Services are funded by the state and federal governments (the U.S. Social Security Act, Title XX, Social Service Block Grant, and Federal Funds from the Older Americans Act) services provided in community settings and, unlike entitlement services, funding does not increase as the demand for services increase.

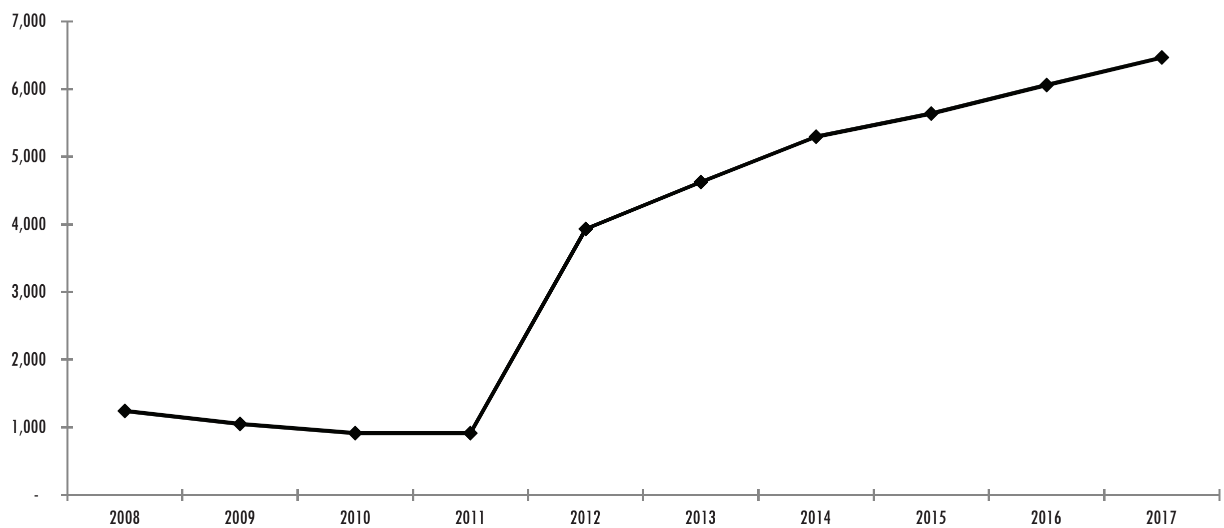
The aged and disability-related community services program provides services to persons who are aging or have disabilities

FIGURE 142
DEAF BLIND WITH MULTIPLE DISABILITIES PROGRAM AVERAGE NUMBER OF INDIVIDUALS SERVED PER MONTH
FISCAL YEARS 2008 TO 2017



NOTES:
(1) Fiscal year 2015 is estimated.
(2) Fiscal years 2016 and 2017 are projected.
SOURCE: Legislative Budget Board.

FIGURE 143
TEXAS HOME LIVING PROGRAM AVERAGE NUMBER OF INDIVIDUALS SERVED PER MONTH
FISCAL YEARS 2008 TO 2017



NOTES:
(1) Fiscal year 2015 is estimated.
(2) Fiscal years 2016 and 2017 are projected.
SOURCE: Legislative Budget Board.

to maintain independence and avoid institutionalization. Services are provided or arranged by area agencies on aging (AAA) and include home-delivered meals, adult foster care, family care, and personal attendant services. The Intellectual Disability Community Services program provides services and support provided through local authorities (or their contractors) in the community to the IDD priority population. Services include community supports, day habilitation, eligibility determination, employment services, respite, and certain therapies. The In-Home and Family Support program provides individuals who are aging and have physical disabilities with direct grant benefits to purchase supports to enable them to remain in the community. Funding for the three programs totals $407.5 million in All Funds ($148.2 million in General Revenue Funds) for the 2016–17 biennium.

Services provided by DADS for the Guardianship Services Program include services for adults with diminished capacity, arranging for placement in facilities (such as long-term-care facilities, hospitals, or foster homes), managing estates, and making medical decisions. Adults with diminished capacity are defined as individuals who, because of a physical or mental condition, are substantially unable to provide food, clothing, or shelter for themselves, to care for their physical health, or to manage their financial affairs. This program serves persons referred by Adult Protective Services at the Department of Family and Protective Services (DFPS) and courts with jurisdiction of probate matters. Funding totals $17.0 million in All Funds ($3.0 million in General Revenue Funds) and provides for 120.0 FTE positions in fiscal year 2016 and 123.0 FTE positions in fiscal year 2017.

OTHER PROGRAM AREAS

The Promoting Independence through Outreach, Awareness, and Relocation program conducts outreach and relocation activities to assist residents of institutions to move into community settings in compliance with the state's Promoting Independence Plan. Program funding totals $8.3 million in All Funds ($5.4 million in General Revenue Funds).

Staff in the facility/community-based regulation program license and regulate nursing facilities, ICF/IID, assisted living facilities, day activity and health services facilities, home and community support services agencies, and Medicaid waiver program providers. Staff conduct inspections, investigate complaints and provider-reported incidents, and monitor the performance of facilities found to be out of compliance with state and federal regulations. Funding totals $144.7 million in All Funds ($12.4 million in General Revenue Funds and $35.8 million in General Revenue–Dedicated Funds) and provides for 1,107.8 FTE positions in fiscal year 2016 and 1,120.7 FTE positions in fiscal year 2017.

The credentialing and certification program certifies the employability of individuals who work in the facilities and agencies regulated by DADS. The primary activities include the nursing facility administrator licensing and enforcement function, operation of the nurse aide registry and the nurse aide training and competency evaluation program, operation of the employee misconduct registry, issuing and renewing permits for medication aides, and conducting continuing education activities. Funding totals $2.7 million in All Funds ($1.8 million in General Revenue Funds) and provides for 27.1 FTE positions each fiscal year of the 2016–17 biennium.

The Long-term Services and Supports Quality Outreach program conducts quality monitoring activities in long-term-care facilities. Funding totals $10.5 million in All Funds ($4.1 million in General Revenue Funds) and provides for 62.5 FTE positions in each year of the 2016–17 biennium.

Information technology program support provides technology products, services, and support to all DADS divisions. Funding totals $144.0 million in All Funds ($61.3 million in General Revenue Funds) and provides for 116.6 FTE positions in fiscal year 2016 and 117.3 FTE positions in fiscal year 2017.

ADMINISTRATION AND ELIGIBILITY

The central administration program supports administrative functions for all DADS programs. Funding totals $77.1 million in All Funds ($34.1 million in General Revenue Funds) and provides for 412.2 FTE positions for each year of the 2016–17 biennium.

The AAA administrative activities program assists individuals who are age 60 and older and their families or caregivers by providing information and resources about available services, referrals, and coordination and arrangement of care. Funding totals $63.2 million in All Funds ($3.9 million in General Revenue Funds).

The DADS eligibility and administration activities program provides administration of community services, functional and financial eligibility determinations, program enrollment, and utilization reviews of certain DADS programs. Funding totals $211.5 million in All Funds ($98.6 million in General Revenue Funds).

The local authority administrative activities program assists members of the DADS IDD priority population (the population identified as most in need of services, as defined in the Texas Health and Safety Code, Chapter 531) access appropriate services and supports. Funding totals $311.4 million in All Funds ($183.0 million in General Revenue Funds).

Funding for the AAA administrative activities program, DADS eligibility and administration activities program, and the local authority administrative activities program provides for 1,338.7 FTE positions in fiscal year 2016 and 1,396.6 FTE positions in fiscal year 2017.

SIGNIFICANT LEGISLATION

House Bill 2 – Supplemental appropriation bill. The legislation decreased the DADS appropriation authority by $129.9 million in General Revenue Funds and transfers the appropriation authority to the Health and Human Services Commission (HHSC) to address a shortfall in Medicaid acute care services. Additionally, capital budget authority was increased for the Balancing Incentive Program (BIP) secure web portal and software licenses capital projects.

House Bill 1769 – Assisted living facility licensure. House Bill 1769 establishes expedited licensure for assisted-living facility applicants determined to be in good standing, which would enable qualified applicants to be issued a license before receiving an initial health inspection.

House Bill 2340 – Regulation of prescribed pediatric extended care centers. The bill establishes a temporary license for the prescribed pediatric extended-care center (PPECC) provider type. A temporary license would enable a PPECC, after completion of the NFPA's Life Safety Code inspection and a review of its policies and procedures, to provide services for up to six minors for up to 90 days, or until a full license is issued.

House Bill 2588 – Regulation of nursing homes and assisted living facilities. House Bill 2588 requires HHSC by rule to develop a definition for Alzheimer's disease and related disorders for use in nursing facilities and assisted-living facilities. The bill requires nursing and assisted-living facilities to include in their respective disclosure statements whether the facility is licensed or certified for the provision of specialized care for residents with Alzheimer's disease and related disorders.

House Bill 3523 – Medicaid and long-term-care services delivery. This bill clarifies and reinforces requirements of Senate Bill 7, Eighty-third Legislature, Regular Session, 2013; and updates timelines from SB 7, including delaying the transition of TxHmL to managed care to September 1, 2018; delaying the transition of other IDD waivers and ICF/IID to managed care to September 1, 2021; and to start the IDD pilot to September 1, 2017.

House Bill 3823 – Data collection and rate setting in PACE. The legislation requires HHSC, DADS, and stakeholders to better compare costs and client outcomes of individuals in the PACE program, compared to similar populations in the STAR+PLUS program. It also requires HHSC to study and potentially revise reimbursement rates for PACE.

Senate Bill 169 – Regulation of interest and waiting lists. Senate Bill 169 requires DADS and other HHS agencies to make sure individuals who are in the military or are military dependents do not lose their spots on any interest list or waiting list, even if they are temporarily stationed outside of the state due to military assignment.

Senate Bill 200 – Health and human services agencies consolidation. The bill consolidates all functions of DADS and DARS, and certain functions of DSHS and DFPS, at HHSC by September 1, 2017. Client services and appropriate administrative functions at DADS transfer in fiscal year 2016, and SSLC and regulatory services transfer in fiscal year 2017. All HHS agency councils are abolished September 1, 2016. The bill also establishes the Transition Legislative Oversight Committee (TLOC) to oversee the transition and requires a detailed transition plan to be submitted by HHSC to TLOC by March 1, 2016.

DEPARTMENT OF ASSISTIVE AND REHABILITATIVE SERVICES

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

ESTABLISHED: 2003

AUTHORIZING STATUTE: The Texas Human Resources Code, Chapter 117

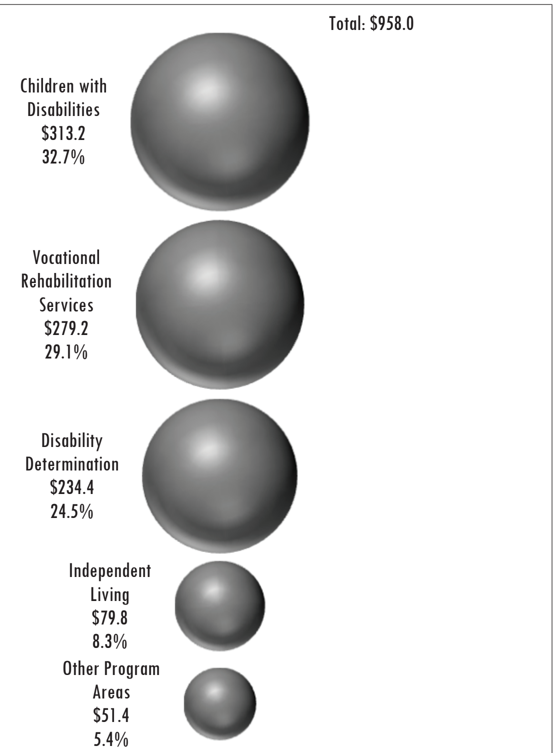
GOVERNANCE: Health and Human Services Executive Commissioner, appointed by the Governor, with the advice and consent of the Senate; five advisory councils, including the Department of Assistive and Rehabilitative Services (DARS) Council, assist with system oversight

FIGURE 144
DEPARTMENT OF ASSISTIVE AND REHABILITATIVE SERVICES BY METHOD OF FINANCE

	IN MILLIONS			
METHOD OF FINANCE	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$218.2	$177.2	($41.0)	(18.8%)
General Revenue–Dedicated Funds	$34.9	$36.3	$1.3	3.9%
Federal Funds	$923.7	$696.1	($227.6)	(24.6%)
Other Funds	$40.8	$48.5	$7.6	18.7%
Total, All Methods of Finance	**$1,217.7**	**$958.0**	**($259.7)**	**(21.3%)**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2016	3,030.3
2017	1,181.4

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



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

SIGNIFICANT DEVELOPMENTS

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

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

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

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

MAJOR FUNDING

Funding for the Department of Assistive and Rehabilitative Services (DARS) decreases by $259.7 million in All Funds, including $39.7 million in General Revenue Funds and General Revenue–Dedicated Funds. The number of full-time-equivalent (FTE) positions decreases by 1,997.1 from fiscal years 2015 to 2017.

These decreases are primarily due to the transfer of vocational rehabilitation programs and associated program support to the Texas Workforce Commission (TWC) in fiscal year 2017. Senate Bill 208, Eighty-fourth Legislature, 2015, requires the transfer of the Vocational Rehabilitation (including the Criss Cole Rehabilitation Center), Independent Living Services for Older Individuals Who Are Blind, and Business Enterprises of Texas programs to TWC. The program transfers results in a net decrease of $300.5 million in All Funds ($57.4 million in General Revenue Funds and General Revenue–Dedicated Funds) and a decrease in the number of full-time-equivalent (FTE) positions of 1,860.9.

The General Revenue Funds decrease is partially offset by transfer-related increases at DARS to maintain field support for smaller programs that remain in the Texas Health and Human Services system ($2.1 million) and for a Method of Financing swap for certain funds related to vocational rehabilitation (VR) in programs not transferring to TWC ($2.0 million). Additionally, General Revenue Funds increases to the Children with Disabilities program area include: $5.2 million in the Autism Program to expand focused applied behavioral analysis (ABA) treatment services; and $1.8 million in the Blind Children's Vocational Discovery and Development Program for additional FTE positions to serve additional children. Funding for general Independent Living Services includes an increase of $1.3 million in General Revenue Funds to serve consumers from the program's waiting list. Other increases are described in the following section.

House Bill 2463, Eighty-fourth Legislature, 2015, transfers all functions not related to the transfers required by Senate Bill 208 at DARS to the Health and Human Services Commission by September 1, 2016, and the agency is abolished on that date. This provision is also included in Senate Bill 200, Eighty-fourth Legislature, 2015, the health and human services agencies' Sunset legislation. Fiscal year 2017 funding for the functions moving to HHSC are included in the DARS appropriations, but will be transferred to and reported by HHSC in the upcoming legislative appropriations request and other budget documents.

PROGRAMS

The agency carries out its responsibilities through five major program areas: (1) services to children with disabilities; (2) vocational rehabilitation services; (3) disability determination services for federal benefits; (4) independent living, including comprehensive rehabilitation services; and (5) other programs, including deaf and hard of hearing services; blindness education, screening and treatment; and program support.

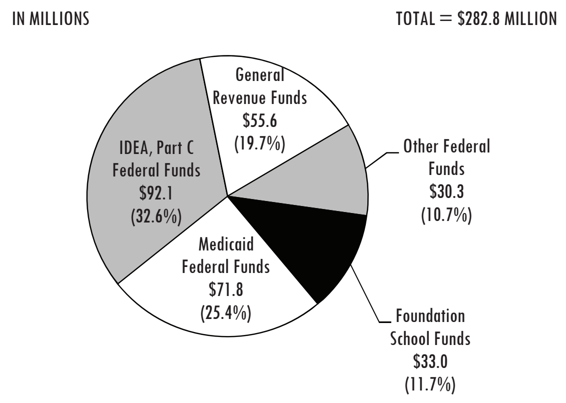
CHILDREN WITH DISABILITIES

DARS offers services to children with disabilities through three programs: Early Childhood Intervention (ECI) Services for eligible children age 2 or younger who have a disability or developmental delay; Children's Blindness Services for blind or visually impaired children from birth to age 9 and to children up to age 22 who are blind or visually impaired and do not qualify for other programs and services; and the Autism Program for children ages 3 to 15 with a diagnosis on the autism spectrum. Funding for this program area increases by $21.9 million in All Funds ($7.6 million in General Revenue Funds and General Revenue–Dedicated Funds).

EARLY CHILDHOOD INTERVENTION (ECI) SERVICES

ECI Services are provided through contracts with 49 local agencies, including community centers, education service centers, and private nonprofit entities. These agencies determine eligibility, assess the child's needs, and coordinate the delivery of comprehensive services, including physical therapy, speech and language therapy, vision services, nutrition services, developmental services, and occupational therapy. Children typically receive services at home but also in locations they visit regularly, such as day care, parks, and libraries. Services are also provided for the family, including respite services, support groups, education, and counseling. DARS also provides transition services that help families to access educational support as a child reaches age 3 and is no longer eligible for ECI. Appropriations total $282.8 million in All Funds ($55.6 million in General Revenue Funds). This amount includes an increase of $14.0 million in All Funds for projected caseload increases and a projected increase in average monthly service hours per child from 2.69 in fiscal year 2015 to 2.75 in fiscal year 2017. **Figure 145** shows the distribution of appropriation sources for ECI. Additional funding sources available for ECI services that are not

FIGURE 145
EARLY CHILDHOOD INTERVENTION PROGRAM APPROPRIATIONS BY FUND TYPE, 2016–17 BIENNIUM

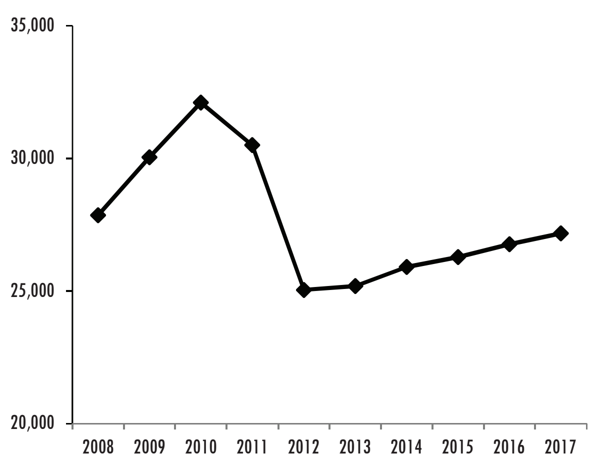


NOTE: IDEA, Part C = the federal Individuals with Disabilities Education Act, Part C (Program for Infants and Toddlers with Disabilities).
SOURCE: Legislative Budget Board.

reflected in the General Appropriations Act include Medicaid billed directly by providers, third-party collections, and local contributions.

Eligibility requirements were narrowed for fiscal year 2012 in response to a decrease in funding that was due to the loss of onetime stimulus Federal Funds. **Figure 146** shows the historical growth in children served related to the onetime funding and the subsequent decrease as funding decreased and eligibility was narrowed. The average monthly caseload is estimated to increase by 3.4 percent from fiscal years 2015 to 2017.

FIGURE 146
EARLY CHILDHOOD INTERVENTION AVERAGE NUMBER OF CHILDREN SERVED PER MONTH FISCAL YEARS 2008 TO 2017



NOTES:
(1) Fiscal year 2015 is projected.
(2) Target established in the Eighty-fourth Legislature, General Appropriations Act, 2016–17 Biennium.
SOURCES: Legislative Budget Board; Department of Assistive and Rehabilitative Services.

BLIND CHILDREN'S VOCATIONAL DISCOVERY AND DEVELOPMENT PROGRAM

The Blind Children's Vocational Discovery and Development Program provides services through trained specialists who function as both case managers and direct-care providers, working individually with each child. Services include assessment; family service plan development; counseling, guidance, and follow-up services; and information and referral. Specialists provide training and educational support in areas such as independent living skills, travel and mobility, communication, and vocational discovery and development. Appropriations total $12.1 million in All Funds ($11.1 million in General Revenue Funds). An increase of $1.8 million in General Revenue Funds provides for 13.0 additional FTE positions by fiscal year 2017 to increase the average monthly number of children served from 3,700 per month in fiscal year 2015 to 4,257 in fiscal year 2017. Additionally, an increase of $0.7 million maintains field support for the program.

AUTISM PROGRAM

The Autism Program serves children ages 3 to 15 who have an autism spectrum disorder. Services are provided through grant contracts with local community agencies and organizations that provide ABA. Appropriations total $14.4 million in All Funds ($14.2 million in General Revenue Funds).

The Eighty-third Legislature, General Appropriations Act (GAA), 2014–15 Biennium, included a provision that made $2.4 million in additional General Revenue Funds contingent on an effort by DARS to develop initiatives to increase the number of children served in the program. New program rules were effective September 1, 2014, and the program now provides two ABA treatment services: comprehensive and focused. Comprehensive services are more intensive and similar to the original program, and focused services are less intensive and target specific behavioral issues. **Figure 147** shows a comparison of the two treatment services.

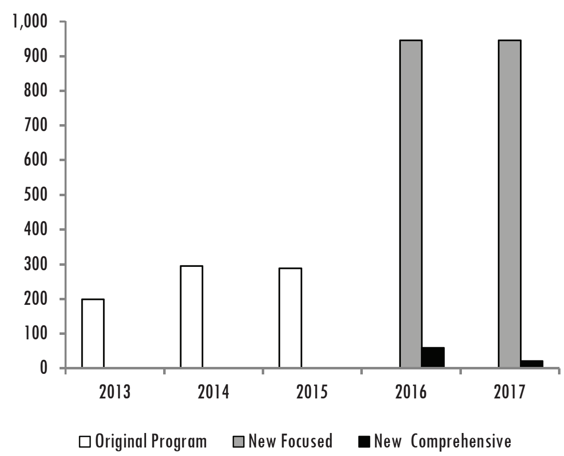
The number of children projected to receive autism services is 966 in fiscal year 2017, compared to 295 children served in fiscal year 2014, the final year of the original program. **Figure 148** shows the increase in number of children served

FIGURE 147
COMPARISON OF AUTISM TREATMENT SERVICES

	COMPREHENSIVE	FOCUSED
Age Served	3 to 5	3 to 15
Service Intensity	16 to 20 hours per week	Maximum 30 hours per month
Period Eligible	24 consecutive months	6 months in a 12-month period, 24 months lifetime
Fiscal Year 2016 Projected Monthly Average Cost per Child	$3,596	$1,042

SOURCES: Legislative Budget Board; Department of Assistive and Rehabilitative Services.

FIGURE 148
AUTISM PROGRAM NUMBER OF CHILDREN SERVED PER YEAR, FISCAL YEARS 2013 TO 2017



NOTES:
(1) Fiscal year 2015 is projected.
(2) Targets established in the Eighty-fourth Legislature, General Appropriations Act, 2016–17 Biennium.
(3) Targets reflect a phase-out of comprehensive services.
SOURCES: Legislative Budget Board; Department of Assistive and Rehabilitative Services.

per year with the program changes. The Eighty-fourth Legislature, GAA, 2016–17 Biennium, directs DARS to phase out comprehensive ABA services by August 31, 2016.

VOCATIONAL REHABILITATION SERVICES

DARS offers a variety of services to assist individuals with disabilities to reach goals related to employment through the following programs:

- Vocational Rehabilitation – Blind, serving the blind and visually impaired;
- Vocational Rehabilitation – General, serving those with disabilities other than blindness/visual impairment; and
- Business Enterprises of Texas (BET) Program and BET Trust Fund.

Funding for this program area decreases by $281.4 million in All Funds ($53.4 million in General Revenue Funds and General Revenue–Dedicated Funds) due to Senate Bill 208. The bill is the Texas Workforce Commission's (TWC) Sunset legislation and requires the transfer of these programs from DARS to TWC no later than September 1, 2016. Fiscal year 2017 appropriations for these programs are discussed in the section regarding the Texas Workforce Commission in Chapter 10.

VOCATIONAL REHABILITATION – BLIND

The VR-Blind program helps individuals who are blind or significantly visually impaired to obtain or retain employment. The program also assists individuals who are deaf and blind. VR counselors work not only with individuals but also potential employers. DARS operates the Criss Cole Rehabilitation Center, where individuals receive specialized services and intensive training in vocational and independent living in a residential setting. The Transition Services Program is a subset of the VR-Blind program that helps students ages 10 to 24 to make informed decisions about their educational and vocational futures. Appropriations for fiscal year 2016 total $48.9 million in All Funds ($8.2 million in General Revenue Funds).

VOCATIONAL REHABILITATION – GENERAL

The VR-General program helps individuals with disabilities other than blindness or visual impairment to prepare for, find, or retain employment. Types of disabilities may include neurological/musculoskeletal/orthopedic, intellectual/cognitive, mental/emotional, and hearing-related. VR counselors provide services directly to individuals, including counseling and guidance, training and education, medical services, and the purchase of assistive technology devices. Transition services are available for eligible students with disabilities to assist with the move from school to work. VR counselors provide on-campus consultative and technical assistance to public school personnel. Appropriations for fiscal year 2016 total $227.5 million in All Funds ($44.2 million in General Revenue Funds).

BUSINESS ENTERPRISES OF TEXAS AND BET TRUST FUND

The Business Enterprises of Texas (BET) Program develops and maintains business-management opportunities for legally blind persons, who are accorded priority pursuant to the federal Randolph-Sheppard Act (the U.S. Code, Title 20, Chapter 6A, Section 107) and state law to operate automatic vending machines, snack bars, cafeterias, and convenience stores on state and federal property. Consumers in the DARS VR-Blind program who are interested in becoming licensed BET managers are referred by their counselors and must meet certain program eligibility requirements. Appropriations for fiscal year 2016 total $2.5 million in All Funds ($0.7 million in General Revenue–Dedicated Funds). Part of the program funding is from commissions from vending machines on state property paid directly to DARS by vending services contractors. Also, BET managers contribute up to 5 percent of their proceeds to support the program. Approximately one-third of the funding comes from Vocational Rehabilitation Federal Funds. It is projected that 1,564 individuals (managers and employees) will be employed by BET businesses in fiscal year 2016.

The BET Trust Fund provides for the administration of funds for retirement and benefits authorized pursuant to the Randolph-Sheppard Act for active and retired individuals employed through the BET program. Revenue is deposited to the fund from commissions paid to DARS by vending services contractors from facilities on federal property that are not managed by BET. Appropriations for fiscal year 2016 total $0.4 million in General Revenue–Dedicated Funds.

DISABILITY DETERMINATION SERVICES

The Disability Determination Services (DDS) program makes medical determinations of disability for Texans who apply for disability benefits through Social Security Disability Insurance (SSDI) or Supplemental Security Income (SSI). DDS is funded completely by the Social Security Administration (SSA). The agency anticipates processing 340,566 claims in fiscal year 2016, increasing to 345,566 in fiscal year 2017. Appropriations total $234.4 million in All Funds (all Federal Funds), an increase of $6.5 million, and provide for 875.4 FTE positions in fiscal year 2017. The SSA imposed a hiring freeze during federal fiscal year 2010. Limited hiring was authorized for 2014 and 2015, but 223 vacancies remain. For federal fiscal year 2016, the program is operating pursuant to a continuing resolution with no hiring authorized.

INDEPENDENT LIVING

DARS provides time-limited services to individuals with disabilities to maintain or regain independence at home and in the community through four programs: independent living (IL) services for the blind and visually impaired and for those with other disabilities, support of centers for independent living (CILs), and comprehensive rehabilitation services for individuals with a traumatic spinal cord or brain injury. Funding for this program area increases by $1.2 million in All Funds ($3.0 million in General Revenue Funds and General Revenue–Dedicated Funds).

House Bill 2463 requires the integration of the IL Services-Blind and IL Services-General programs into a single program by September 1, 2016. Additionally, it requires that DARS evaluate the network of CILs to move the direct delivery of independent living services from DARS to the CILs, with DARS providing technical assistance and assuming a monitoring role through contracts. FTE positions in the Independent Living Services programs are reduced by a total of 24.0 positions in fiscal year 2017.

INDEPENDENT LIVING SERVICES – BLIND

The IL-Blind program provides services to mostly older individuals whose blindness or significant visual impairment affects their ability to live independently. IL staff at DARS provides both group and individual, in-home training on topics such as mobility, shopping and meal preparation, managing finances, and using assistive technology. Appropriations total $5.4 million in All Funds ($1.1 million in General Revenue Funds). A decrease in fiscal year 2017 of $1.6 million in All Funds is due to the transfer of the Independent Living Services for Older Individuals Who Are Blind program to the Texas Workforce Commission because of federal requirements that the grant be administered by the state agency designated for vocational rehabilitation.

INDEPENDENT LIVING SERVICES – GENERAL

The IL-General program provides consumer-driven services that promote independence at home and in the community. DARS IL counselors across the state develop individualized plans that may focus on mobility, communication, adjustment to living with a disability, social skills, or self-direction. During the past few years, most program funding has been used to provide assistive technology and devices such as hearing aids, power wheelchairs, home modifications, and prosthetics. An increase of $1.3 million in General Revenue Funds is projected to serve approximately 50 consumers per fiscal year from the program's waiting list. The waiting list is projected to include 289 consumers at the end of fiscal year 2015.

CENTERS FOR INDEPENDENT LIVING

CILs are community-based, private nonprofit organizations that provide nonresidential services to assist individuals with significant disabilities in obtaining as much independence as possible within the family and the community. Any individual with a significant disability (as defined by federal law) is eligible for services. Four core services are mandated by federal law: information and referral, independent-living skills training, peer counseling, and advocacy. Texas has 27 CILs, 15 of which receive funding from DARS in the form of grants. DARS-funded CILs submit yearly work plans and budgets to DARS for approval. Appropriations total $5.5 million in All Funds ($2.6 million in General Revenue Funds).

COMPREHENSIVE REHABILITATION

The Comprehensive Rehabilitation Services program provides rehabilitation services to persons with traumatic spinal cord or traumatic brain injuries. Core services include inpatient comprehensive medical rehabilitation services, post-acute brain injury rehabilitation services, and outpatient rehabilitation services. Comprehensive rehabilitation services are time-limited and focus on mobility, self-care, and communication skills. DARS contracts with providers for these services. DARS will serve approximately 1,000 consumers in this program in each fiscal year. Appropriations total $51.4 million in All Funds ($51.2 million in General Revenue Funds and General Revenue–Dedicated Funds) and include an increase of $0.8 million in General Revenue Funds to serve additional consumers from the waiting list.

OTHER PROGRAM AREAS

Funding for other program areas decreases by $7.9 million in All Funds due primarily to the program transfers to TWC. An increase of $3.1 million in General Revenue Funds and General Revenue–Dedicated Funds provides support for smaller programs not transferring to TWC, expands access to deaf and hard of hearing services, and provides additional information technology program support.

The agency provides services to the deaf and hard of hearing through four programs: (1) contracted services for the deaf and hard of hearing; (2) education and training, (3) interpreter certification; and (4) specialized telecommunication assistance. DARS contracts with community-based councils for the deaf and hard of hearing to provide interpreter services, life skills services to older persons, advocacy services, and information and referral services for persons who are deaf or hard of hearing. DARS provides education and training not only to individuals who are deaf or hard of hearing but also to their families, businesses and educational organizations in the community, service providers, interpreters, and the general public. The agency also provides interpreter services to state agencies through contracts with local interpreter referral agencies. The Board for Evaluation of Interpreters evaluates and certifies sign language and oral interpreters. The Specialized Telecommunication Assistance Program is a voucher program that provides telecommunication access equipment such as amplified telephones, big button telephones, and voice dialers for persons who are deaf or hard of hearing, speech impaired, or have any other disability that interferes with telephone access. Combined appropriations for all services total $12.3 million in All Funds ($6.0 million in General Revenue Funds and General Revenue–Dedicated Funds). This amount includes an increase of $1.0 million in General Revenue Funds for contracted services to expand access to deaf and hard of hearing resource specialists.

The Blindness Education, Screening, and Treatment Program provides public education about blindness and other eye conditions, adult vision screening services, and medical eye treatments to adults without health insurance or other resources. Contractors across the state offer vision screenings and make referrals to eye care providers as needed. The program is funded solely by voluntary donations of $1 from Texans who are applying for or renewing their drivers' licenses or identification cards through the Department of Public Safety. Appropriations total $1.1 million in General Revenue Funds.

Program support decreased by $9.8 million in All Funds, primarily due to the transfers to TWC. This decrease is somewhat offset by a General Revenue Funds increase of $1.2 million for HHS enterprise-related informational technology support.

SIGNIFICANT LEGISLATION

Senate Bill 208 – Relating to the continuation and functions of the Texas Workforce Commission. Senate Bill 208, TWC's Sunset legislation, requires the transfer of the Vocational Rehabilitation (including the Criss Cole Rehabilitation Center), Independent Living Services for Older Individuals Who Are Blind, and Business Enterprises of Texas programs from DARS to TWC no later than September 1, 2016.

Senate Bill 200 and House Bill 2463 – Health and human services agencies consolidation and functions of the Department of Assistive and Rehabilitative Services. The legislation transfers all functions not related to the transfers required by Senate Bill 208 at DARS to the Health and Human Services Commission by September 1, 2016, and the agency is abolished on that date. HB 2463 also provides statutory authority for DARS to operate the comprehensive rehabilitation and autism programs and provides guidelines related to caseworkers and case review procedures in direct services programs.

DEPARTMENT OF FAMILY AND PROTECTIVE SERVICES

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

ESTABLISHED: 2004

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

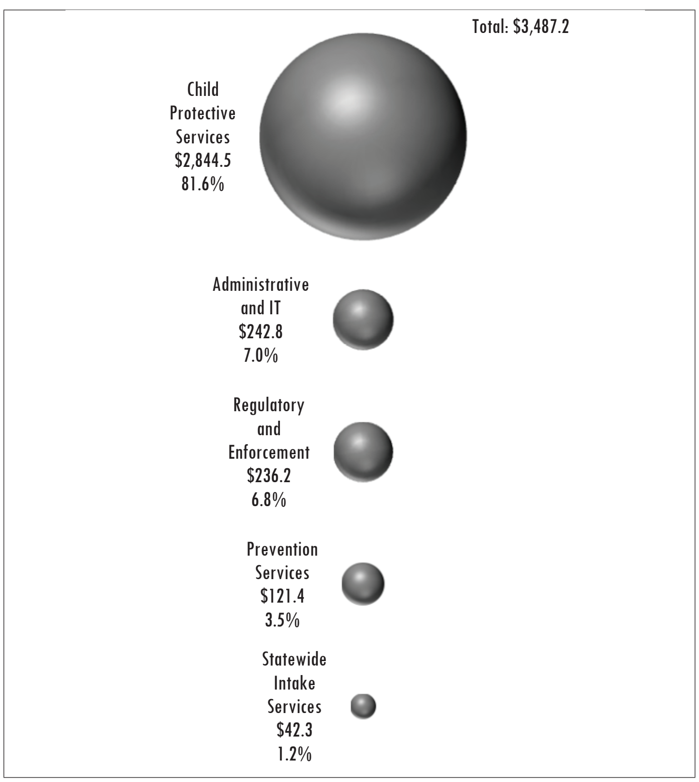
GOVERNANCE: Health and Human Services Executive Commissioner, appointed by the Governor, with advice and consent of the Senate; five advisory councils, including the Department of Family and Protective Services Council, assist with system oversight

FIGURE 149
DEPARTMENT OF FAMILY AND PROTECTIVE SERVICES BY METHOD OF FINANCE

	IN MILLIONS			
METHOD OF FINANCE	**EXPENDED/ BUDGETED 2014–15**	**APPROPRIATED 2016–17**	**BIENNIAL CHANGE**	**PERCENTAGE CHANGE**
General Revenue Funds	$1,455.6	$1,858.0	$402.4	27.6%
General Revenue–Dedicated Funds	$11.4	$11.4	$0.0	0.0%
Federal Funds	$1,605.2	$1,598.3	($6.9)	(0.4%)
Other Funds	$18.6	$19.4	$0.8	4.5%
Total, All Methods of Finance	**$3,090.8**	**$3,487.2**	**$396.4**	**12.8%**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2016	12,716.0
2017	12,855.6

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

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

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

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

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

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

MAJOR FUNDING

Funding for the Department of Family and Protective Services (DFPS) increased by $396.4 million in All Funds, including $402.4 million in General Revenue Funds and General Revenue–Dedicated Funds. This amount includes increased funding of $251.5 million in All Funds for Child Protective Services (CPS) primarily for entitlement caseload growth, rate increases for certain foster care providers, the rollout of foster care redesign to one new catchment area during the 2016–17 biennium, and nonentitlement caseload growth. Increased funding for CPS also provides for additional full-time-equivalent (FTE) positions to maintain the fiscal year 2015 staffing and related cost; maintain the 2015 end-of-year average daily caseload per worker; implement CPS transformation initiatives; assist with cases in high staff vacancy or high case volume areas; and for a parental child safety placements pilot program. Other significant funding increases provide for the expansion of prevention and early intervention services; updates to agencywide automated systems; additional child-care licensing staff; salary parity for day-care child-care licensing staff; the establishment of a stipend program to support mentoring and training for new caseworkers; paying down overtime to 140 hours for direct delivery staff and the Office of Consumer Affairs staff; and performance-based merit increases.

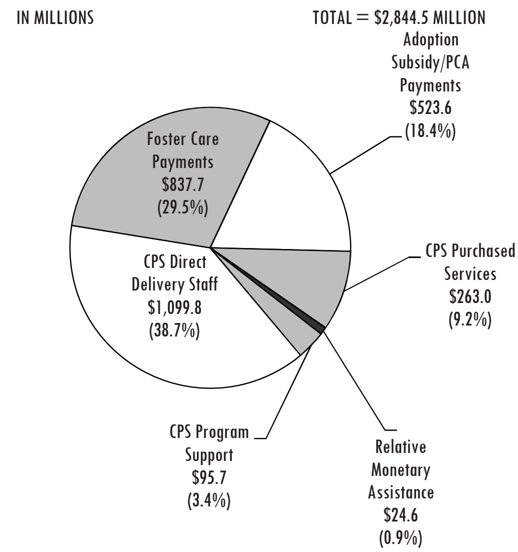
PROGRAMS

The agency carries out its responsibilities through five major program areas: (1) CPS; (2) administrative and information technology; (3) regulatory and enforcement; (4) Prevention Services; and (5) Statewide Intake services.

CHILD PROTECTIVE SERVICES

The CPS program investigates reports of suspected abuse or neglect of children and takes action to protect abused and neglected children from further harm. Program staff also work with children and their families to help alleviate the effects of abuse. The CPS program provides protective services through six primary programs: CPS Direct Delivery Staff; CPS Program Support, CPS Purchased Services; Foster Care Payments; Adoption Subsidy/Permanency Care Assistance Payments; and Relative Caregiver Monetary Assistance. **Figure 150** shows the appropriations by CPS program.

FIGURE 150
CHILD PROTECTIVE SERVICES (CPS) ALL FUNDS APPROPRIATIONS BY PROGRAM, 2016–17 BIENNIUM



NOTE: PCA = Permanency Care Assistance.
SOURCE: Legislative Budget Board.

CPS DIRECT DELIVERY STAFF

CPS Direct Delivery Staff provides most of the direct client services associated with the CPS program. These services include: investigating reports of suspected abuse or neglect; developing and implementing protective service plans; placing children in temporary care or permanent homes; providing long-term, substitute care; and serving families in crisis to help prevent the out-of-home placement of children. Biennial funding totals $1,099.8 million and provides for 9,245.5 FTE positions in fiscal year 2016 and 9,335.3 positions in fiscal year 2017; this appropriation is an increase of 165.2 positions in fiscal year 2016 and 255.0 positions in fiscal year 2017 from the fiscal year 2015 budgeted level, an effort in continuing to address increasing caseloads and to implement various CPS transformation initiatives.

CPS transformation takes into consideration the recommendations from the Sunset Advisory Committee, the operational review of CPS by consulting agency the Stephen Group, and the review by Casey Family Programs, a private foundation, that provided CPS with recommendations on improving foster care in Harris County. The goals of CPS transformation are to develop a professional and stable workforce; ensure child safety, permanency, and well-being; and establish an effective organization and operations. DFPS indicates that the ability to improve the outcomes for children and families depends on CPS' ability to build a high-quality, professional, and stable workforce. To assist with this effort, during fiscal year 2015, DFPS redesigned its recruitment and hiring practices, changed the training model for workers, and provided additional supports for caseworkers through mentoring, implementation of an employee recognition program, revised professional development curriculum, and field-based specialty training to Regions 4, 5, 7, and 11. **Figure 151** shows the agency's turnover rates for certain CPS workers from fiscal years 2011 to 2015.

CPS PROGRAM SUPPORT

CPS Program Support provides support services such as program administration, contract management, staff training, eligibility determination, and administration of discretionary federal programs. Biennial funding totals $95.7 million and provides for 549.3 FTE positions in fiscal year 2016 and 555.8 positions in fiscal year 2017, an increase of 25.6 positions in fiscal year 2016 and 32.1 positions in fiscal year 2017 from the fiscal year 2015 budgeted level.

CPS PURCHASED SERVICES

CPS Purchased Services provides day care, adoption, post-adoption, adult living, substance abuse, and other purchased services for children and families. Biennial funding totals $263.0 million in All Funds.

Day-care services are purchased from the Texas Workforce Commission (TWC). TWC contracts with local workforce development boards that contract with local child-care management system agencies. TWC bills DFPS monthly for reimbursement of day-care service cost plus an administrative fee. The three kinds of day-care services purchased are: foster, relative, and protective.

TWC Foster Day Care provides day-care services for children who live in foster care and both parents or one foster parent works full time. TWC Relative Day Care provides day-care services for children placed with relatives who are not licensed or verified as a foster care provider, and who work at least 40 hours per week. TWC Protective Day Care provides day-care services to control the risk of abuse and neglect while children remain in their homes. Biennial funding totals $107.8 million in All Funds.

Adoption Purchased Services provides contracted adoption services through child-placing agencies that recruit, train, and verify adoptive homes; handle adoptive placements; provide post-placement supervision; and facilitate consummation of adoptions. Biennial funding totals $20.1 million in All Funds.

Post-adoption Purchased Services provides services to help families that adopt children in the care of DFPS to adjust to the adoption. Services available include casework, support groups, parent training, therapeutic counseling services, respite care, and residential therapeutic care. Biennial funding totals $7.0 million in All Funds.

Preparation for Adult Living Purchased Services provides services to help youth in CPS substitute care prepare for their eventual departure from DFPS care and support. It also provides funding for post-secondary education and training programs. Biennial funding totals $19.5 million in All Funds. The appropriation includes $18.0 million in Federal Funds from the U.S. Social Security Act, Title IV-E, Chafee Foster Care Independence Program and the Title IV-E Chafee Education and Training Vouchers Program.

Substance Abuse Purchased Services provides services to address the parenting impairment caused by substance abuse. The services help prevent children from being removed from their home or allow them to be reunited with their families more quickly. Biennial funding totals $17.2 million in All Funds.

FIGURE 151
CHILD PROTECTIVE SERVICES CASEWORKERS TURNOVER RATES, FISCAL YEARS 2011 TO 2015

STAFF	2011	2012	2013	2014	2015	PERCENTAGE CHANGE 2014 TO 2015
Conservatorship Caseworker	22.7%	23.7%	22.9%	22.6%	22.6%	0.1%
Family-Based Safety Services Caseworker	27.3%	25.4%	25.5%	23.0%	27.9%	21.0%
Investigator Caseworker	31.7%	33.5%	32.3%	33.8%	32.7%	(3.2%)

SOURCE: Department of Family and Protective Services.

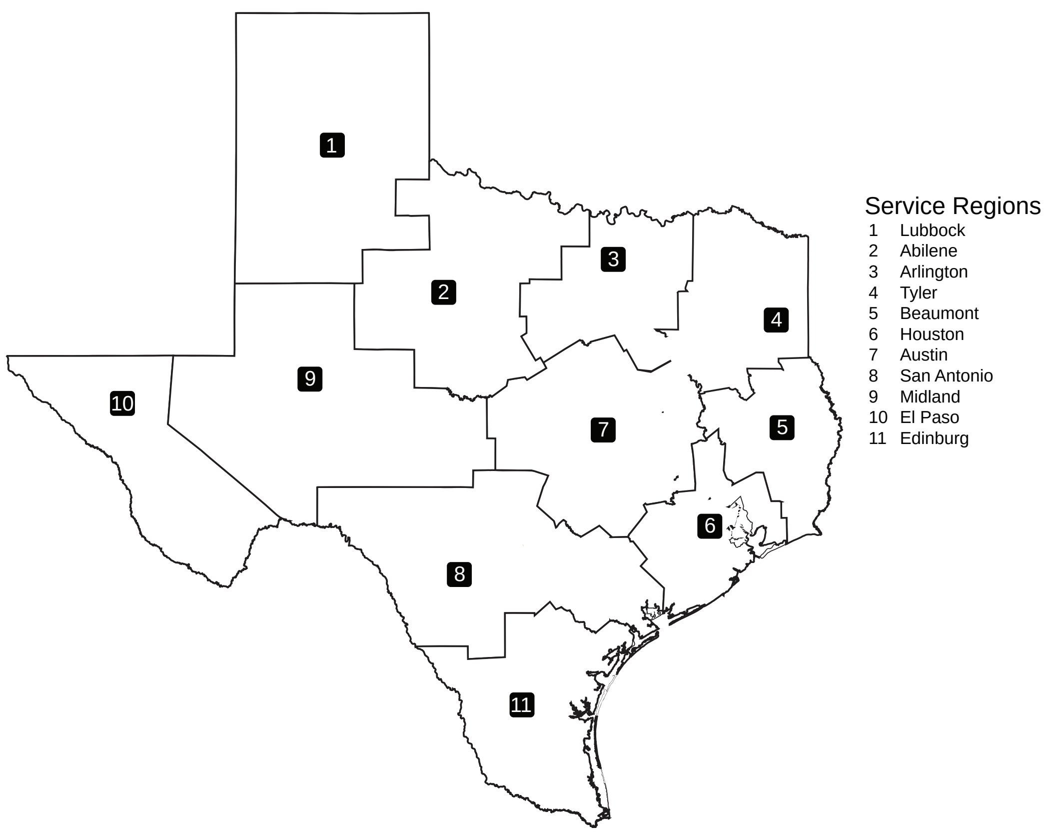
Other CPS Purchased Services includes a range of therapeutic and supportive services for abused or neglected children and their families. The services include, but are not limited to, counseling, case management, skills training, and respite care. Biennial funding totals $91.4 million in All Funds.

FOSTER CARE PAYMENTS

DFPS pays a daily rate for the care and maintenance of children who have been removed from their homes and placed in foster homes or residential treatment facilities as a result of abuse or neglect allegations. In fiscal year 2012, DFPS began preparation for redesigning the foster care service delivery model, pursuant to Senate Bill 218, Eighty-second Legislature, Regular Session, 2011. The redesigned foster care system utilizes single-source continuum contractors (SSCC) in various DFPS catchments areas who are charged with providing a full continuum of services to children in foster care to minimize placement moves. The transition to the redesigned system has been happening in stages (as opposed to an immediate statewide rollout) to prevent disruption of services to children and youth already in foster care. The legacy system continues to remain intact and will be until the redesigned system is rolled out statewide. As of October 2015, DFPS Region 3b (Tarrant County) is the only region fully transitioned. The Eighty-fourth Legislature, 2015, limited DFPS' ability to rollout foster care redesign to one new catchment area during the 2016–17 biennium, which DFPS has identified as Region 2 (Northwest Texas). **Figure 152** shows the DFPS regions.

Biennial funding for the foster care program, including foster care redesign, totals $837.7 million in All Funds and includes funding to support the SSCCs in the form of start-up costs, fringe benefits, and 2.0 FTE positions to support the DFPS foster care redesign function. Funding also provides for rate increases for certain foster care providers; a subacute inpatient treatment program to provide 24-hour specialized treatment to children with mental, emotional, and behavioral health needs in an inpatient hospital setting; and the development and use of the child and adolescent needs and strengths assessment tool for children in the conservatorship of DFPS.

FIGURE 152
DEPARTMENT OF FAMILY AND PROTECTIVE SERVICES REGIONS, 2015



SOURCE: Department of Family and Protective Services.

ADOPTION SUBSIDY/PERMANENCY CARE ASSISTANCE PAYMENTS

Adoption Subsidy payments are made to families that adopt children with disabilities, school-age children, minority children, and children in sibling groups. Permanency care assistance payments are provided to qualified relatives who assume permanent managing conservatorship of children leaving DFPS care. Funding is also provided for nonrecurring payments for families that incur certain expenses during the adoption or permanency care assistance process. Biennial funding for all three programs totals $523.6 million in All Funds.

RELATIVE CAREGIVER MONETARY ASSISTANCE

The Relative Caregiver Monetary Assistance program is a state program that assists income-eligible relatives and other designated caregivers who are not verified foster parents in meeting the needs of children placed in their care that are in the conservatorship of DFPS. Through this program, DFPS is able to provide relatives and other designated caregivers that provide homes for children in DFPS managing conservatorship a $1,000 onetime integration payment for each child singly placed or for the first child in any sibling group, and an additional onetime payment of $495 for each additional sibling in the placement to help defray the costs incurred for essential items that may be needed at the time of a child's placement. Relatives and other designated caregivers are also eligible to receive reimbursement of up to $500 annually per child for child-related expenses. In addition to monetary assistance, relatives and other designated caregivers receive support services such as caregiver and parent training, family counseling, day-care services, and health benefits for the child through the STAR Health program, part of the Health and Human Services Commission's Medicaid managed care. Biennial funding totals $24.6 million in All Funds.

ADMINISTRATIVE AND INFORMATION TECHNOLOGY

Administration and information technology projects provide indirect administration, information technology-related program support, and information about the agency's capital projects. Biennial funding totals $242.8 million in All Funds and includes $59.1 million for modification and enhancements to the agency's casework system, Information Management Protecting Adults and Children in Texas (IMPACT). The IMPACT system is 19 years old, and through the multiyear IMPACT modernization project the old code will be replaced with new code; data reporting tools will be replaced with interactive reports; and external access to certain CPS case information will be provided to court-appointed volunteer advocates. Funding will also provide for enhancements to the IMPACT system for CPS transformation initiatives, to comply with federal legislation such as the Preventing Sex Trafficking and Strengthening Families Act and the Child Care and Development Block Grant Act of 2014; and other priorities identified by the Eighty-fourth Legislature, 2015. Finally, funding will provide for the replacement of the automated call distributor system in statewide intake; partial refreshment of caseworkers' smartphones; automation of the Family Inquiry Network/Database Research System for data matching between DFPS and the Department of State Health Services; replacement of two child abuse and neglect prevention services databases for better reporting; automation of the child-care licensing fee collection process; and automation of the criminal history background checks through the Department of Public Safety and the Federal Bureau of Investigations.

REGULATORY AND ENFORCEMENT

The regulatory and enforcement programs investigate reports of abuse, neglect, and exploitation in order to protect adults living in their homes with disabilities who are age 18 or older; any adult age 65 or older living in their home; or persons receiving services in mental health and intellectual disability settings. These programs also license and regulate the delivery of child-care services throughout the state. These services are provided in four ways: Adult Protective Services (APS) Direct Delivery Staff, APS Program Support, APS Purchased Emergency Client Services, and Child Care Regulation.

APS DIRECT DELIVERY STAFF

APS Direct Delivery Staff provides protective services for individuals living at home. The services include investigating reports of abuse, neglect, or exploitation; providing or arranging for services to remedy or prevent further abuse; and purchasing services to meet short-term client needs. APS direct delivery staff also investigate reports of abuse, neglect, or exploitation of individuals receiving state mental health and intellectual disability services through state facilities, community mental health and intellectual disability development centers, home- and community-based services waiver programs, and private intermediate care facilities for individuals with intellectual disabilities. Senate Bill 1880, Eighty-fourth Legislature, 2015, authorizes APS will have the authority to regulate providers contracted with the state's managed-care organizations that are not already subject to state oversight. Biennial funding totals $114.7 million in All Funds and provides for 996.9 FTE positions in fiscal year 2016 and 1,006.5 FTE positions in fiscal year 2017.

APS PURCHASED EMERGENCY CLIENT SERVICES

APS Purchased Emergency Client Services provides emergency purchased client services for clients in confirmed cases of abuse, neglect, or exploitation when determined by a APS caseworker that resources in the community cannot meet the needs of the client. Emergency client services include emergency shelter, food, medications, adaptive equipment, minor home repairs, restorations of utilities, rent, short-term medical or mental health services, and transportation. Short-term residential and in-home care might also be provided while arranging for the ongoing delivery of services. Biennial funding totals $18.8 million in All Funds.

CHILD CARE REGULATION

The Child Care Regulation Program develops and enforces minimum standards for the delivery of child-care services throughout the state. Providers range in size from small family homes to large, 24-hour residential care facilities. The program licenses, registers, or lists providers; conducts monitoring inspections; investigates complaints; takes action when violations are confirmed; and provides technical assistance and training to help providers improve services. The program also obtains abuse or neglect and criminal history information on individuals who come into contact with children in regulated settings, and disseminates detailed information about child-care services that are available throughout the state.

Appropriations for the 2016–17 biennium total $90.1 million in All Funds and provide for 732.2 FTE positions in fiscal year 2016 and 731.3 positions in fiscal year 2017; this appropriation is an increase of 77.5 positions in fiscal year 2016 and 76.6 positions in fiscal year 2017 from the fiscal year 2015 budgeted level, an effort to provide additional residential child care licensing staff. Funding for the 2016–17 biennium also includes $0.7 million in All Funds for salary parity for day-care child-care licensing staff.

PREVENTION AND EARLY INTERVENTION

The Prevention and Early Intervention Program provides at-risk prevention services for children, youth, and their families through five programs: Services to At-risk Youth, Community Youth Development, Texas Families, child abuse prevention grants, and other at-risk prevention services. Contractual arrangements with community-based organizations deliver most of the services. Furthermore, at-risk prevention program support provides contract management and support services.

Appropriations for the 2016–17 biennium total $121.4 million in All Funds and provide for 35.8 FTE positions each fiscal year. The appropriation includes $100.5 million in General Revenue Funds and General Revenue–Dedicated Funds (82.8 percent). The General Revenue–Dedicated Funds are from the Child Abuse and Neglect Prevention Operating Account, which is financed by the Children's Trust Fund. The Children's Trust Fund receives a portion of each marriage license fee paid in the state. Federal Funds from the U.S. Social Security Act, Title IV-B, Subpart 2, Promoting Safe and Stable Families Program, provide 11.9 percent of the appropriation; other federal funding streams account for the remaining 5.2 percent. **Figure 153** shows funding for prevention and early intervention services for fiscal years 2008 to 2017. The largest areas of expansions have been in Project Healthy Outcomes through Prevention and Early Support (HOPES) and the Community Youth Development program. DFPS has also added services for military families pursuant to House Bill 19, Eighty-fourth Legislature, 2015, and in the 2016–17 biennium will begin safe baby campaigns to prevent Shaken Baby Syndrome and to promote safe sleep. With the enactment of Senate Bill 200, Eighty-fourth Legislature, 2015, and the consolidation of health and human services prevention programs at DFPS in fiscal year 2017, prevention and early intervention services will continue to expand.

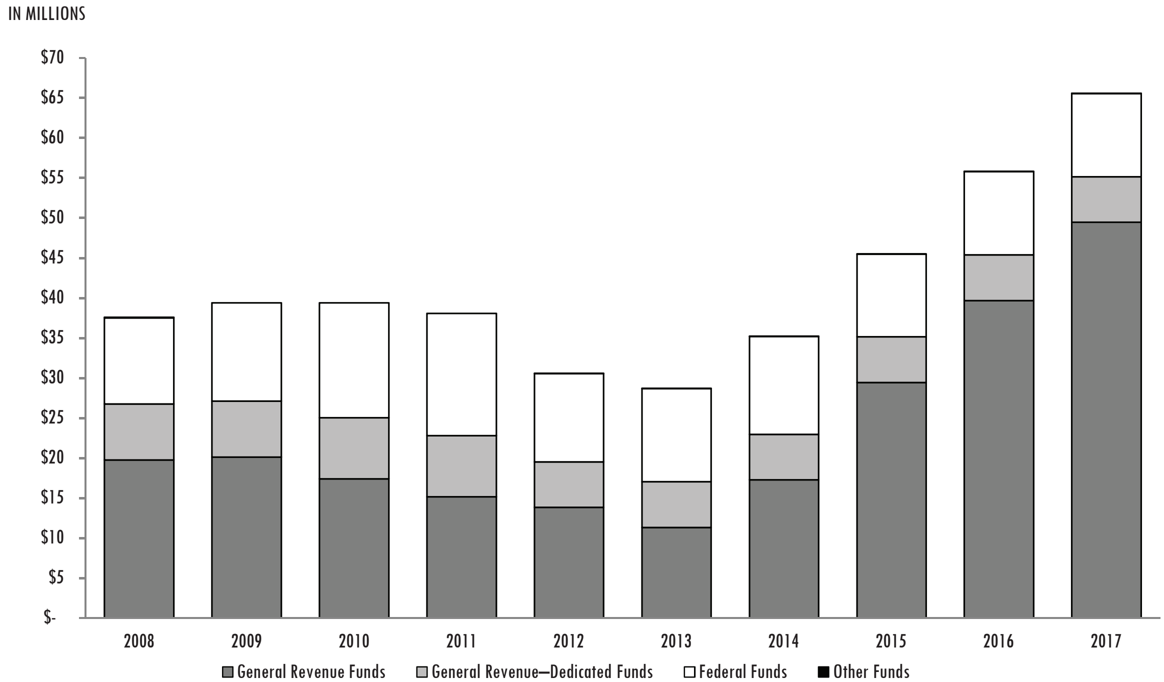
SERVICES TO AT-RISK YOUTH

The Services to At-risk Youth (STAR) program provides crisis intervention, temporary emergency shelter, and counseling services for young persons at risk of delinquent or criminal behavior. Each STAR contractor also provides universal child abuse prevention services, ranging from local media campaigns to informational brochures and parenting classes. The funding includes $1.8 million in Federal Funds from the Title IV-B2 Promoting Safe and Stable Families Program. Biennial funding totals $42.0 million in All Funds. Funding for the 2016–17 biennium includes a $3.1 million increase (8.1 percent) from the 2014–15 biennial spending levels.

COMMUNITY YOUTH DEVELOPMENT

The Community Youth Development program provides grant awards that help targeted communities alleviate conditions in the family and the community that lead to

FIGURE 153
PREVENTION AND EARLY INTERVENTION FUNDING, FISCAL YEARS 2008 TO 2017



SOURCE: Legislative Budget Board.

juvenile crime. The program emphasizes approaches that support families and enhance positive youth development, such as conflict resolution and mentoring. The funding includes $6.6 million in Federal Funds from the Title IV-B2 Promoting Safe and Stable Families Program. Biennial funding totals $14.5 million in All Funds and provides for 1.0 FTE positions. Funding for the 2016–17 biennium includes a $3.5 million increase (31.2 percent) from the 2014–15 biennial spending levels.

TEXAS FAMILIES: TOGETHER AND SAFE

The Texas Families: Together and Safe program provides federal funding for community-based projects intended to alleviate stress, promote parental competency, and develop supportive networks that enhance child-rearing abilities. Biennial funding totals $5.2 million in Federal Funds from the Title IV-B2 Promoting Safe and Stable Families Program. Funding for the 2016–17 biennium includes a $0.3 million increase (6.1 percent) from the 2014–15 biennial spending levels.

CHILD ABUSE PREVENTION GRANTS

Child abuse prevention grants provide federal funding for local partnerships that strengthen and support families and for community-based, child-abuse prevention services. Biennial funding totals $6.3 million and provides for 2.0 FTE positions.

OTHER AT-RISK PREVENTION SERVICES

Other at-risk prevention services include funding for the competitive procurement of at-risk prevention and early intervention services. At least $3.1 million must be expended for competitively procured established statewide networks of community-based prevention programs and services. The remaining $46.4 million is allocated among the following programs: Community-Based Family Services program, Project HOPES, Project Helping through Intervention and Prevention (HIP), prevention services for veterans and military families, and safe baby campaigns to address shaken baby and safe sleep risk factors. These prevention programs seek to strengthen families and increase youth resiliency through local collaborations.

The Community-Based Family Services program serves families who have been investigated by CPS, but where the allegations were unsubstantiated. Project HOPES contracts with community-based organizations to provide child abuse and neglect prevention programs in select communities or counties targeting families of children ages birth to 5 who are at risk for abuse and neglect. Project HIP provides voluntary services to families that will increase protective factors and prevent child abuse. The prevention services for veterans and military families is a three-year pilot, and the safe baby campaigns are intended to reduce child fatalities and injuries from unsafe sleep environments.

Biennial funding for all programs totals $49.5 million in General Revenue Funds and provides for 1.0 FTE positions each fiscal year. Funding for the 2016–17 biennium includes a $33.4 million increase in All Funds (207.9 percent) from the 2014–15 biennial spending levels, primarily for the expansion of the HOPES project. During the 2014–15 biennium, DFPS awarded eight contracts to eight counties. With the increased funding, DFPS intends to expand to another eight projects in each year of the 2016–17 biennium for a total of 24 contracts and counties. The estimated number of families served is expected to increase from 2,123 families during the 2014–15 biennium to 5,195 families during the 2016–17 biennium.

AT-RISK PREVENTION PROGRAM SUPPORT

At-risk prevention program support provides staff services such as provider training, contract management, and the management of client data. In addition to these support functions, funding also provides for the Texas Runaway Hotline and the Texas Youth Hotline. Biennial funding totals $3.8 million and provides for 31.8 FTE positions. Funding for the 2016–17 biennium includes a $0.5 million increase in All Funds (14.9 percent) from the 2014–15 biennial spending levels.

STATEWIDE INTAKE SERVICES

Statewide Intake Services provides funding for the statewide centralized intake center, which is located in Austin. The center receives, assesses, prioritizes, and routes reports of abuse, neglect, and exploitation of children, elder adults, and persons with disabilities. It also provides 24-hour expedited background checks for Child Protective Services caseworkers, and information and referral services.

Appropriations for Statewide Intake Services for the 2016–17 biennium total $42.3 million in All Funds and provide for 444.1 FTE positions.

SIGNIFICANT LEGISLATION

Senate Bill 200 – Health and human services agencies consolidation. Senate Bill 200 consolidates prevention programs from the Health and Human Services Commission (HHSC) at DFPS by September 1, 2016, and consolidates the five health and human services agencies into three agencies by September 1, 2017. DFPS is continued as an independent agency, with a Sunset date of 2023. The Executive Commissioner and the Transition Legislative Oversight Committee are directed to study whether DFPS should continue independently or be merged into HHSC in 2018.

Senate Bill 206 – Relating to the function of the Department of Family and Protective Services. The legislation streamlines certain prescriptive statutory requirements of the agency. It also requires CPS to implement an annual business planning process, requires the development of a foster care structure implementation plan, the development of a strategic plan for prevention and early intervention services, the establishment of a child-care license and renewal process, removal of child-care regulatory fee caps, and it modifies the child-care licensing enforcement and penalty provisions.

Senate Bill 830 – Ombudsman for children and youth in foster care. The bill requires the Executive Commissioner of the Health and Human Services Commission to appoint an ombudsman for children and youth in foster care, to serve at the will of the Executive Commissioner.

Senate Bill 1880 – Investigations of abuse, neglect, or exploitation by DFPS of individuals receiving services from certain providers. This bill authorizes APS to regulate providers contracted with managed care organizations that are not already subject to state oversight.

Senate Bill 1889 – Relating to the definition of neglect of a child. The legislation prohibits DFPS from making a finding of abuse or neglect against a person in a case in which DFPS is named managing conservator of a child solely because the family is unable to obtain mental health services for the child.

House Bill 19 – Preventive services program and mental health programs for veterans and military families. House Bill 19 requires DFPS to implement a statewide preventive services pilot program for veterans and their families who have committed, experienced, or are at high risk of family violence or abuse and neglect.

House Bill 418 – Child victims of trafficking. The legislation authorizes courts to order the placement of a child found by the court to have been a victim of trafficking in a secure foster home.

House Bill 2053 – Child Safety Check Alert List. The bill expedites the process to place unlocatable families and children on the Texas Child Safety Check Alert List.

House Bill 3748 – Coordination of educational support services for students who are currently or were formerly in foster care. This bill requires the Texas Education Agency, each Texas institution of higher education, and the Texas Higher Education Coordinating Board to designate at least one employee to act as a liaison for former foster youth.

DEPARTMENT OF STATE HEALTH SERVICES

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

ESTABLISHED: 2004

AUTHORIZING STATUTE: The Texas Human Resources Code, Chapter 1001

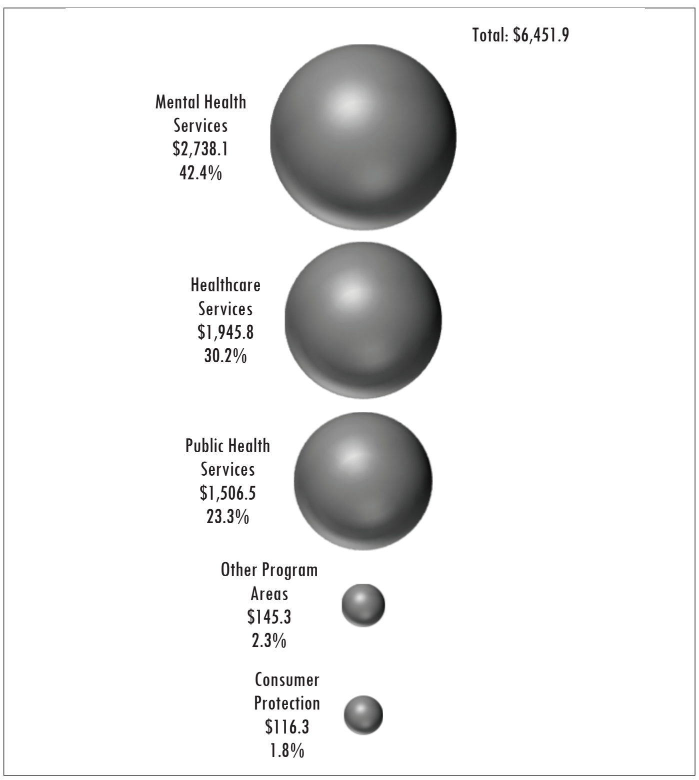
GOVERNANCE: Health and Human Services Executive Commissioner, appointed by the Governor, with advice and consent of the Senate; five advisory councils, including the State Health Services Council, assist with system oversight

FIGURE 154
DEPARTMENT OF STATE HEALTH SERVICES BY METHOD OF FINANCE

	IN MILLIONS			
METHOD OF FINANCE	**EXPENDED/ BUDGETED 2014–15**	**APPROPRIATED 2016–17**	**BIENNIAL CHANGE**	**PERCENTAGE CHANGE**
General Revenue Funds	$2,586.4	$2,701.5	$115.0	4.4%
General Revenue–Dedicated Funds	$987.0	$890.0	($97.1)	(9.8%)
Federal Funds	$2,372.2	$2,315.5	($56.7)	(2.4%)
Other Funds	$551.6	$544.9	($6.6)	(1.2%)
Total, All Methods of Finance	**$6,497.3**	**$6,451.9**	**($45.3)**	**(0.7%)**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2016	12,220.7
2017	12,220.7

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

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

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

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

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

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

MAJOR FUNDING

The following significant funding issues affect the agency's 2016–17 biennial appropriations:

- appropriations for the EMS and Trauma Care program total $349.1 million in All Funds, a decrease of $84.8 million from 2014–15 biennial spending levels. A total of $301.7 million in trauma funds will be transferred to the Health and Human Services Commission (HHSC) for rural, safety-net, and trauma hospital add-on payments;
- appropriations for behavioral health and substance abuse services total $2.7 billion in All Funds, an increase of $86.8 million from 2014–15 biennial spending levels. The increase provides for expanded inpatient and outpatient client services, including: new contracted community hospital beds, state hospital information technology improvements, building repairs, inflation-related cost increases, funding adjustments for local mental health authorities, funding to reduce the adult mental health waitlist, federal Preadmission Screening and Resident Review services, substance abuse prevention and treatment, neonatal abstinence syndrome prevention services, transition support for patients moving from hospitals to the community, expansion of recovery-focused clubhouses, crisis and suicide prevention services, and residential treatment slots for Department of Family and Protective Services clients who are at risk of parental relinquishment;
- appropriations for the Women, Infants, and Children (WIC) program total $1.6 billion in All Funds, an increase of $27.6 million due to an anticipated increase in Federal Funds;
- appropriations for the NorthSTAR behavioral health program total $174.1 million in All Funds, and assume the discontinuation of the program on December 31, 2016;
- $5.6 million in General Revenue Funds provides wage or salary increases at state hospitals for psychiatric nursing assistants, registered nurses and licensed vocational nurses;
- funding for the Texas Civil Commitment Office totals $29.9 million in All Funds, an increase of $16.9 million from 2014–15 biennial spending levels, due to increases in the per diem cost to house violent sex offenders, projected caseload increases, and to establish a tiered treatment program as required by Senate Bill 746, Eighty-fourth Legislature, 2015;
- appropriations for Children with Special Healthcare Needs total $87.6 million in All Funds, an increase of $5.0 million to serve an additional 186 clients on the waiting list; and
- funding for the Family Planning Program and the Expanded Primary Health Care Program is appropriated to HHSC in the 2016–17 biennium.

House Bill 2, Eighty-fourth Legislature, 2015, transferred $7.2 million in General Revenue Fund appropriation authority for fiscal year 2015 from the Department of State Health Services (DSHS) to HHSC for a projected funding shortfall in Medicaid acute care services.

PROGRAMS

The agency carries out its responsibilities through five major programs areas: (1) mental health services; (2) healthcare services; (3) public health services; (4) consumer protection services; and (5) other program areas.

MENTAL HEALTH SERVICES

DSHS provides mental health services through a variety of channels, including community mental health services for adults and children; a network of state and community hospitals providing inpatient and outpatient services, substance abuse prevention, intervention, and treatment services; and the NorthSTAR behavioral health waiver. Biennial appropriations for mental health services total $2.7 billion in All Funds, including $2.0 billion in General Revenue Funds and General Revenue–Dedicated Funds.

COMMUNITY MENTAL HEALTH SERVICES FOR ADULTS AND CHILDREN

DSHS provides community mental health services to adults and children through contracts with local mental health authorities. Services include screening and assessment, service coordination, medication-related services, and outpatient and inpatient services. In addition, certain services are available specifically for adults or children, such as employment and housing assistance for adults and respite services for children. DSHS funding targets priority populations that fit the following definitions:

- adults with severe and persistent mental illness, such as schizophrenia, major depression, bipolar disorder, or another severely disabling mental disorder that requires crisis resolution or ongoing and long-term support and management; and

- children ages 3 to 17 with a diagnosis of mental illness who exhibit serious emotional, behavioral, or mental disorders and who have serious functional impairment; who are at risk of disruption of living or child-care situations; or who are enrolled in a school's special education program due to emotional disturbance.

Biennial funding for community mental health services totals $870.2 million and provides for 93.9 full-time-equivalent (FTE) positions. This funding includes services for adults totaling $665.6 million in All Funds ($555.0 million in General Revenue Funds), and 72.2 FTE positions, and services for children totaling $204.7 million in All Funds ($133.7 million in General Revenue Funds), and 21.7 FTE positions. Appropriations also include $9.4 million to provide services to adults on the waiting list, $28.2 million for additional outpatient mental health services for adults and $8.9 million for additional outpatient mental health services for children.

Funding for community mental health crisis services includes $253.6 million in All Funds ($250.3 million in General Revenue Funds). DSHS contracts with local mental health authorities and local communities to provide services including crisis hotlines, mobile outreach, children's outpatient services, walk-in services, extended observation, crisis stabilization units, crisis residential, respite services, and transportation. Funding for these services increased by 15.0 percent, $33.0 million in All Funds, from the 2014–15 biennial spending level.

Figure 155 shows the monthly average number of children and adults receiving community mental health services from fiscal years 2011 to 2017.

NORTHSTAR BEHAVIORAL HEALTH WAIVER

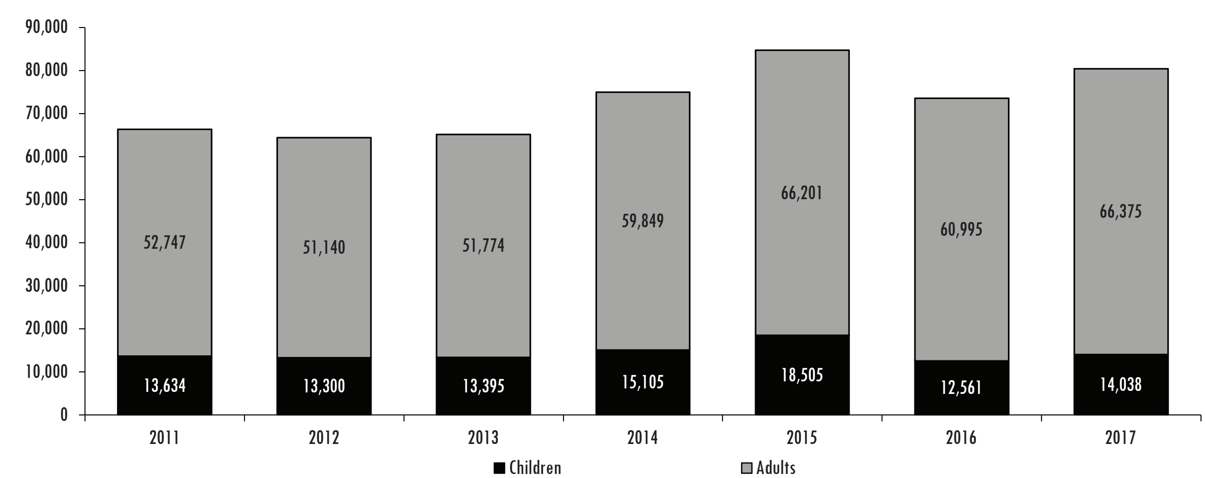
The NorthSTAR Behavioral Health Waiver supports the delivery of public mental health and chemical dependency services for Medicaid-eligible and medically indigent persons. NorthSTAR uses a managed-care approach to serve adults and children living in Collin, Dallas, Ellis, Hunt, Kaufman, Navarro, and Rockwall counties.

Biennial funding for NorthSTAR totals $174.1 million in All Funds ($67.9 million in General Revenue Funds) and provides for 11.2 FTE positions. Funding assumes the discontinuation of NorthSTAR on December 31, 2016. In fiscal year 2017, DSHS community mental health services and Medicaid services at HHSC will serve adults and children living in the NorthSTAR counties.

SUBSTANCE ABUSE PREVENTION, INTERVENTION, AND TREATMENT

DSHS is the designated state agency for the federal Substance Abuse Prevention and Treatment (SAPT) block grant. Federal maintenance of effort requirements stipulate that the

FIGURE 155
AVERAGE MONTHLY NUMBER OF CHILDREN AND ADULTS RECEIVING COMMUNITY MENTAL HEALTH SERVICES
FISCAL YEARS 2011 TO 2017



NOTE: Targets for fiscal years 2016 and 2017 are established in the Eighty-fourth Legislature, General Appropriations Act, 2016–17 Biennium.
SOURCE: Department of State Health Services.

state must maintain spending for substance abuse services at a level equal to the average of expenditures for the prior two fiscal years.

Prevention programs implement one or more of the SAPT block grant-required prevention approaches and include prevention education and skills training for youth and families, problem identification and referral to appropriate services, information dissemination, alternative activities, community collaboration, and activities that affect alcohol and drug policies and regulations.

DSHS focuses its early intervention services on priority populations, including youths, at-risk pregnant women and mothers, people at risk of HIV infection, and parents with children in foster care. Intervention services include research-based education and skills training, outreach, HIV early-intervention services, family services, screening and assessment, referrals, and short-term crisis counseling.

DSHS gives comprehensive and appropriate treatment priority status to the needs of adolescents, pregnant women and mothers, substance-abusing parents with children in foster care, substance users at risk of contracting HIV, and people who have both substance abuse and mental health problems. **Figure 156** shows the monthly average number of youths and adults served in substance abuse treatment programs from fiscal years 2011 to 2017.

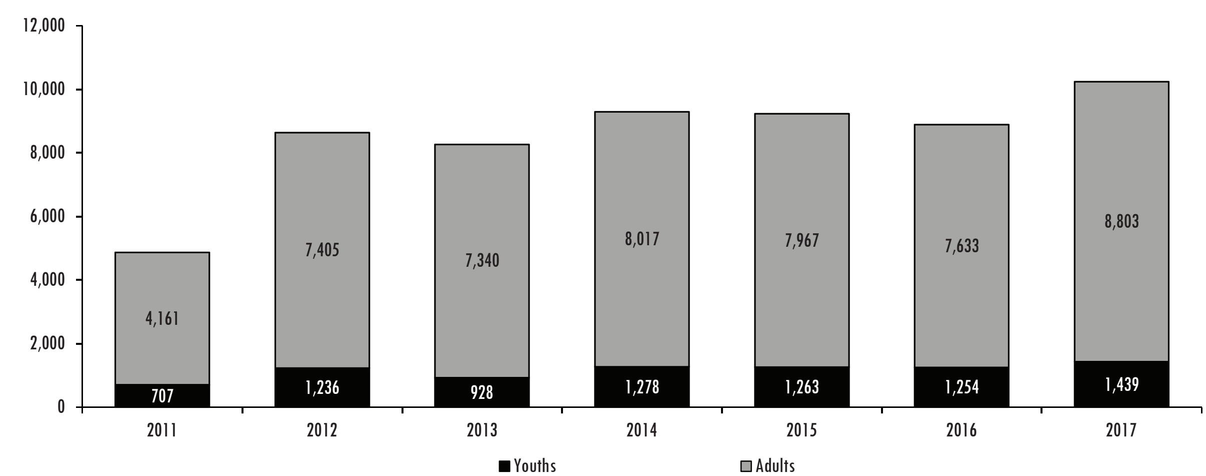
Biennial funding for substance abuse prevention, intervention, treatment, and grant monitoring, not including chemical dependency services through NorthSTAR, totals $325.1 million in All Funds ($89.0 million in General Revenue Funds) and provides for 75.6 FTE positions. Funding increased by $17.3 million in All Funds, or 5.6 percent, from the 2014–15 biennial spending level.

MENTAL HEALTH STATE HOSPITALS

The state mental health hospital system includes nine state-operated mental health hospitals and one state-owned inpatient residential treatment facility for adolescents. These facilities provide inpatient hospitalization and general psychiatric services for persons with severe mental illness who require intensive treatment. Individuals needing specialized short-term or long-term care can receive services such as therapeutic programming and skills building to reduce acute symptoms and restore their abilities to function in the community. DSHS contracts with the Department of Aging and Disability Services to provide services to persons with intellectual disabilities at the Rio Grande State Center Outpatient Clinic.

Appropriations for the 2016–17 biennium total $872.6 million in All Funds ($667.4 million in General Revenue Funds) and provide for 7,837.6 FTE positions. Funding increased by $14.6 million, or 1.7 percent, from the 2014–15 biennial spending level.

FIGURE 156
AVERAGE MONTHLY NUMBER OF YOUTH AND ADULTS SERVED IN TREATMENT PROGRAMS FOR SUBSTANCE ABUSE
FISCAL YEARS 2011 TO 2017



NOTE: Targets for fiscal years 2016 and 2017 are established in the Eighty-fourth Legislature, General Appropriations Act, 2016–17 Biennium.
SOURCE: Department of State Health Services.

MENTAL HEALTH COMMUNITY HOSPITALS

The Mental Health Community Hospitals support inpatient services at 11 psychiatric facilities located throughout the state. The facilities provide services such as assessment, crisis stabilization, skills training, and medication management. Funds are primarily allocated to the community hospitals through performance contracts with local mental health authorities. The specific services vary by facility per the contracts between the facilities and the agency.

Appropriations for the 2016–17 biennium total $209.9 million in All Funds, including $189.7 million in General Revenue Funds. The All Funds appropriation is $52.3 million, or 33.2 percent, more than the 2014–15 biennial spending level, due primarily to funding for 150 additional community hospital beds by fiscal year 2017.

HEALTHCARE SERVICES

Healthcare services include a number of programs for women and children: the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) services; health and social service programs; community primary care services; services for children with special healthcare needs; hemophilia services; kidney healthcare services; and epilepsy services.

Biennial appropriations for healthcare services total $1.9 billion in All Funds, including $615.7 million in General Revenue Funds and General Revenue–Dedicated Funds. Biennial appropriations to DSHS reflect a reduction of $43.2 million, ($37.8 million in General Revenue Funds) due to the transfer of Family Planning Services to HHSC.

WIC

Nutrition services are delivered through the federally funded Special Supplemental Nutrition Program for WIC. WIC rebates are collected from manufacturers of infant formula and cereal. This program uses smart cards—which function similarly to debit cards—to provide food assistance via electronic benefits transfer for infants, young children, and low-income pregnant and postpartum women. The program also provides nutrition education to pregnant and postpartum women.

WIC is the largest public health program administered by DSHS and is appropriated $1.6 billion in All Funds, which includes $440.3 million in General Revenue–Dedicated Funds (WIC rebates), for the 2016–17 biennium, and provides for 220.0 FTE positions.

COMMUNITY PRIMARY CARE SERVICES

Funding is provided to establish local capacity at clinics statewide to deliver a range of preventive and primary healthcare services to the medically uninsured, underinsured, and indigent persons who are not eligible to receive the same services from other funding sources. This funding also supports activities to assess need, designate parts of the state as health professional shortage areas or as medically underserved, recruit and retain providers to work in these areas, and work with communities to improve access to primary medical, dental, and mental healthcare.

Biennial appropriations total $26.8 million in All Funds, which includes $26.3 million in General Revenue Funds and General Revenue–Dedicated Funds, and provides for 16.2 FTE positions. This All Funds appropriation is $94.1 million, or 77.8 percent, less than the 2014–15 biennial spending level, due to the transfer of the Expanded Primary Health Care program to HHSC.

CHILDREN WITH SPECIAL HEALTH CARE NEEDS

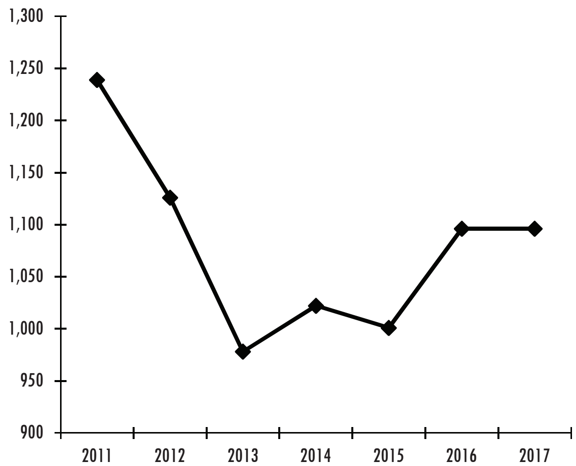
The Children with Special Health Care Needs Program provides medical, dental, and case management services not covered by Medicaid, CHIP, or private insurance for children with special healthcare needs. The program also provides meals, transportation, and lodging to eligible clients. To be eligible for services, a child must be a Texas resident, age 20 or younger, or an adult of any age with cystic fibrosis, have an income at or less than 200 percent of the federal poverty level, and have a chronic physical or developmental condition that meets certain criteria.

Biennial appropriations total $87.6 million in All Funds ($62.0 million in General Revenue Funds), and provide for 118.8 FTE positions. This amount includes an increase of $5.0 million in General Revenue Funds to provide services to persons on the waiting list. **Figure 157** shows the number of children with special healthcare needs that have been provided service. Biennial appropriations to the program decreased in fiscal years 2012 and 2013, which resulted in a decrease in the number of clients receiving services.

KIDNEY HEALTH CARE

The Kidney Health Care Program provides treatment for end-stage renal disease (ESRD). Services include the provision of medications, dialysis, and travel expenses related to medical care. For individuals to be eligible for the Kidney Health Care Program, they must be Texas residents, have ESRD, be receiving chronic renal dialysis or have a kidney

FIGURE 157
AVERAGE MONTHLY CLIENTS PROVIDED SERVICES IN THE CHILDREN WITH SPECIAL HEALTH CARE NEEDS PROGRAM FISCAL YEARS 2011 TO 2017



NOTE: Targets for fiscal years 2016 and 2017 are established in the Eighty-fourth Legislature, General Appropriations Act, 2016–17 Biennium.
SOURCE: Department of State Health Services.

transplant, have incomes less than $60,000 per year, file for ESRD benefits through Medicare and meet the Medicare ESRD criteria, and not be eligible for Medicaid.

Biennial appropriations total $38.7 million in All Funds ($38.2 million in General Revenue Funds), and provide for 36.1 FTE positions, which is equal to the 2014–15 biennial spending.

EPILEPSY AND HEMOPHILIA SERVICES

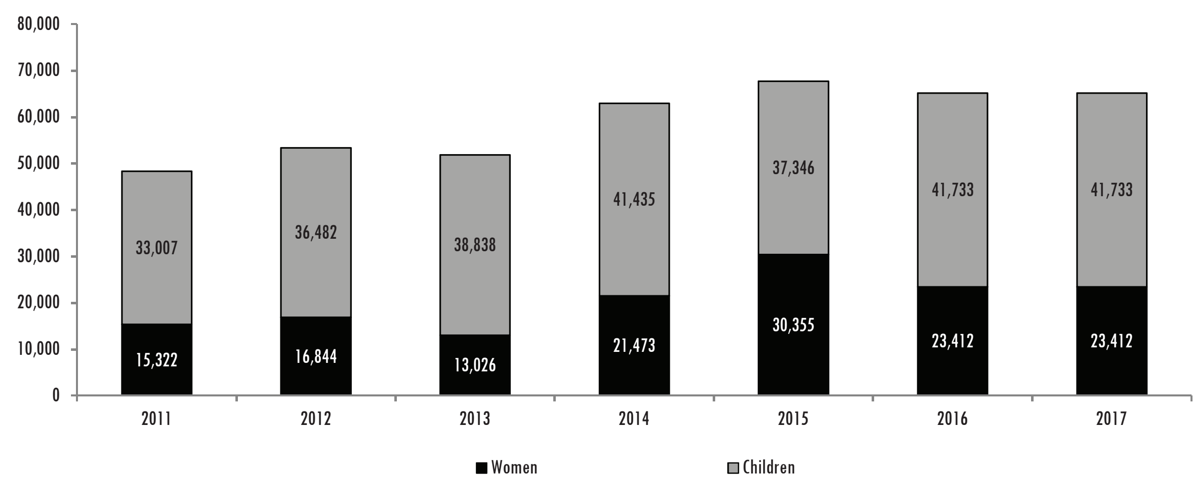
The Epilepsy Program provides outreach activities and outpatient services, such as diagnostic, treatment, and support services. The Hemophilia Assistance Program provides reimbursement of blood factor products in the treatment and prevention of complications. Biennial appropriations total $4.5 million in General Revenue Funds and 0.5 FTE positions, which is equal to the 2014–15 biennial spending level.

WOMEN AND CHILDREN'S HEALTH

DSHS provides accessible, quality, and community-based maternal and child health services to low-income women, infants, children, and adolescents. Services are provided through performance-based contracts with local providers and include prenatal care, breast and cervical cancer screening and diagnostic services, population-based services, preventive and primary care for children and adolescents, genetics, case management, and dental care for children and adolescents.

Biennial appropriations total $154.4 million in All Funds ($44.4 million in General Revenue Funds), and provides for 480.7 FTE positions. **Figure 158** shows the number of women and children provided health services from fiscal years 2011 to 2017.

FIGURE 158
CLIENTS PROVIDED SERVICES IN THE WOMEN AND CHILDREN'S HEALTH PROGRAM, FISCAL YEARS 2011 TO 2017



NOTE: Targets for fiscal years 2016 and 2017 are established in the Eighty-fourth Legislature, General Appropriations Act, 2016–17 Biennium.
SOURCE: Department of State Health Services.

PUBLIC HEALTH SERVICES

DSHS provides a variety of public health services, including HIV/STD Prevention, abstinence education, immunizations, EMS and Trauma Care systems, infectious disease control, and emergency preparedness. Biennial appropriations for public health services total $1.5 billion, which includes $790.6 million in General Revenue Funds and General Revenue–Dedicated Funds.

HIV/STD PREVENTION

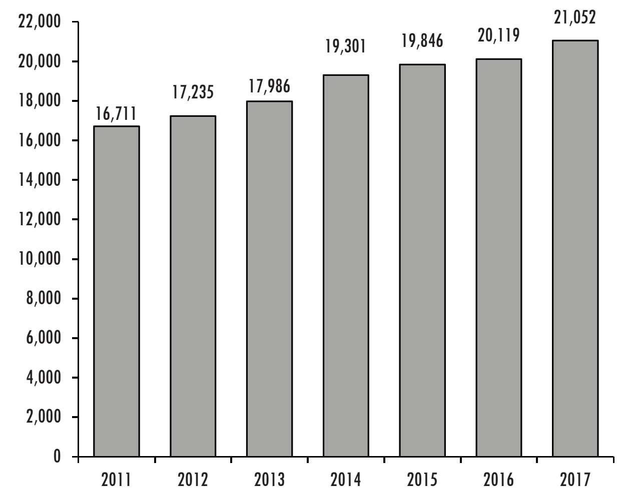
The HIV/STD Prevention program includes interventions to prevent and reduce the spread of sexually transmitted diseases (STD), which include the human immunodeficiency virus (HIV), syphilis, chlamydia, and gonorrhea. Interventions include HIV and STD screening and testing; evidence-based prevention programs for individuals, groups, and communities; and partner services and referrals. Funding also supports local providers that offer outpatient medical services, medical case management, and other medical and supportive services to persons living with HIV/AIDS. In addition, DSHS operates the HIV Medication Program, which provides medications to low-income Texans living with HIV/AIDS. For individuals to be eligible for the HIV Medication Program, they must be HIV-positive, residents of Texas, have incomes at or less than 200 percent of the federal poverty level, and be uninsured or underinsured for prescription drug coverage. **Figure 159** shows the number of clients served in the HIV Medication Program since fiscal year 2011.

Biennial appropriations total $383.4 million ($109.6 million in General Revenue Funds), and provides for 208.0 FTE positions. Appropriations meet federal maintenance of effort requirements, which state that funding for HIV-related activities must be maintained at a level not less than the expenditures in the preceding fiscal year in order to receive federal funding for this program.

ABSTINENCE EDUCATION

Through the Abstinence Education Program, DSHS contracts with local providers for abstinence-only education and, where appropriate, mentoring, counseling, and adult-supervised activities to decrease the teen pregnancy rate and the rate of sexually transmitted infections in youths ages 15 to 19. Biennial appropriations total $10.5 million in All Funds and include 8.8 FTE positions. This amount includes $9.3 million in Abstinence Education Federal Funds.

FIGURE 159
CLIENTS PROVIDED SERVICES IN HIV MEDICATION PROGRAM, FISCAL YEARS 2011 TO 2017



NOTE: Targets for fiscal years 2016 and 2017 are established in the Eighty-fourth Legislature, General Appropriations Act, 2016–17 Biennium.
SOURCE: Department of State Health Services.

LABORATORY SERVICES

The state's public health laboratory conducts tests for health-screening programs, rare diseases, and diseases requiring complex microbiology and environmental chemistry technology. Biennial appropriations total $144.3 million in All Funds, which includes $45.6 million in General Revenue Funds and General Revenue–Dedicated Funds and 371.0 FTE positions. This All Funds appropriation is $35.0 million, or 32.0 percent, more than the 2014–15 biennial spending level, due to projected increases in Public Health Medicaid Reimbursements for newborn screening.

IMMUNIZE CHILDREN AND ADULTS

The agency provides immunization services to prevent, control, reduce, and eliminate vaccine-preventable diseases in children and adults, with emphasis on children younger than 36 months. DSHS also manages the state immunization registry. Biennial appropriations total $190.1 million in All Funds, which includes $78.4 million in General Revenue Funds and General Revenue–Dedicated Funds, and provides for 287.0 FTE positions.

HEALTH DATA AND ANALYSIS

DSHS collects, analyzes, and disseminates health data to improve the public health. The Vital Statistics Unit maintains, processes, and provides copies of all original birth and death records, applications for marriage licenses, and reports of divorces and annulments. The agency also maintains registries for birth defects, trauma, and cancer; provides epidemiologic support to the Texas Poison Control Network through Disease Control and Prevention; and investigates outbreaks and unusual patterns of communicable diseases, birth defects, occupational diseases, cancer, human illnesses associated with environmental exposure, and risk factors that lead to traumatic injury.

Biennial appropriations total $68.2 million in All Funds ($32.1 million in General Revenue Funds and General Revenue–Dedicated Funds), and provides for 361.0 FTE positions.

EMS AND TRAUMA CARE SYSTEMS

Emergency health programs include regional EMS and trauma systems development, designation of four levels of trauma facilities, development and maintenance of a trauma reporting and analysis system, and assurance of coordination and cooperation with neighboring states.

Biennial appropriations total $349.1 million in General Revenue Funds and General Revenue–Dedicated Funds and provide for 19.9 FTE positions. Funding decreased by $82.4 million in All Funds, or 19.1 percent, from the 2014–15 biennial spending level. This amount includes $330.9 million in General Revenue–Dedicated Funds from the Designated Trauma Facility and EMS Account No. 5111 used primarily to reimburse hospitals for uncompensated trauma care. Funding of $301.7 million will be transferred to HHSC for Hospital Add-on Payments.

REDUCE USE OF TOBACCO PRODUCTS

The Seventy-sixth Legislature, 1999, established a permanent fund from Tobacco Settlement receipts from the 1998 Comprehensive Tobacco Settlement Agreement to fund activities to reduce tobacco use. This funding is provided to local health departments and school districts for evidence-based interventions to prevent and reduce tobacco use through a competitive statewide grant program. Activities include school and community interventions, surveillance and evaluation, law enforcement programs, media campaigns, and cessation programs.

Appropriations for these activities total $28.4 million in All Funds ($20.4 million in General Revenue Funds and General Revenue–Dedicated Funds) from tobacco endowment earnings, and provide for 14.3 FTE positions for the 2016–17 biennium.

INFECTIOUS AND CHRONIC DISEASES

DSHS implements programs to prevent, control, and/or treat infectious diseases, including hepatitis, tuberculosis, and Hansen's disease (leprosy), and to minimize the incidence of diseases transmittable from animals to humans (zoonotic diseases). Zoonotic diseases include rabies, Lyme disease, Rocky Mountain spotted fever, plague, hantavirus, West Nile virus, anthrax, tularemia, and Q fever. In addition, DSHS operates the Refugee Health Screening Program that brings newly arrived official refugees and other eligible immigrants into the public health system for health assessments and referrals.

Biennial appropriations for infectious disease prevention, epidemiology, and surveillance total $107.7 million in All Funds ($63.6 million in General Revenue Funds and General Revenue–Dedicated Funds), and provide for 209.9 FTE positions.

DSHS also implements population-based and community-based interventions to reduce the burden of the most common chronic diseases, including cardiovascular disease and stroke, diabetes, asthma, arthritis, and certain cancers. DSHS works with public and private partners to increase local capacity for chronic disease prevention programs, which support healthy behaviors such as maintaining a healthy weight, good nutrition, physical activity, avoidance of tobacco use, and preventive healthcare. DSHS collaborates with school districts to implement coordinated school health programs and operates the Safe Rider program that promotes the correct use of child safety seats.

Biennial appropriations for health promotion and chronic disease prevention total $20.1 million in All Funds ($14.5 million in General Revenue Funds), and provides for 53.3 FTE positions.

CONSUMER PROTECTION SERVICES

The consumer protection services function includes public health efforts related to ensuring food and drug safety, minimizing environmental hazards, licensing healthcare professionals and facilities, and regulating activities related to radiation. Funding for consumer protection is largely generated through fee revenue deposited to the General Revenue Fund or to specific General Revenue–Dedicated accounts. Biennial appropriations for consumer protection services total $116.3 million All Funds ($91.1 million in General Revenue Funds and General Revenue–Dedicated Funds), and provide for 859.8 FTE positions.

FOOD (MEAT) AND DRUG SAFETY

Food, meat, and drug safety activities include inspecting and monitoring foods, drugs, medical devices, cosmetics, shellfish-growing areas and processing plants, facilities that produce milk and milk products, and certain public school cafeterias. In addition, the agency inspects retail food establishments in counties with no local health authority. DSHS is also responsible for ensuring that all meat and poultry processed in Texas for consumption is derived from healthy animals, is slaughtered and prepared in a sanitary manner, has no harmful ingredients added, and is truthfully packaged and labeled.

Food, meat, and drug safety appropriations total $50.7 million in All Funds for the 2016–17 biennium ($40.4 million in General Revenue Funds and General Revenue–Dedicated Funds), and 375.2 FTE positions.

ENVIRONMENTAL HEALTH

DSHS also regulates youth camps; regulates public health pesticide applicators; and responds to complaints and concerns regarding chemical hazards, indoor air quality, and asbestos, lead, and mold in public buildings. Environmental health includes investigating public health nuisances in counties with no local health authority and providing technical assistance to local health agencies. Environmental health appropriations for the 2014–15 biennium total $14.8 million in All Funds ($13.1 million in General Revenue Funds and General Revenue–Dedicated Funds), and 117.3 FTE positions.

RADIATION CONTROL

The agency has a primary role in radiation control. DSHS licenses radioactive materials; certifies x-ray, mammography, and laser equipment and facilities; provides emergency response for nuclear facilities; and licenses laser hair removal facilities and personnel. Radiation control appropriations for the 2014–15 biennium total $18.2 million in All Funds ($17.3 million in General Revenue Funds and General Revenue–Dedicated Funds) and 138.3 FTE positions.

HEALTHCARE FACILITIES AND HEALTHCARE PROFESSIONALS REGISTRATION

To ensure that healthcare standards are met, the agency issues registrations, certifications, and permits for healthcare professionals and facilities and maintains registries on various healthcare professionals. Appropriations for the 2014–15 biennium for Health Care Professionals and Facilities total $32.6 million in All Funds, which includes $20.4 million in General Revenue Funds and General Revenue–Dedicated Funds, and 229.0 FTE positions.

TEXAS.GOV

Applications and renewals for licenses for certain healthcare professionals and facilities can be processed through Texas.gov, the official website for the state that provides access to state and local government agencies. DSHS was appropriated an estimated $2.3 million in General Revenue Funds and General Revenue–Dedicated Funds fees to pay for Texas.gov services in the 2016–17 biennium.

TEXAS CIVIL COMMITMENT OFFICE

The Texas Civil Commitment Office is an agency responsible for providing monitoring and treatment of civilly committed sex offenders. It is administratively attached to DSHS.

Appropriations for the 2016–17 biennium for the treatment and supervision of sex offenders total $29.9 million ($29.8 million in General Revenue Funds), and provides for 35.0 FTE positions. Funding includes $16.9 million in All Funds for increases in the per diem cost to house violent sex offenders, projected caseload increases, and to establish a tiered treatment program, as required by Senate Bill 746, Eighty-fourth Legislature, 2015.

SIGNIFICANT LEGISLATION

Senate Bill 200 – Health and human services agencies consolidation. The legislation continues the Department of State Health Services with a Sunset date of September 1, 2023. The bill transfers all regulatory functions and functions related to DSHS' state-operated institutions to HHSC by September 1, 2017. DSHS will maintain control of public health functions, including healthcare data collection and maintenance of the Texas Health Care Information Collection program.

Senate Bill 202 – Relating to the transfer of certain occupational regulatory programs and the deregulation of certain activities and occupations. The legislation, the DSHS Sunset bill, discontinues eight regulatory programs at DSHS and transfers 13 occupational licensing programs to the Texas Department of Licensing and Regulation (TDLR) and four occupational licensing programs to the Texas Medical Board in two phases. Senate Bill 202 calls for the transition as soon as practicable after September 1, 2015, except for the transfer of six of the regulatory programs to TDLR effective September 1, 2017.

Senate Bill 746 – Relating to the civil commitment of sexually violent predators; amending provisions subject to criminal penalties. The legislation amends the Texas Code of Criminal Procedure, the Texas Government Code, and the Texas Health and Safety Code to revise procedures relating to the civil commitment of sexually violent predators in Texas. The bill abolishes the Office of Violent Sex Offender Management; establishes the Texas Civil Commitment Office; establishes the new agency's and the Texas Department of Criminal Justice's duties with respect to a mandatory sex offender treatment program for committed persons before release; and provides for the office's development and oversight of a tiered program for the supervision and treatment of a committed person.

House Bill 2 – Relating to making supplemental appropriations and giving direction and adjustment authority regarding appropriations. The legislation transfers fiscal year 2015 funding from DSHS to the Health and Human Services Commission for a projected funding shortfall in Medicaid acute care services.

House Bill 7 – Relating to certain fiscal matters affecting governmental entities; reducing or affecting the amounts or rates of certain taxes, assessments, surcharges, and fees. The legislation abolishes the General Revenue–Dedicated Regional Trauma Account No. 5137 and directs the Comptroller of Public Accounts to transfer unexpended balances to the General Revenue–Dedicated Trauma Facility and EMS Account No. 5111; directs revenue from violations of photographic traffic control signal enforcement systems (red light cameras) from the Regional Trauma Account to the Designated Trauma Facility and EMS Account.

House Bill 942 – Relating to the storage of certain hazardous chemicals; transferring enforcement of certain reporting requirements, including the imposition of criminal, civil, and administrative penalties, from the Department of State Health Services to the Texas Commission on Environmental Quality; amending provisions subject to a criminal penalty; reenacting a criminal offense. The legislation transfers responsibility for the storage of certain hazardous chemicals and enforcement of certain reporting requirements, including the imposition of criminal, civil, and administrative penalties from DSHS to the Texas Commission on Environmental Quality, effective September 1, 2015.

HEALTH AND HUMAN SERVICES COMMISSION

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

ESTABLISHED: 1991

AUTHORIZING STATUTE: The Texas Government Code, §531.002

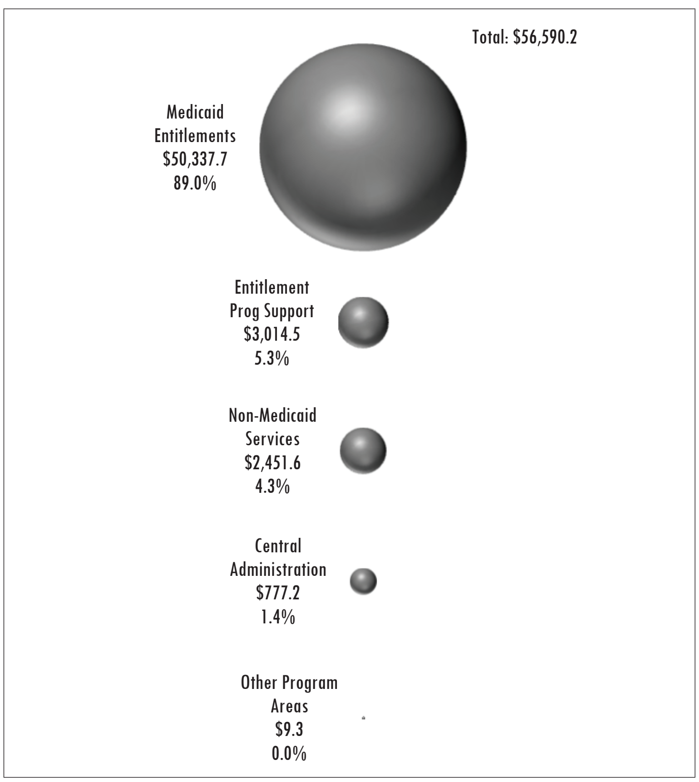
GOVERNANCE: Health and Human Services Executive Commissioner, appointed by the Governor, with advice and consent of the Senate; five advisory councils, including the Health and Human Services Council, assist with system oversight

FIGURE 160
HEALTH AND HUMAN SERVICES COMMISSION BY METHOD OF FINANCE

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

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2016	12,831.2
2017	12,831.2

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

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

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

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

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

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

MAJOR FUNDING

House Bill 2, Eighty-fourth Legislature, 2015, increased HHSC's appropriation authority in fiscal year 2015 by $317.2 million in All Funds, including $212.7 million in General Revenue Funds, to fund a projected shortfall in Medicaid acute care services, and $193.3 million in All Funds, including $79.7 million in General Revenue Funds, for the Medicaid Health Insurance Providers Fee and resulting federal income tax impact, in accordance with the federal Affordable Care Act (ACA), 2010. HB 2 also included a net decrease of $46.9 million in All Funds (a $50.0 million decrease in General Revenue Funds, due to a surplus in Temporary Assistance for Needy Families (TANF) cash assistance grants, offset by a $3.1 million increase in TANF Federal Funds).

The following significant funding issues affect the agency's 2016–17 biennial appropriations:

- funding for Medicaid client services totals $50.3 billion in All Funds, including $20.6 billion in General Revenue Funds, which is an increase of $5.5 billion in All Funds, including $2.8 billion in General Revenue Funds, from the 2014–15 spending levels. The statewide expansion of the STAR+PLUS program (September 2014) and the transition from fee-for-service to managed care, referred to as carve-in, of nursing facility services to STAR+PLUS (March 2015) result in long-term-care services previously provided at the Department of Aging and Disability Services (DADS) being provided at HHSC. Funding for clients who will receive these long-term-care services through HHSC increased by approximately $3.9 billion in All Funds ($1.7 billion in General Revenue Funds) from the 2014–15 biennial expenditure level;

- funding for Medicaid includes $583.0 million in All Funds, including $239.8 million in General Revenue Funds, to fund the Health Insurance Providers Fee and resulting federal income tax impact, in accordance with the ACA, and $31.5 million in All Funds, including $12.3 million in General Revenue Funds, to fund additional services provided to individuals with intellectual disabilities. The claims administrator cost increased by $189.2 million in All Funds, including $44.2 million in General Revenue Funds, from the 2014–15 biennium. Additional payments to trauma hospitals, safety-net hospitals, and rural hospitals were increased by $573.3 million in All Funds, including $241.8 million in General Revenue–Dedicated Funds related to trauma transferred from the Department of State Health Services (DSHS). Funds include an increase in General Revenue Funds for projected caseload growth and a less favorable Federal Medical Assistance Percentage (FMAP). Funding includes a wage increase for community attendant care workers to $8.00 per hour at a cost of $68.3 million in All Funds ($28.4 million in General Revenue Funds) and additional funds for a rate enhancement across Medicaid community-based programs at a cost of $9.4 million in All Funds ($4.0 million in General Revenue Funds) in the 2016–17 biennium. Funding levels also include an increase of $31.3 million in All Funds ($12.4 million in General Revenue Funds) for STAR+PLUS community-based alternatives interest lists and $7.8 million in All Funds ($3.2 million in General Revenue Funds) for acute care costs associated with funding interest lists at DADS. In fiscal year 2017, funds include an increase of $31.0 million in All Funds, including $6.4 million in General Revenue Funds due to the abolishment of the NorthSTAR behavioral health program at DSHS and the expected transition of services to HHSC;

- funding for Medicaid was reduced by $869.6 million in All Funds, including $373.0 million in General Revenue Funds, for cost-containment initiatives, including therapy rate reductions and policy changes, and not continuing $721.9 million in All Funds, including $300.0 million in General Revenue Funds, for the Disproportionate Share Hospital program. Additionally, the primary care physician rate increase required by the ACA ended on December 31, 2014, resulting in an estimated decrease of $1.1 billion in All Funds. An estimated $1.8 billion in cost growth was not funded in the 2016–17 biennium. Funding levels also include a reduction to the proportion of the program funded with General Revenue Funds related to a 23 percentage point increase to the Enhanced Federal Medical Assistance Percentage (EFMAP), which applies to certain children in Medicaid previously receiving services through the Children's Health Insurance Program (CHIP). Funding was reduced by $23.8 million in All Funds, $10.0 million in General Revenue Funds, for assumed savings from averted births due to additional funding in Women's Health Services, and reduced by $59.5 million in All Funds, $25.7 million in General Revenue Funds, due to savings for the Preadmission Screening and Resident Review at nursing facilities;

- funding includes $1.8 billion in All Funds, including $150.0 million in General Revenue Funds, for CHIP client services, which is a decrease of $201.4 million in All Funds ($424.9 million in General Revenue Funds) from the 2014–15 spending levels. The All Funds decrease is primarily due to the transition of children ages 6 to 18 at 100 percent to 138 percent of the federal poverty level (FPL) from CHIP to Medicaid pursuant to the ACA, which occurred primarily during calendar year 2014. Funding levels also include a significant reduction to the proportion of the program funded with General Revenue Funds related to a 23 percentage point increase to the Enhanced Federal Medical Assistance Percentage (EFMAP), the match rate for the CHIP program, beginning in federal fiscal year 2016 and also pursuant to the ACA. Funding includes $30.9 million in All Funds, including $2.5 million in General Revenue Funds, for the Health Insurance Providers Fee and resulting federal income tax impact, in accordance with the ACA;
- total funding for Women's Health Services is $260.9 million in All Funds, which includes the Expanded Primary Health Care Program and the Family Planning Program that were transferred from DSHS to HHSC, the Texas Women's Health Program, and an additional $50.0 million in General Revenue Funds to expand access;
- funding includes an increase of $52.6 million in All Funds related to the transfer of the Court Appointed Special Advocates (CASA) and the Children's Advocacy Centers (CAC) grant programs from the Office of the Attorney General to HHSC. This amount is a $4.8 million increase for CASA and a $6.7 million increase for CAC from 2014–15 biennial expenditure levels; and
- funding includes an increase of $20.0 million in General Revenue Funds to implement a grant program to provide mental health services to veterans.

PROGRAMS

The agency carries out its responsibilities through five major program areas: (1) Medicaid client services; (2) entitlement program support; (3) non-Medicaid programs; (4) central administration; and (5) other program areas.

MEDICAID ENTITLEMENTS

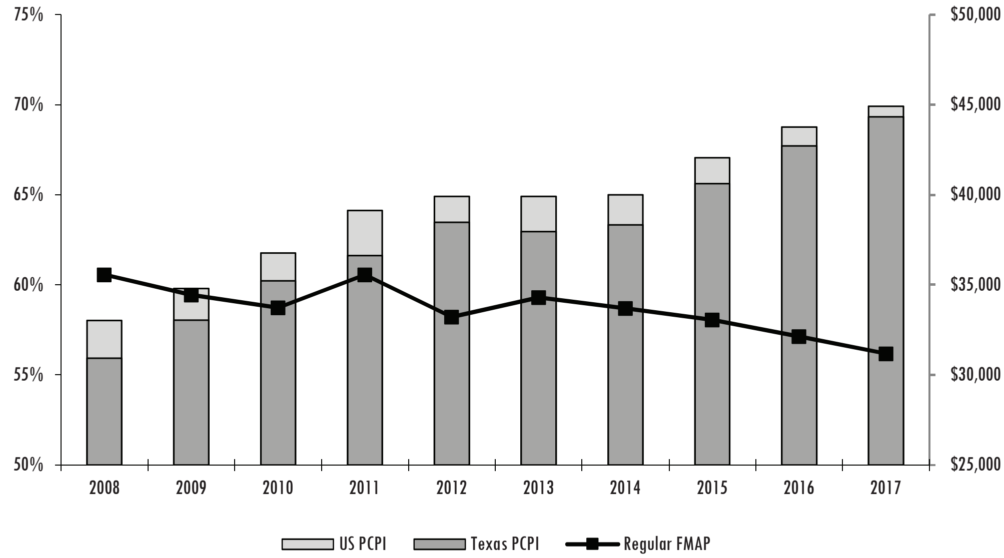
Medicaid entitlements includes client services in the Medicaid program and excludes administrative and contract services in support of the Medicaid program. HHSC is the designated state agency responsible for administering the Medicaid program. Medicaid is a jointly funded federal–state program that provides health insurance and other services primarily to low-income families, nondisabled children, pregnant women, the elderly, and people with disabilities. The federal government contributes to the cost of Medicaid client services primarily according to the FMAP match rate, which is based on a comparison of the state's three-year average per capita personal income to the national per capita personal income. The FMAP is higher in states with lower average per capita personal incomes. In most cases, FMAP determines the proportion of Medicaid client services expenditures that is paid by the federal government.

The FMAP in Texas is 57.13 percent for federal fiscal year 2016 and 56.18 percent for federal fiscal year 2017. Funding in the Eighty-fourth Legislature, General Appropriations Act (GAA), 2016–17 Biennium, was based on an earlier, more favorable, estimate of federal fiscal year 2017 FMAP (56.67 percent). **Figure 161** shows the FMAP levels from fiscal years 2008 to 2017 and the three-year average state and national per capita personal income used to calculate FMAP. Different federal matching rates are applied for other types of Medicaid-related expenditures, such as certain information technology projects (90 percent), skilled medical professional services (75 percent), and administrative functions (50 percent). Other enhanced matches are also available for certain services or populations, such as the 23 percentage point increase to EFMAP, which applies to certain children in Medicaid previously receiving services through CHIP; EFMAP without the 23 percentage point increase; and the additional 6 percentage point federal match associated with Community First Choice.

As the state agency responsible for Medicaid, HHSC may designate some Medicaid functions to other agencies, but must plan and direct the program. In administering this function, the agency has the following responsibilities:

- serving as the primary point of contact with the federal government;

FIGURE 161
FEDERAL MEDICAL ASSISTANCE PERCENTAGE (FMAP) AND PER CAPITA PERSONAL INCOME (PCPI)
FISCAL YEARS 2008 TO 2017



NOTES:

(1) FMAPs are for federal fiscal year and do not reflect enhanced FMAPs related to the American Recovery and Reinvestment Act (ARRA) that applied from the first quarter of federal fiscal year 2009 until the third quarter of federal fiscal year 2011. Per capita personal income (PCPI) is the average of the most recent three years available at the time each FMAP was calculated and does not include any updates to the data made after that time. For example, federal fiscal year 2017 FMAP is based on the average of 2012 to 2014 PCPI as reported by the Bureau of Economic Analysis in September 2015.

(2) Federal fiscal year 2008 FMAP reflects a 0.03 percentage point increase related to the federal Deficit Reduction Act and damage from Hurricane Katrina; PCPI was used to calculate initial FMAP without this adjustment.

(3) The Eighty-fourth Legislature, General Appropriations Act, 2016–17 Biennium, assumed 56.67 percent FMAP for federal fiscal year 2017; less favorable actual FMAP of 56.18 percent is shown.

SOURCES: Legislative Budget Board; U.S. Department of Health and Human Services; Bureau of Economic Analysis; U.S. Census Bureau.

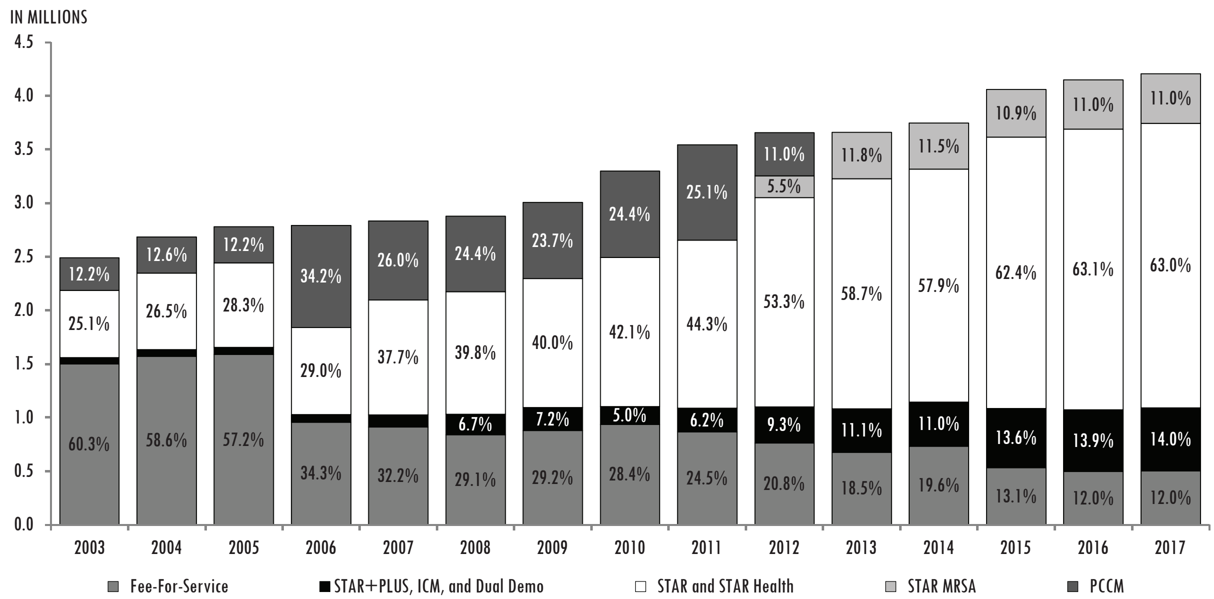
- establishing agreements with other state agencies to carry out technical operations and service delivery for the Medicaid program;
- approving Medicaid policies, rules, reimbursement rates, and operations carried out by the Medicaid operating agencies;
- overseeing and monitoring the Medicaid budget;
- evaluating and monitoring Medicaid programs;
- determining Medicaid eligibility;
- administering the Medicaid state plan;
- initiating and coordinating opportunities to maximize federal funding;
- facilitating the federally mandated Medical Care Advisory Committee; and
- operating the state's acute care, prescription drug, 1115 Medicaid Transformation Waiver, and managed-care programs.

MEDICAID CLIENT SERVICES

Appropriations for HHSC Medicaid client services total $50.3 billion for the 2016–17 biennium, which is 88.9 percent of total agency appropriations. This amount includes $20.6 billion in General Revenue Funds, or 41.0 percent of Medicaid funding. Funding levels assume HHSC will achieve a variety of cost-saving initiatives, including therapy rate reductions and policy initiatives, and do not include $1.8 billion in estimated cost growth. As with all entitlement programs, to the extent that savings related to these initiatives do not fully materialize and cost growth does, appropriations to Medicaid could be subject to increase in fiscal year 2017 to meet the state's obligations in the program.

As shown in **Figure 162**, overall Medicaid acute care caseloads have increased each year since fiscal year 2008.

FIGURE 162
ACUTE CARE MEDICAID AVERAGE MONTHLY CASELOAD BY DELIVERY MODEL, FISCAL YEARS 2003 TO 2017



NOTES:
(1) ICM = Integrated Care Management (Model of managed care operating in Dallas from February 2008 to May of 2009).
(2) Dual Demo refers to eligible persons who are enrolled in a single Medicare-Medicaid health plan.
(3) MRSA = Medicaid Rural Service Area.
(4) PCCM = Primary Care Case Management (Model of managed care discontinued in March 2012).
(5) Represents average monthly number of clients receiving Medicaid acute care health insurance services through the Health and Human Services Commission. Managed-care delivery models include all but fee-for-service. The percentage of clients receiving STAR+PLUS and ICM from 2003 to 2007 was from 2.3 percent to 4.1 percent.
(6) Fiscal years 2016 and 2017 amounts are estimated.

SOURCES: Legislative Budget Board; Health and Human Services Commission.

Medicaid caseloads grew most rapidly in fiscal years 2009 to 2012 during the economic downturn and in fiscal year 2015 due primarily to the transfer of children ages 6 to 18 at 100 percent to 138 percent of the FPL from CHIP. Caseloads are projected to continue to increase during the 2016–17 biennium, but at a slower rate than seen in most of the past decade.

The Medicaid budget includes funding for client services by Medicaid Eligibility Groups, a designation established for client groups in accordance with the Texas Medicaid Transformation and Quality Improvement Program 1115 Waiver approved in December 2011. The Medicaid strategies and funding amounts are:

- Aged and Medicare-related ($8.4 billion in All Funds, $3.6 billion in General Revenue Funds);
- Disability-related (children and adults who are eligible based on disability status) ($11.6 billion in All Funds, $5.0 billion in General Revenue Funds);
- Pregnant women ($2.3 billion in All Funds, $963.9 million in General Revenue Funds);
- Other adults (TANF-income-eligible, Medically Needy, and Medicaid for Breast and Cervical Cancer) ($1.4 billion in all Funds, $542.7 million in General Revenue Funds);
- Children ($12.5 billion in All Funds, $4.6 billion in General Revenue Funds);
- Non-Full Benefit Payments ($1.4 billion in All Funds, $381.9 million in General Revenue Funds);
- Medicaid Prescription Drugs ($6.6 billion in All Funds, $2.7 billion in General Revenue Funds);
- Medical Transportation ($419.7 million in All Funds, $180.7 million in General Revenue Funds);
- Texas Health Steps ($2.7 billion in All Funds, $1.1 billion in General Revenue Funds);

- Medicare Payments for clients dually eligible for Medicare and Medicaid ($2.9 billion in All Funds, $1.7 billion in General Revenue Funds); and
- Transformation payments ($199.7 million in All Funds).

The Vendor Drug program transitioned to a managed-care model in March 2012. Prescription drug benefits for most Medicaid recipients are provided through managed-care organizations, and the cost is included in a set fee HHSC pays per person enrolled, called a capitated rate. The state retains agreements directly with drug manufacturers, however, to provide the basis for the statewide Preferred Drug List and supplemental rebates.

The Medical Transportation Program provides non-emergency transportation services to Medicaid clients who do not have any other means of transportation to access medically necessary covered services. During the 2012–13 biennium, HHSC implemented a full-risk capitated model for providing medical transportation services in the Dallas–Fort Worth and Houston–Beaumont areas of the state. The remaining medical transportation services were provided on a fee-for-service basis. On September 1, 2014, HHSC expanded the capitated model of providing transportation services to all Medicaid recipients.

The Early and Periodic Screening, Diagnostic, and Treatment program, known in Texas as Texas Health Steps, provides medical screenings, dental care, and the Comprehensive Care Program (CCP). CCP provides to children any medically necessary and appropriate healthcare service (i.e., case management, durable medical equipment, private nursing, and therapies) eligible for coverage by the federal Medicaid program, regardless of whether they are covered in Texas' State Plan. Funding for this program is provided in capitated payments to managed-care organizations for both medical and dental expenses.

Medicare payments include deductibles and cost sharing for Qualified Medicare Beneficiaries (QMB), the Medicare Giveback Provision (also referred to as clawback), and Medicare Part A and Part B premium payments. Medicare Giveback Provision is the phased-down state contributions to the federal government for prescription drug expenses of clients who are fully dually eligible for Medicaid and Medicare. This prescription drug program is known as Medicare Part D and was established by the federal 2003 Medicare Modernization Act. Additionally funds are provided for the payment of Medicare Part A and Part B premiums for certain full and partial dually eligible clients and for the payment of deductibles and cost sharing for QMBs.

MANAGED CARE

Managed care refers to a system of healthcare reimbursements in which a provider is paid by a managed-care organization (MCO) for providing services to a recipient. HHSC pays the MCO a monthly premium to finance and coordinate the services delivered. Fee-for-service reimbursement is the traditional healthcare payment system, in which providers receive a payment for each unit of service they provide. Texas has four managed-care delivery models: STAR, STAR+PLUS, STAR Health, and the dual demonstration. A fifth managed-care delivery model, STAR Kids, which will provide services to children with disabilities, is expected to be implemented in fall 2016.

STATE OF TEXAS ACCESS REFORM (STAR) PROGRAM

In 1993, Texas began a managed-care pilot for acute care health services, known as the State of Texas Access Reform (STAR) Program. In subsequent years, Texas incrementally expanded the STAR Program to all urban areas and into rural areas of the state by establishing three, large, managed-care Medicaid Rural Service Areas (MRSA). STAR serves primarily nondisabled adults and children who are eligible for Medicaid services due to their family income levels.

STAR+PLUS PROGRAM

Health and human services agencies implemented the STAR+PLUS model in Houston in 1997. This program integrates acute care and long-term care into one service-delivery system through managed care. The model covers physician services plus community-based care or nursing facility care in a single capitated payment; as of March 2012, hospital services are also included in the capitated payment. HHSC expanded the STAR+PLUS model to Bexar, Nueces, Travis, and Harris-contiguous counties during fiscal year 2007; to Dallas and Tarrant counties during fiscal year 2011; to 21 counties contiguous to existing service areas in September 2011; and to El Paso, Lubbock, and South Texas counties in March 2012. The STAR+PLUS program was expanded statewide in September 2014, and nursing facility services were carved into STAR+PLUS in March 2015.

STAR HEALTH

The Seventy-ninth Legislature, Regular Session, 2005, directed HHSC to develop a statewide healthcare delivery system for children in foster care. The model, which went into effect in April 2008, is intended to coordinate medical, dental, and behavioral healthcare. Each child has a medical home, which is a base of services, with a primary care physician who coordinates care and referrals. Additionally, each child has a web-based health passport, which is an information file that contains medical history, providers, and drugs prescribed.

DUAL DEMONSTRATION

HHSC and the federal Centers for Medicare and Medicaid Services (CMS) have established a demonstration program in which persons dually eligible for Medicare and Medicaid who were previously enrolled in separate coverage for each program are instead enrolled in a single Medicare-Medicaid health plan. The goal of the dual demonstration is to reduce costs for both the state and the federal government by improving coordination and enhancing quality of care for these enrollees. The demonstration was implemented in March 2015 in six counties.

Figure 162 shows Medicaid caseload percentage by delivery model across recent years and demonstrates the growth of the managed-care model for the provision of services across the state, especially since expansion by the Eighty-second Legislature, Regular Session, 2011, in fiscal year 2012.

TEXAS HEALTH CARE TRANSFORMATION AND QUALITY IMPROVEMENT PROGRAM 1115 WAIVER

During the 2012–13 biennium, CMS approved the Texas application for 1115 Waiver in the Medicaid program. The Texas Health Care Transformation and Quality Improvement Program 1115 Waiver authorized the statewide expansion of the managed-care model of the provision of services in Medicaid and established new supplemental funding programs to replace the Upper Payment Limit program. The waiver is up for renewal at the beginning of federal fiscal year 2017. In September 2015, HHSC submitted a waiver extension application to CMS. The waiver extension would be for a five-year period ending September 30, 2021. From fiscal years 2012 to September fiscal year 2016, the state and local entities will expend in intergovernmental transfers and Federal Funds $12.7 billion for the uncompensated care program and $5.3 billion in delivery system reform incentive payments.

UNCOMPENSATED CARE AND DELIVERY SYSTEM REFORM INCENTIVE PAYMENTS

In accordance with the 1115 Waiver, hospitals and healthcare providers have joined Regional Healthcare Partnerships (RHP) that work to transform healthcare delivery. The RHPs are anchored around a publicly funded entity (i.e., hospital district or county) that transfers public dollars through an intergovernmental transfer (IGT) to HHSC to be matched with Federal Funds at FMAP matching rates. Those IGTs and Federal Funds are pooled and distributed for two purposes: (1) Uncompensated Care (UC) payments to reimburse hospitals and providers for uncompensated care, and (2) Delivery System Reform Incentive Payments (DSRIP) to pay for approved projects that increase access to healthcare delivery and improve health outcomes. The 1115 Waiver was approved for five years (federal fiscal years 2012 to 2016). During this period, the proportion of the supplemental payments that go toward Uncompensated Care (which is most closely modeled after the previous Upper Payment Limit Program) will decrease, and the proportion of payments that go toward DSRIP payments will increase.

Like the former Upper Payment Limit program and the Disproportionate Share Hospital supplemental payments, the 1115 Waiver payments are in the Treasury and appropriation authority is provided in a rider to allow these estimated amounts to be expended. Certain entities that do not have local funding available or who cannot participate through an RHP are participating with the use of state appropriations. For example, state hospitals and local mental health authorities are leveraging state funds to participate in the UC and DSRIP programs. In addition, the Texas Higher Education Coordinating Board is leveraging state funds on behalf of certain private medical schools to participate. During the five-year period of the 1115 Waiver, HHSC anticipates the state will be eligible for $29.0 billion in All Funds, an additional $15.0 billion more in All Funds than what the state would have been eligible to receive in accordance with the previous Upper Payment Limit program.

DISPROPORTIONATE SHARE HOSPITAL REIMBURSEMENT PROGRAM

Another major component of the Medicaid program, the Disproportionate Share Hospital (DSH) Reimbursement Program, makes payments to university teaching hospitals and qualifying public, private, and nonprofit hospitals that serve disproportionately high numbers of medically needy indigent patients. Local government and hospital expenditures are used to draw down matching Federal Funds, up to the maximum established by the federal government. Pursuant to the ACA, national DSH allocations will be reduced. Subsequent federal legislation has delayed these DSH reductions until federal fiscal year 2017. In the 2016–17 biennium, no state funds were appropriated for DSH, which results in a reduction of $721.9 million in All Funds from the 2014–15 biennium. However, it is anticipated that intergovernmental transfers will be used to draw down DSH funds, which will be reflected off budget.

NURSING FACILITY MINIMUM PAYMENT

In fiscal year 2015, HHSC implemented a minimum payment amount program (MPAP) for non-state government-owned nursing facilities, for example public hospitals or hospital districts. The program provides enhanced payment rates to participating qualified nursing facilities through the use of IGTs and matching Federal Funds. Funds for this program are not appropriated through the GAA and are off-budget. The program is estimated to provide $560.1 million in All Funds annually in the 2016–17 biennium. In fiscal year 2017, HHSC is required to transition the MPAP program from a program based on enhanced payment rates to publicly owned nursing facilities to a Quality Incentive Payment Program (QIPP) for all nursing facilities that have a source of public funding for the non-federal share of the payments. The QIPP payments are required to be based upon improvements in quality and innovation in the provision of nursing facility services, such as establishing culture change, small house models, staffing enhancements, and outcome measures to improve the quality of care and life for nursing facility residents.

NETWORK ACCESS IMPROVEMENT PROGRAM

In fiscal year 2015, HHSC established the Network Access Improvement Program to increase the availability and effectiveness of primary care for Medicaid clients by providing incentive payments to participating health-related institutions (HRI). Participation is voluntary and requires HRIs to develop a proposal in partnership with a managed care organization to receive federal matching dollars through Medicaid. If the proposal is approved by HHSC, the costs associated with the incentive payments are added to the monthly capitation rates paid to the MCO and the MCOs are responsible for making payments to the HRIs. Funds for this program are not appropriated through the GAA and are off-budget. The program is estimated to be $527.7 million in All Funds annually in the 2016–17 biennium.

ENTITLEMENT PROGRAM SUPPORT

HHSC provides program support for entitlement programs throughout the five health and human services agencies. These functions include rate-setting activities for Medicaid, CHIP, and foster care; claim processing for entitlement programs; and eligibility determination services, policy, and support for various programs, including Medicaid acute care services and long-term services and supports, TANF (cash assistance), Supplemental Nutrition Assistance Program (SNAP), and CHIP. The agency also administers outreach and application assistance for SNAP, Medicaid, and CHIP; nutrition education; the 2-1-1 Texas Information and Referral Network; maintenance of the Texas Integrated Eligibility Redesign System; managed-care enrollment; and issuance of SNAP and TANF benefits through electronic benefit cards. The claims administrator cost increased by $189.2 million in All Funds, including $44.2 million in General Revenue Funds, from the 2014–15 biennium. Biennial funding for these functions totals $3.0 billion in All Funds, including $1.1 billion in General Revenue Funds. Senate Bill 200, Eighty-fourth Legislature, 2015, which consolidates the health and human services agencies, transfers the rate-setting functions at the Department of State Health Services to HHSC.

SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM

HHSC administers the federal SNAP in Texas. The program helps low-income families who have net monthly incomes of less than 100 percent of the FPL and countable resources of less than $2,250 to $3,250, depending on family size and composition, to purchase food. SNAP benefits are federally funded and do not appear in the HHSC appropriation. However, funding is appropriated to HHSC for administrative expenditures, including eligibility determination and information technology projects related to SNAP. Administrative expenditures are financed equally with state and federal funding.

OFFICE OF THE INSPECTOR GENERAL

The Office of the Inspector General (OIG) provides audit, regulatory, and enforcement functions. The OIG serves as an independent office within the health and human services system, and the Inspector General is appointed by the Governor. Biennial funding for these functions totals $130.1 million in All Funds, including $42.2 million in General Revenue Funds, and 799.3 full-time-equivalent (FTE) positions annually.

NON-MEDICAID PROGRAMS

CHILDREN'S HEALTH INSURANCE PROGRAM (CHIP)

Biennial funding for CHIP client services, not including CHIP Perinatal services or prescription drugs, totals $1.1 billion in All Funds, which includes $95.0 million in General Revenue Funds, or 8.5 percent, of the total. Tobacco Settlement receipts account for most of the General Revenue Funds, $84.1 million. Client enrollment and renewal fees, vendor drug rebates, and experience rebates contribute to other sources of General Revenue Funds.

HHSC insures children who do not qualify for Medicaid with family income at or above 206 percent of the FPL with the 5 percent income disregard. As of August 2015, 342,558 recipients were enrolled in CHIP. The CHIP caseloads decreased beginning in February 2014 and continuing through February 2015, as a result of the client transfer into Medicaid required by the new eligibility thresholds pursuant to the ACA, which resulted in children ages 6 to 18 at 100 percent to 138 percent of the FPL who were previously eligible for CHIP becoming eligible for Medicaid. As such, funding for CHIP client services was reduced by $163.3 million in All Funds ($270.4 million in General Revenue Funds) for the 2016–17 biennium. The larger reduction in General Revenue Funds is due to a reduction to the proportion of the program funded with General Revenue Funds related to a 23 percentage point increase to EFMAP, the match rate for the CHIP program, beginning in federal fiscal year 2016.

CHIP coverage is offered statewide through contracted managed-care organizations. The state requires an annual enrollment fee for some families, and CHIP families pay copayments for doctor's visits, prescription drugs, inpatient hospital care, and non-emergent care provided in an emergency department. The annual enrollment fee and copayment amounts are based on family income, and total out-of-pocket costs are capped based on family income.

CHIP PERINATAL SERVICES

In January 2007, HHSC implemented a new CHIP benefit that expands prenatal care to low-income women. Medicaid provides prenatal services to pregnant women who are U.S. citizens and have incomes up to 203 percent of the FPL. The CHIP Perinatal benefit provides perinatal coverage to women (ages 19 and older) with incomes from 203 percent to 207 percent of the FPL. The program also provides perinatal coverage to non-citizen women who would otherwise receive Medicaid emergency services only. Eligibility for the CHIP Perinatal benefit is for the perinate, or unborn child, and for infants covered as perinates who don't qualify for Medicaid. Due to clarified federal guidance, infants born to mothers at or below 203 percent of FPL receive services in the Medicaid program instead of continuing in the perinate program; services for these infants are funded at the FMAP matching rate instead of the EFMAP rate. As of August 2015, 38,817 perinates and infants were enrolled in CHIP Perinatal. Biennial funding for CHIP Perinatal Services totals $404.4 million in All Funds, including $32.7 million in General Revenue Funds, a decrease of $83.2 million in General Revenue Funds due to the increased EFMAP.

CHIP VENDOR DRUG PROGRAM

The CHIP Vendor Drug Program operates similarly to the Medicaid Vendor Drug Program. Prior authorization is required for prescribed drugs not included on the preferred drug list. As part of the managed-care expansion initiative, the CHIP Vendor Drug Program also transitioned to a managed-care model in March 2012. For the 2016–17 biennium, funding for CHIP prescription drugs totals $278.0 million in All Funds, including $22.3 million in General Revenue Funds, a decrease of $71.3 million in General Revenue Funds due to decreasing caseloads and the increased EFMAP. This amount includes $3.4 million from vendor drug rebates.

TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF)

TANF Federal Funds are distributed to states as block grants. To be eligible for TANF Federal Funds, states are required to maintain state spending at a percentage of fiscal year 1994 spending (maintenance of effort). General Revenue Funds for TANF maintenance of effort are expended by HHSC, the Texas Education Agency, the Department of Family and Protective Services, and the Texas Workforce Commission. States have broad discretion to use TANF Federal Funds in any manner that meets the program's purposes. TANF Federal Funds are appropriated to health and human services agencies for TANF cash assistance grants, eligibility determination, alternatives to abortion, family violence services, Early Childhood Intervention services, Child Protective Services, and foster care payments.

Appropriations for TANF cash assistance include $131.1 million in All Funds, including $101.8 million in General Revenue Funds. All Funds amounts are decreasing due to decreasing caseloads. Additionally, most of the General Revenue Funds were replaced with TANF Federal Funds in fiscal year 2015 through House Bill 2, Eighty-fourth Legislature.

TANF grants provide time-limited cash assistance to families with children who have annual incomes less than approximately 11 percent of the FPL ($2,256 for a family of three). Grants are provided to single-parent families and to two-parent families in which one or both parents are unemployed or have a disability. The monthly cash grant amount paid to a family is based on household size, income, and the family's basic needs. The maximum monthly cash grant for a family of three is set by the 2016–17 GAA at no less than 17 percent of the FPL, adjusted annually. For fiscal year 2016, the maximum monthly cash grant for a family of three is estimated to be $285.

The length of time individuals may receive TANF cash assistance is limited by federal and state laws that emphasize helping clients make the transition into employment. The HHSC Texas Works Program encourages individuals to find employment instead of applying for benefits. Unless exempted, adults who receive cash assistance must actively seek work or participate in job-preparation activities. If individuals fail to comply with this or other requirements, they may be sanctioned, or their benefits may be denied. The Texas Workforce Commission provides employment and child-care services to help clients secure and maintain employment. **Figure 163** shows changes in the TANF caseload from fiscal years 1997 to 2017.

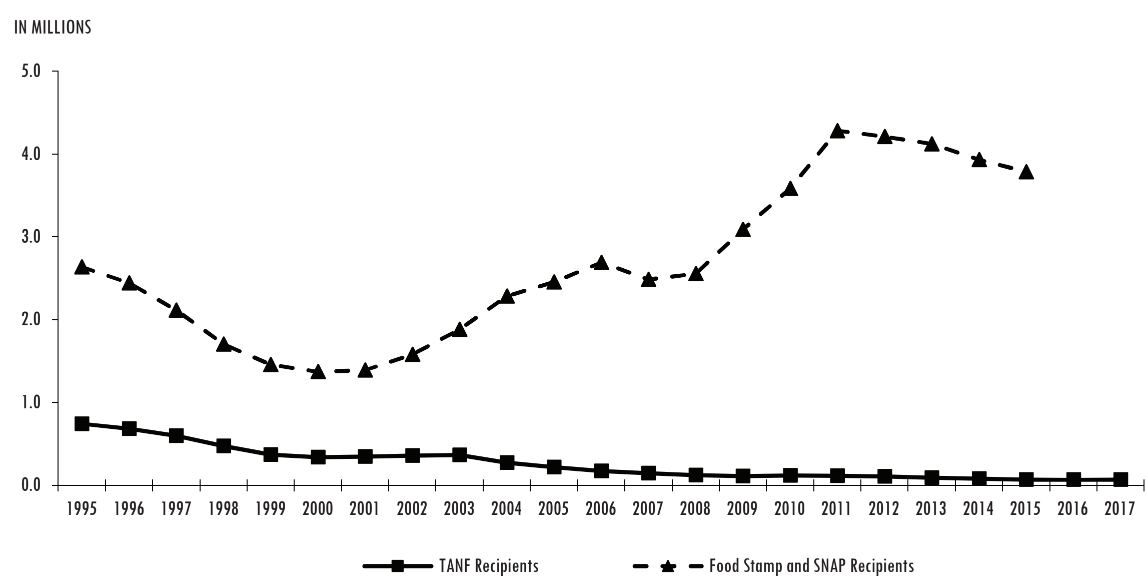
WOMEN'S HEALTH SERVICES

Funding provides $260.9 million in All Funds, including $257.1 million in General Revenue Funds, for the Women's Health Services programs. The Eighty-fourth Legislature, 2015, transferred the DSHS Family Planning Program and Expanded Primary Health Care Program to HHSC. Total funding includes an increase of $50.0 million in General Revenue Funds to serve additional clients in women's health programs.

COURT APPOINTED SPECIAL ADVOCATES AND CHILDREN'S ADVOCACY CENTER PROGRAMS

The Eighty-fourth Legislature, 2015, transferred the CASA and CAC grant programs from the Office of the Attorney General to HHSC. The CASA program provides funds to help develop and support local CASA programs, which coordinate volunteers who are court-appointed to advocate for the best interests of abused children involved in the legal and welfare systems. The CAC program provides funds to develop and support local child advocacy programs that offer a coordinated, multidisciplinary response to cases of suspected child abuse. Total funding for CASA and CAC programs is $52.6 million in All Funds. This amount is a

FIGURE 163
TANF AND SNAP CASELOADS, FISCAL YEARS 1995 TO 2017



NOTES:
(1) TANF = Temporary Assistance for Needy Families; SNAP = Supplemental Nutrition Assistance Program.
(2) The federal Food Stamp Program was renamed SNAP in 2008.
SOURCES: Legislative Budget Board; Health and Human Services Commission.

$4.8 million increase for CASA and a $6.7 million increase for CAC from 2014–15 biennial funding levels.

REFUGEE ASSISTANCE PROGRAM

The Refugee Assistance program helps refugees become self-sufficient by providing temporary cash and medical assistance, employment services, and English-language instruction. These activities are funded entirely by Federal Funds. The number of refugees receiving services per month increased from 7,789 in fiscal year 2007 to an estimated 11,000 refugees in fiscal year 2015. Funding for the 2016–17 biennium totals $88.3 million in Federal Funds to serve 11,000 refugees in each fiscal year of the 2016–17 biennium.

DISASTER ASSISTANCE

HHSC administers the Other Needs Assistance provision of the Federal Assistance to Individuals and Households Program, which provides financial assistance to victims of floods, hurricanes, tornadoes, and other disasters when insurance and other avenues of recovery are exhausted. Funding for disaster assistance is made available when a disaster is declared by the President of the United States. Typically, 75 percent of the funding is provided by the Federal Emergency Management Agency, and state funds are provided for the remaining 25 percent.

Although money is not explicitly appropriated for disasters, the 2016–17 GAA authorizes the transfer of funding from one or more agencies to address funding needs in response to a disaster.

FAMILY VIOLENCE

HHSC provides emergency shelter and support services to victims of family violence and their children, educates the public, and provides training and prevention support to various agencies. The agency contracts with residential and nonresidential centers. Services include shelter, transportation, legal assistance, medical assistance, educational arrangements for children, and employment assistance. The Eighty-fourth Legislature, 2015, appropriated $56.9 million in All Funds, including $21.5 million in General Revenue Funds, for family violence services. This funding is estimated to provide services to 82,862 survivors of family violence and their dependents each year of the biennium.

ALTERNATIVES TO ABORTION

Alternatives to Abortion provides pregnancy support services, including information and referrals, which promote childbirth. Some material services, such as maternity clothes and car seats, are also made available. HHSC provides grants or contracts with service providers to expand access to these types of services. Biennial funding totals $18.3 million in All Funds, including $12.3 million in General Revenue Funds and $6.0 million in Federal Funds (TANF). This funding is estimated to provide support to 35,016 clients each year of the 2016–17 biennium and reflects a 77.7 percent increase in funding from the 2014–15 biennial expenditure levels.

CENTRAL ADMINISTRATION

HHSC provides oversight and centralized financial policy for all health and human services agencies by improving business operations to maximize Federal Funds, improving efficiency in system operations, improving accountability and coordination through the system, and ensuring the timely and accurate provision of eligibility determination services for all individuals in need of Health and Human Services system programs. HHSC directs centralized financial policy for all the health and human services agencies. Through a federally approved cost-allocation plan, HHSC bills the other health and human services agencies for their share of costs of the systemwide projects; payments from the other health and human services agencies are received as interagency contracts.

The agency also works to obtain efficiencies throughout the health and human services system by providing consolidated system support. This support includes services that have been combined at HHSC such as human resources, civil rights, and support services for regional offices. It also includes services that are not centralized, but are coordinated by HHSC, such as information technology, procurement, and ombudsman services. The agency maintains the Health and Human Services Administrative System, which uses the PeopleSoft brand of integrated financial and human resources software package, on behalf of all the health and human services agencies. This system will serve as the foundation for a statewide human resources software system compatible with the Centralized Accounting and Payroll/Personnel System, an enterprise resource planning system implemented by the Comptroller of Public Accounts (CPA). Ongoing costs associated with upgrades to the system and hosting provided by the CPA are included in the agency appropriations.

OTHER PROGRAMS

The Eighty-fourth Legislature, 2015, maintained a variety of other grant programs, and client outreach and coordination services. A few of these programs are the Office for Prevention of Developmental Disabilities, Umbilical Cord Blood Bank grant program, the Center for Elimination of Disproportionality and Disparities, Border Relations, and the Healthy Marriage Program.

SIGNIFICANT LEGISLATION

Senate Bill 200 – Health and human services agencies consolidation. Senate Bill 200, the health and human services agencies' Sunset bill, consolidates the five health and human services agencies into three agencies by September 1, 2017. HHSC will receive medical and social services, regulatory services, facility operations, administrative services, and the Inspector General.

Senate Bill 203 – Relating to the continuation and functions of the Texas Health Services Authority as a quasi-governmental entity and the electronic exchange of healthcare information. The legislation transitions the Texas Health Services Authority to a fully private nonprofit organization in 2021. HHSC will be authorized to contract with a private nonprofit statewide health information exchange for standards identification compliant with state and federal law.

Senate Bill 207 – Relating to the authority and duties of the Office of Inspector General of the Health and Human Services Commission. Senate Bill 207, the Office of the Inspector General's Sunset bill, changes the timelines for phases of the investigation process, defines the OIG's role in managed-care oversight, requires the OIG to establish priorities to guide its investigation processes, and streamlines the credible allegation of fraud hold hearing process. The OIG will undergo a special Sunset review in six years.

Senate Bill 277 – Relating to certain health-related and other task forces and advisory committees. Senate Bill 277 abolishes three advisory committees and the Interagency Task Force on Electronic Benefits Transfers and requires HHSC to establish advisory committees to address certain issue areas.

Senate Bill 354 – Relating to the transfer to the Health and Human Services Commission of contracting authority for children's advocacy centers and volunteer advocate programs. The legislation transfers the Court Appointed Special Advocates (CASA) grant program and the Children's Advocacy Centers (CAC) grant program from the Office of the Attorney General to HHSC.

Senate Bill 760 – Relating to access and assignment requirements for, support and information regarding, and investigations of certain providers of healthcare and long-term services. Senate Bill 760 requires additional monitoring and reporting requirements for Medicaid and CHIP managed-care organization networks in order to ensure that the organizations provide members sufficient access to Medicaid providers and services. The bill establishes a coordinated network of consumer supports for Medicaid managed-care members.

House Bill 2 – Relating to making supplemental appropriations and giving direction and adjustment authority regarding appropriations. House Bill 2 increased HHSC's appropriation authority in fiscal year 2015 by $317.2 million in All Funds, including $212.7 million in General Revenue Funds, for a projected funding shortfall in Medicaid acute care services; and $193.3 million in All Funds, including $79.7 million in General Revenue Funds, for the Medicaid Health Insurance Providers Fee and resulting federal income tax impact, pursuant to the federal Affordable Care Act. HB 2 also included a net reduction of $46.9 million in All Funds (a $50.0 million decrease in General Revenue Funds, due to a surplus in TANF cash assistance grants, offset by a $3.1 million increase in TANF Federal Funds).

House Bill 1874 – Relating to the establishment of the Palliative Care Interdisciplinary Advisory Council. The legislation establishes the Palliative Care Interdisciplinary Advisory Council to assess the availability of patient-centered and family-focused palliative care in the state, provide education, and develop a report every other year.

6. AGENCIES OF EDUCATION

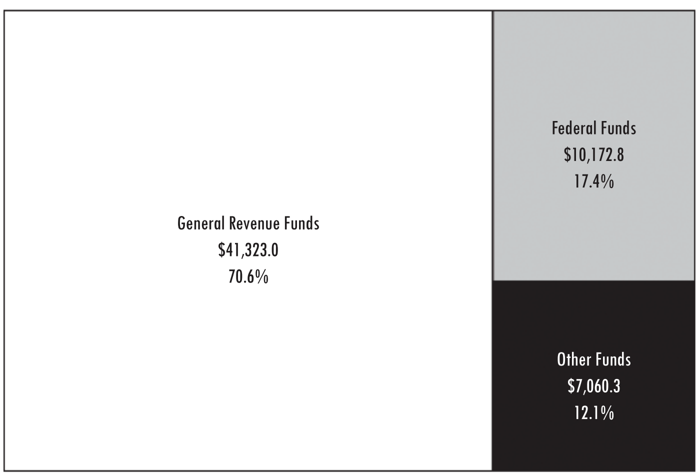
PUBLIC EDUCATION

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

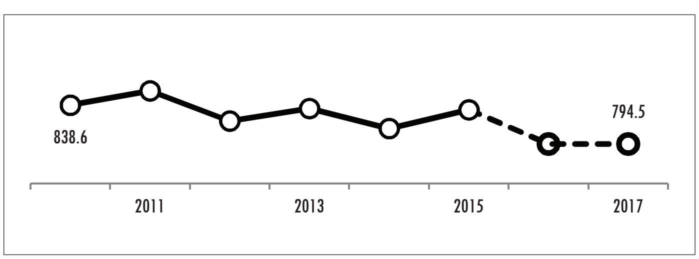
FIGURE 164
ARTICLE III – AGENCIES OF EDUCATION—PUBLIC EDUCATION, BY METHOD OF FINANCE

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

SHARE OF FUNDING BY METHOD OF FINANCE (IN MILLIONS)



FULL-TIME-EQUIVALENT POSITIONS



SIGNIFICANT DEVELOPMENTS

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

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

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

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

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

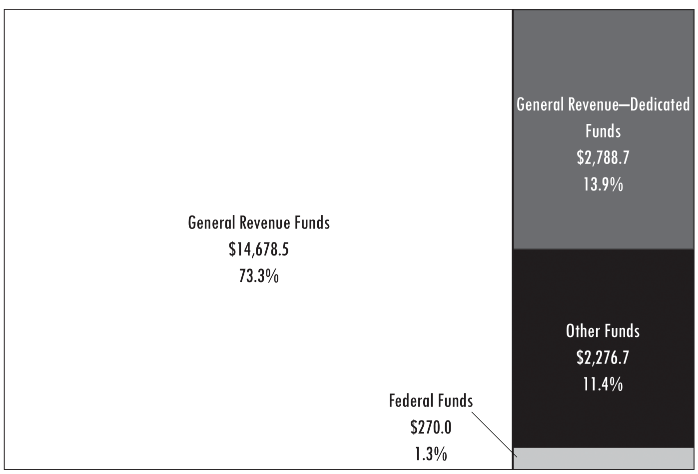
HIGHER EDUCATION

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

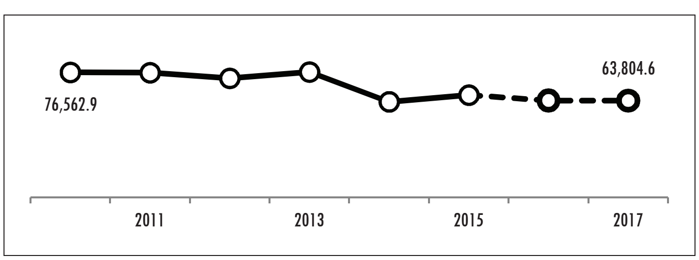
FIGURE 165
ARTICLE III – AGENCIES OF EDUCATION—HIGHER EDUCATION, BY METHOD OF FINANCE

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

SHARE OF FUNDING BY METHOD OF FINANCE (IN MILLIONS)



FULL-TIME-EQUIVALENT POSITIONS



SIGNIFICANT DEVELOPMENTS

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

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

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

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

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

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

FIGURE 166
ARTICLE III – EDUCATION APPROPRIATIONS BY AGENCY OR GROUP, ALL FUNDS

(IN MILLIONS)

FUNCTION	EXPENDED/BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE
Public Education				
Texas Education Agency	$51,508.5	$54,503.1	$2,994.6	5.8%
School for the Blind and Visually Impaired	$50.4	$47.6	($2.8)	(5.5%)
School for the Deaf	$55.9	$55.2	($0.8)	(1.3%)
Subtotal, Public Education	**$51,614.9**	**$54,605.9**	**$2,991.0**	**5.8%**
Public Higher Education				
General Academic Institutions	$6,428.8	$6,836.3	$407.5	6.3%
Health Related Institutions	$2,866.1	$3,036.2	$170.1	5.9%
Texas A&M Service Agencies	$938.9	$973.0	$34.2	3.6%
Higher Education Coordinating Board	$1,535.4	$2,007.3	$471.9	30.7%
Higher Education Fund	$525.0	656.3	$131.3	25.0%
Available University Fund	$1,702.2	$1,690.5	($11.7)	(0.7%)
Available National Research University Fund	$55.8	$61.1	$5.2	9.4%
Permanent Fund Supporting Military and Veterans Exemptions	$11.4	$23.5	$12.1	106.6%
Article III, Special Provisions	$0.0	$0.0	$0.0	N/A
Two-year Institutions				
Public Community/Junior Colleges	$1,790.8	$1,778.6	($12.2)	(0.7%)
Lamar Lower-level Institutions	$68.0	$65.4	($2.6)	(3.8%)
Texas State Technical Colleges	$176.6	$187.5	$10.9	6.2%
Subtotal, Two-year Institutions	**$2,035.4**	**$2,031.5**	**($3.9)**	**(0.2%)**
Subtotal, Public Higher Education	**$16,099.0**	**$17,315.7**	**$1,216.6**	**7.6%**
Teacher Retirement System	$4,934.2	$4,346.8	($587.4)	(11.9%)
Optional Retirement Program	$333.4	$326.3	($7.2)	(2.1%)
Higher Education Employees Group Insurance Contributions	$1,190.8	$1,377.9	$187.1	15.7%
Retirement and Group Insurance	$70.0	$86.5	$16.6	23.7%
Social Security and Benefit Replacement Pay	$552.0	$583.9	$31.9	5.8%
Subtotal, Employee Benefits	**$7,080.4**	**$6,721.3**	**($359.0)**	**(5.1%)**
Bond Debt Service Payments	$22.7	$23.1	$0.4	1.7%
Lease Payments	$5.1	$4.5	($0.5)	(10.2%)
Subtotal, Debt Service	**$27.8**	**$27.6**	**($0.1)**	**(0.5%)**
Less Interagency Contracts	$97.6	$100.4	$2.8	2.9%
Total, All Functions	**$74,724.5**	**$78,570.1**	**$3,845.7**	**5.1%**

NOTES:
(1) Includes certain anticipated supplemental spending adjustments if appicable.
(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.

MAJOR FUNDING ISSUES

The Eighty-fourth Legislature, 2015, appropriated $78.6 billion to fund education for the 2016–17 biennium, an increase of $3.8 billion, or 5.1 percent from the 2014–15 biennial spending level.

PUBLIC EDUCATION

Agencies of public education (excluding the Teacher Retirement System and Optional Retirement Program) were appropriated $54.6 billion in All Funds for the 2016–17 biennium, an increase of $3.0 billion, or 5.8 percent, from the 2014–15 biennial spending level. Included in these amounts are $42.3 billion in All Funds for state aid to school districts and charter schools through the Foundation School Program (FSP). The All Funds increase is primarily attributable to $1.2 billion for property tax relief and an additional $1.5 billion above amounts estimated to be necessary to fund current law obligations.

Appropriations of General Revenue Funds increased by $3.1 billion, or 8.2 percent from the previous biennium, and include two tax relief measures:

- $1.2 billion is provided to increase the mandatory homestead exemption for school districts from $15,000 to $25,000; and
- $3.8 billion is provided for tax reform reducing franchise tax rates by 25.0 percent, which results in a corresponding savings and reduction to the Property Tax Relief Fund.

Appropriations of General Revenue Funds also include a $1.5 billion increase in additional funding for schools, partially offset by a lower state cost to fund current law compared to the 2014–15 biennium. The additional $1.5 billion in school funding consists of:

- $1.2 billion for an increase in the basic allotment;
- $200.0 million for school finance formula equalization of the treatment of similar tax effort across school districts;
- $55.5 million for the Instructional Facilities Allotment to provide tax relief for property-poor districts issuing bonds for local facility needs; and
- $47.5 million for the New Instructional Facilities Allotment to provide start-up funds for new district and charter school campuses.

Additionally, excluding the onetime funding provided in the 2014–15 biennium, non-FSP program and administration appropriations of General Revenue Funds for the Texas Education Agency for the 2016–17 biennium increased by $229.2 million.

HIGHER EDUCATION

Appropriations to support higher education total $17.3 billion in All Funds for the 2016–17 biennium, an increase of $1.2 billion from the 2014–15 biennial spending level. This amount includes $12.2 billion in General Revenue Funds, $2.5 billion in General Revenue–Dedicated Funds, and $2.6 billion in Federal Funds and Other Funds.

Higher education formulas are supported by $7.2 billion in General Revenue Funds and $1.3 billion in General Revenue–Dedicated Funds. Included in this amount are an increase of $391.5 million in General Revenue Funds and an increase of $68.2 million in statutory tuition in General Revenue–Dedicated Funds. **Figure 167** shows the biennial change in All Funds formula appropriations for the different types of institutions. The increase in formula appropriations reflects the funding of enrollment growth, and increasing rates in all of the formulas except the health related institutions' two mission specific formulas and the success point component of the public community and junior colleges formula. **Figure 167** also shows the Instruction and Operations (I&O) formula rates for the different types of institutions for the 2014–15 and 2016–17 biennia.

Funding for institutions of higher education includes funding for special items, which are direct appropriations for projects specifically identified by the Legislature for support. This special item funding includes the following 2016–17 biennial appropriations of General Revenue Funds:

- $565.3 million for the General Academic Institutions and System Offices, representing an increase of $80.1 million from the 2014–15 biennium;
- $14.9 million for the Lamar State Colleges, representing an increase of $4.7 million from 2014–15 biennial levels;
- $25.5 million for the Texas State Technical Colleges, representing an increase of $10.1 million from the 2014–15 biennium;
- $458.9 million for the health related institutions, which includes The University of Texas Rio Grande Valley School of Medicine, representing an increase of $87.6 million from 2014–15 biennial levels; and

FIGURE 167
FORMULA ALL FUNDS APPROPRIATIONS AND INSTRUCTION AND OPERATIONS FORMULA RATES
2014–15 AND 2016–17 BIENNIA

INSTITUTIONS	APPROPRIATED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE	2014–15 I&O RATE	2016–17 I&O RATE
General Academic Institutions	$4,347.3	$4,676.3	$329.0	7.6%	$54.86	$55.39
Lamar State Colleges	$39.3	$34.7	($4.5)	(11.6%)	$3.44	$3.53
Texas State Technical Colleges	$105.7	$109.9	$4.2	3.9%	32.6%	35.5%
Health Related Institutions	$1,842.5	$1,997.7	$155.2	8.4%	$9,527	$9,829
Public Community and Junior Colleges	$1,769.9	$1,745.6	($24.2)	(1.4%)	$2.65/contact hour; $185.12/ success point	$2.69/ contact hour; $172.58/ success point

NOTES:
(1) Formula amounts for the health related institutions include amounts appropriated to Texas Higher Education Coordinating Board for Baylor College of Medicine.
(2) Texas State Technical College rate reflects returned value percentage.
SOURCE: Legislative Budget Board.

- $30.8 million for the public community and junior colleges, representing an increase of $11.6 million from the 2014–15 biennium.

Funding reflects the discontinuation of the Texas Competitive Knowledge Fund and the Research Development Fund in the 2016–17 biennium. Instead, the Legislature provides direct support for research to general academic institutions through various funding formulas for the following:

- $147.1 million in All Funds for the Texas Research University Fund, which includes $8.0 million from the General Revenue–Dedicated Funds Emerging Technology Account No. 5124, to the two eligible institutions, The University of Texas at Austin and Texas A&M University;
- $117.1 million in General Revenue Funds for Core Research Support to the state's eight emerging research universities; and
- $14.3 million in General Revenue Funds for the Comprehensive Research Fund to institutions not eligible for either the Texas Research University Fund or Core Research Support.

Funding for the Texas Higher Education Coordinating Board in the 2016–17 biennium includes an increase of $463.9 million in All Funds from the 2014–15 biennium. This includes $65.3 million in General Revenue–Dedicated Funds in fiscal year 2016 of B-On-Time account balances due to the phaseout of the program, and $102.5 million for the Texas Research Incentive Program, which includes $9.0 million from the Emerging Technology Fund. Also included are the following General Revenue Funds increases:

- $62.7 million for the Toward EXcellence, Access, and Success (TEXAS) Grant program;
- $28.9 million for the Texas Educational Opportunity Grants program;
- $12.2 million for the Tuition Equalization Grants program;
- $38.7 million for the Graduate Medical Education Expansion program; and
- $240.0 million in fiscal year 2017 for debt service on new tuition revenue bonds for various construction projects.

Funding for the Higher Education Fund for the 2016–17 biennium includes an increase of $131.3 million from the 2014–15 biennium due to the passage of Senate Bill 1191 by the Eighty-fourth Legislature.

Finally, appropriations for the Texas A&M System Agencies for the 2016–17 biennium total $973.0 million in All Funds, which represents an increase of $34.2 million over the 2014–15 biennium. Of this funding, $358.8 million is composed of General Revenue Funds, an increase of $27.2 million from the 2014–15 biennium due primarily to a method of finance swap of General Revenue Funds for Other Funds, the State Highway Fund, Account No. 6, at the Texas A&M Transportation Institute; funding for research programs at Texas A&M AgriLife Research for controlling insect-transmitted diseases; and increased funding at Texas

A&M Engineering Experiment Station for the Nuclear Power Institute and debt service for the Center for Infrastructure Renewal. The 2016–17 biennial appropriations to the Texas A&M Forest Service include an appropriation of $23.0 million out of unexpended balances of General Revenue–Dedicated Volunteer Fire Department Assistance Account No. 5064 for additional grants to rural volunteer fire departments.

EMPLOYEE BENEFITS

In addition, appropriations to agencies in Article III for employee benefits and payroll-related costs total $6.7 billion, a decrease of $359.0 million from the 2014–15 biennial spending levels. The decrease is partially attributable to the fiscal year 2015 supplemental appropriation of $768.1 million to the Teacher Retirement System to cover the anticipated shortfall of TRS-Care, a health benefits program for certain retirees.

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

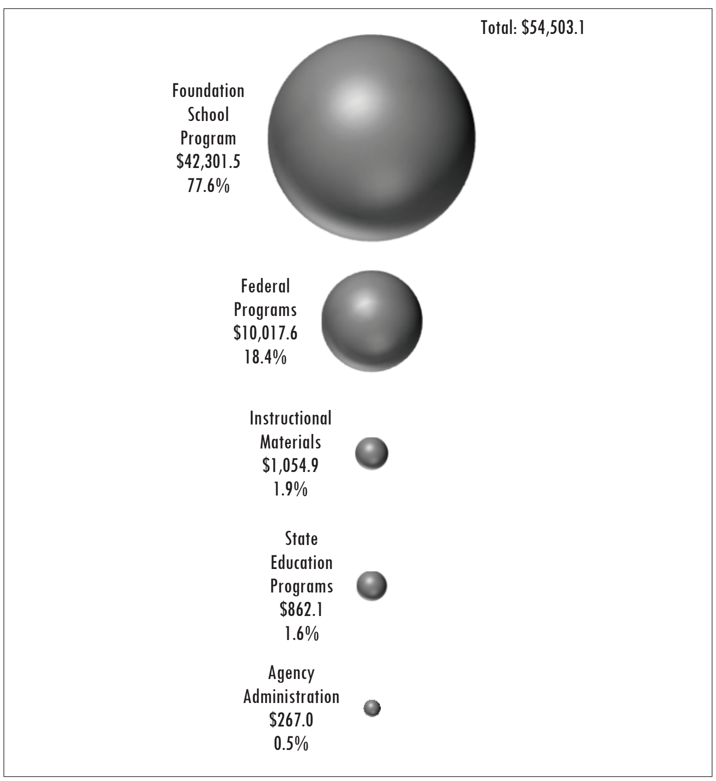
GOVERNANCE: A governor-appointed Commissioner of Education, an elected State Board of Education, and an appointed State Board for Educator Certification

FIGURE 168
TEXAS EDUCATION AGENCY BY METHOD OF FINANCE

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

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2016	875.0
2017	875.0

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

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

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

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

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

MAJOR FUNDING

Funding for the Texas Education Agency (TEA) for the 2016–17 biennium includes entitlement increases of $1.5 billion from current law obligations through the Foundation School Program (FSP). The largest entitlement increase raised the Basic Allotment from $5,040 to $5,140 at an estimated cost of $1.2 billion. $200.0 million was also appropriated to equalize the treatment of similar tax effort across school districts (see the Significant Legislation section). The Legislature also increased appropriations by $47.5 million for the New Instructional Facilities Allotment, and $55.5 million for the Instructional Facilities Allotment. These increases from current law are in addition to a formula increase within current law; the "golden penny" yield in the enrichment tier is projected to deliver an additional $900 million in the 2016–17 biennium (see the Foundation School Program section).

In addition to these entitlement increases, the Legislature passed two tax relief provisions that affect the FSP. The property tax relief contained in Senate Bill 1, Eighty-fourth Legislature, 2015, and approved by voters in November 2015, increases the homestead exemption for school districts from $15,000 to $25,000. The FSP was appropriated an additional $1.2 billion to hold school districts harmless for the anticipated loss of local property tax revenue as a result of the provision. The Legislature also instituted franchise tax relief (see the Significant Legislation section). As a result of this tax relief legislation, appropriations from the General Revenue–Dedicated Property Tax Relief Fund No. 304 were decreased by $2.6 billion, and General Revenue Funds appropriations for the FSP were increased by a like amount.

Non-FSP program and administration is decreased by $103.8 million in General Revenue Fund appropriations. The decrease is primarily due to the exclusion of one-time funding of $330.0 million for transition aid to school districts (Senate Bill 1458, Eighty-third Legislature, 2013). Excluding the one-time funding provided in the 2014–15 biennium, non-FSP program and administration funding for the 2016–17 biennium increased by $229.2 million in General Revenue Fund, including $118.0 million for a high-quality prekindergarten grant program, $54.8 million for teacher academies, and $2.7 million for the agency's Office of Complaints, Investigations, and Enforcement.

Figure 169 shows the change in public education revenue since fiscal year 2008 in current and constant dollars using compounded state population and inflation growth, and the number of students in average daily attendance (ADA).

PROGRAMS

The agency carries out its responsibilities through five major program areas: (1) Foundation School Program; (2) Instructional Materials; (3) State Education Programs; (4) Federal Education Programs; and (5) Agency Administration.

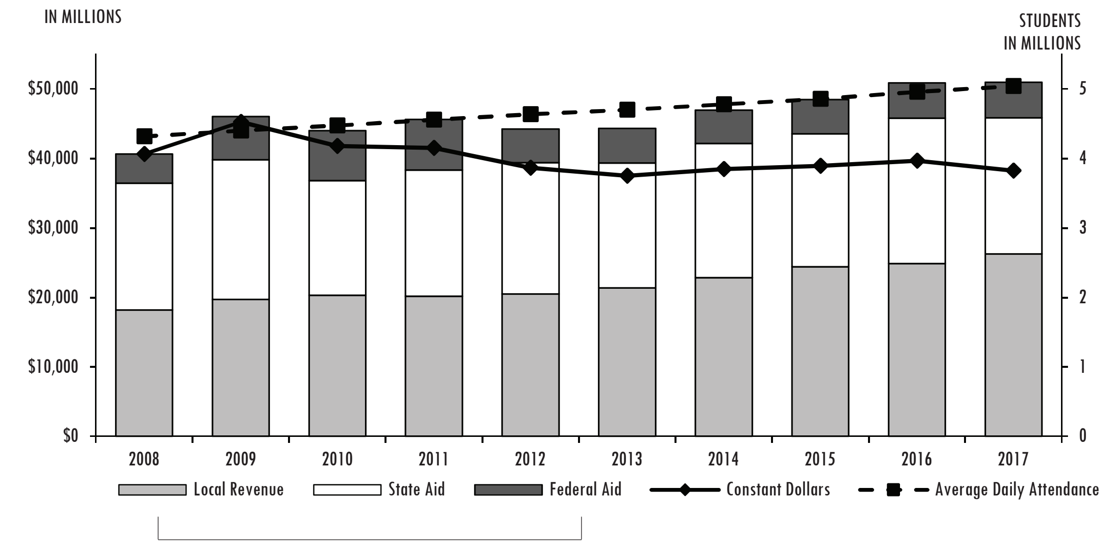
FOUNDATION SCHOOL PROGRAM

The FSP is the principal vehicle for distributing state aid to school districts, which in turn use state funds, local property tax revenue, and federal funding to provide educational services. The FSP is not only the largest appropriation item for TEA, accounting for 77.6 percent of the agency's All Funds appropriation; it is also the largest single appropriation item in the state budget from General Revenue Funds and General Revenue–Dedicated Funds. In the Eighty-fourth Legislature, General Appropriations Act (GAA), 2016–17 Biennium, FSP appropriations are stated in Strategy A.1.1, FSP – Equalized Operations, A.1.2, FSP – Equalized Facilities, and in set-aside appropriations, which are state programs statutorily funded from the FSP and made in other strategies.

All Funds appropriations to the FSP for the 2016–17 biennium are $42.3 billion, representing a $2.7 billion increase compared to the 2014–15 biennial spending level. Appropriations of General Revenue Funds account for $35.5 billion of this total, a $3.9 billion increase from the previous biennium. The increase is primarily attributable to $3.8 billion in tax relief measures, including $2.6 billion in franchise tax relief, and $1.2 billion in property tax relief. In addition to tax relief, appropriations to the Foundation School Program include an increase of $1.5 billion in FSP entitlement increases authorized by the Eighty-fourth Legislature, 2015, offset by net savings to the state associated with other cost drivers in the system.

Figure 170 shows the major cost drivers for the FSP for the 2016–17 biennium, compared to the 2014–15 biennial spending level. Before any entitlement increases, the combined effect of major cost drivers is a savings to the cost of state FSP obligations of about $1,480 million in General Revenue Funds. The largest cost driver in the system is the projected increase of about 85,000 students in average daily attendance per year—at an estimated cost to the state of $2.7 billion for the 2016–17 biennium. Other factors resulting in increased state cost compared to the 2014–15 biennium include $1.4 billion in increased formula costs due to growth in the golden penny yield, at an estimated cost of $530

FIGURE 169
PRE-K–12 PUBLIC EDUCATION FUNDING, IN REAL AND CONSTANT DOLLARS, FISCAL YEARS 2008 TO 2017



	LOCAL REVENUE	STATE AID	FEDERAL AID	TOTAL REAL DOLLARS	TOTAL CONSTANT DOLLARS	AVERAGE DAILY ATTENDANCE
2008	$18,204.9	$18,237.1	$4,185.6	$40,627.6	$40,627.7	4,315,132
2009	$19,722.9	$20,050.3	$6,226.4	$45,999.6	$45,227.3	4,399,315
2010	$20,285.5	$16,526.1	$7,195.9	$44,007.5	$41,775.1	4,470,146
2011	$20,189.0	$18,115.2	$7,310.5	$45,614.7	$41,513.5	4,555,707
2012	$20,486.4	$18,889.5	$4,842.2	$44,218.1	$38,638.9	4,632,151
2013	$21,357.8	$17,972.4	$4,968.8	$44,299.0	$37,485.3	4,697,243
2014	$22,816.5	$19,345.6	$4,786.1	$46,948.2	$38,449.0	4,778,014
2015	$24,408.5	$19,116.7	$4,945.6	$48,470.8	$38,917.5	4,852,660
2016	$24,873.8	$20,929.4	$5,028.6	$50,831.8	$39,667.7	4,954,033
2017	$26,245.8	$19,586.2	$5,114.3	$50,946.3	$38,212.6	5,038,494

NOTES:
(1) Amounts for fiscal years 2016 and 2017 are projected.
(2) Constant dollars are calculated with compounded state population and inflation growth.
(3) Amounts shown in the State Aid category include all Texas Education Agency funding except for recapture revenue (shown as Local Revenue) and Federal Funds (shown as Federal Aid).
SOURCES: Legislative Budget Board; Comptroller of Public Accounts; Texas Education Agency.

million, and annualizing an increase in the Basic Allotment from $4,950 in fiscal year 2014 to $5,040 in fiscal year 2015, at an estimated cost of $900 million. (See the Foundation School Program Structure section.) In addition to these costs, the 2016–17 biennial budget included funds for payments to school districts associated with settle-up. School districts are paid based on estimates of major cost drivers such as student counts and local property values, and the state settles up with them in the following school year based on actual data. The cost of settle-up in the 2016–17 biennium is anticipated to be $80 million higher in the 2016–17 biennium than it was in the 2014–15 biennium.

These costs are offset by the effect of projected property value growth resulting in increased local property tax revenues. Increases in local revenue typically decrease state obligations to fund FSP entitlement, and growth in local property values is projected to result in a decrease in state cost of about $4.25 billion for the 2016–17 biennium. The projected savings for enrichment tax effort and prior year and other adjustments totals $70 million for the 2016–17 biennium.

FIGURE 170
MAJOR FOUNDATION SCHOOL PROGRAM (FSP) COST DRIVERS AND LEGISLATIVE ACTIONS, 2016–17 BIENNIUM

2016–17 CURRENT LAW OBLIGATIONS AND COST DRIVERS MORE THAN 2014–15 BASE	GENERAL REVENUE FUNDS (IN MILLIONS)
Student Enrollment Growth Projected Growth: 83,000 in fiscal year 2016 85,000 in fiscal year 2017	$2,660
School District Property Value and Revenue Increase Projected Growth: Tax Year 2014: 8.74% Tax Year 2015: 4.56% Tax Year 2016: 6.18%	($4,250)
Increase in Formula Costs: Additional cost related to Basic Allotment of $5,040 in both fiscal years and increased Austin ISD yield growth	$1,430
Settle-up and Other Costs (e.g. enrichment tax effort, prior year and other adjustments)	$10
Recapture Increase More Than Base	($1,150)
Property Tax Relief Fund Increase More Than Base	($180)
TOTAL, 2014–15 COST DRIVERS	**($1,480)**
EIGHTY-FOURTH LEGISLATIVE ACTIONS	
Increase Basic Allotment to $5,140	$1,237
M&O Tax Rate Conversion	$200
New Instructional Facilities Allotment	$47.5
Instructional Facilities Allotment	$55.5
Franchise Tax Relief	$2,600
Homestead Exemption Increase	$1,200
TOTAL, EIGHTY-FOURTH LEGISLATIVE ACTIONS	**$5,340**
TOTAL, NET FSP INCREASE MORE THAN 2014–15 BASE, GENERAL REVENUE FUNDS	**$3,860**

NOTE: ISD = Independent School District; M&O = maintenance and operations.
SOURCE: Legislative Budget Board.

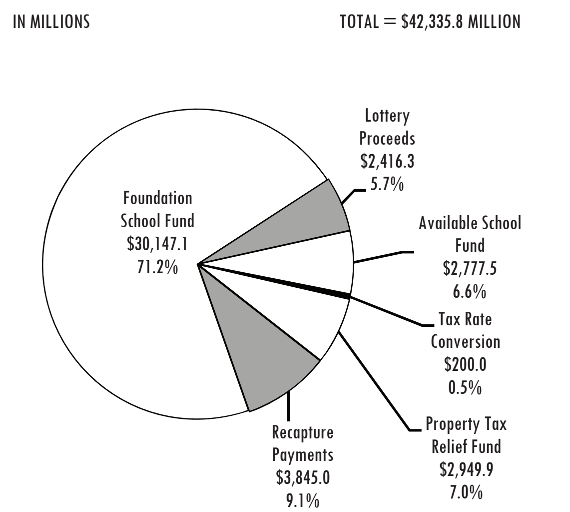
The FSP is structured so that any change in estimated revenue from a dedicated revenue stream is made up by an opposite and equal change in Foundation School Fund No. 193, which draws on unrestricted General Revenue Funds. As a result, increases in any other FSP funding source from the previous biennium will decrease the General Revenue Funds draw required to finance the FSP. In the 2016–17 biennium, recapture revenue is anticipated to grow by $1,150 million, and Property Tax Relief Fund revenue is anticipated to grow by $180 million, which in turn decreases the anticipated draw from General Revenue Funds by a total of $1,330 million to support the FSP. Recapture is a financing mechanism to reduce a district's property wealth per weighted student to a statutorily determined level.

The Eighty-fourth Legislature, 2015, authorized entitlement increases of $1.5 billion for the 2016–17 biennium—including $1.2 billion for an increase in the Basic Allotment to $5,140, $200 million for maintenance and operations (M&O) tax rate conversion (see the Significant Legislation section); $55.5 million for the Instructional Facilities Allotment, and $47.5 million for the New Instructional Facilities Allotment. The Eighty-fourth Legislature also passed $3.8 billion in tax relief measures, which result in increased General Revenue Funds required to fund the Foundation School Program.

FUNDING SOURCES

Figure 171 shows all the sources that fund the FSP in the 2016–17 biennium. As the figure shows, General Revenue Funds will account for an estimated 84.0 percent of the FSP appropriation through four sources: the Available School Fund (ASF), Texas Lottery proceeds, the General Revenue–Dedicated Tax Rate Conversion Account, and the Foundation School Fund, which is an amount distributed from the state's

FIGURE 171
FOUNDATION SCHOOL PROGRAM APPROPRIATIONS BY FUNDING SOURCES, 2016–17 BIENNIUM



SOURCE: Legislative Budget Board.

regular General Revenue Funds sufficient to fulfill the state's FSP funding obligation. An additional $2.9 billion is projected to come from the PTRF, made up of certain revenue generated by the state's revised franchise tax, tobacco taxes, and a tax on used car sales. Additionally, recapture payments (budgeted as Appropriated Receipts) from property-wealthy school districts are estimated to generate $3.8 billion and are used to offset the state cost of the school finance system.

As sources of funding the FSP, the ASF, Texas Lottery proceeds, PTRF, and recapture payments are all estimated, and during the biennium they may increase or decrease based on actual revenue collections. The appropriation from the Tax Rate Conversion Account is also estimated, and is based on the amount identified by the Commissioner of Education to cover the costs of M&O tax rate conversion (see the Significant Legislation section).The Foundation School Fund is also estimated; however, it draws generally from the state Treasury. These estimated appropriations constitute a sum-certain All Funds appropriation amount for the FSP. In practice, if revenue for the ASF, State Lottery proceeds, PTRF, or recapture payments is higher than estimated, the General Revenue Funds draw through the Foundation School Fund decreases; conversely, if revenue is lower than expected, General Revenue Funds costs increase.

STATE AND LOCAL REVENUE CONTRIBUTION

The 2016–17 biennial FSP appropriation, in combination with an estimated $51.1 billion in local property tax revenue represents the $90.0 billion total FSP entitlement for the 2016–17 biennium, as shown in **Figure 172**.

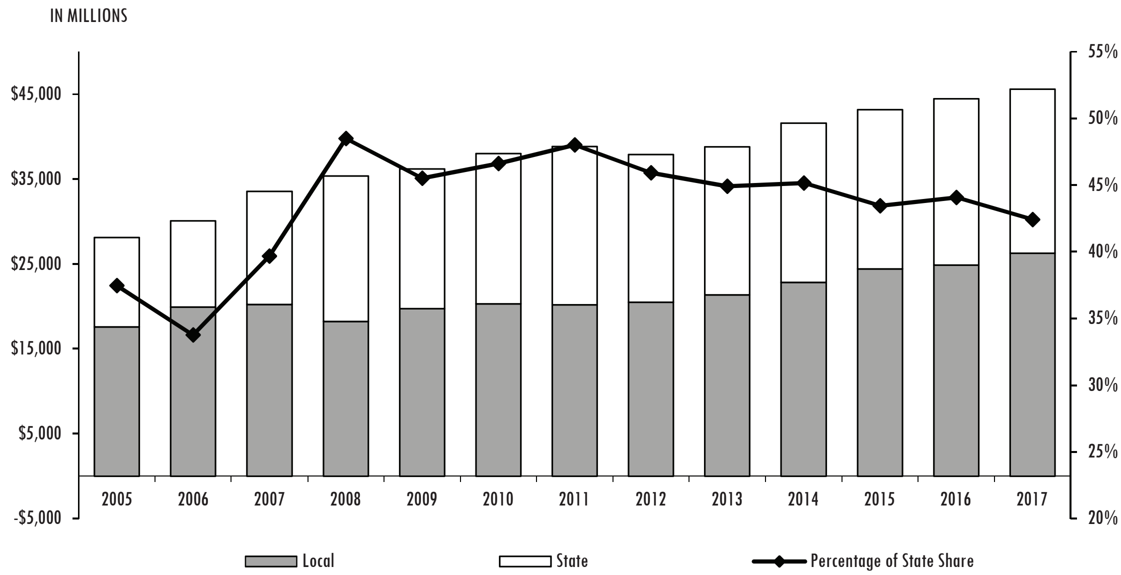
The FSP is a shared funding model, depending on contributions from both state and local revenue sources to fund the level of entitlement generated by the statutory formulas. As such, fluctuations in the amount of local property tax revenue partially determine the amount of state funding needed to fund district entitlement in the school finance system. The measure of the proportion of the FSP system funded from state revenues is referred to as the state share.

In 2006, the Legislature implemented property tax reform, which required districts to lower their maintenance and operations tax rates over fiscal years 2007 and 2008. The Legislature replaced the lost local revenue with state aid. As **Figure 172** shows, this reform increased the state share from 33.8 percent in fiscal year 2006 to 48.5 percent in fiscal year 2008. Between fiscal years 2009 and 2011, fluctuations in local property values drove offsetting fluctuations in the state share, which ranged from 45.5 percent in fiscal year 2009 to 48.0 percent in fiscal year 2011. For the 2012–13 biennium, property value and related local revenues remained fairly stable statewide. However, the $4.0 billion decrease in entitlement from what districts would have otherwise received during that biennium, authorized by the Eighty-second Legislature, Regular, 2011, as part of the effort to curb spending in the state budget in response to projected decreases in state revenues, decreased the state share of FSP funding to 44.9 percent and 45.9 percent for those years. Despite increases in FSP entitlement in the 2014–15 and 2016–17 biennia, and property tax relief through a homestead exemption increase in fiscal year 2016, the state share of the FSP is projected to decrease primarily due to moderate to robust property value growth.

FOUNDATION SCHOOL PROGRAM STRUCTURE

The FSP includes a two-tiered structure to provide maintenance and operations (M&O) funding for basic program costs and enrichment of the program, and a separate structure to provide state aid for district debt service, most commonly for facilities construction bonds. The system contains a set of funding formulas by which every school district's total revenue entitlement, local tax revenue, and state aid is determined. The formulas are established by the

FIGURE 172
STATE AND LOCAL FOUNDATION SCHOOL PROGRAM FUNDING AND STATE SHARE PERCENTAGE
FISCAL YEARS 2005 TO 2017



NOTES:
(1) In fiscal years 2010 and 2011, $1,625.0 million in funds identified as state dollars were financed with federal State Fiscal Stabilization Funds provided in accordance with the federal American Recovery and Reinvestment Act of 2009.
(2) Fiscal years 2016 and 2017 are estimated.
(3) Local share amounts reflected above include recapture revenue.
SOURCE: Legislative Budget Board.

Legislature in the Texas Education Code and sometimes further specified in the GAA. District information, including property values, level of tax effort, the number and type of students, and certain district characteristics are entered into these formulas to compute entitlement. As discussed previously, the portion of this entitlement that is not covered by eligible local revenue is funded with state aid.

MAINTENANCE AND OPERATIONS

The bulk of district entitlement for maintenance and operations flows through the funding formula element called the Basic Allotment, which is an amount of total state and local funding the state guarantees to districts per student in average daily attendance (ADA). This Basic Allotment is then adjusted for both district characteristics, such as an index to account for differing costs of education across school districts, and student characteristics, such as whether a student is determined to be entitled to bilingual education, compensatory education or special education services, among others. The additional funding earned by these student populations and by the district characteristics contribute to the calculation of an adjusted student count for each school district, called weighted average daily attendance (WADA).

Since the calculation of WADA incorporates various student weights and district specific criteria, such as the differing costs of education across school districts, WADA is larger than ADA. On a statewide basis, across all school districts, one ADA will generally equal approximately 1.35 WADA, although this ratio may vary considerably by district as each has different student and district characteristics that will affect its WADA calculation. WADA is an important calculation in comparing FSP entitlement across school districts or FSP entitlement from one year to the next because it incorporates statutory adjustments (weights) intended to reflect cost associated with student and district characteristics. As a result, WADA, and not ADA, is generally used as the basis of comparison for FSP funding, as it incorporates the student and district formula adjustments that drive the FSP entitlement.

In fiscal year 2006, when districts were required to compress their property tax rates by one-third during a two-year period, the state developed a hold harmless mechanism to guarantee that districts would not lose revenue as a result. For each school district, the state guaranteed districts the same amount of total revenue per WADA as they received in either school years 2005–06 or 2006–07, whichever amount was greater. This total revenue per WADA amount is commonly referred to as a district's revenue target. If a district's (now compressed) local revenue and state aid through the Basic Allotment does not generate sufficient funding to meet this revenue target, the state provides hold harmless funding—termed Additional State Aid for Tax Relief (ASATR) by TEA—to raise the school district's total revenue to the target.

Pursuant to legislation passed by the Eighty-second Legislature, Regular Session, 2011, ASATR will expire in statute at the end of fiscal year 2017, and the Legislature began phasing out this funding stream in fiscal year 2013. The total amount of funding flowing through the ASATR hold harmless is projected to continue decreasing through the 2016–17 biennium as a result of funding decisions of the Eighty-fourth Legislature, 2015, described subsequently. **Figure 173** shows the total amount of ASATR generated in accordance with the FSP formulas from fiscal year 2008, the first year of full implementation of tax relief, through fiscal year 2017, and the total number of school districts that generate all of their funding through the formulas without requiring ASATR hold harmless. As **Figure 173** shows, by fiscal year 2017, more than 83.5 percent of school districts are projected to be formula-funded.

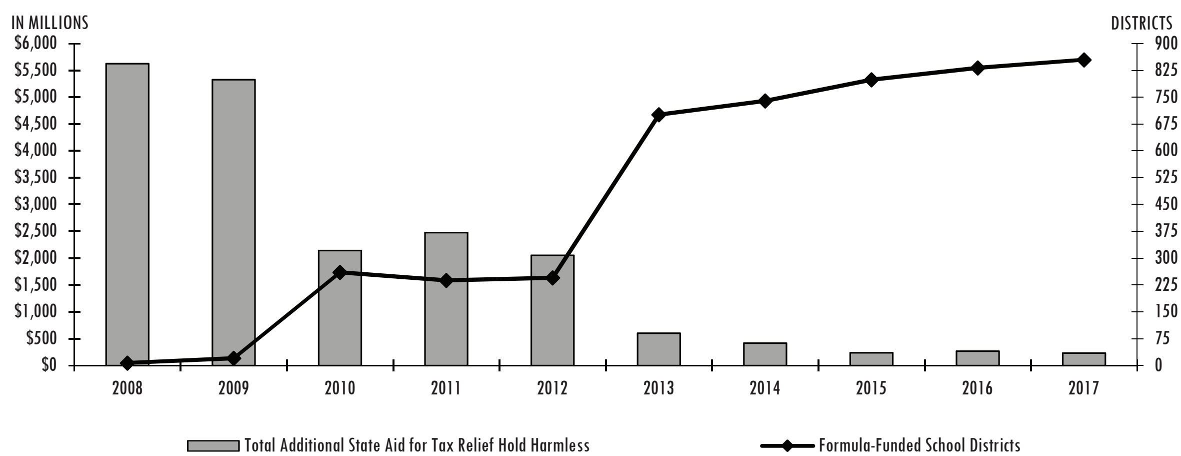
The final major funding formula for maintenance and operations entitlement is the 17-cent enrichment tier, established in fiscal year 2006 to provide meaningful tax rate discretion to school districts. This tier guarantees that school districts generate at least the same amount of property tax revenue per penny per WADA as the Austin Independent School District (ISD) (estimated to be $74.28 in fiscal year 2015 and increasing to $77.53 in fiscal year 2017) for the first six pennies levied of more than the district's compressed tax rate. Revenue generated of more than the Austin ISD yield is not subject to recapture. These six pennies are informally referred to as golden pennies. The remaining 11 pennies are equalized at $31.95 per penny per WADA, are subject to recapture at more than this level, and are referred to as copper pennies.

PUBLIC SCHOOL FACILITIES

State funding to assist school districts with debt service costs related to public school facilities is conducted through two programs: the Instructions Facilities Allotment (IFA) and the Existing Debt Allotment (EDA). Both programs provide state aid to equalize interest and sinking tax effort at rates of $35.00 per penny per student in ADA.

Although the basic structure of these programs is similar, some key differences separate the IFA and the EDA. IFA funding is limited to instructional facilities, whereas district debt service for any type of facility is potentially eligible for EDA support. The IFA is a sum-certain appropriation, with

FIGURE 173
TOTAL ADDITIONAL STATE AID FOR TAX RELIEF HOLD HARMLESS GENERATED THROUGH THE FOUNDATION SCHOOL PROGRAM AND TOTAL NUMBER OF FORMULA-FUNDED SCHOOL DISTRICTS, FISCAL YEARS 2008 TO 2017



NOTE: Fiscal years 2016 and 2017 are projected.
SOURCE: Legislative Budget Board.

the Legislature making specific appropriation decisions regarding new grant awards. In contrast, debt service is automatically eligible for EDA funding in a given biennium if the district makes a payment during the previous biennium. EDA assistance is restricted to $0.29 of tax effort. The Eighty-fourth Legislature, 2015, appropriated $55.5 million in new grants through the Instructional Facilities Allotment in fiscal year 2017.

Total state aid for facilities programs is $1,445.1 million for the 2016–17 biennium.

INSTRUCTIONAL MATERIALS

The largest single state-funded public education program from a funding perspective outside the FSP is the appropriation for instructional materials. For the 2016–17 biennium, appropriations for instructional materials total $1,054.9 million to be distributed through the Instructional Materials Allotment (IMA). This amount represents an increase of $102.9 million (10.8 percent) from the 2014–15 biennial spending level. Out of instructional materials funding, $10.0 million is provided for the development of open-source instructional materials.

The Texas Education Code establishes that the IMA shall be funded with 50.0 percent of the distribution from the Permanent School Fund (PSF) to the ASF, or a different amount determined by the Legislature. The 2016–17 biennial appropriation equals 50.0 percent of the estimated transfer from the PSF to the ASF to be distributed as a biennial allocation to school districts and charter schools. Beginning in the 2016–17 biennium, House Bill 1474, Eighty-fourth Legislature, changed the IMA from an annual to a biennial allocation. The IMA provides each school district and charter school with an account into which funding is deposited based on ADA. School districts can use those funds to purchase approved instructional materials for any subject and certain technology, and school districts are permitted to carry forward IMA balances from year to year. Beginning September 1, 2015, the IMA provided to school districts and charter schools accounts for instructional material and educational technology purchases for two full school years instead of one.

STATE EDUCATION PROGRAMS

The 2016–17 biennial appropriation for state education programs is $862.1 million. Among the more significant state education programs are the following.

TEACHER ACADEMIES

The Eighty-fourth Legislature, 2015, appropriated $54.8 million for teacher academies in the 2016–17 biennium, including Math Achievement Academies, Literacy Achievement Academies, Reading-to-Learn Academies, and Reading Excellence Teams. The 2016–17 GAA, Article III, TEA, Rider 73, directs $22.8 million to TEA to establish Math Academies for kindergarten through grade three teachers with a curriculum focused on core numeracy skills. The 2016–17 GAA, Article III, TEA, Rider 74, directs $17.8 million to TEA establish Literacy Academies for kindergarten through grade three teachers with a curriculum focused on how to teach core reading and writing skills. The math and literacy academies will support teacher training and the implementation of scientific, research-based programs that support students in their development in the primary grades. Eligible teachers attending the academies will receive stipends for their attendance.

Reading-to-Learn Academies are funded at $11.1 million for the 2016–17 biennium. Senate Bill 972, Eighty-fourth Legislature, 2015, requires the Commissioner to develop academies for grades four and five teachers with a curriculum focused on teaching strategies to improve comprehension across all subjects. Similarly to the math and literacy academies, eligible teachers attending the academies will receive stipends.

Reading Excellence Teams are funded at $3.1 million for the 2016–17 biennium. Senate Bill 935, Eighty-fourth Legislature, 2015, established the reading excellence team pilot program, which enables eligible schools with unsatisfactory scores on early reading assessments to have highly trained reading instruction specialists assist kindergarten through grade three classrooms with instruction.

PREKINDERGARTEN FUNDING

During the 2016–17 biennium, prekindergarten education is funded through the Foundation School Program (FSP), the High Quality Prekindergarten Grant program, the Texas School Ready Program, and supplemental prekindergarten funding. The state funds half-day prekindergarten for eligible students through the FSP. School districts identifying more than 15 children who meet statutory eligibility requirements are required to offer at least a half-day prekindergarten program. Funding associated with eligible prekindergarten students in average daily attendance is estimated at $820.0 million for each year of the 2016–17 biennium. In addition to FSP prekindergarten funding, House Bill 4, Eighty-fourth

Legislature, 2015, established the High Quality Prekindergarten Grant program, which is funded at $59.0 million in each fiscal year of the 2016–17 biennium (see the Significant Legislation section). The grant will provide funding to eligible districts implementing high-quality prekindergarten programs.

The 2016–17 GAA, Article III, TEA, Rider 58, authorizes the allocation of $15.0 million in each year of the 2016–17 biennium for the purpose of providing supplemental funds for prekindergarten. Funds are to be distributed equally to all school districts and charter schools on the basis of eligible prekindergarten students in average daily attendance served. Unlike grant funding, the supplemental funding for prekindergarten provides districts and open-enrollment charter schools broader discretion in the expenditure of these funds on prekindergarten programs. For fiscal year 2016, school districts and open-enrollment charter schools will receive an additional $155 in supplemental prekindergarten funding per student in average daily attendance in school year 2014–15. A similar amount per eligible prekindergarten student in average daily attendance is estimated for fiscal year 2017.

The 2016–17 GAA, Article III, TEA, Rider 45, authorizes the allocation of $7.0 million in General Revenue Funds for the Early Childhood School Readiness program in the 2016–17 biennium. This funding supports high-quality early childhood education programs by providing a developmentally appropriate curriculum, continuous student progress monitoring, and professional development for teachers.

STUDENT SUCCESS INITIATIVE

The Eighty-fourth Legislature, 2015, appropriated $31.7 million for the Student Success Initiative (SSI) in the 2016–17 biennium, a $28.8 million decrease from the 2014–15 biennium. The SSI is TEA's primary instructional intervention program related to student performance on state assessments. SSI was established in fiscal year 2000 in conjunction with the Legislature's adoption of a statutory prohibition against social promotion, which requires that students in grades 5 and 8 meet passing standards on state assessments in reading and mathematics to be promoted to the next grade.

The 2016–17 GAA, Article III, TEA, Rider 46, requires that funds for the 2016–17 biennium be used for scientifically validated and research-based programs with a proven track record of improving individual student achievement. TEA, Rider 46, also requires the Commissioner to issue a request for proposal for statewide licenses to provide supplemental computer-based reading and mathematics instruction all students for which accelerated instruction is required. Additionally, the rider requires the Commissioner to minimize the duplication and maximize efficiency between the supplemental mathematics and reading instruction provided through the SSI and other similar state-funded programs, and to ensure that mathematics and reading instruction programs funded by the GAA contain diagnostic tools to measure the effectiveness of the programs.

PROGRAMS TARGETING MIDDLE AND HIGH SCHOOL STUDENTS

The 2016–17 GAA, Article III, TEA, Riders 23, 51, 52 and 54, directs funding for four programs targeted at high school students, including Communities in Schools (CIS), Early College High School, and Texas Science, Technology, Engineering, and Mathematics (T-STEM), and the Texas Academic Innovation and Mentoring program.

The CIS program, which is affiliated with a national nonprofit organization and administered at the state level by TEA, operates in 27 communities across Texas with the goals of improving school attendance, academic achievement, and behavior of students at risk of dropping out of school. Based on a case-management model, local CIS coordinators work with individual students to provide support and services according to an individualized needs assessment. TEA's 2016–17 biennial appropriations include $31.0 million in General Revenue Funds to support the program. In addition, the Legislature maintains an allocation of federal Temporary Assistance for Needy Families (TANF) of $7.6 million to provide services to TANF-eligible students. Additionally, TEA, Rider 23, Communities in Schools, directs the agency to fully utilize 3.0 full-time-equivalent (FTE) positions to expand the administrative services of the CIS program to ensure the maximum level of service and support to each local CIS program.

TEA, Rider 51, directs $3.0 million to support the T-STEM program. The grant program supports middle and high schools focusing on rigorous instruction in science and mathematics with the goal of increasing the number of students studying and entering STEM-related fields. T-STEM programs target schools with high proportions of students at risk of dropping out.

The Early College High School (ECHS) program is funded at $6.0 million for the 2016–17 biennium. Previously funded through a combined rider with the T-STEM program, the Eighty-fourth Legislature, 2015, increased funding by $3.0 million for the ECHS program and bifurcated the funding. The ECHS program provides grants to support districts and charter schools partnering with nearby institutions of higher education to allow students to earn a high school diploma and at least 60 hours of college credit simultaneously at no additional cost to the student.

The Texas Academic Innovation and Mentoring (AIM) program is increased from $3.0 million in the 2014–15 biennium to $4.5 million in the 2016–17 biennium. Operated by the Boys and Girls Clubs, the Texas AIM program provides mentoring and tutoring services.

EDUCATOR QUALITY INITIATIVES

The Educator Quality and Leadership program is funded at $32.0 million for the 2016–17 biennium. The program previously was referred to as the District Awards for Teacher Excellence program, which provided grants to school districts to support district-designed educator incentive pay programs. The Educator Quality and Leadership program was modified by the Eighty-third Legislature, Regular Session, 2013, to limit grant participation to certain districts and to refocus the program on improving educator quality and effectiveness through various means, including innovative recruitment, preparation, hiring, strategic compensation, retention, and improved district administrative practices. House Bill 7, Eighty-fourth Legislature, 2015, changed the method of finance for the program by abolishing the General Revenue–Dedicated Educator Excellence Innovation Fund No. 5135 and directing program appropriations as General Revenue Funds. The 2016–17 GAA, Article III, TEA, Rider 44, Educator Quality and Leadership, requires the Commissioner of Education to ensure that funds directed by the rider should maximize the receipt of federal grant funding for similar purposes. Additionally, the rider directs that a portion of the appropriation be used toward funding the following for the 2016–17 biennium: up to $5.0 million to implement standards on educator quality, up to $2.0 million to provide for an educator mentoring program, and up to $2.0 million to support Humanities Texas, a nonprofit organization providing professional development for teachers in their first or second years of service.

The Eighty-fourth Legislature, 2015, maintained funding for Teach for America (TFA) at $12.0 million for the 2016–17 biennium, directing that those funds support the provision of at least 1,800 TFA public school employees in Texas schools with a prioritization on teachers of mathematics if possible. The 2016–17 GAA, Article III, TEA, Rider 50, Teach for America, also requires TFA to work jointly with the TEA and representatives of districts employing TFA teachers on a plan to improve retention rates of TFA teachers and to provide expenditure and performance data to assess the success of TFA in meeting the rider requirements. Additionally, TEA, Rider 50, requires the Commissioner to collect certain information from TFA and submit a report to the Legislature on the required teacher retention plan, success of the program, and other specified data.

PROJECT SHARE

Project Share is a web-based platform operated by TEA that includes a collection of professional development opportunities for educators and supplemental instruction for students in an interactive learning environment. Project Share utilizes existing and new professional development resources and builds professional learning communities where educators can collaborate and participate in online learning opportunities. TEA works with educational service centers and institutions of higher education to develop the content available on Project Share. Resources for students available through Project Share include access to supplemental instruction in English, math, science, and social studies courses and additional online practice lessons available to students outside of the traditional school day. The appropriation to support Project Share for the 2016–17 biennium is $18.0 million in General Revenue Funds. Additionally, the 2016–17 GAA, Article III, TEA, Rider 59, Project Share, directs $2.0 million in each fiscal year of the 2016–17 biennium to reimburse districts for costs related to students taking On Ramps Dual Enrollment courses.

TEXAS STUDENT DATA SYSTEM/PUBLIC EDUCATION INFORMATION MANAGEMENT SYSTEM

The Texas Student Data System (TSDS)/Public Education Information Management System (PEIMS) project is an ongoing information technology project meant to improve the availability and use of high-quality data by educators. Other goals of TSDS/PEIMS include: equipping educators with historical, timely, and actionable student data to drive classroom and student success; and integrating data from preschool through postsecondary school for improved educator decision making. This information technology project combines two ongoing projects—TSDS and PEIMS Redesign Phase 4—which had been funded separately before the 2016–17 biennium. The appropriation to support

TSDS/PEIMS for the 2016–17 biennium is $7.3 million in All Funds, including $4.8 million in General Revenue Funds.

AGENCY ADMINISTRATION

Appropriations to TEA for agency administration for the 2016–17 biennium total $267.0 million in All Funds, including $131.2 million in General Revenue Funds, an increase of $1.2 million in All Funds (0.5 percent) and decrease of $3.6 million in General Revenue Funds (2.6 percent) from the 2014–15 biennial spending levels. The decrease in General Revenue Funds is primarily attributable to the elimination of onetime funding sources for TSDS/PEIMS provided in the 2014–15 biennium. Appropriations for the 2016–17 biennium for agency administration included an increase of $2.7 million for the agency's Office of Complaints, Investigations, and Enforcement.

METHODS OF FINANCING PUBLIC EDUCATION

The TEA budget includes all three major methods of state finance (General Revenue Funds, General Revenue–Dedicated Funds, and Other Funds) and Federal Funds. Among the General Revenue Funds and Other Funds are several methods of financing the public education system with unique qualities or statutory or constitutional dedications.

PERMANENT SCHOOL FUND

A unique aspect of public school funding in Texas is the provision of state funds from the Permanent School Fund (PSF), an endowment fund established by the Texas Constitution that consists of fixed income and equity holdings, state lands, mineral rights, and royalty earnings. PSF investments are primarily managed by the State Board of Education (SBOE) through TEA staff, with a portion of PSF-owned lands and associated mineral rights managed by the Texas General Land Office. The PSF is managed to be a permanent, perpetual source of funding of public education for Texans. Additionally, since 1983 the fund has provided for the guarantee of school district bonds, allowing districts to earn high bond ratings, which translates into lower interest rates and substantial cost savings to taxpayers. Legislation passed by the Eighty-second Legislature, Regular Session, 2011, extended the bond guarantee program to charter schools for the first time beginning in fiscal year 2012.

Figure 174 shows the changes to the fair market value and rate of return of the PSF for fiscal years 2006 to 2015.

A limited amount of PSF funding is used as a method of financing the portion of the TEA administration budget dedicated to managing and overseeing the PSF. For the 2016–17 biennium, the total administrative appropriation from the PSF is $60.3 million.

AVAILABLE SCHOOL FUND (GENERAL REVENUE FUNDS)

The ASF is a constitutionally dedicated fund for the support of the public education system. It is funded from distributions from returns on investment of the PSF and also receives 25.0 percent of the state's motor fuels tax revenue. Before each legislative session, the SBOE sets a rate of total return on all investment assets of the PSF that determines an amount to be distributed to the ASF. The ASF funds the state's instructional materials purchases (through a transfer to the state Instructional Materials Fund) and an annual per capita distribution to school districts. **Figure 175** shows the allocation of funds related to the PSF to the ASF.

The total rate of return adopted by the SBOE each biennium is based on the average market value of the PSF for the preceding 16 fiscal quarters, and is set with consideration of a policy of intergenerational equity, whereby the distribution rate cannot jeopardize the probability that the PSF will be able to support the public education of future generations of Texas students at a comparable level. Since the shift to the total rate of return methodology for determining the distribution, rates ranged from 4.5 percent for the 2004–05 and 2006–07 biennia to a low of 2.5 percent for the 2010–11 biennium, reflecting market conditions. For the 2016–17 biennium, the adopted rate of 3.5 percent is projected to yield about $1,055.1 million per fiscal year. **Figure 176** shows the revenue and expenditures of the ASF for fiscal years 2010 to 2017.

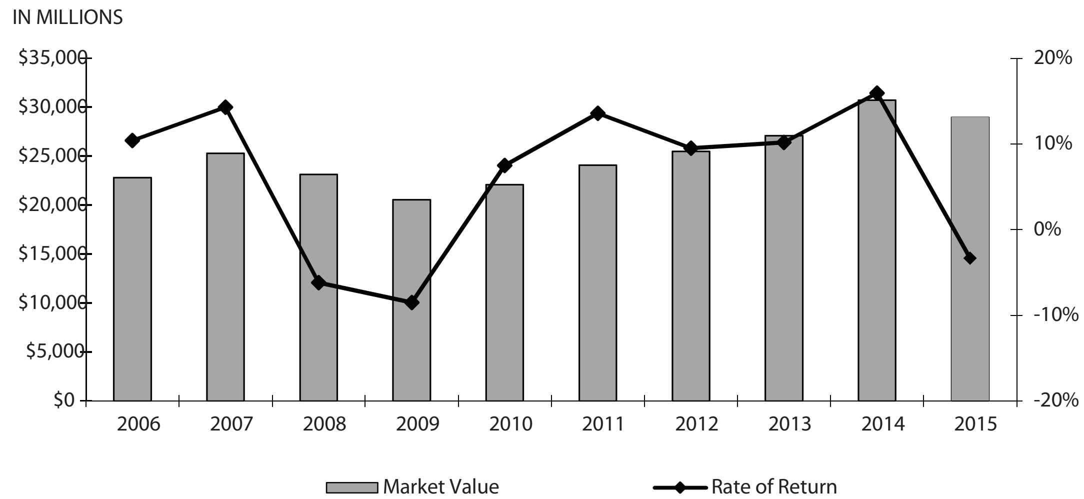
LOTTERY PROCEEDS (GENERAL REVENUE FUNDS)

Since 1997, net proceeds from the sale of Texas Lottery games, after paying the cost of administering the lottery and awarding prizes, are statutorily dedicated to funding the FSP. For the 2016–17 biennium, lottery proceeds account for $2.4 billion of the $42.3 billion in state funds appropriated to fund the FSP, a decrease of $10.6 million compared to the 2014–15 biennial amount.

FOUNDATION SCHOOL FUND (GENERAL REVENUE FUNDS)

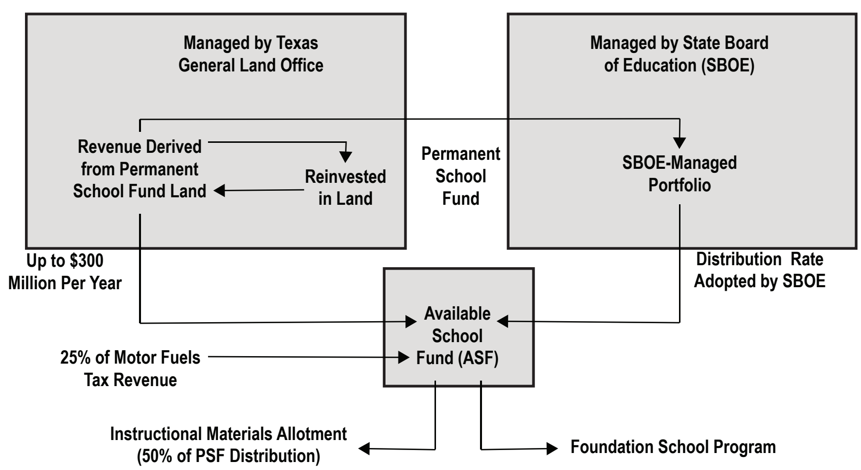
The Foundation School Fund is an account within the General Revenue Fund that is used exclusively for the purpose of funding public education. It is primarily

FIGURE 174
PERMANENT SCHOOL FUND FAIR MARKET VALUE AND TOTAL RATE OF RETURN, FISCAL YEARS 2006 TO 2015



NOTE: Fiscal year 2015 is preliminary.
SOURCE: Texas Education Agency.

FIGURE 175
ALLOCATION OF FUNDS FROM PERMANENT SCHOOL FUND TO THE AVAILABLE SCHOOL FUND, 2016–17 BIENNIUM



SOURCE: Legislative Budget Board.

appropriated as a method of financing the FSP, though some appropriations for programs outside the FSP are made from the Foundation School Fund. For the 2016–17 biennium, $30.5 billion from the Foundation School Fund is appropriated to TEA, of which $30.1 billion is appropriated for the FSP.

TAX RATE CONVERSION FUND (GENERAL REVENUE FUNDS)

The Tax Rate Conversion Fund is an account within the General Revenue Fund that is used exclusively for the purpose of equalizing the treatment of similar tax effort across school districts (see the Significant Legislation section). The Commissioner is required to transfer an amount necessary to cover the cost of maintenance and operations tax rate conversion from the Foundation School Fund No. 193 to the Tax Rate Conversion Fund No. 5159. For the

FIGURE 176
AVAILABLE SCHOOL FUND, FISCAL YEARS 2010 TO 2017

	REVENUES (IN MILLIONS)			EXPENDITURES (IN MILLIONS)			
FISCAL YEAR	MOTOR FUELS TAX	INVESTMENT INCOME	DIRECT TRANSFERS FROM GENERAL LAND OFFICE	TEXTBOOK/ INSTRUCTIONAL MATERIALS ALLOTMENT TRANSFERS	TOTAL PER CAPITA APPORTIONMENT	TECHNOLOGY ALLOTMENT	PSF TOTAL RATE OF RETURN
2010	$744.8	$60.7	$0.0	$198.4	$516.3	$132.7	2.5%
2011	$760.9	$1,092.8	$0.0	$273.0	$1,445.4	$133.9	2.5%
2012	$772.7	$1,020.9	$0.0	$598.5	$1,118.0	$0.0	4.2%
2013	$791.1	$1,020.9	$300.0	$10.0	$2,174.0	$0.0	4.2%
2014	$809.7	$838.7	$0.0	$419.3	$1,229.4	$0.0	3.3%
2015	$843.1	$838.7	$0.0	$419.3	$1,242.3	$0.0	3.3%
2016	$858.8	$1,055.1	$0.0	$1,054.9	$854.4	$0.0	3.5%
2017	$873.2	$1,055.1	$0.0	$0.0	$1,923.1	$0.0	3.5%

NOTES:
(1) Fiscal years 2016 and 2017 are projected.
(2) House Joint Resolution 109, Eighty-second Legislature, Regular Session, 2011, and subsequent voter approval of the associated constitutional amendment authorizes the General Land Office (GLO) to transfer funding from the GLO-controlled portion of the Permanent School Fund (PSF) directly to the Available School Fund (ASF).
(3) Prior to fiscal year 2008, the Technology Allotment was funded from the Telecommunications Infrastructure Fund. This fund was discontinued, and all revenues were exhausted in fiscal year 2008, when the balance of the Technology Allotment appropriation was paid from the ASF. Beginning in fiscal year 2009, the Technology Allotment was funded entirely from the ASF. Senate Bill 6, Eighty-second Legislature, First Called Session, 2011, repealed the Technology Allotment effective beginning with fiscal year 2012.

SOURCES: Legislative Budget Board; Comptroller of Public Accounts; Texas Education Agency.

2016–17 biennium, $200.0 million is appropriated to TEA for this purpose.

GENERAL REVENUE FUNDS

For the 2016–17 biennium, TEA's appropriations include approximately $481.7 million in other General Revenue Funds (Fund 1) to support certain programs outside the FSP and agency administration.

PROPERTY TAX RELIEF FUND (OTHER FUNDS)

The Property Tax Relief Fund (PTRF), established by legislation passed by the Seventy-ninth Legislature, Third Called Session, 2006, is a fund outside of the General Revenue Fund that serves as a method of financing the FSP. The fund was established as part of the effort to compress school district maintenance and operations property tax rates by one-third and serves to finance a portion of the state cost of replacing that lost local revenue. The PTRF is funded with revenues resulting from a package of legislation that was also passed by the Seventy-ninth Legislature, Third Called Session, 2006, which altered the franchise (business margins) tax, motor vehicle sales and use tax, and taxes on tobacco products. The amounts deposited to the PTRF are essentially the amounts generated by the change in those taxes authorized by the Legislature, with the greatest contributions coming from the franchise tax. For the 2016–17 biennium, the PTRF accounts for $2.9 billion in state funds appropriated to fund the FSP, a projected decrease of $2.4 billion from the 2014–15 biennial spending level.

APPROPRIATED RECEIPTS (OTHER FUNDS)

The final estimated method of finance supporting the FSP is Appropriated Receipts, which for TEA consists entirely of revenue from school districts subject to recapture. For the 2016–17 biennium, recapture receipts account for $3.8 billion of the FSP appropriation.

FEDERAL FUNDS

Federal Funds appropriations for the 2016–17 biennium are estimated to be $411.1 million higher than those of the preceding biennium, totaling $10.1 billion. This $411.1 million net increase includes a $321.6 million increase for the Child Nutrition Program, a $74.7 million increase in Individuals with Disabilities Education Act (IDEA) funding, and a $12.1 million increase in No Child Left Behind (NCLB) grants. In December 2015, the Every Student Succeeds Act (ESSA) was enacted. ESSA supersedes the No

Child Left Behind Act and authorizes federal education programs for four years beginning in federal fiscal year 2017.

Figure 177 shows appropriations of Federal Funds to TEA since fiscal year 2009, broken out into four different categories of federal formula grants, including: child nutrition grants, NCLB grants, IDEA funding, and Other Federal Formula Grants; and two categories of emergency or one-time grants. The emergency grants include ARRA Funds and the Education Jobs Fund. ARRA Funds were distributed through ARRA State Fiscal Stabilization, which was used as a method of financing the FSP and instructional materials in the 2010–11 biennium, and ARRA formula grants, which provided supplemental funding to school districts according to the provisions of Title I, IDEA, and other regular federal formula grants. The Education Jobs Fund, totaled $842.9 million in fiscal years 2011 and 2012, was intended to save or create jobs providing services in early childhood, primary, and secondary education.

As **Figure 177** shows, in recent years federal formula funding for the Child Nutrition Program has grown each fiscal year, while the other federal formula grants have remained fairly consistent. Of the $5.9 billion in onetime Federal Funds (ARRA) that was appropriated to TEA, approximately 30 percent of it comprised supplemental appropriations for Title I, IDEA, and other regular federal formula grants. TEA awarded the majority of this funding to school districts in fiscal year 2009, though school district expenditure of those funds was permissible through September 30, 2011.

TEXAS STUDENTS AND DISTRICTS

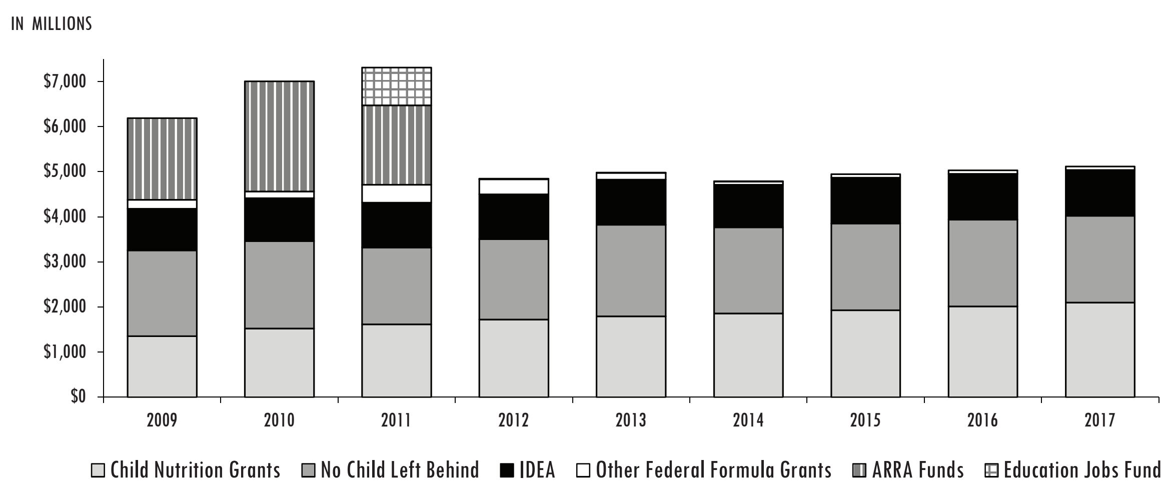
Texas' public school students and its school districts exhibit diversity with respect to a variety of factors that drive both funding and policy decisions within the state and result in a unique public education environment among other states.

STUDENTS IN AVERAGE DAILY ATTENDANCE

Recent average daily attendance (ADA) trends for Texas and ADA projections for the 2016–17 biennium are shown in **Figure 178**. The 2016–17 biennial projections include a March 2015 update of estimates prepared by the Legislative Budget Board for the Eighty–fourth Legislature. Charter school ADA is included in the counts shown in **Figure 178**. For school year 2014–15, charter school ADA was 207,171.

During most of the 1990s, the ADA growth rate averaged 2.0 percent. The following decade was marked by lower growth rates, interrupted by spikes in growth in fiscal years 2002, 2006, and, to a lesser extent, 2009. Excepting fiscal year 2006 as an anomalous year due to the effects of Hurricane Katrina, which resulted in the influx of about 45,000 students from Louisiana and Mississippi into Texas, these ebbs and spikes correlate roughly with stronger and weaker economic conditions. This relationship suggests that

FIGURE 177
FEDERAL EDUCATION FORMULA AND EMERGENCY FUNDING IN TEXAS, FISCAL YEARS 2009 TO 2017



Notes:
(1) Fiscal years 2016 and 2017 are projected.
(2) IDEA = the federal Individuals with Disabilities Education Act, 2004; ARRA = the federal American Recovery and Reinvestment Act, 2009.
(3) The No Child Left Behind Act was replaced by the Every Student Succeeds Act, which is effective October 1, 2016.
Source: Legislative Budget Board.

FIGURE 178
TEXAS PUBLIC SCHOOL AVERAGE DAILY ATTENDANCE FISCAL YEARS 2006 TO 2017

FISCAL YEAR	SCHOOL YEAR	TOTAL ADA	PERCENTAGE CHANGE
2006	2005–06	4,182,348	2.5%
2007	2006–07	4,246,916	1.5%
2008	2007–08	4,315,132	1.6%
2009	2008–09	4,399,315	2.0%
2010	2009–10	4,470,146	1.6%
2011	2010–11	4,555,707	1.9%
2012	2011–12	4,632,151	1.7%
2013	2012–13	4,697,243	1.4%
2014	2013–14	4,778,014	1.7%
2015	2014–15	4,852,660	1.6%
2016	2015–16	4,954,033	2.1%
2017	2016–17	5,038,494	1.7%

NOTES:
(1) Fiscal years 2016 and 2017 are projected.
(2) Average daily attendance (ADA) counts include charter schools, and exclude all state-administered schools.
SOURCES: Legislative Budget Board; Texas Education Agency.

one contributing factor in student population growth rates may be economic conditions rendering private and home schooling a more or less viable option for more Texas families. For the 2016–17 biennium, TEA estimated the ADA growth rate at 2.1 percent in fiscal year 2016 and 1.7 percent in fiscal year 2017.

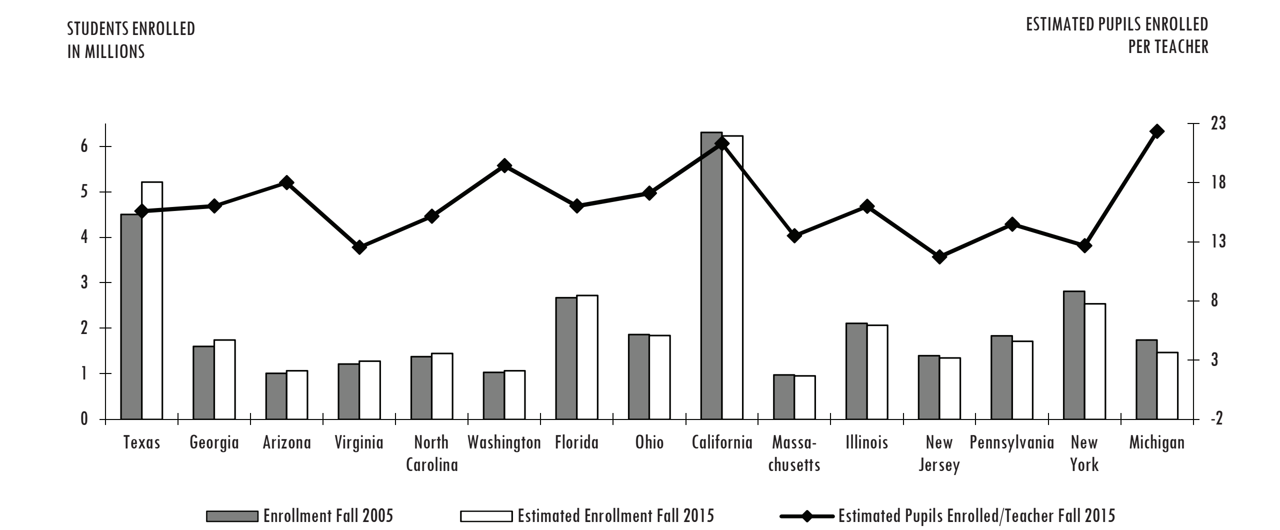
TEXAS STUDENT POPULATION IN COMPARISON TO OTHER STATES

Texas ranks second behind only California among the 50 states in the number of students enrolled in public schools. **Figure 179** shows enrollment growth in fall 2005 compared to estimated enrollment in fall 2015. With a 15.7 percent 10-year increase, Texas enrollment is the fastest growing among the 15 most populous states during the past decade and third among all 50 states behind Nevada and Utah. **Figure 179** also shows the student–teacher ratio for the 15 most populous states. With 15.6 students enrolled per teacher in fall 2015, the Texas ranking ratio compares favorably with the U.S. average of 15.9 students per teacher.

TEXAS PUBLIC SCHOOL EMPLOYEES

For school year 2014–15, Texas public schools employed 674,518 FTE positions. Of those positions, about half were teachers. **Figure 180** shows public school employees by function and subdivides those functions into instructional and noninstructional roles with instructional roles defined as functions that primarily serve students in the classroom. The figure shows that about three-fifths of public education employees are in the instructional category as defined here, and those proportions have been similar for at least the past 10 years.

FIGURE 179
PUBLIC SCHOOL FALL ENROLLMENT IN THE 15 MOST POPULOUS STATES, SCHOOL YEARS 2005 AND 2015



NOTE: 2015 data for fall enrollment and pupils enrolled per teacher is estimated.
SOURCE: National Education Association.

FIGURE 180
FULL-TIME EQUIVALENT (FTE) TEXAS PUBLIC SCHOOL EMPLOYEES BY FUNCTION
SCHOOL YEARS 2004–05, 2009–10, AND 2014–15

	2004–05		2009–10		2014–15	
FUNCTION	FTE POSITIONS	PERCENTAGE OF TOTAL	FTE POSITIONS	PERCENTAGE OF TOTAL	FTE POSITIONS	PERCENTAGE OF TOTAL
Instructional						
Teachers	294,546	50.3%	333,090	50.1%	342,257	50.7%
Instructional Support	64,254	11.0%	69,788	10.5%	70,195	10.4%
Total, Instructional	**358,800**	**61.3%**	**402,878**	**60.6%**	**412,452**	**61.1%**
Non-instructional						
Administrative Staff	20,291	3.5%	25,525	3.8%	26,801	4.0%
Non-classroom support	45,203	7.7%	58,573	8.8%	60,751	9.0%
Auxiliary Staff	161,333	27.5%	178,141	26.8%	174,514	25.9%
Total, Non-Instructional	**226,827**	**38.7%**	**262,239**	**39.4%**	**262,066**	**38.9%**
GRAND TOTAL, FTE POSITIONS	**585,627**		**665,117**		**674,518**	
Ratio of Instructional to Non-instructional	1.6		1.5		1.6	

NOTES:
(1) Instructional support includes roles that provide direct services to students in a classroom setting, such as paraprofessional staff and certain therapists.
(2) Non-classroom support includes roles that provide support services primarily outside the classroom such as librarians, counselors, diagnosticians, supervisors, and other professional roles.
(3) Auxiliary staff includes roles such as bus drivers, cafeteria workers, janitorial and grounds services.
SOURCE: Texas Education Agency.

STATE BOARD FOR EDUCATOR CERTIFICATION

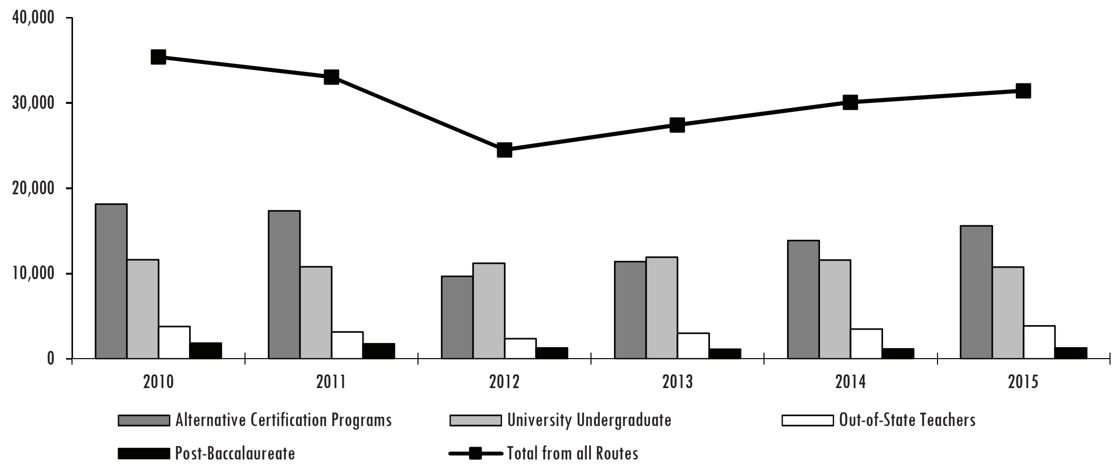
The State Board for Educator Certification (SBEC), an appointed board whose functions are carried out within TEA's Educator Leadership and Quality Division, oversees a range of teacher credentialing, recruitment and retention, and professional conduct-related activities, including the accreditation of more than 142 educator preparation programs that offer more than 230 different educator preparation programs. With few exceptions, SBEC functions are self-funded—paid from fees charged to educators and educator candidates for credentialing-related services.

SBEC specifies the classes of educator certificates to be issued, the period for which a certificate is valid, and all rules relating to initial issuance and renewal. To ensure that educators are properly certified, SBEC manages the development and oversees administration of numerous pedagogy (teaching skills), content-knowledge, and professional examinations. The Texas Examinations of Educator Standards (TExES) and their associated teaching certificates align educator certification standards with the Texas Essential Knowledge and Skills curriculum framework. In addition to the standard examinations, the agency also requires examinations for specific certificates: the Texas Oral Proficiency Test (education of students with limited English proficiency) and the Texas Assessment of Sign Communication (education of students with hearing impairment).

Figure 181 shows the number of individuals issued initial teaching certificates from fiscal years 2010 to 2015. Beginning in fiscal year 2011, the issuance of initial teaching certificates decreased, including a 7.0 percent decrease in initial teaching certificates in fiscal year 2011 and a 26.0 percent decrease in fiscal year 2012. Following the decreases in fiscal years 2011 and 2012, the number of initial teaching certificates increased by 12.0 percent in fiscal year 2013, 10.0 percent in fiscal year 2014, and 4.0 percent in fiscal year 2015. Although the number of initial teaching certificates has increased since fiscal year 2012, the total number of initial certificates issued in fiscal year 2015 was still 11.0 percent less than the total from fiscal year 2010. As **Figure 181** shows, the decreases of fiscal years 2011 and 2012 are reflected in each certification route except the university undergraduate route in fiscal year 2012, but most significantly in alternative certification programs.

Through fiscal year 2004, the most common route to obtaining a teaching certificate was to complete an educator preparation program as part of a four–year undergraduate

FIGURE 181
INITIAL TEACHING CERTIFICATES ISSUED BY CERTIFICATION ROUTE, FISCAL YEARS 2010 TO 2015



NOTE: Number of certificates does not include renewals, temporary credentials, or professional certifications.
SOURCE: Texas Education Agency.

program and then pass the relevant certification examinations. However, the proportion of initial certifications earned through Alternative Certification Programs (ACPs) increased significantly and, in fiscal year 2005, surpassed those earned through undergraduate certification. ACPs enable individuals who meet certain educational criteria to become certified as educators in approximately one year through course work and fieldwork outside of a traditional undergraduate or graduate program. The proportion of initial teaching certificates granted to ACP participants increased to approximately 52.0 percent of the total number of new initial certificates for fiscal year 2011 compared with 33.0 percent granted to individuals pursuing certification through an undergraduate program in the same fiscal year. This trend reversed in fiscal year 2012 with the number of individuals receiving initial teaching certificates through a traditional undergraduate or graduate program surpassing the number of individuals receiving a teaching certificate through an ACP for the first time since fiscal year 2005.

Data analysis conducted by TEA indicates that overall the number of new hires outpaced the number of teachers lost through attrition in the period from school years 2007–08 to 2014–15. However, from school years 2007–08 to 2010–11 the degree to which new hires exceed attrition narrowed, and in the 2011–12 school year attrition exceeded new hires by 10,929 teachers. This shift may be attributable to school district responses to state budget reductions. Following school year 2011–12, the degree to which number of new hires exceed attrition began to increase to levels similar to school year 2007–08.

TEXAS PUBLIC SCHOOL EXPENDITURES IN COMPARISON WITH OTHER STATES

A comparison of estimated public school expenditures per student in school year 2013–14 is shown in **Figure 182** for the 15 most populous states. Texas spent an estimated $8,681 per student in current dollars in school year 2013–14, compared with a national average of $11,355, and a national median of $10,419, ranking the state forty-fifth in the nation and thirteenth among the 15 most populous states. In 1998, Texas was twenty-fourth in the nation. The state's school year 2013–14 estimated per-student spending level is less than all of its four contiguous neighbors, except Oklahoma; in school year 2013–14, Louisiana spent $10,472 per student, New Mexico spent $10,633, Arkansas spent $9,523, and Oklahoma spent $7,925 per student. The amounts shown in **Figure 182** are not adjusted for cost-of-education differences across states.

FIGURE 182
KINDERGARTEN TO GRADE 12 PUBLIC SCHOOL ESTIMATED EXPENDITURES PER ENROLLED PUPIL, 15 MOST POPULOUS STATES, SCHOOL YEAR 2013–14

STATE	TOTAL/PUPIL	NATIONAL RANKING
New York	$20,428	2
New Jersey	$20,117	3
Massachusetts	$15,990	9
Pennsylvania	$15,061	11
Michigan	$14,621	12
Illinois	$13,372	15
Ohio	$11,145	20
Virginia	$10,866	21
California	$10,329	27
Washington	$9,929	30
Georgia	$9,392	36
Florida	$8,982	37
Texas	$8,681	45
North Carolina	$8,632	47
Arizona	$7,143	51
U.S. Average	**$11,355**	
U.S. Median	**$10,419**	

NOTE: U.S. average and median calculations and ranking include the District of Columbia.
SOURCE: National Education Association.

PUBLIC SCHOOL ACCOUNTABILITY FOR STUDENT PERFORMANCE

Texas has been a leader in both statewide assessment and accountability for student performance in public education. **Figure 183** shows a timeline of major events in the evolution of testing and accountability in the state.

The first iteration of the statewide accountability system for Texas public schools was established by the Seventy-third Legislature in 1993 to hold Texas public schools accountable for student performance. The accountability ratings system was based on student performance on an annual student dropout rate and on performance on a set of assessments called the Texas Assessment of Academic Skills (TAAS), which included tests on reading, writing, math, and social studies. Each school district and campus was rated according to its ability to meet state passing standards on each test for all students and for certain disaggregated student groups—African American, Hispanic, White, and economically disadvantaged—and its ability to meet state dropout standards. Each district and campus was given a rating of exemplary, recognized, acceptable, or unacceptable/low-performing.

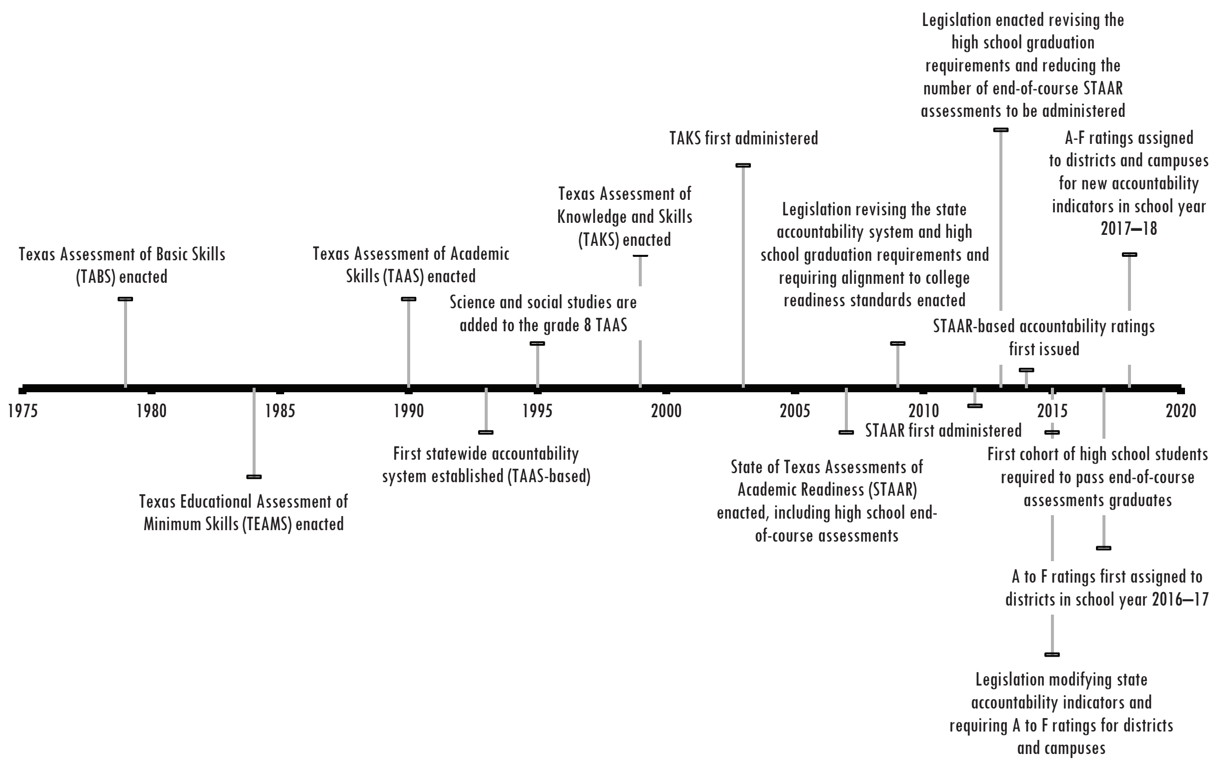
The system was amended again in 2004 to align with the transition to a new assessments program, the Texas Assessments of Knowledge and Skills (TAKS), and to align with new federal performance standards set forth in the federal No Child Left Behind Act of 2001 (NCLB), by incorporating performance on the alternative assessments for special education students and using longitudinal completion rates instead of annual dropout rates. Initially, in accordance with the more rigorous standards of the new system, fewer districts and campuses achieved the recognized and exemplary ratings. For example, in 2007, 2,997 campuses earned these ratings, about 70.0 percent of the campuses that earned them in 2002, the final year of the TAAS–based accountability era. However, by 2011, 4,049 campuses achieved the recognized and exemplary ratings.

In school year 2011–12, the state again transitioned to a new assessment system, the State of Texas Assessments of Academic Readiness (STAAR), as a result of actions of the Eightieth Legislature, 2007. The STAAR system includes new assessments in grades three to eight in reading, mathematics, science, social studies, and writing, and replaces the exit-level TAKS exam for high school students with 15 subject-specific end-of-course assessments in foundation subjects. STAAR is intended to increase relevance and rigor in the assessments program and to correlate performance on assessments in the lower grades with achievement of standards on end-of-course assessments in high school.

The enactment of House Bill 5, Eighty-third Legislature, Regular Session, 2013, amended the number of end-of-course assessments for high school students from 15 to 5, including algebra I, biology, English I, English II, and U.S. history.

The Commissioner of Education modified the state accountability system beginning with school year 2012–13. The state accountability system assigns performance ratings to districts and campuses of Met Standard, Met Alternative Standard, or Improvement Required and is based on student performance on STAAR assessments in four categories: student achievement, student progress, closing performance gaps, and postsecondary readiness. House Bill 5, Eighty-third Legislature, Regular Session, 2013, also required the state accountability system to assign ratings of A to F to districts beginning with school year 2016–17.

FIGURE 183
TEXAS STATE ASSESSMENT AND ACCOUNTABILITY SYSTEM TIMELINE, CALENDAR YEARS 1979 TO 2018



SOURCE: Legislative Budget Board.

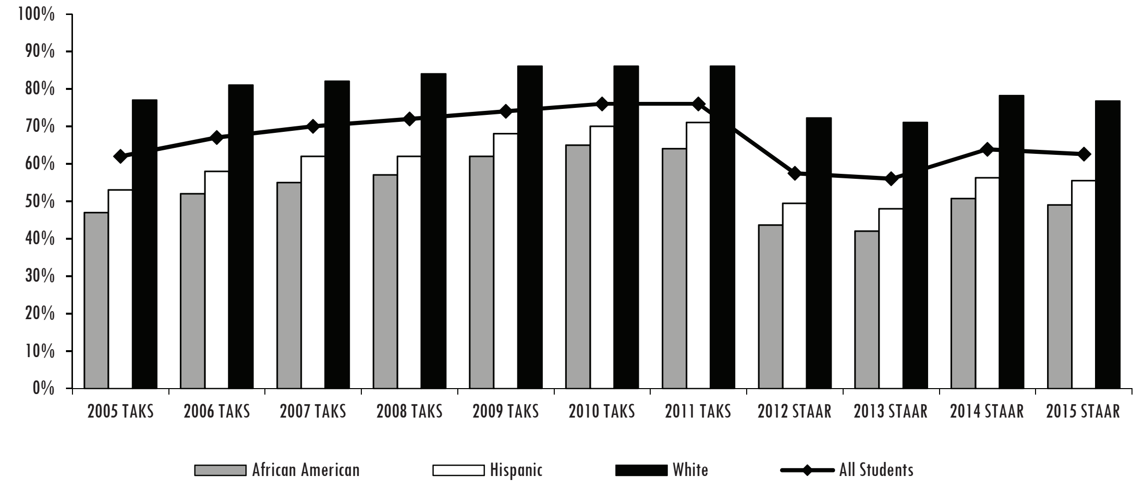
The enactment of House Bill 2804, Eighty-fourth Legislature, 2015, modifies the indicators by which districts and campuses must be evaluated in accordance with the state accountability system. Beginning in school year 2017–18, HB 2804 establishes five domains of indicators for district and campus accountability and requires certain percentages of the overall performance rating be attributed to the five domains. HB 2804 requires the accountability system to assign ratings of A to F to each of these domains and to each district and campus. The enactment of HB 2804 established the Texas Commission on Next Generation Assessments and Accountability to develop and make recommendations for new systems of student assessment and public school accountability.

STUDENT PERFORMANCE ON STATE ASSESSMENTS

School year 2002–03 was the first year the TAKS exams were administered. STAAR exams, including end-of-course exams, replaced the TAKS in school year 2011–12.

Following the introduction of the TAKS in 2003, student performance overall and disaggregated by ethnicity decreased until 2005. As shown in **Figure 184**, subsequently, overall performance and the disaggregated performance of White, Hispanic, and African American students all began an upward trend that had been sustained through 2011. The achievement gap between White students and African American and Hispanic students also decreased from 2005 to 2011. Since the introduction of the STAAR assessments, overall student performance has decreased, and the achievement gap between White students and African American and Hispanic students has increased. The gap between the percentages of White students passing all tests taken compared to African American students since the introduction of the TAKS peaked in 2006; in that year, White students passed at a rate 30.0 percentage points higher than African American students. By 2011, that gap had decreased to a 21.0 percentage point difference in performance. Following the introduction of the STAAR assessment, this performance gap increased to 29.0 percentage points. Similarly, the difference between White students' TAKS passing rate and that of Hispanic students had

FIGURE 184
STUDENTS PASSING ALL TEXAS ASSESSMENTS, BY ETHNICITY, SCHOOL YEARS 2005–06 TO 2014–15



NOTE: TAKS = Texas Assessments of Knowledge and Skills; STAAR = State of Texas Assessments of Academic Readiness.
SOURCE: Texas Education Agency.

decreased from a 23.0 percentage point higher passing rate for White students in 2005 to 15.0 percentage points in 2011. Following the introduction of the STAAR assessments, this performance gap increased back to 23.0 percentage points.

PERFORMANCE OF TEXAS STUDENTS COMPARED WITH THE REST OF THE NATION

The National Assessment of Educational Progress (NAEP) is a set of exams given every two years to random samples of students in all 50 states and the District of Columbia to gauge relative performance of students in selected grades and subjects. It is the largest such assessment and the longest running, and as such, it serves as the basis for the U.S. Department of Education's Nation's Report Card. **Figure 185** shows NAEP scores in grades four and eight, comparing reading and math results for Texas and for the nation in 2005 and 2015. In math, Texas students have consistently exceeded the national average scale score. However, Texas reading scores in both years hover slightly less than that average, except for grade four reading, which was slightly higher than the average. NAEP is not necessarily aligned to Texas curriculum standards, and the scores of Texas students on this assessment can be used only to judge relative performance on the NAEP itself.

SIGNIFICANT LEGISLATION

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

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

FIGURE 185
NATIONAL ASSESSMENT OF EDUCATIONAL PROGRESS (NAEP), NATIONAL COMPARISON TO TEXAS STUDENTS' PERFORMANCE ON SELECTED ASSESSMENTS, 2005 AND 2015

			2005 AVERAGE SCALE SCORE		TEXAS RANK AMONG 50 STATES 2005	2015 AVERAGE SCALE SCORE		TEXAS RANK AMONG 50 STATES 2015
GRADE	SUBJECT	RACE/ETHNICITY	U.S.	TEXAS		U.S.	TEXAS	
Grade 4	Math	All	238	242	9	240	244	11
		White	246	254	2	248	255	4
		African American	220	228	2	224	233	2
		Hispanic	226	235	2	230	239	4
		Asian or Pacific Islander	251	264	1	257	271	2
	Reading	All	219	219	29	221	218	37
		White	229	232	6	232	235	9
		African American	200	206	9	206	205	21
		Hispanic	203	210	10	208	210	18
		Asian or Pacific Islander	229	234	9	239	248	3
Grade 8	Math	All	279	281	21	281	284	21
		White	289	295	4	292	298	5
		African American	255	264	4	260	267	6
		Hispanic	262	271	3	270	277	4
		Asian or Pacific Islander	295	308	3	306	312	9
	Reading	All	262	258	29	264	261	38
		White	271	270	21	274	274	18
		African American	243	246	11	248	251	8
		Hispanic	246	248	16	253	252	34
		Asian or Pacific Islander	271	280	6	280	283	11

NOTE: Rankings for American Indian/Native American are not shown because the sample size in Texas was insufficient to permit a reliable estimate.
SOURCE: U.S. Department of Education.

TEA was appropriated $1,200.0 million in the 2016–17 biennium to hold school districts harmless for the loss of property tax revenue.

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

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

The FSP is financed in such a manner that any loss in franchise tax revenue deposited to the Property Tax Relief Fund will be made up by an equal increase in revenue from the Foundation School Fund No. 193. As a result of the passage of HB 32, appropriations from the General Revenue–Dedicated Property Tax Relief Fund were decreased by $2.6 billion, and appropriations from the Foundation School Fund No. 193 were increased by a like amount.

House Bill 7 – Maintenance and operations tax rate conversion. The enactment of HB 7 changes the treatment of tax effort for certain districts. The bill provides a mechanism within the Foundation School Program (FSP) to enable school districts with compressed tax rates that are less than $1.00 to increase FSP Tier 1 participation by converting tax effort equalized in accordance with Tier 2 at $31.95 to Tier 1 effort. For affected school districts, the number of pennies of tax effort that can be converted from Tier 2 to Tier 1 is limited to the number needed to achieve a Tier 1 rate of $1.00. Rate conversion is optional per district discretion in fiscal years 2016 and 2017 and is automatic beginning in fiscal year 2018. TEA was appropriated $100.0 million for each fiscal year of the 2016–17 biennium to implement maintenance and operations tax rate conversion. House Bill 7 also abolishes the General Revenue–Dedicated Educator Excellence Fund No. 5135 and directs appropriations to the Education Quality and Leadership program (TEA, Rider 44) as General Revenue Funds.

House Bill 4 – High quality prekindergarten grant program. The enactment of HB 4 establishes a grant program that awards funds to school districts and open-enrollment charter schools to implement a high-quality prekindergarten program. HB 4 also requires any school district that offers prekindergarten to report certain information to the Public Education Information Management System (PEIMS). The bill requires TEA to produce and make available annual district- and campus-level reports on early education and work with the Department of Family and Protective Services (DFPS) to conduct a study to develop recommendations regarding optimal class sizes and student-to-teacher ratios for prekindergarten classes.

House Bill 1474 – Placement of the Instructional Materials Allotment. The enactment of HB 1474 changes the transfer from the Available School Fund (ASF) to the Instructional Materials Fund (IMF) to be biennial rather than annual. The legislation has no net biennial fiscal impact, but makes the following method of finance shifts within the biennium: in fiscal year 2016, increases in General Revenue–Dedicated Funds appropriations of $527.4 million out of IMF No. 003 and $527.4 million out of the Foundation School Fund (FSF) No. 193, and a decrease of $527.4 million out of the ASF; and in fiscal year 2017, an increase of $527.4 million out of the ASF, and decreases of $527.4 million out of the IMF and $527.4 million out of the FSF. House Bill 1474 also requires the Commissioner to establish instructional materials allotment (IMA) amounts based on enrollment in the previous biennium and to deposit the full biennial amounts in district accounts in the first year of the biennium. Additionally, HB 1474 gives authority to the Texas Education Agency, to the extent authorized by the General Appropriations Act, to make temporary transfers from the FSF for payment of the IMA.

House Bill 1786 – Transfer of driver and traffic safety education. The enactment of HB 1786 transfers the driver and traffic safety education program from TEA to the Texas Department of Licensing and Regulation. Pursuant to the 2016–17 GAA, Article IX, Section 18.41, as a result of the enactment of HB 1786, TEA is required to transfer all revenue generated from associated program fees and full-time-equivalent (FTE) positions appropriated to TEA for fiscal years 2016 and 2017 directly related to the driver and traffic safety education program. As a result of the enactment of HB 1786, TEA will transfer approximately $1.2 million in General Revenue Funds and 1.0 FTE position.

House Bill 1842 – Measures of Public school accountability. The enactment of HB 1842 changes various measures of school accountability. The bill requires the Commissioner to order a campus identified as unacceptable for two consecutive school years to prepare and submit a campus turnaround plan with certain details, including the method for restructuring, reforming, or reconstituting the campus. HB 1842 requires the Commissioner to either close the campus, order alternative management, or appoint a board of managers to intervene at the district level if the plan is implemented, but not successful in returning the campus to acceptable status within two years. HB 1842 also expands and revises the statute concerning an appointed board of managers and sets out provisions governing the appointment and compensation of a board of managers and a superintendent for an open-enrollment charter school. Additionally, HB 1842 authorizes an eligible school district to be designated as a district of innovation following adoption of a local innovation plan that exempts the district from certain state requirements that inhibit the goals of the plan.

House Bill 2804 – Public school performance. The enactment of HB 2804 establishes five domains of indicators by which district and campuses must be evaluated and sets the percentage performance rating assigned to the domains. HB 2804 also requires the accountability system to assign a rating of A, B, C, D, or F to each domain, district, and campus. The bill requires districts to assign themselves ratings for each of the indicators of community and student engagement, in addition to an overall rating. Additionally, HB 2804 establishes the Texas Commission on Next

Generation Assessment and Accountability and changes the deadline of the annual release of accountability ratings.

Senate Bill 149 – State assessment graduation requirements. The enactment of SB 149 revises the state's assessment graduation requirements. The bill enables a student who has failed to achieve the end-of-course (EOC) assessment graduation requirements for no more than two courses to receive a Texas high school diploma if the student has qualified to graduate by means of an individual graduation committee. Additionally, the bill enables a student who did not meet satisfactory performance on the algebra I or English II EOC after retaking the assessment, but who receives a score of proficient on the Texas Success Initiative assessment in the corresponding course, to satisfy the EOC requirement for that course. These provisions expire September 1, 2017.

Senate Bill 507 – Equipment for school safety. The enactment of SB 507 requires a school district or open-enrollment charter school to provide equipment, including a video camera, to each school in the district or charter school campus in which a student receiving special education services in a self-contained classroom or other special education setting is enrolled. SB 507 requires each school or campus that receives such equipment to place, operate, and maintain one or more video cameras in certain classrooms and provide written notice of the placement of the equipment to the parents of a student receiving special education services in the classroom or setting. The bill also establishes the video recording of a student as confidential and prohibits the release or viewing of such a recording with certain exceptions. SB 507 further authorizes the Commissioner to establish a grant program from certain excess Foundation School Program funds to allow for the purchase of or reimbursement of eligible video equipment.

TEXAS SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED

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

ESTABLISHED: 1856

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

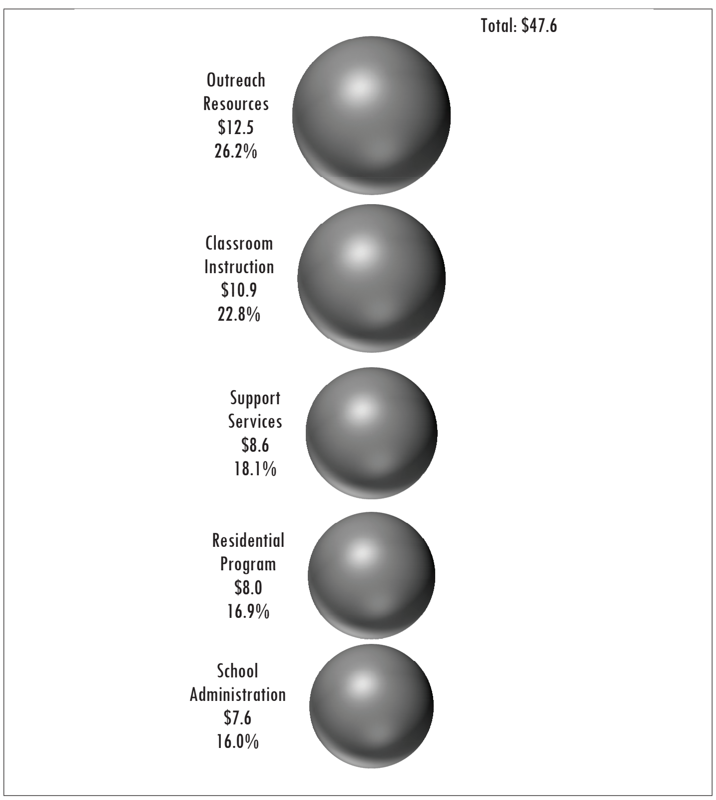
GOVERNANCE: Board of Trustees—nine members appointed by the Governor and confirmed by the Senate, filling specified positions

FIGURE 186
TEXAS SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED BY METHOD OF FINANCE

	IN MILLIONS			
METHOD OF FINANCE	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$29.2	$29.0	($0.2)	(0.5%)
General Revenue–Dedicated Funds	$0.0	$0.0	$0.0	N/A
Federal Funds	$9.5	$9.6	$0.0	0.5%
Other Funds	$11.7	$9.0	($2.7)	(22.9%)
Total, All Methods of Finance	**$50.4**	**$47.6**	**($2.8)**	**(5.5%)**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2016	359.9
2017	359.9

INSTITUTION PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

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

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

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

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

Source: Legislative Budget Board.

MAJOR FUNDING

Funding appropriated in the 2016–17 biennium reflects an All Funds reduction of $2.8 million, or 5.5 percent. This reduction is primarily attributable to a reduction in Other Funds, specifically bond proceeds, due to the completion of a campuswide renovation of facilities in fiscal year 2014. In addition, legislation transferred $1.2 million and 19.3 full-time-equivalent (FTE) positions to the Texas Facilities Commission for duties related to grounds maintenance and custodial services. However, funding is increased to the Texas School for the Blind and Visually Impaired (TSBVI) by $0.8 million and 5.0 FTE positions to expand distance education and broadcast technology and to increase tuition stipends for potential teachers of the blind and visually impaired. Expansion of distance education and broadcast technologies will support schools and families striving to provide better school outcomes for students across Texas who are blind, visually impaired, or deafblind. TSBVI will develop and produce webinars, video broadcasts, and training videos on demand to equip teachers and parents with skills and information necessary to support the highly specialized learning needs of these students. In addition, $0.3 million is provided in fiscal year 2016 for professional salary increases pursuant to the statutory requirement that these salaries align with those adopted by Austin Independent School District (ISD).

PROGRAMS

TSBVI staff work in conjunction with local school districts and the regional education service centers to provide a continuum of services to students with visual impairments. Students receive instruction that prepares them for high school graduation, for return to their local school districts, or for transition to further education, training, or placement in local communities. The school serves these students through the following major program areas.

OUTREACH RESOURCES

Outreach Resources includes Outreach Development and Training for Schools and Families, which provides statewide training services for parents and professionals including information related to adapted materials, technology, student transition and assessment, and individual consultations for blind and visually impaired students. TSBVI conducted 246 conferences and workshops and served approximately 6,620 participants during the 2014–15 school year. TSBVI also indirectly serves most of the 9,658 visually impaired students in the state through outreach support to school districts, regional education service centers, and parents. In addition, this program's Curriculum Development provides instructional materials sold worldwide and used by families and professionals serving blind and visually impaired students.

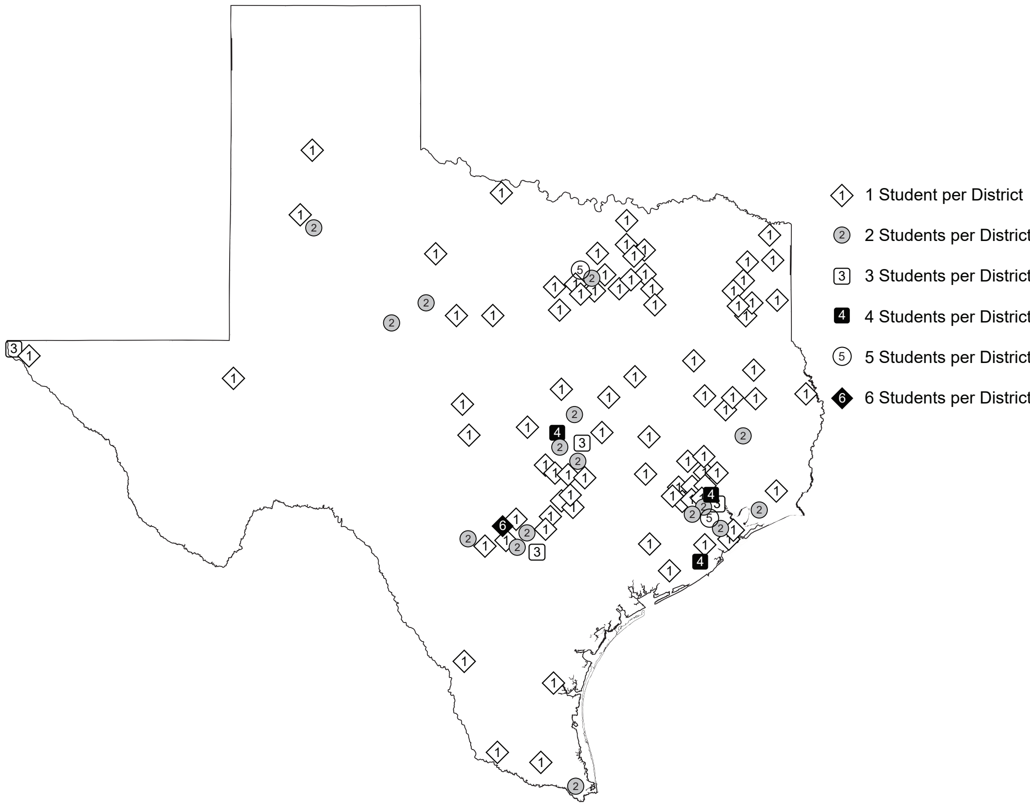
Outreach also includes Short-term Programs that provide three- to five-day workshops that emphasize adaptive technology, math tools, social interaction, travel, and independent living. During the 2014–15 school year, 206 students were served by specialized short-term programs. Summer programs emphasize real-life skills such as personal care, home care, money management, and travel. The 2015 summer program served 318 students. In addition, Professional Education in Visual Impairment is a collaborative teacher preparation program between TSBVI and Texas Tech and Stephen F. Austin universities that provides tuition stipends for educating qualified specialists for blind and visually impaired students. Funding appropriated for Outreach Resources totals $12.5 million.

CLASSROOM INSTRUCTION

Classroom Instruction provides comprehensive Instructional Services (early childhood through high school) during the regular school year for persons age 21 or younger who are blind, deafblind, or visually impaired and for whom an appropriate education is not available in their local schools. The newly renovated 45-acre campus is centrally located in Austin and operates an on-campus regular school year program for students with serious vision loss who need specialized and intensive services related to their visual impairments. The school is accredited by the Texas Education Agency and is established as part of the public education system of Texas to serve as a special school in the continuum of statewide alternative placements for students who have visual impairments.

Local school districts placing students at TSBVI are required by the Texas Education Code to share the cost of educating those students. In accordance with federal law, the local (home) school district is responsible for providing a free appropriate public education (FAPE) that addresses the intense or specialized needs of visually impaired children and youth. When local districts are unable to meet FAPE requirements, a referral for admission to TSBVI may be originated by the student's local school district in collaboration with the student's parent. TSBVI cannot accept direct parent referrals. **Figure 187** shows the number of students attending TSBVI in fiscal year 2015 by local school district.

FIGURE 187
NUMBER OF STUDENTS ATTENDING TEXAS SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED BY LOCAL SCHOOL DISTRICT
FISCAL YEAR 2015



SOURCE: Texas School for the Blind and Visually Impaired.

During the 2014–15 regular school year, the school served 155 students plus an additional nine postsecondary students over the course of the fiscal year. Of these, excluding post-secondary students, 107 or 69.0 percent, had multiple disabilities, including deafblindness, autism, cerebral palsy and other disabilities. **Figure 188** shows the number of students with multiple disabilities over the last five years, which have consistently been over two-thirds to three-fourths of the total student population. Funding appropriated for Classroom Instruction totals $10.9 million.

SUPPORT SERVICES

Support Services provides related services for visually impaired students including orientation and mobility, social work, physical therapy, occupational therapy, and speech therapy. In addition, Support Services includes Student Transportation. Funding appropriated for Support Services totals $8.6 million.

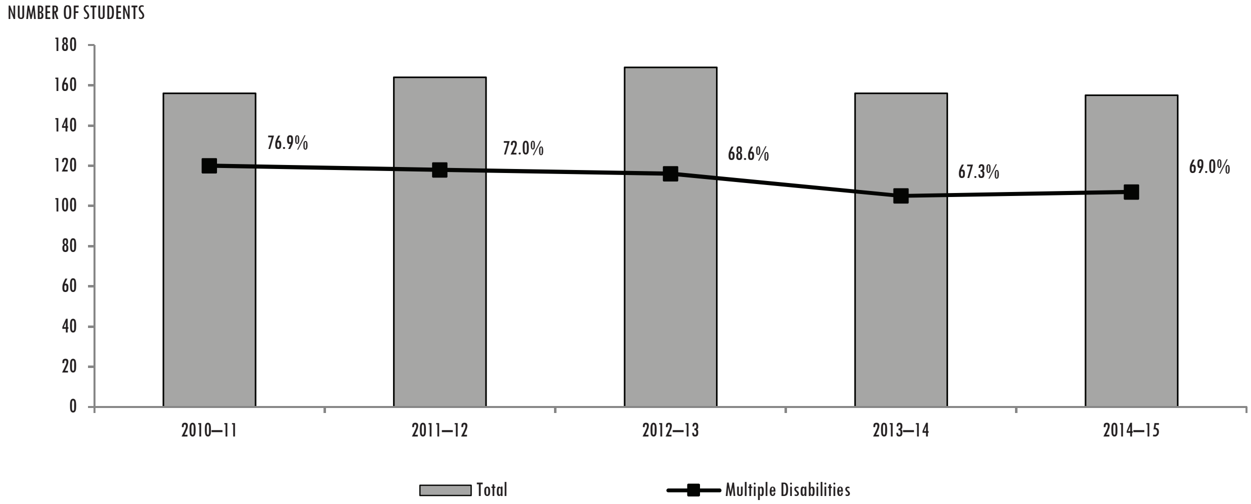
RESIDENTIAL PROGRAMS

Residential Programs provide Residential Housing and Instruction – Independent and Supported Living Curriculum, which includes on-campus housing for residential students and student development programs such as independent living, social and daily living skills, and decision-making skills. Of the 164 students served by Classroom Instruction in fiscal year 2015, 154 were residential program students. Funding appropriated for Residential Programs totals $8.0 million.

SCHOOL ADMINISTRATION

School Administration includes Central Administration, which supports administrative functions including the governing board, the superintendent's office, internal audit, human resources, the business office, and information management. It also includes Campus Support Services for daily operations including data processing and repairs, telephone and utilities, and federal Americans with

FIGURE 188
TEXAS SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED STUDENTS WITH MULTIPLE DISABILITIES COMPARED TO TOTAL STUDENT POPULATION IN THE REGULAR SCHOOL YEAR COMPREHENSIVE PROGRAM, SCHOOL YEARS 2010–12 TO 2014–15



SOURCE: Texas School for the Blind and Visually Impaired.

Disabilities Act accommodations. Funding appropriated for School Administration totals $7.6 million.

SIGNIFICANT LEGISLATION

Senate Bill 836 – Transfer of duties to Texas Facilities Commission (TFC). The enactment of Senate Bill 836 transferred to TFC the remaining powers, duties, functions, programs, and activities relating to the maintenance of the physical facilities of TSBVI, including grounds maintenance and custodial services.

TEXAS SCHOOL FOR THE DEAF

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

ESTABLISHED: 1856

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

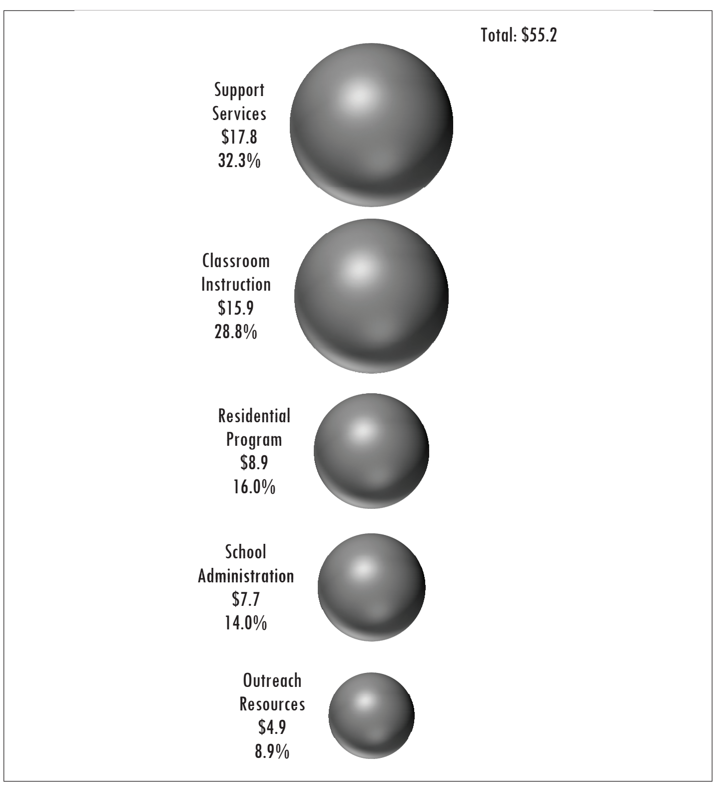
GOVERNANCE: Board of Trustees—nine members appointed by the Governor and confirmed by the Senate, meeting certain statutory specifications

FIGURE 189
TEXAS SCHOOL FOR THE DEAF BY METHOD OF FINANCE

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

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2016	434.6
2017	434.6

INSTITUTION PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

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

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

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

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

MAJOR FUNDING

Funding appropriated in the 2016–17 biennium reflects an All Funds decrease of $0.8 million, or 1.3 percent. This decrease is primarily attributable to legislation that transferred $2.2 million and 32.0 full-time-equivalent (FTE) positions to the Texas Facilities Commission for duties related to grounds maintenance and custodial services. However, funding is also increased to the Texas School for the Deaf (TSD) by $1.0 million and 7.4 FTE positions, providing assistance across all program areas except School Administration, for a variety of purposes. Increased career and transition funding will expand the construction trades education program. An additional two buses and two vans are funded to replace aging vehicles that are past the recommended replacement schedule due to cutbacks in a previous biennium. In addition, $0.4 million is provided in fiscal year 2016 for professional salary increases pursuant to the statutory requirement that these salaries align with those adopted by Austin Independent School District (ISD).

PROGRAMS

TSD operates a 67.5-acre campus located in Austin and provides students who are deaf or hard of hearing with academic and career training from kindergarten to high school, early childhood education, and transitional postsecondary services. A comprehensive program of extracurricular and co-curricular services includes athletics, intramural sports, and Special Olympics after school hours. Students are also supported by specialized related services including counseling, physical therapy, health services, occupational therapy, and audiological and speech therapy. In addition to day and residential educational services, the school is the primary statewide resource center on deafness. TSD provides expertise and technical assistance to students, families, and professionals across Texas. Services are provided through the following program areas.

SUPPORT SERVICES

Support Services includes Assessment and Diagnostics, providing the initial evaluation of each child as required by the federal Individuals with Disabilities Education Act (IDEA) and reevaluations of all enrolled students. Additional student services include counseling, behavior support, speech therapy, audiology, interpreting services, health services, physical therapy, and occupational therapy.

The number of students with complex disabilities in addition to their deafness continued to increase during the 2014–15 biennium, and now represents two-thirds of the student enrollment. These students include those with more than one disability. In addition to deafness, these students may have a visual impairment, a physical impairment, a cognitive or developmental impairment, autism spectrum disorders, or other health impairments. Some students may have Attention Deficit and Hyperactivity Disorder. Some may have significant psychological, emotional, or behavioral issues. **Figure 190** shows the number of students with multiple disabilities as compared to total student enrollment.

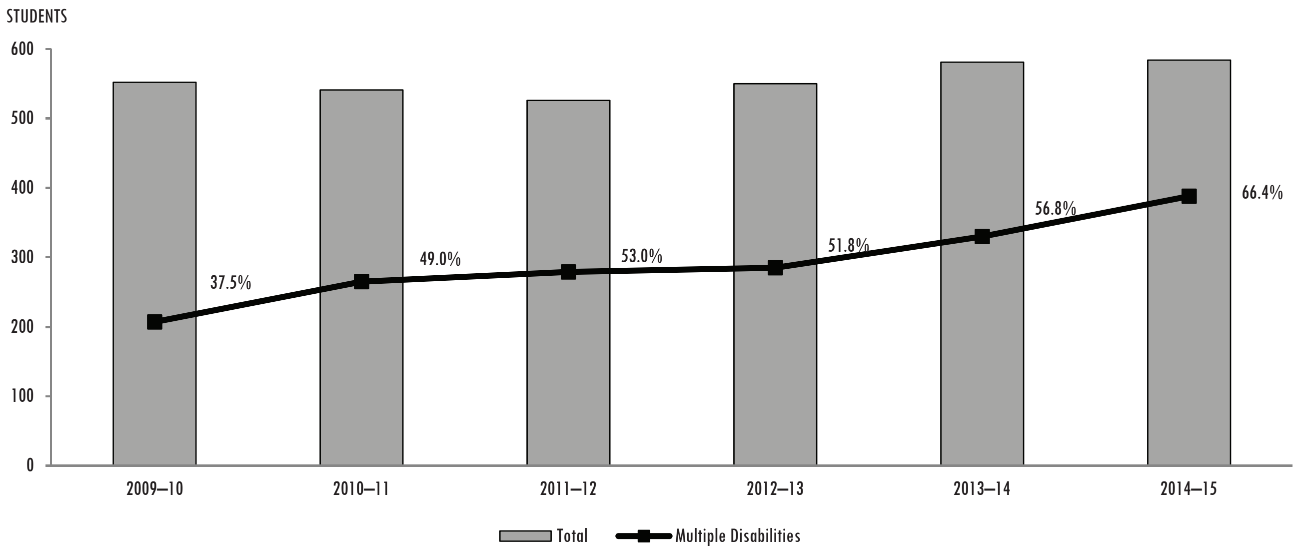
The Career Center and Career Technical Education programs provide both hands-on technical training that prepare students with marketable job skills and career center services to help students explore potential career fields. The Adult Curriculum for Community, Employment, and Social Skills (ACCESS) Program is an adult transitional program for community living, employment, and social skills. Services are individualized and focus on work training, postsecondary preparation, independent living skills, and social emotional development.

Student transportation is provided daily for Austin-area students, and weekend home transportation is provided to students who reside on campus during the school week but return home on the weekends. Transportation services include athletics and extracurricular activities. Funding appropriated for programs included in Support Services totals $17.8 million.

CLASSROOM INSTRUCTION

Classroom Instruction includes the Instructional Services (Parent/Infant through High School) program, which provides comprehensive educational services during the regular school year for persons age 21 or younger and who are deaf or hard of hearing and who may have multiple disabilities. Students may be referred to TSD through the Admission, Referral, and Dismissal (ARD) process by their local school districts or by their parents. Early Childhood Intervention (ECI) programs may refer children younger than age three, and students ages 18 or older may refer themselves for admission. Local school districts are required by the Texas Education Code to share in the cost of educating students attending TSD. When the local school district makes a referral on the student's behalf, the home district conducts an ARD meeting, which includes parents and local school district representatives. When a parent referral is made, the ARD meeting is conducted by TSD staff, and the home district is encouraged to attend.

FIGURE 190
TEXAS SCHOOL FOR THE DEAF STUDENTS WITH MULTIPLE DISABILITIES COMPARED TO TOTAL STUDENT ENROLLMENT SCHOOL YEARS 2009–10 TO 2014–15



SOURCE: Texas School for the Deaf.

Classroom Instruction includes academic, career, life skills, and related services. In the 2014–15 school year, TSD served 583 students in regular school year programs. Funding appropriated for Classroom Instruction totals $15.9 million.

RESIDENTIAL PROGRAMS

Residential Programs provide on-campus housing, tutoring, character education, independent living training, and other social and cultural experiences. In addition, after-school programs include athletics, performing arts, a tutor center, American Sign Language (ASL), and the student worker program. During the regular school year, approximately one-half of TSD students live on campus while attending classes, while the other half are nonresidential students who attend classes as day students and live in Austin and surrounding areas. Funding appropriated for Residential Programs totals $8.9 million.

SCHOOL ADMINISTRATION

School Administration supports daily operations of the agency, including the superintendent's office and security and safety. Funding appropriated for School Administration totals $7.7 million.

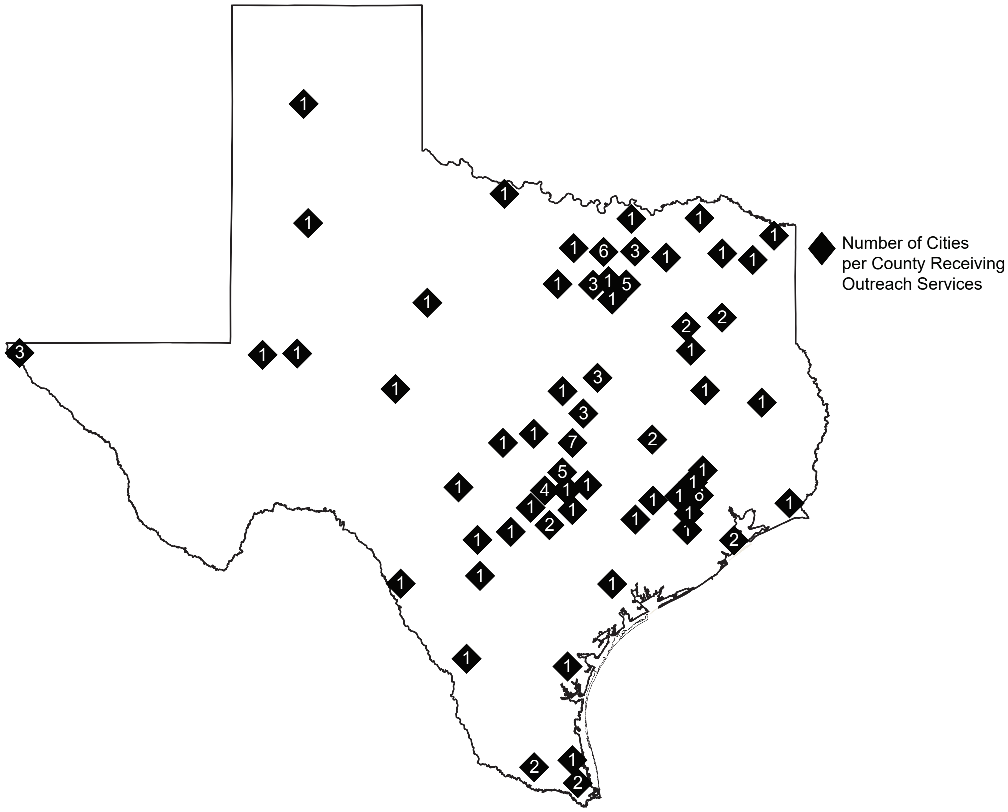
OUTREACH RESOURCES

Outreach Resources provide a variety of programs and resources for students, families, and professionals and school districts such as retreats, distance learning opportunities, sign language instruction, parent mentoring, and summer programs. In fiscal year 2015, 449 students were served on campus in summer and short-term programs. TSD also trained 611 deaf education teachers, ASL teachers and interpreters in three weeks of sign language immersion workshops during summer 2015. In addition, the school served 4,301 parents and professionals and 546 students throughout Texas in workshops, conferences, consultations, and technical outreach. More than 2.3 million individuals received technical service through emails, phone calls, publications, and website visits. **Figure 191** shows statewide outreach services provided by city. Funding appropriated for Outreach Resources totals $4.9 million.

SIGNIFICANT LEGISLATION

Senate Bill 836 – Transfer of duties to Texas Facilities Commission (TFC). The enactment of SB 836 transferred to TFC the remaining powers, duties, functions, programs and activities relating to the maintenance of the physical facilities of TSD, including grounds maintenance and custodial services.

FIGURE 191
TEXAS SCHOOL FOR THE DEAF STATEWIDE OUTREACH SERVICES BY CITY, FISCAL YEAR 2015



SOURCE: Texas School for the Deaf.

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

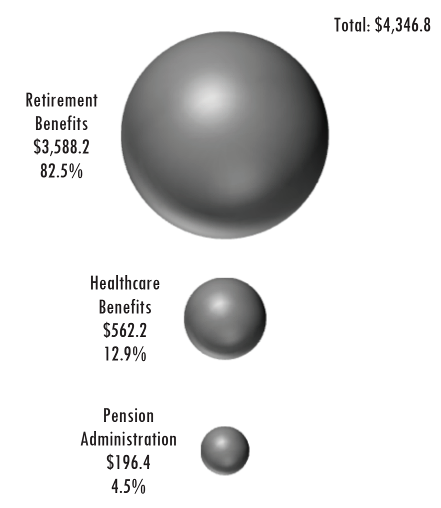
GOVERNANCE: Board of Trustees—nine members appointed by the Governor with advice and consent of the Senate

FIGURE 192
TEACHER RETIREMENT SYSTEM BY METHOD OF FINANCE

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

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2016	503.3
2017	503.3

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

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

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

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

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

SOURCE: Legislative Budget Board.

MAJOR FUNDING

Retirement benefits are financed by member and state contributions based on employee payroll, local employer contributions in some circumstances, and through investment earnings of the pension trust fund. Appropriation amounts are estimated and based on a state contribution rate of 6.8 percent in each year of the 2016–17 biennium. The employee contribution rate is 7.2 percent in fiscal year 2016 and 7.7 percent in fiscal year 2017. The state retirement contributions to the Teacher Retirement System (TRS) for public community and junior colleges are limited to 50.0 percent of the creditable compensation of members whose duties are instructional or administrative. Beginning with the 2016–17 biennium, an additional limit to state retirement contributions applies for each community and junior college based on the growth in its staff size in proportion to changes in student enrollment at the college. **Figure 193** shows the contribution rate for fiscal years 2012 to 2017.

The payroll growth rate is another significant factor in determining state funding requirements. Estimated payroll growth in the 2014–15 biennium was 0.0 percent for public education and 2.0 percent for higher education. However, actual payroll growth in 2014 was 4.6 percent and 6.8 percent, respectively. The spike in payroll is somewhat due to restoration of employee decreases in previous biennia. Assumptions for payroll growth in the 2016–17 biennium reflect 2.0 percent in public education and 4.0 percent in higher education, in anticipation of leveling off subsequently to the catching up period in fiscal years 2014 and 2015.

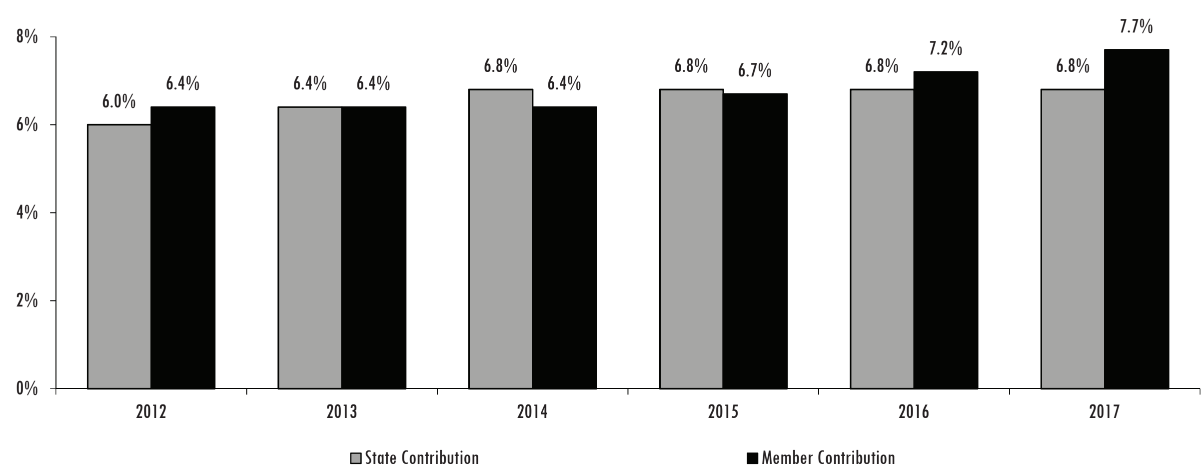
Investment performance also plays a major role in determining the funding health of the pension trust. TRS manages assets across a diversified portfolio allocation that includes Global Equity, Stable Value, and Real Return. As of August 31, 2015, the one-year total portfolio return decreased 0.3 percent, bringing the net value of assets to $127.9 billion, down from $132.2 billion at the end of fiscal year 2014 after an annual return of 16.9 percent. The annual actuarial assumed rate of return is 8.0 percent. The three-, five- and 10-year returns as of August 31, 2015 are 8.3 percent, 9.6 percent, and 6.2 percent, respectively. **Figure 194** shows the annual rate of return on investments since fiscal year 2006.

PROGRAMS

RETIREMENT

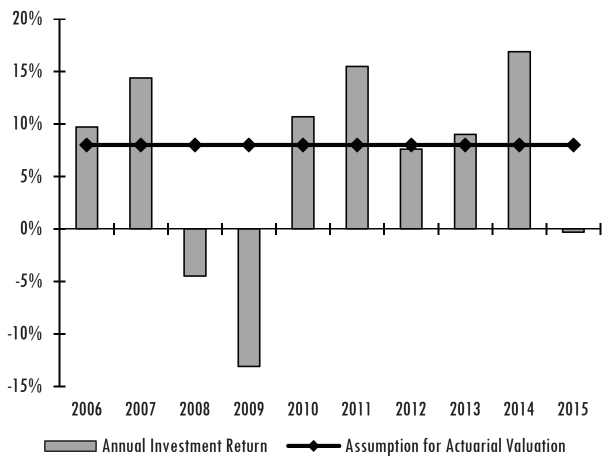
TRS administers a traditional defined benefit retirement plan that provides service and disability retirement and death and survivor benefits, to eligible Texas public education and higher education employees and their beneficiaries. As of August 31, 2015, TRS had almost 1.5 million members, including 1,081,505 active members and 377,738 retirement recipients. Benefit calculations are determined by statute and are based on an employee's age and years of creditable service. Certain eligible employees of institutions of higher education may choose instead to participate in the Optional Retirement

FIGURE 193
TEACHER RETIREMENT SYSTEM STATE AND MEMBER CONTRIBUTION RATES, FISCAL YEARS 2012 TO 2017



SOURCE: Teacher Retirement System.

FIGURE 194
TEACHER RETIREMENT SYSTEM TRUST FUND ACTUAL ANNUAL RETURN ON INVESTMENT COMPARED TO ASSUMED ANNUAL RETURN
FISCAL YEARS 2006 TO 2015



NOTE: The 10-year average return for fiscal years 2006 to 2015 is 6.2 percent.
SOURCE: Teacher Retirement System.

Program. Funding for TRS retirement contributions in the 2016–17 biennium totals $3.6 billion in All Funds.

Administrative operations for the retirement programs and investment management are funded by the pension trust fund. Funding in the 2016–17 biennium totals $196.4 million and 503.3 full-time-equivalent (FTE) positions, and is reflective of increased TRS membership, changes in asset management, and the continued implementation of the major technology initiative, the TRS Enterprise Application Modernization (TEAM). Funding includes an additional 11.0 FTE positions for continued implementation of the TEAM project, scheduled for conclusion in fiscal year 2018.

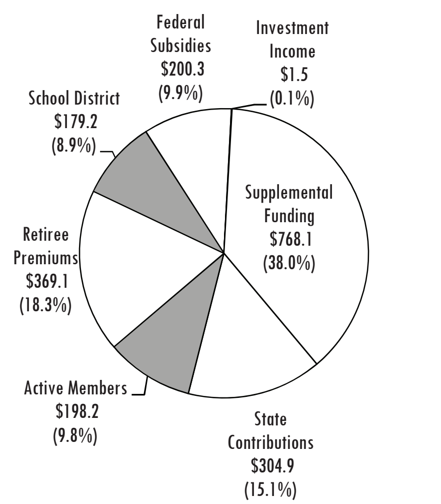
Amounts appropriated for administrative operations of the agency apply only to expenditures associated with payment of retirement benefits and management of the assets in the pension trust fund. Administrative expenses associated with other programs administered by the agency, such as TRS-Care, TRS-ActiveCare, and other functions are paid from trust funds or accounts associated with those programs and are not part of the appropriations process. The total administrative expenditure from nonappropriated funds for the administration of these other programs for fiscal year 2015 is $8.1 million, supporting 61.5 FTE positions. The positions supported by nonappropriated funds are not counted against the FTE position cap established for the agency by the Legislature.

RETIREE HEALTHCARE.

Coverage through TRS-Care is available for eligible retirees and their dependents. It is funded by participant premiums, contributions by the state, active employees, school districts, and federal subsidies. TRS-Care was not prefunded like the retirement plan and is funded on a pay-as-you-go basis. Funding for retiree healthcare in the 2016–17 biennium totals $562.2 million. However, onetime supplemental funding of $768.1 million was appropriated by the Eighty-fourth Legislature, 2015, for fiscal year 2015 to fund the program through the 2016–17 biennium. **Figure 195** shows program revenue by individual sources for fiscal year 2015. As of August 31, 2015, TRS-Care had 253,031 total participants.

FIGURE 195
TRS-CARE FUNDING SOURCES, FISCAL YEAR 2015

IN MILLIONS TOTAL = $2,021.3 MILLION



SOURCE: Teacher Retirement System.

ACTIVE MEMBER HEALTHCARE

TRS also administers a group healthcare program for active employees of local public schools, TRS-ActiveCare. Statute requires certain funding by the state and local school district, and the remainder of premium costs is borne by participants. With few exceptions, school districts with fewer than 500 employees are required to participate in the ActiveCare program, and districts with more than 500 employees may join the program with proper notification to the TRS trustees. Of the 1,245 school districts, charter schools, and regional education service centers eligible to participate in TRS-ActiveCare, about 90.1 percent or 1,122 participate. As of August 31, 2015, TRS served a total of 478,241 participants, 290,354 employees and 187,887 dependents, in the TRS-ActiveCare program.

SIGNIFICANT LEGISLATION

Senate Bill 1940 – Joint committee to study TRS-Care and TRS-ActiveCare. The enactment of Senate Bill 1940 establishes a joint interim committee to study and review the health benefit plans, TRS-Care and TRS-ActiveCare, and propose reforms. The joint interim committee will be composed of three senators appointed by the Lieutenant Governor and three members of the House of Representatives appointed by the Speaker. The committee will specifically assess the financial soundness of the plans; the cost and affordability of plan coverage to persons eligible for coverage; and the sufficiency of access to physicians and healthcare providers. A report of the committee's findings and recommendations is due on January 15, 2017.

House Bill 1937 – DROP revocation. The enactment of House Bill 1937 authorizes certain members of TRS who have not retired to revoke the member's decision to participate in the deferred retirement option plan on or before December 31, 2015.

House Bill 2168 – Annuity payment date. The enactment of House Bill 2168 changes the payment date for monthly annuities from the first working day of each month following the month for which the payment accrues to the last working day of the month for which the payment accrues.

House Bill 2974 – Administrative changes to the governing statutes of TRS. The enactment of House Bill 2974 amends various statutes governing administration of TRS, including clarifying provisions relating to eligibility, creditable service, the Board of Trustees, and contributions. The bill also establishes an interim committee to study TRS-Care and TRS-ActiveCare, similar to SB 1940.

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

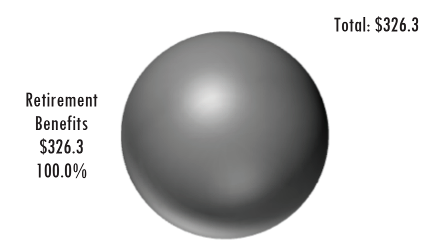
GOVERNANCE: Texas Higher Education Coordinating Board oversees applicable rules; each university administers its own program

FIGURE 196
OPTIONAL RETIREMENT PROGRAM BY METHOD OF FINANCE

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

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2016	0.0
2017	0.0

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

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

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

MAJOR FUNDING

Estimated appropriations for the state contribution to the Optional Retirement Program (ORP) total $326.3 million in the 2016–17 biennium, which is based on an assumed payroll growth of 4.0 percent in each year of the biennium.

PROGRAMS

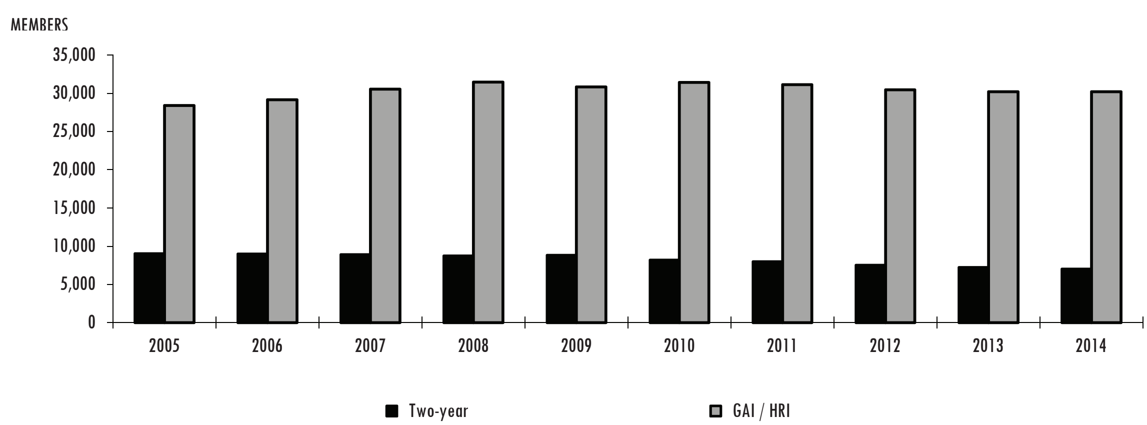
ORP is funded by tax-deferred contributions made by the state and the employee. Employee and state contribution rates are established each biennium by the Texas Legislature and may fluctuate. The state's contribution rate for the 2016–17 biennium is 6.6 percent, funded with General Revenue Funds and General Revenue–Dedicated Funds. Institutions of higher education may provide supplements to the state rate up to 8.5 percent of payroll. State funding for ORP at public community and junior colleges is limited to 50.0 percent of the creditable compensation of members whose duties are instructional or administrative. Beginning with the 2016–17 biennium, an additional limit to state retirement contributions applies for each community and junior college based on the growth in its staff size in proportion to changes in student enrollment at the college.

New public higher education employees who are employed in an ORP-eligible position have 90 days from the first date of eligibility to make a onetime irrevocable choice between participation in ORP and TRS membership. Employees who elect ORP in lieu of TRS membership must continue to participate in ORP for the remainder of their careers in Texas public higher education. As of August 2014, 7,009 employees of two-year institutions and 30,205 university and health-related institution employees participated in the program. **Figure 197** shows a 10-year trend in ORP membership for two-year institutions compared to four-year and health-related institutions.

ORP features one-year vesting and is a portable benefit that allows participants to maintain their retirement savings after separation from employment in Texas public higher education. Participants who terminate state employment before meeting the ORP vesting requirement forfeit employer contributions made during that period of employment. Employee contribution amounts are based on a percentage of the employee's salary, currently 6.65 percent, as established by the Texas Legislature. All contributions are invested by the employee through individual investment contracts, authorized pursuant to the U.S. Internal Revenue Code, Section 403(b), purchased from authorized companies. The retirement benefit provided within ORP is based on the accumulated contributions and rate of return earned during the course of the employee's career and does not include disability retirement benefits or death and survivor benefits. **Figure 198** shows the state and employee contribution rates since 1985.

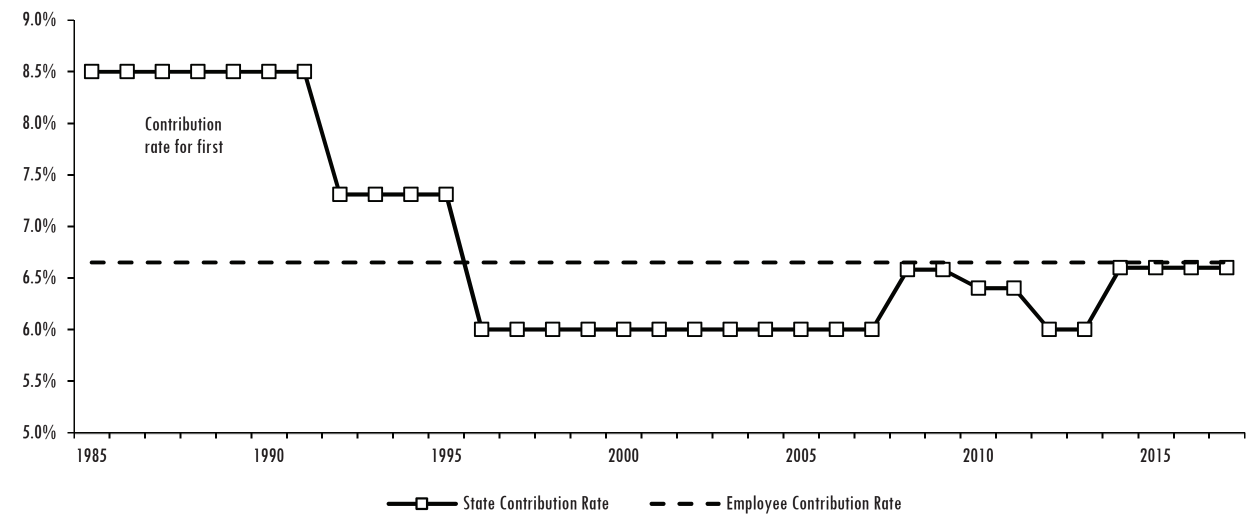
Each institution's governing board administers its own ORP, and vendor selections must be made from the employer's authorized list at the same time that ORP is elected. ORP participants assume full responsibility for monitoring their selected companies and investments. The ORP participant's benefit amount is directly dependent on the actual amounts

FIGURE 197
MEMBERSHIP FROM TWO-YEAR INSTITUTIONS COMPARED TO GENERAL ACADEMIC AND HEALTH-RELATED INSTITUTIONS (GAI/HRI), FISCAL YEARS 2005 TO 2014



SOURCE: Texas Higher Education Coordinating Board.

FIGURE 198
OPTIONAL RETIREMENT PROGRAM STATE AND EMPLOYEE CONTRIBUTION RATES, FISCAL YEARS 1985 TO 2015



SOURCE: Texas Higher Education Coordinating Board.

contributed. Because the defined contribution plan enables participants to manage their own personal investment accounts, no state provisions are made for improvement of benefits after termination (e.g., cost-of-living adjustments).

HIGHER EDUCATION COORDINATING BOARD

PURPOSE: Coordinate Texas higher education and administer various student financial aid, federal grant, and state-funded trusteed 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

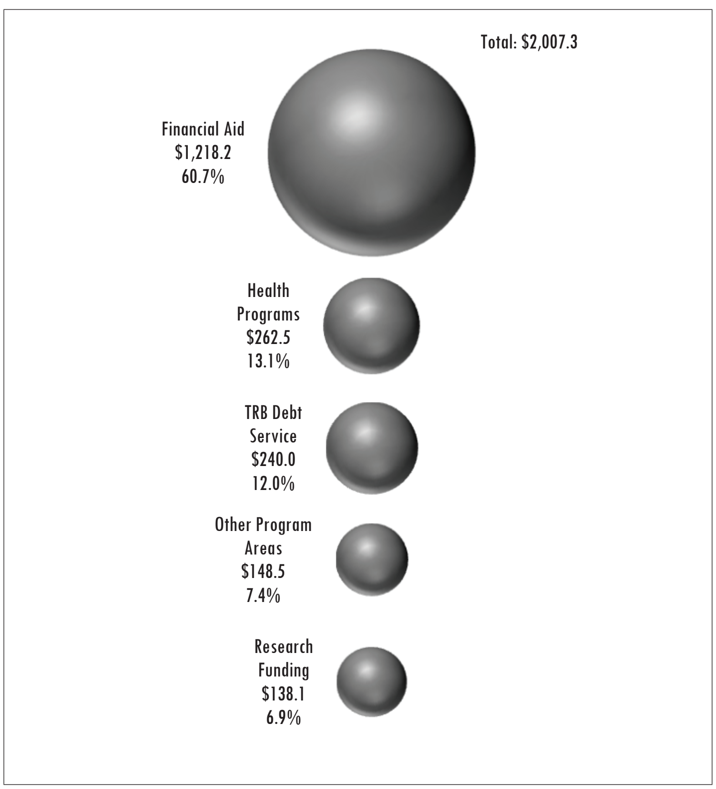
GOVERNANCE: Texas Higher Education Coordinating Board—nine members appointed by the Governor with advice and consent of the Senate

FIGURE 199
HIGHER EDUCATION COORDINATING BOARD BY METHOD OF FINANCE

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

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2016	265.4
2017	265.4

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

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

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

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

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

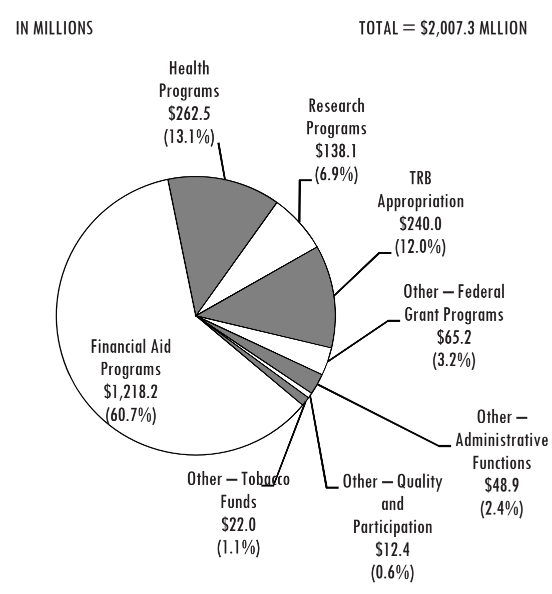
MAJOR FUNDING

Funding for the Texas Higher Education Coordinating Board (THECB) for the 2016–17 biennium totals $2,007.3 million, which is an increase of $471.9 million from the previous biennium. This funding includes an increase of $101.8 million in Financial Aid Programs, $57.7 million increase in Health Programs, $101.5 million increase in Research Programs, and $240.0 million for tuition revenue bond, as in GAA, Bond Review Board, Rider 2, appropriations. These increases were offset by a decrease of $29.1 million in other programs.

PROGRAMS

The agency carries out its responsibilities through four major program areas: (1) financial aid, which includes grant and scholarship funding for students attending public and private institutions of higher education; (2) research programs; (3) health programs, which includes Graduate Medical Education (GME) programs, loan repayment programs for healthcare professionals and funding for Baylor College of Medicine; and (4) appropriations for tuition revenue bond debt service for institutions of higher education that has been trusteed to the agency. The remaining funding includes programs aimed at increasing student participation and access, federally funding programs, and programs supported by tobacco funds and administrative functions. **Figure 200** shows the appropriations by program areas.

FIGURE 200
HIGHER EDUCATION COORDINATING BOARD APPROPRIATIONS, 2016–17 BIENNIUM

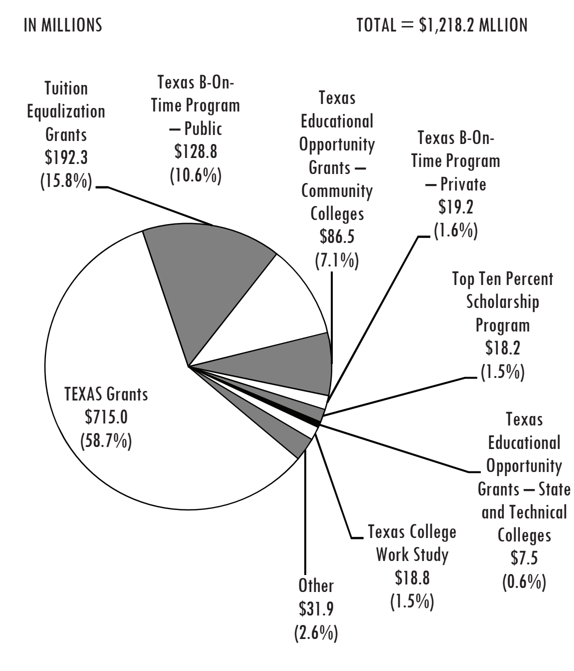


NOTE: TRB = tuition revenue bonds.
SOURCE: Legislative Budget Board.

FINANCIAL AID

Financial aid constitutes 60.7 percent of the funding appropriated to THECB in All Funds and 63.9 percent in General Revenue Funds and General Revenue–Dedicated Funds. This area includes programs that provide financial assistance to students attending public and private institutions of higher education. **Figure 201** shows the appropriations to these programs. The largest financial aid program is the Towards EXcellence, Access and Success (TEXAS) Grant Program. Appropriations for this program total $715.0 million, a $62.7 million increase in General Revenue Funds offset by a $31.0 million decrease in donations that were received by the agency in the 2014–15 biennium. Appropriations to the B-On-Time Public program total $128.8 million, an increase of $50.6 million in General Revenue–Dedicated Funds. The 2016–17 biennial appropriation amount includes $63.4 million to support renewal awards and $65.3 million in designated tuition

FIGURE 201
TEXAS HIGHER EDUCATION COORDINATING BOARD FINANCIAL AID PROGRAMS, 2016–17 BIENNIUM



NOTES:
(1) TEXAS Grants = Towards EXcellence, Access and Success Grants.
(2) Other includes funding for the Texas Science, Technology, Engineering, and Math (T-Stem) Challenge Scholarship Program, Texas Armed Forces Scholarship Program, Advise TX College Advising Program, Border Faculty Loan Repayment Program, Engineering Recruitment Program and License Plate Programs.
SOURCE: Legislative Budget Board.

setaside balances that will be returned to the public institutions of higher education in the 2016–17 biennium. The enactment of House Bill 700 eliminated the designated tuition set-aside and phases out the B-On-Time program across a five-year period. Appropriations to the B-On-Time Private program, which support students attending private institutions, total $19.2 million in General Revenue Funds, a decrease of $12.2 million, and will support renewal students only. Appropriations to the Tuition Equalization Grant Program total $192.3 million in General Revenue Funds, an increase of $12.2 million.

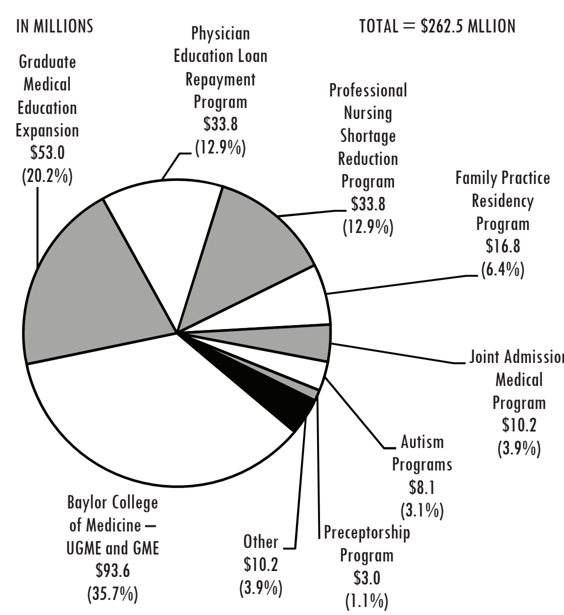
Appropriations to the Texas Educational Opportunity Grant Public Community College Program and the Texas Educational Opportunity Grants State and Technical Colleges Program are $86.5 million and $7.5 million, respectively, a total increase of $28.9 million from the previous biennium. The Texas Educational Opportunity Grant awards grants to students attending public community colleges. Texas Educational Opportunity Grants award grants to students attending Lamar State College – Orange; Lamar State College – Port Arthur; Lamar Institute of Technology; and the Texas State Technical Colleges. Appropriations to the Work Study Program total $18.8 million, which maintains 2014–15 biennial funding levels. The Top Ten Percent Scholarship program provides scholarships to qualifying students who graduate in the top 10.0 percent of their high school classes. Funding for the program is $18.2 million, which is a decrease of $21.4 million, and supports renewal students in the program during the 2016–17 biennium. These programs are supported by General Revenue Funds.

The Texas Science, Technology, and Match (T-STEM) Challenge Scholarship Program, which is supported through donations from the Texas Guaranteed Student Loan Corporation, is appropriated $13.0 million, which is a $7.2 million increase. The Teach for Texas Loan Repayment Program, which provides loan repayments to qualified teachers at preschool, primary, or secondary levels in Texas public schools, is funded at $7.0 million in General Revenue Funds, which is an increase of $2.6 million. This increase will support the Math and Science Scholars Loan Repayment Program during the 2016–17 biennium. Other financial aid programs at THECB include the Texas Armed Scholarships Program ($5.3 million), Advise TX Program ($4.0 million), Educational Aide Program ($1.5 million), Engineering Recruitment Program ($0.5 million), Border Faculty Loan Repayment Program ($0.4 million), and License Plate Programs ($0.2 million).

HEALTH PROGRAMS

Appropriations for the health-related programs, which include funding for Baylor College of Medicine, total $262.5 million for the 2016–17 biennium, an increase of $57.7 million. **Figure 202** shows the appropriations to these programs. This increase is primarily due to increased funding for the GME Expansion program. Total funding for the program is $53.0 million, which is an increase of $38.8 million. GME Expansion supports onetime graduate medical education planning and partnership grants, funding to enable new or existing GME programs to increase the number of first-year residency positions, funding for unfilled residency positions, and continuation awards for programs that received a grant award in fiscal year 2015. THECB was appropriated $16.8 million for the Family Practice Residency Program for the 2016–17 biennium, an increase of $4.0

FIGURE 202
TEXAS HIGHER EDUCATION COORDINATING BOARD
HEALTH PROGRAMS APPROPRIATIONS
2016–17 BIENNIUM



Notes:
(1) UGME = undergraduate medical education program; GME = graduate medical education program.
(2) Other includes Physician and Nursing Trauma Care ($4.5 million), Mental Health Care Professionals Loan Repayment Program ($2.1 million), Primary Care Innovation Grant Program ($2.1 million), Other Loan Repayment Program ($1.3 million), and Dental Education Loan Repayment Program ($0.2 million).

Source: Legislative Budget Board.

million. This appropriation includes $12.8 million in General Revenue–Dedicated Trauma Facility and EMS Account No. 5111 and $4.0 million in General Revenue Funds. THECB allocates the funds based on the certified number of residents training in each approved family practice residency program.

Appropriations for the Preceptorship Program total $3.0 million in General Revenue Funds. This program was last funded by the Legislature in the 2010–11 biennium. The program provides stipends to medical students who participate in the program as incentive for them to pursue careers in the primary care field. Appropriations for Autism Programs total $8.1 million, and supports autism research centers at institutions of higher education that currently provide evidence-based behavioral services and training.

In 1969, the Sixty-first Legislature, Regular Session, authorized THECB to contract with the Baylor College of Medicine, a private institution, for the education of undergraduate medical students who are Texas residents. The amount of funding Baylor College of Medicine receives is based on the average annual state tax support per undergraduate medical student at The University of Texas Medical Branch at Galveston and The University of Texas Southwestern Medical Center at Dallas. The Eighty-fourth Legislature, 2015, provided Baylor College of Medicine $78.0 million in General Revenue Funds for the 2016–17 biennium, an increase of $4.3 million. Baylor College of Medicine also receives funding for GME totaling $15.6 million in General Revenue Funds for the 2016–17 biennium, an increase of $3.7 million.

Appropriations to the Joint Admission Medical Program (JAMP) total $10.2 million in General Revenue Funds. The program provides assistance to select economically disadvantaged undergraduates enrolled in Texas general academic institutions. Such designated JAMP students are provided with ongoing educational support in preparation for medical school, including summer experiences on medical school campuses and medical college admissions test preparation. Successful students who progress through the undergraduate curriculum are guaranteed admission to a Texas medical school.

Funding for the Professional Nursing Shortage Reduction Program is $33.8 million in General Revenue Funds. The program includes three initiatives: (1) $5.6 million per fiscal year to institutions with nursing programs based on increases in numbers of nursing students graduating; (2) $7.7 million per fiscal year to institutions with graduation rates of 70.0 percent or greater (based on 2012 graduation rates) and increases in new enrollees (12.0 percent for fiscal year 2014 and 18.0 percent for fiscal year 2015) funded at a rate of $10,000 for each additional nursing student enrolled; and (3) an estimated $3.6 million per fiscal year to programs with graduation rates less than 70.0 percent, hospital-based programs, or new programs with graduation rates not determined, with $20,000 allocated for each additional registered nurse graduate in two-year programs and $10,000 for each additional graduate in a one-year program.

Other health programs include the Physician and Nursing Trauma Care Program ($4.5 million), Mental Health Care Professionals Loan Repayment Program ($2.1 million), Primary Care Innovation Grant Program ($2.1 million), Other Loan Repayment Program ($1.3 million), and Dental Education Loan Repayment Program ($0.2 million).

RESEARCH PROGRAMS

Appropriations to the Texas Research Incentive Program, which matches certain gifts at emerging research universities, total $138.1 million, which is an increase of $102.5 million in All Funds. This increase includes $9.0 million from the General Revenue–Dedicated Emerging Technology Fund. Appropriations for the Advanced Research Program, which is a competitive peer-reviewed grant program, were discontinued in the 2016–17 biennium.

TUITION REVENUE BOND DEBT SERVICE

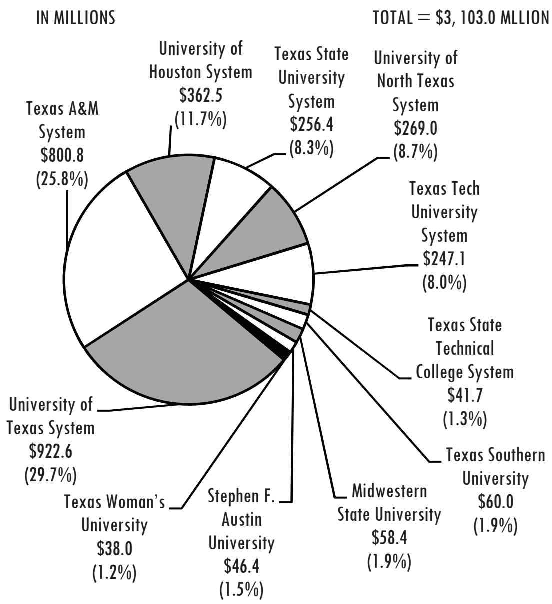
Appropriations to reimburse institutions for debt service associated with new tuition revenue bonds authorized by House Bill 100, Eighty-fourth Legislature, 2015, total $240.0 million in fiscal year 2017. This appropriation was trusteed to THECB, which will develop rules for allocating to the institutions that had projects authorized by the legislation. House Bill 700, Eighty-fourth Legislature, 2015, authorized $3.1 billion in new tuition revenue bond projects for institutions of higher education. **Figure 203** shows the distribution of these projects across system offices and independent institutions.

OTHER PROGRAM AREAS

PROGRAMS TO IMPROVE QUALITY AND PARTICIPATION

Appropriations to the Developmental Education Program total $4.0 million in General Revenue Funds. Of this amount, $2.4 million will be transferred to The University of Texas at Austin for the Mathways project, which is a

FIGURE 203
HOUSE BILL 100, EIGHTY-FOURTH LEGISLATURE, 2015, TUITION REVENUE BOND PROJECTS



Source: Legislative Budget Board.

partnership between the university and community colleges aimed at improving student success. Appropriations to the Centers for Teacher Education, Texas Teacher Residency Program and Accelerate Community College Grants total $3.0 million, $1.3 million, and $4.0 million, respectively, which equals the 2014–15 biennial expenditure levels. House Bill 1025, Eighty-second Legislature, Regular Session, 2013, appropriated $30.0 million in General Revenue Funds to THECB to reimburse institutions for foregone tuition tied to the Hazlewood tuition exemption program. The Hazlewood Exemption provides an exemption for veterans and, in certain cases, qualified spouses or dependents, for tuition and required fees at Texas institutions of higher education. The Eighty-fourth Legislature, 2015, appropriated this funding to the Texas Veterans Commission for the 2016–17 biennium.

FEDERAL GRANT PROGRAMS

The total funding to the agency for the 2016–17 biennium is $65.2 million in Federal Funds, which is an increase of $2.1 million due to increased funding for the Career and Technical Education Program, which is the largest federal program. Total funding for the program is $55.2 million in the 2016–17 biennium. This program is funded by the federal Carl D. Perkins Vocational and Technical Education Act for the improvement of vocational and technical programs at postsecondary institutions. The funding is trusteed to THECB from the State Board of Education through the U.S. Department of Education.

TOBACCO FUNDS

Legislation passed by the Seventy-sixth Legislature, 1999, established several General Revenue–Dedicated Funds, including the Permanent Health Fund for Higher Education; permanent endowments for each of the individual health-related institutions; the Permanent Fund for Higher Education Nursing, Allied Health, and Other Health-related Programs; and the Permanent Fund for Minority Health Research and Education. THECB provides grants from the Permanent Fund for Higher Education Nursing, Allied Health, and Other Health-related Programs to public institutions that offer upper-level instruction and training in nursing, allied health, or other health-related education. THECB provides grants from the Permanent Fund for Minority Health Research and Education to institutions, including Centers for Teacher Education, that conduct research or educational's programs that address minority health issues or that form partnerships with minority organizations, colleges, or universities to conduct research and educational programs to address minority health issues. The total funding for these two programs is $15.3 million. Additionally, THECB is trusteed Baylor College of Medicine's endowment fund and Baylor College of Medicine's share of the Permanent Health Fund. Allocations for these two funds total $6.7 million for the 2016–17 biennium.

ADMINISTRATIVE FUNCTIONS

THECB has two administrative functions: Coordinate Higher Education and Indirect Administration. The Coordinate Higher Education goal includes funding for such activities as the College for Texans campaign, which provides financial aid information to students and parents, and reviews of degree programs. The Indirect Administration goal includes the Commissioner of Higher Education's Office, accounting services, and network operations. Total funding for these goals for the 2016–17 biennium is $48.9 million in All Funds, a decrease of $1.0 million primarily due to a $2.4 million decrease in General Revenue–Dedicated Funds tied to the B-On-Time Loan Program, which were used for administrative functions in the 2014–15 biennium, but not appropriated in the administrative goals in the 2016–17 biennium, offset by at $1.4 million increase in

General Revenue Funds appropriations for operating and maintaining the Centralized Accounting and Payroll/ Personnel System (CAPPS).

SIGNIFICANT LEGISLATION

House Bill 7 – Physician Education Loan Repayment Program (PELRP). The enactment of HB 7 amends the Texas Tax Code, Chapter 155, to redirect the smokeless tobacco products allocation deposited to the General Revenue–Dedicated PELRP Account No. 5144 to the General Revenue Fund, if the Comptroller of Public Accounts determines that the unencumbered beginning balance in the PELRP account is sufficient to fund appropriations to existing and expected physician education loan repayment commitments during the current state fiscal biennium.

House Bill 100 – Tuition revenue bonds. The enactment of HB 100 authorizes the issuance of $3.1 billion in tuition revenue bonds to fund capital projects at public institutions of higher education. The Legislature appropriated $240.0 million in General Revenue Funds to the Higher Education Coordinating Board in fiscal year 2017 for distribution to the institutions for debt service on the authorized tuition revenue bonds.

House Bill 700 – B-On-Time Loan Program. The enactment of HB 100 phases out the B-On-Time Loan Program over the next five years and abolishes the General Revenue–Dedicated Texas B-On-Time Account effective September 1, 2020. The remaining B-On-Time balances will be allocated to institutions of higher education based on a formula adopted by the Higher Education Coordinating Board. B-On-Time loans will be provided only to students who received an initial loan before the 2015–16 academic year. The bill eliminates the requirement that institutions of higher education set aside 5.0 percent of designated tuition to support the program.

House Bill 2396 – Medical school and law school tuition set-asides. The enactment of HB 2396 repeals the statutory requirement that medical units of institutions of higher education set aside 2.0 percent of tuition charged to students registered in a medical branch or school. Previously, 50.0 percent of the funds collected from this set-aside were deposited in the General Revenue–Dedicated Funds Physician Education Loan Repayment Program Account No. 5144, and 50.0 percent were deposited in the General Revenue Fund. The bill also repeals the statutory requirement that public schools of law set aside 1.0 percent of tuition charges for resident students enrolled in a school of law.

Senate Bill 18 – Measures to support or enhance Graduate Medical Education (GME). The enactment of SB 18 modifies and establishes several GME Programs administered by the Higher Education Coordinating Board, including the following:

- grants for unfilled residency positions, which can be made available for first-year residency positions that were unfilled as of July 1, 2013;
- grants for new or existing GME programs to increase the number of first-year residency programs; grant amounts are awarded for the duration of the period in which the resident who initially fills the residency position continues to hold the position;
- onetime GME planning and partnership grants to hospitals, medical schools, and community-based ambulatory patient care centers to develop new GME programs;
- continuation of grants awarded through the new and expanded GME programs in fiscal year 2015; and
- establishment of the Permanent Fund Supporting Graduate Medical Education, a special fund in the Treasury outside the General Revenue Fund that consists of funds transferred or appropriated by the Legislature, gifts and grants contributed to the fund, and investment returns.

Senate Bill 239 – Mental Health Professional Loan Repayment program. The enactment of SB 239 establishes a loan repayment assistance program for certain mental health professionals. Pursuant to the legislation, repayment assistance may not be received for more than five years, and certain criteria regarding the total amount of repayment assistance and type of mental health service would apply.

Senate Bill 686 – Math and Science Scholars Loan Repayment program. The enactment of SB 686 repeals the prohibition that the Texas Legislature may not appropriate General Revenue Funds to support the Math and Science Scholars Loan Repayment program.

GENERAL ACADEMIC INSTITUTIONS

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

ESTABLISHED: Various

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

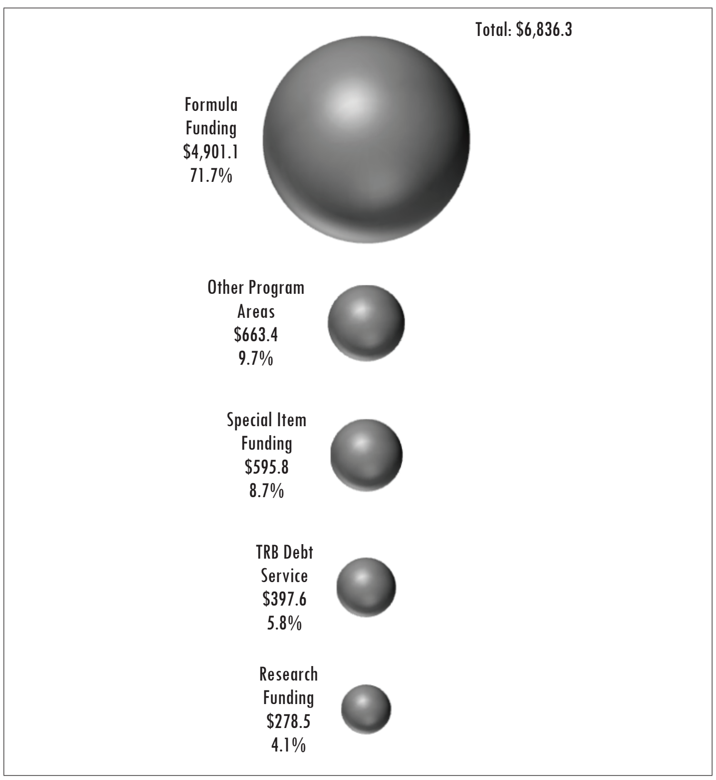
GOVERNANCE: Nine-member boards of regents appointed by the Governor with the advice and consent of the Senate

FIGURE 204
GENERAL ACADEMIC INSTITUTIONS BY METHOD OF FINANCE

	IN MILLIONS			
METHOD OF FINANCE	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$4,394.2	$4,786.6	$392.4	8.9%
General Revenue–Dedicated Funds	$2,019.7	$2,032.5	$12.9	0.6%
Federal Funds	$0.0	$0.0	$0.0	N/A
Other Funds	$14.9	$17.1	$2.2	14.9%
Total, All Methods of Finance	**$6,428.8**	**$6,836.3**	**$407.5**	**6.3%**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2016	44,402.2
2017	44,399.0

INSTITUTION PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

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

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

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

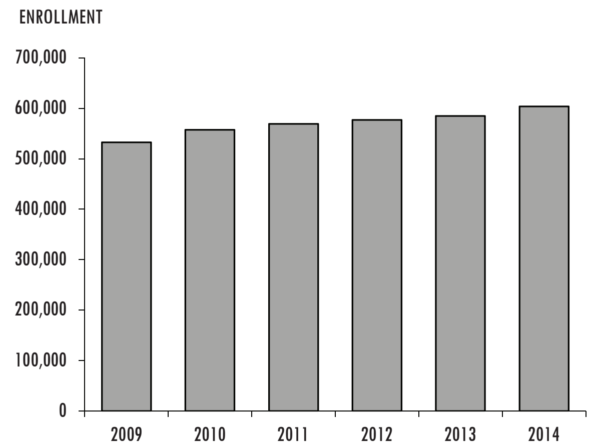
MAJOR FUNDING

Appropriations for the 2016–17 biennium for the general academic institutions total $6.8 billion in All Funds, an increase of $415.8 million from the 2014–15 biennial funding level. Appropriations of General Revenue Funds for the 2016–17 biennium total $4.8 billion, an increase of $400.7 million. General Revenue–Dedicated Funds include income from tuition and student fees and total $2.0 billion for the 2016–17 biennium. Appropriations for the general academic institutions also include $17.1 million in Other Funds. Additionally, general academic institutions are provided state support outside of their bill patterns in other portions of the General Appropriations Act, such as appropriations for Higher Education Employees Group Insurance, the Available University Fund, the Available National Research University Fund, and the Permanent Fund Supporting Military and Veterans Exemptions.

PROGRAMS

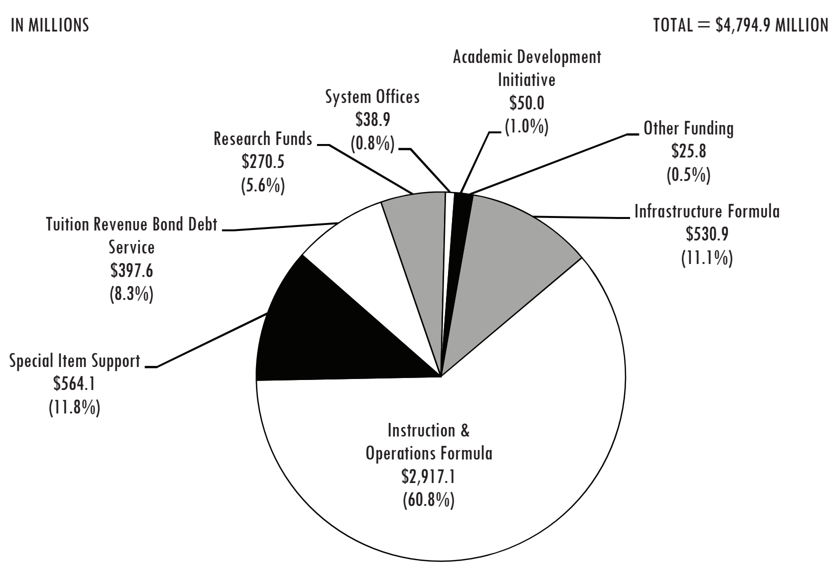
The 37 general academic institutions and six university system offices carry out their responsibilities through five major program areas: (1) formula funding; (2) special item funding; (3) other program areas; (4) tuition revenue bond debt service; and (5) research funding. **Figure 205** shows the enrollment trend from academic years 2009 through 2014 at the general academic institutions. **Figure 206** shows the appropriations of General Revenue Funds by function for the general academic institutions and the six university system offices. Additionally, **Figure 207** shows the All Funds appropriation level for each of the general academic systems.

FIGURE 205
GENERAL ACADEMIC INSTITUTIONS HEADCOUNT ACADEMIC YEARS 2009 TO 2014



SOURCE: Texas Higher Education Coordinating Board.

FIGURE 206
GENERAL ACADEMIC INSTITUTIONS APPROPRIATIONS BY FUNCTION, GENERAL REVENUE FUNDS, 2016–17 BIENNIUM



NOTE: Other funding includes appropriations of General Revenue Funds for workers' and unemployment compensation insurance and for the lease of facilities.
SOURCE: Legislative Budget Board.

FIGURE 207
ALL FUNDS APPROPRIATIONS FOR GENERAL ACADEMIC INSTITUTIONS AND SYSTEM OFFICES, 2016–17 BIENNIUM

INSTITUTION	IN MILLIONS APPROPRIATIONS	INSTITUTION	IN MILLIONS APPROPRIATIONS
The University of Texas at Arlington	$341.3	Midwestern State University	$50.7
The University of Texas at Austin	$815.7	Stephen F. Austin State University	$113.8
The University of Texas at Dallas	$296.0	Texas Southern University	$151.4
The University of Texas at El Paso	$222.4	Texas Woman's University	$145.1
The University of Texas Rio Grande Valley	$262.5	**Subtotal, Independent Universities**	**$461.0**
The University of Texas of the Permian Basin	$72.7		
The University of Texas at San Antonio	$284.3	University of North Texas	$319.2
The University of Texas at Tyler	$83.4	University of North Texas at Dallas	$33.6
The University of Texas System Office	$20.5	University of North Texas System Office	$13.9
Subtotal, The University of Texas System	**$2,398.7**	**Subtotal, University of North Texas System**	**$366.7**
Texas A&M University	$812.8	Texas Tech University	$422.5
Texas A&M University at Galveston	$45.0	Angelo State University	$69.2
Prairie View A&M University	$128.5	Texas Tech University System Office	$2.9
Tarleton State University	$108.9	**Subtotal, Texas Tech University System**	**$494.6**
Texas A&M University – Central Texas	$35.0		
Texas A&M University – Corpus Christi	$123.7	Lamar University	$132.6
Texas A&M University – Kingsville	$108.1	Sam Houston State University	$172.1
Texas A&M University – San Antonio	$59.5	Texas State University	$300.1
Texas A&M International University	$79.4	Sul Ross State University	$29.8
West Texas A&M University	$87.7	Sul Ross State University Rio Grande College	$11.9
Texas A&M University – Commerce	$110.1	Texas State University System Office	$2.9
Texas A&M University – Texarkana	$40.8	**Subtotal, Texas State University System**	**$649.4**
Texas A&M University System Office	$1.7	**TOTAL**	**$6,844.6**
Subtotal, Texas A&M University System	**$1,741.3**		
University of Houston	$468.4		
University of Houston – Clear Lake	$90.1		
University of Houston – Downtown	$82.5		
University of Houston – Victoria	$42.8		
University of Houston System Office	$49.0		
Subtotal, University of Houston System	**$732.9**		

SOURCE: Legislative Budget Board.

FORMULA FUNDING

General academic institutions receive funding through two main formulas and two supplemental formulas. The Instruction and Operations (I&O) formula provides funding for faculty salaries, administration, student services, and other support based on weighted semester-credit hours. General academic institutions also receive the Teaching Experience Supplement, which provides additional funding for undergraduate semester credit hours taught by tenured and tenure-track faculty. Semester credit hours are weighted on a cost-based funding matrix for the I&O formula. The matrix used for the 2016–17 biennium is based on the most recent expenditure study from the Texas Higher Education Coordinating Board (THECB). The Eighty-fourth Legislature, 2015, continued the policy of calculating Texas A&M University at Galveston's formula appropriations based on a recommendation from THECB that was adopted by the Eightieth Legislature, 2007, to recognize the university's statutory mission serving as the state's marine and maritime institution. This policy increases the funding for the university's I&O goal by 50.0 percent, and includes its ship space in the Infrastructure Support formula. The Eighty-fourth Legislature, provided I&O formula funding at a rate of $55.39 per weighted semester credit hour for the 2016–17 biennium. Appropriations in the 2016–17 biennium for the I&O formula total $3.9 billion in General Revenue Funds and General Revenue–Dedicated Funds (Other Educational and General Income) across the general academic institutions. Additionally, I&O are augmented by $224.8 million in Board Authorized Tuition.

The Infrastructure Support formula provides funding for physical plant and utilities based on THECB's space projection model determination of predicted square feet needed for educational and general activities. Within the Infrastructure Support formula, approximately 43.5 percent of infrastructure funding is allocated for utilities, and the remaining 56.5 percent is allocated for other maintenance and operations. Additionally, institutions with a headcount of less than 10,000 students also receive the Small Institution Supplement. The supplement totals $1.5 million for the biennium for each institution with less than a 5,000 student headcount. Institutions with headcounts that range from 5,000 to 10,000 students receive an appropriation that decreases from $1.5 million with each additional student. The Eighty-fourth Legislature, 2015, provided an Infrastructure Support rate of $5.62 per predicted square foot. Appropriations to the general academic institutions from the Infrastructure Support formula total $734.2 million in General Revenue Funds and General Revenue–Dedicated Funds for the 2016–17 biennium.

Figure 208 shows the General Revenue Funds formula funding amounts by institution.

FIGURE 208
GENERAL ACADEMIC INSTITUTIONS GENERAL REVENUE FUNDS FORMULA FUNDING, 2016–17 BIENNIUM

INSTITUTION	IN MILLIONS FUNDING
The University of Texas at Arlington	$173.7
The University of Texas at Austin	$418.1
The University of Texas at Dallas	$141.0
The University of Texas at El Paso	$113.5
The University of Texas Rio Grande Valley	$132.3
The University of Texas of the Permian Basin	$21.2
The University of Texas at San Antonio	$130.1
The University of Texas at Tyler	$40.7
Subtotal, The University of Texas System	**$1,170.5**
Texas A&M University	$480.8
Texas A&M University at Galveston	$23.0
Prairie View A&M University	$40.0
Tarleton State University	$54.5
Texas A&M University – Central Texas	$12.5
Texas A&M University – Corpus Christi	$53.1
Texas A&M University – Kingsville	$53.3
Texas A&M University – San Antonio	$21.4
Texas A&M International University	$31.5
West Texas A&M University	$42.7
Texas A&M University – Commerce	$64.1
Texas A&M University – Texarkana	$10.1
Subtotal, Texas A&M University System	**$886.8**
University of Houston	$255.6
University of Houston – Clear Lake	$45.3
University of Houston – Downtown	$42.0
University of Houston – Victoria	$20.9
Subtotal, University of Houston System	**$363.7**
Midwestern State University	$27.6
Stephen F. Austin State University	$57.9
Texas Southern University	$44.2
Texas Woman's University	$74.4
Subtotal, Independents	**$204.1**
University of North Texas System Administration	$2.3
University of North Texas	$188.3
University of North Texas at Dallas	$9.6
Subtotal, University of North Texas System	**$200.1**
Texas Tech University	$240.6
Angelo State University	$29.2
Subtotal, Texas Tech University System	**$269.7**
Lamar University	$81.8
Sam Houston State University	$89.0
Texas State University	$166.0
Sul Ross State University	$11.9
Sul Ross State University Rio Grande College	$4.4
Subtotal, Texas State University System	**$353.0**
TOTAL, GENERAL ACADEMIC INSTITUTIONS	**$3,448.0**

SOURCE: Legislative Budget Board.

SPECIAL ITEMS

General academic institutions also receive funding through special item support. Special items include Institutional Enhancement and direct appropriations to institutions for projects that are not funded by formula but are specifically identified by the Legislature for support. All existing revenue-neutral special items and Small Business Development Center strategies were maintained at 2014–15 biennial appropriated levels, contingent on certification by the Comptroller of Public Accounts of sufficient revenues to the General Revenue Fund. Appropriations to the general academic institutions and six university system offices for special item funding total $565.3 million in General Revenue Funds for the 2016–17 biennium.

In addition to maintaining funding for existing special items, additional appropriations of $80.1 million were provided for special items at general academic institutions and system offices in the 2016–17 biennium. The additional special items funded ranged from $0.2 million for Community Development at Prairie View A&M University to $20.0 million for College Readiness at The University of Texas at Austin.

OTHER PROGRAM AREAS

Other program area funding for the general academic institutions includes staff group insurance, workers' compensation insurance, organized activities, academic development initiative, funding for the lease of facilities, system office operations, and Texas Public Education Grants. Institutions receive General Revenue–Dedicated Funds, consisting of other educational and general income, in staff group insurance amounts for staff whose salaries are not paid with General Revenue Funds. According to statute (the Texas Education Code, Chapter 56, Subchapter C, and the Texas Education Code, Section 54.051), institutions must set aside a portion of tuition revenue for Texas Public Education Grants. Fifteen percent of each resident student's tuition and 3.0 percent of each nonresident student's tuition are set aside for financial aid to students at the institution.

Unemployment insurance and workers' compensation insurance was maintained at the 2014–15 biennial appropriated level. System office operations funding was maintained at the 2014–15 biennial appropriated levels for four of the six system offices. The University of Texas System Administration and the Texas A&M University System Administrative and General Offices were not provided direct appropriations for system office operations but receive support through the Available University Fund. Appropriations for the Academic Development Initiative total $50.0 million for the 2016–17 biennium, reflecting an increase of $8.4 million, and are provided to Prairie View A&M University and Texas Southern University. Total appropriations for other program areas in the 2016–17 biennium is $663.4 million in All Funds.

TUITION REVENUE BOND DEBT SERVICE

After tuition revenue bonds are authorized by the Legislature and approved by the Texas Bond Review Board, institutions can issue these bonds and make debt payments. Legislative practice has been to use General Revenue Funds to reimburse institutions for the costs related to this debt service. Appropriations for tuition revenue bond debt service for the general academic institutions total $397.6 million for the 2016–17 biennium. Additionally, the Eighty-fourth Legislature, 2015, provided $240.0 million in General Revenue Funds to the Texas Higher Education Coordinating Board to reimburse debt service for newly authorized projects established by House Bill 100, Eighty-fourth Legislature, 2015.

RESEARCH FUNDING

The Legislature provides direct support for research to the institutions through various funding formulas for (1) the Texas Research University Fund; (2) the Core Research Support Fund; and (3) the Comprehensive Research Fund.

The purpose of the Texas Research University Fund is to provide funding to eligible research universities to support faculty to ensure excellence in instruction and research. The Texas Education Code, Section 62.051, establishes that to be eligible for the Texas Research University Fund, an institution must be defined as a research university under the Higher Education Coordinating Board's accountability system and have total annual research expenditures in an average annual amount of not less than $450.0 million for three consecutive fiscal years. Institutions currently eligible for the Texas Research University Fund are The University of Texas at Austin and Texas A&M University. Total appropriations for the Texas Research University Fund are $147.1 million in All Funds in the 2016–17 biennium. This includes $8.0 million from the General Revenue–Dedicated Emerging Technology Account No. 5124.

The Legislature established the Core Research Support Fund to provide funding to promote increased research capacity at emerging research universities. The Texas Education Code, Section 62.132, provides that to be eligible for the Core Research Support Fund, an institution must be defined as an emerging research university in accordance with THECB's accountability system. Funding for core research support is allocated based on a funding formula of eligible institutions' three-year average of total restricted research expenditures and total annual research expenditures. Total appropriations for the Core Research Support Fund provide $117.1 million in the 2016–17 biennium to the state's eight emerging research universities.

The Comprehensive Research Fund provides funding to promote increased research capacity at eligible general academic teaching institutions. The Texas Education Code, Section 62.092, establishes that general academic institutions are eligible to receive funding through the Comprehensive Research Fund if they are not eligible to receive funding from either the Texas Research University Fund or the Core Research Support Fund. Funding is allocated based on a three-year average of eligible institutions' total restricted research expenditures. Total appropriations for the Comprehensive Research Fund are $14.3 million in General Revenue Funds for the 2016–17 biennium.

State support for research at general academic institutions is not limited solely to appropriations made directly in their bill patterns. (See the Texas Higher Education Coordinating Board sections regarding the Texas Research Incentive Program and the National Research University Fund, and Chapter 4. General Government section for the new Governor's University Research Initiative.)

SIGNIFICANT LEGISLATION

House Bill 18 – Postsecondary education and career counseling academies. The enactment of HB 18 requires the Center for Teaching and Learning at The University of Texas at Austin to develop and make available postsecondary education and career counseling academies for school counselors and other postsecondary advisors employed by school district middle schools, junior high schools, or high schools. The University of Texas at Austin received $20.0 million in special item support to implement the provisions of House Bill 18 in the 2016–17 biennium.

House Bill 100 – Tuition revenue bond authorization. The enactment of HB 100 authorizes the issuance of tuition revenue bonds, not to exceed $3.1 billion, to fund 64 projects at institutions across all six university systems, the four independent general academic institutions, the Lamar State Colleges, and the Texas State Technical Colleges. The Eighty-fourth Legislature, 2015, appropriated $240.0 million in General Revenue Funds in fiscal year 2017 to THECB to distribute to institutions of higher education to pay the debt service on projects authorized in House Bill 100.

House Bill 1000 – Research support for general academic institutions. The enactment of HB 1000 repeals the Texas Competitive Knowledge Fund and the Research Development Fund and in their place establishes and sets eligibility requirements for the Texas Research University Fund, the Comprehensive Research Fund, and the Core Research Support Fund. Total appropriations for the three research funds provide $278.5 million in General Revenue Funds in the 2016–17 biennium.

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

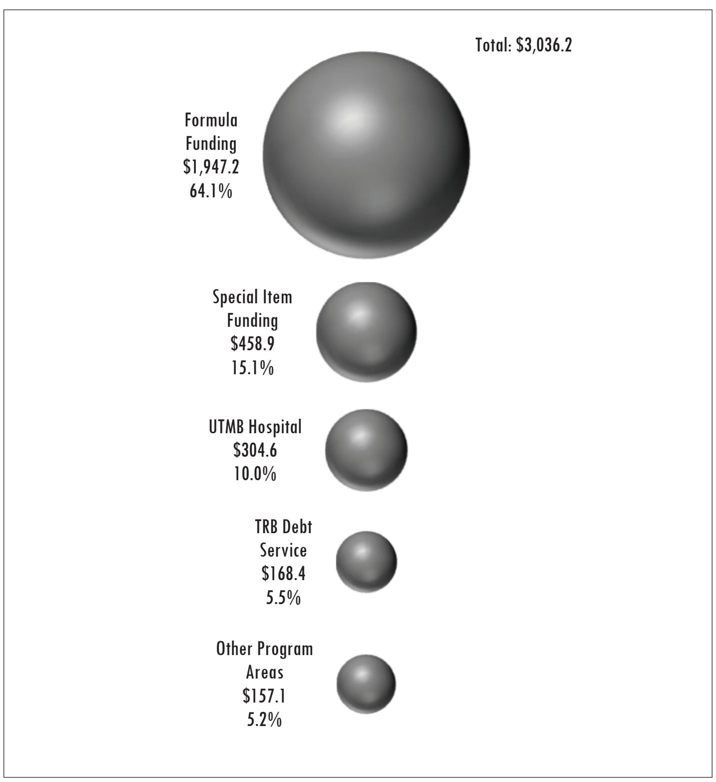
GOVERNANCE: Board of Regents of each respective university system, appointed by the Governor and confirmed by the Senate

FIGURE 209
HEALTH RELATED INSTITUTIONS BY METHOD OF FINANCE

	IN MILLIONS			
METHOD OF FINANCE	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$2,540.9	$2,742.8	$201.9	7.9%
General Revenue–Dedicated Funds	$188.4	$183.7	($4.6)	(2.5%)
Federal Funds	$0.0	$0.0	$0.0	N/A
Other Funds	$136.8	$109.7	($27.2)	(19.9%)
Total, All Methods of Finance	**$2,866.1**	**$3,036.2**	**$170.1**	**5.9%**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2016	12,659.2
2017	12,627.1

INSTITUTION PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

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

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

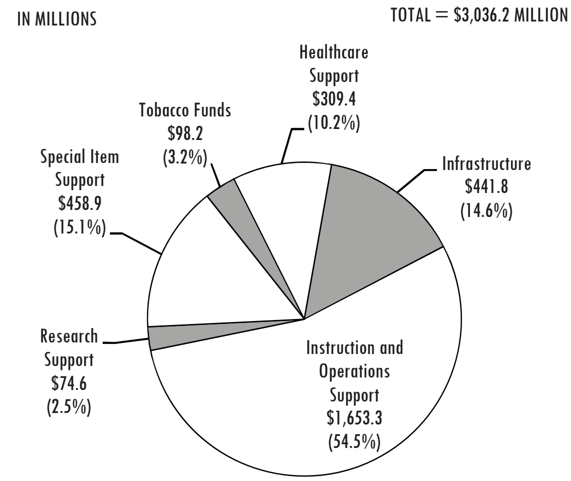
Funding includes **$61.4 million** in General Revenue Funds for the UT Rio Grande Valley School of Medicine.

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

MAJOR FUNDING

Appropriations for the 2016–17 biennium for the health related institutions total $3,036.2 million in All Funds, an increase of $170.1 million from 2014–15 biennial funding level. Appropriations of General Revenue Funds for the 2016–17 biennium total $2,742.8 million, an increase of $201.9 million from the 2014–15 biennial funding level. General Revenue Funds and General Revenue–Dedicated Funds appropriations total $2,926.5 million, or 96.4 percent of total appropriations for the 2016–17 biennium. General Revenue–Dedicated Funds include income from tuition and student fees. Appropriations for health related institutions also include $109.7 million in Other Funds, which are primarily tobacco settlement endowment funds. **Figure 210** shows appropriations for the health related institutions by goal and **Figure 211** shows the distribution of funding among the institutions.

FIGURE 210
HEALTH RELATED INSTITUTIONS ALL FUNDS APPROPRIATIONS BY GOAL, 2016–17 BIENNIUM



SOURCE: Legislative Budget Board.

FIGURE 211
COMPARISON OF HEALTH RELATED INSTITUTIONS APPROPRIATIONS, 2014–15 AND 2016–17 BIENNIA

IN MILLIONS	GENERAL REVENUE FUNDS			ALL FUNDS		
INSTITUTION	2014–15 BIENNIUM	2016–17 BIENNIUM	PERCENTAGE CHANGE	2014–15 BIENNIUM	2016–17 BIENNIUM	PERCENTAGE CHANGE
UT Southwestern Medical Center	$278.8	$306.2	9.8%	$306.2	$332.5	8.6%
UT Medical Branch at Galveston	$514.9	$516.9	0.4%	$561.7	$559.3	(0.4%)
UT Health Science Center at Houston	$326.7	$333.6	2.1%	$378.2	$384.4	1.6%
UT Health Science Center at San Antonio	$284.8	$262.9	(7.7%)	$330.9	$308.4	(6.8%)
UT M.D. Anderson Cancer Center	$343.4	$370.3	7.9%	$366.7	$388.7	6.0%
UT Health Science Center at Tyler	$74.0	$91.8	24.1%	$80.5	$98.1	21.9%
UT Rio Grande Valley School of Medicine	$0	$61.4	N/A	$0.0	$63.8	N/A
Texas A&M University System Health Science Center	$238.6	$264.7	10.9%	$275.4	$299.0	8.6%
University of North Texas Health Science Center at Fort Worth	$140.7	$166.3	18.2%	$168.5	$191.3	13.5%
Texas Tech University Health Sciences Center	$339.0	$242.4	(28.5%)	$398.0	$274.8	(31.0%)
Texas Tech University Health Sciences Center at El Paso	$0.0	$126.2	N/A	$0.0	$135.8	N/A
TOTAL	**$2,540.9**	**$2,742.8**	**7.9%**	**$2,866.1**	**$3,036.2**	**5.9%**

NOTES:
(1) UT = The University of Texas System.
(2) The 2014–15 biennium totals include supplemental funding from House Bill 2, Eighty-fourth Legislature, 2015.
SOURCE: Legislative Budget Board.

Patient income, which is revenue that is generated through the operation of a hospital, clinic, or dental clinic (inpatient and outpatient charges), is not appropriated to the health related institutions, but instead is shown in informational riders in the General Appropriations Act for the affected institutions, which continue to receive this funding.

The Texas Higher Education Coordinating Board (THECB) contracts with Baylor College of Medicine (BCM), a private institution, to provide funding for its undergraduate and graduate medical students. BCM receives funding based on the average cost per undergraduate medical student enrolled at The University of Texas Medical Branch (UTMB) at Galveston and The University of Texas Southwestern Medical Center (UTSWMC). Appropriations of General Revenue Funds for BCM's undergraduate medical education total $78.0 million in General Revenue Funds for the 2016–17 biennium, an increase of $4.3 million from the 2014–15 biennial funding levels. Appropriations of General Revenue Funds for BCM's graduate medical education total $15.6 million for the 2016–17 biennium and are funded through the Graduate Medical Education formula.

PROGRAMS

Texas has four university health science systems, and within those systems, a total of 10 health related institutions accept students. Two new medical schools, The University of Texas at Austin Dell Medical School and The University of Texas Rio Grande Valley (UTRGV) School of Medicine, are expected to begin accepting students in fall 2016. State funding for health related institutions includes appropriations to 11 institutions. Included in these appropriations is funding through a new bill pattern for Texas Tech Health Sciences Center (TTUHSC) at El Paso and funding appropriated to UTRGV for the establishment of a school of medicine. Health related institutions receive state funding through five major funding areas: (1) formula funding; (2) special items; (3) UTMB hospital; (4) tuition revenue bond debt service; and (5) other program areas.

FORMULA FUNDING

Formula funding appropriations for the 2016–17 biennium total $1,947.2 million in All Funds, an increase of $146.9 million from 2014–15 biennial funding levels. This funding includes General Revenue Funds and General Revenue–Dedicated Funds, including Board Authorized Tuition, and does not include appropriations to BCM. Approximately 64.1 percent of All Funds appropriations to the institutions for the 2016–17 biennium is included in the formula funding strategies. The formulas are intended to provide for an equitable allocation of funds among the institutions and to establish the level of funding to adequately support higher education. The six formulas consist of the following:

- Instruction and Operations (I&O) Support formula;
- Infrastructure Support formula;
- Research Enhancement formula;
- Graduate Medical Education (GME) formula;
- Cancer Center Operations formula; and
- Chest Disease Center Operations formula.

The method of financing for the I&O Support formula and for the Infrastructure Support formula is based on General Revenue Funds and General Revenue–Dedicated Funds (tuition and fees). The difference between the total formula allocation and the institution's estimated tuition income is funded with General Revenue Funds. For the 2016–17 biennium, appropriations of General Revenue Funds for formula funding totaled $1,806.0 million, an increase of $126.0 million from the 2014–15 biennial funding levels.

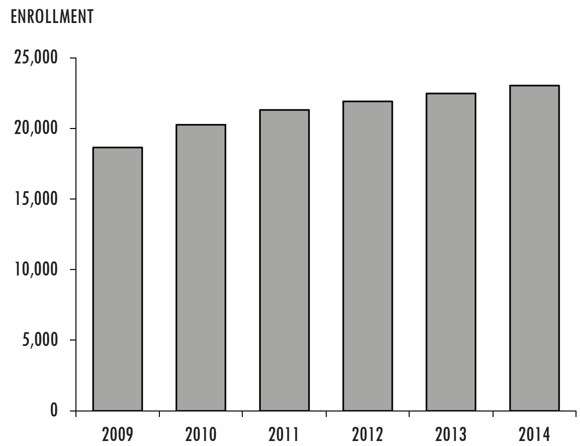
INSTRUCTION AND OPERATIONS SUPPORT

The Instruction and Operations Support formula provides funding for the ongoing academic and administrative programs of the institutions. Appropriations for the I&O Support formula for the 2016–17 biennium total $1,213.8 million, an increase of $86.4 million from the 2014–15 biennial funding levels. These appropriations are allocated to institutions per full-time student equivalent (FTSE) with a funding weight predicated on the student's instructional program. General Revenue Funds for the 2016–17 biennium account for 89.9 percent, or $1,091.2 million of the formula; General Revenue–Dedicated Funds (mostly tuition and fees) account for 10.1 percent. In addition, instructional programs with enrollments of less than 200 students at remote individual campuses receive a Small Campus Supplement, which is additional funding to compensate for diseconomies of scale. The additional funding is on a sliding scale, with programs that have small enrollments receiving more additional funding per student. **Figure 212** shows the total fall headcount at health related institutions from 2009 to 2014.

INFRASTRUCTURE SUPPORT

All of the health related institutions are responsible for maintaining physical facilities and equipment, providing

FIGURE 212
HEALTH RELATED INSTITUTION FALL HEADCOUNT ENROLLMENT, ACADEMIC YEARS 2009 TO 2014



SOURCE: Texas Higher Education Coordinating Board.

direct support of the institutional educational and research missions, and providing adequate utilities to operate the institutions' facilities. The Infrastructure Support formula provides funding for the maintenance and operation, including utilities, of the institutions' physical plants. Appropriations for the Infrastructure Support formula for the 2016–17 biennium total $265.4 million, an increase of $17.1 million from the 2014–15 biennial funding levels. General Revenue Funds for the 2016–17 biennium account for 93.0 percent, or $246.8 million of the formula; General Revenue–Dedicated Funds (mostly statutory tuition and fees) account for 7.0 percent.

Appropriations for the Infrastructure Support formula are distributed based on the predicted square feet at the institutions multiplied by a rate per square foot (estimated by THECB). The THECB Space Projection Model predicts the educational and general space (predicted square feet) required for a public institution to fulfill its missions of teaching, research, and public service. The space model prediction is based on the following: (1) the number and level of FTSEs; (2) the number of faculty; (3) single or multiple programs and campuses; (4) actual clinical space; and (5) research and educational and general expenditures.

RESEARCH ENHANCEMENT

All of the health related institutions share the goal of conducting research. Research is conducted within the institution and in collaboration with other entities such as community organizations, academic institutions, health professions organizations, and healthcare and managed-care systems. The Research Enhancement formula funds medical and clinical research at health related institutions. Appropriations for the Research Enhancement formula for the 2016–17 biennium total $74.6 million in General Revenue Funds, an increase of $5.9 million from the 2014–15 biennial funding levels. The appropriations are distributed based on a base amount of research enhancement funding to each institution, currently $1.4 million per year, plus additional funding based on a percentage of research expenditures.

Combined research and developmental expenditures at health related institutions totaled $1,850.3 million in fiscal year 2014. This amount represents an increase of 9.4 percent from fiscal year 2011. **Figure 213** shows the expenditures for research and development at each institution for fiscal years 2011 through 2014.

GRADUATE MEDICAL EDUCATION

In addition to providing undergraduate medical education, the health related institutions provide residency training, also called Graduate Medical Education (GME), in the form of residency positions and fellowships and continuing education for practicing physicians and medical scientists. The GME formula funds the health related institutions' residency programs. The Seventy-ninth Legislature, Regular Session, 2005, established the GME formula and directed the institutions to use these funds to increase the total number of residency slots in Texas and to support faculty costs relating to GME. Appropriations for the GME formula for the 2016–17 biennium total $70.2 million in General Revenue Funds, an increase of $16.5 million from the 2014–15 biennial funding levels. In addition to this funding, $15.6 million in General Revenue Funds is appropriated to Baylor College of Medicine for GME through the THECB bill pattern. Funding is distributed based on the number of residents at each institution. In addition, health related institutions are eligible to participate in GME expansion programs at THECB to assist filling vacant residency positions and/or increasing the number of residency positions.

CANCER CENTER OPERATIONS

The Eightieth Legislature, 2007, established the Cancer Center Operations formula for The University of Texas M.D. Anderson Cancer Center. The formula provides funding to support the institution's statutory mission to eliminate cancer through patient care, research, education, and prevention.

FIGURE 213
HEALTH RELATED INSTITUTIONS EXPENDITURES FOR RESEARCH AND DEVELOPMENT, FISCAL YEARS 2011 TO 2014

IN MILLIONS

INSTITUTION	2011	2012	2013	2014	PERCENTAGE CHANGE
UT Southwestern Medical Center	$404.8	$397.6	$404.3	$396.2	(2.1%)
UT Medical Branch at Galveston	$160.0	$147.8	$144.7	$141.0	(11.7%)
UT Health Science Center at Houston	$261.2	$226.7	$220.1	$221.4	(15.2%)
UT Health Science Center at San Antonio	$178.7	$163.8	$156.4	$143.8	(19.5%)
UT M.D. Anderson Cancer Center	$623.9	$647.5	$670.6	$736.2	18.0%
UT Health Science Center at Tyler	$13.3	$12.0	$11.6	$11.0	(17.6%)
Texas A&M University System Health Science Center	$71.7	$78.8	$75.4	$100.6	40.3%
University of North Texas Health Science Center	$41.5	$42.0	$40.8	$39.2	(5.7%)
Texas Tech University Health Sciences Center	$58.2	$60.6	$61.0	$61.0	4.8%
TOTAL	**$1,813.3**	**$1,776.8**	**$1,785.0**	**$1,850.3**	**9.4%**

NOTES:
(1) UT = The University of Texas System.
(2) Percentage change shows 2014 relative to 2011.
SOURCE: Texas Higher Education Coordinating Board.

Appropriations for the Cancer Center Operations formula for the 2016–17 biennium total $264.8 million in General Revenue Funds, an increase of $17.3 million from the 2014–15 biennial funding levels. For the 2016–17 biennium, funding is based on the number of Texas cancer patients served in fiscal year 2014. Funding increases in the Cancer Center Operations formula may not exceed the average growth in funding for health related institutions in the Instruction and Operations Support formula for the biennium.

CHEST DISEASE CENTER OPERATIONS

The Eighty-first Legislature, Regular Session, 2009, established the Chest Disease Center Operations formula for The University of Texas Health Science Center (UTHSC) at Tyler. The formula provides funding to support the institution's statutory mission to conduct research, develop diagnostic and treatment techniques, provide training and teaching programs, and provide diagnosis and treatment of inpatients and outpatients with respiratory diseases. Appropriations for the Chest Disease Center Operations formula for the 2016–17 biennium total $58.4 million in General Revenue Funds, an increase of $3.8 million from the 2014–15 biennial funding levels. For the 2016–17 biennium, funding is based on the number of chest disease patients served in fiscal year 2014.

SPECIAL ITEMS

Health related institutions also receive funding through special item support. Special item support provides direct appropriations to institutions for projects that are specifically identified by the Legislature for support. This support includes funding for projects in the areas of public service, research, residency programs, instructions and operations, and healthcare. Special item appropriations for the 2016–17 biennium total $458.9 million in General Revenue Funds, an increase of $87.6 million from the 2014–15 biennial funding levels. In addition to maintaining funding for existing special items, the additional appropriations funded special items ranging from $0.5 million for Nursing Program Expansion at Texas A&M University Health Science Center to $16.0 million for the Center for Regenerative Science and Medicine at The University of Texas Southwestern Medical Center.

UTMB HOSPITAL

The University of Texas Medical Branch (UTMB) at Galveston receives funding to support UTMB hospitals and clinics that provide services to patients and serve as the training ground for medical, nursing, and health profession students. Appropriations for the 2016–17 biennium total $304.6 million, equal to the 2014–15 biennial funding levels.

UTMB and TTUHSC also provide healthcare for all the Texas Department of Criminal Justice (TDCJ) state-managed inmates. Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, authorized TDCJ to contract directly with governmental providers to provide a full range of healthcare services, including psychiatry support, pharmacy services, AIDS care, and hospice care. The institutions provide the healthcare services for incarcerated offenders at the TDCJ facilities and at the TDCJ hospital, which is located on the campus of UTMB. The Texas Juvenile Justice Department contracts with UTMB to provide medical care for youths in its care.

TUITION REVENUE BOND DEBT SERVICE

Appropriations for tuition revenue bond (TRB) debt service reimburse institutions for debt service associated with tuition revenue bonds. Appropriations for the 2016–17 biennium for TRB debt service to health related institutions total $168.4 million in General Revenue Funds for existing projects. TRBs must be authorized in statute, and legislative practice has been to use General Revenue Funds to reimburse institutions for the costs related to this debt service. The enactment of House Bill 100, Eighty-fourth Legislature, 2015, authorizes the issuance of $3.1 billion in TRBs to fund new capital projects at public institutions of higher education. Of the total authorized TRB issuance, approximately $772.4 million is for new capital projects at health related institutions.

OTHER PROGRAM AREAS

TOBACCO FUNDS

Health related institutions receive appropriations from interest earnings from the General Revenue–Dedicated Permanent Health Fund for Higher Education and permanent endowments established in statute for each individual institution. **Figure 214** shows the tobacco settlement endowments and related appropriations for the institutions. Estimated appropriations from the endowments to the institutions total $98.2 million.

The Permanent Health Fund for Higher Education is a $350.0 million endowment from which distributions are appropriated for programs that benefit medical research, health education, or treatment programs. Appropriations from this fund are distributed to 11 public health related institutions, including the UTRGV School of Medicine, and at the Baylor College of Medicine: 70.0 percent in equal amounts to each institution and 30.0 percent based on each institution's proportional expenditures on instruction, research, and charity care.

Individual health related institutions endowments total $525.0 million, from which the estimated distributions are appropriated to the institutions based on the original endowment amount. Funds from the individual endowments may be used only for research and other programs that benefit public health conducted by the institution for which the fund was established.

DENTAL CLINIC OPERATIONS

Three institutions receive appropriations to support dental clinic operations: UTHSC San Antonio, UTHSC Houston, and Texas A&M University Health Science Center. Appropriations for the 2016–17 biennium total $4.9 million in General Revenue Funds.

SIGNIFICANT LEGISLATION

House Bill 100 – Tuition revenue bonds. HB 100 authorizes the issuance of $3.1 billion in tuition revenue bonds to fund capital projects at public institutions of higher education. Of the total authorized tuition revenue bond issuance, $772.4 million is for capital projects at health related institutions.

House Bill 479 – Transfer of regional emergency medical dispatch resources centers program. The enactment of HB 479 transfers the regional medical dispatch centers program from UTMB to the Commission on State Emergency Conservation (CSEC). The legislation also requires CSEC and the TTUHSC area health education center to establish a pilot project to provide emergency medical services instruction and emergency prehospital care instruction through a telemedicine medical service. The service is to be provided by regional resource trauma centers to healthcare providers in rural trauma facilities and emergency medical service providers in rural areas.

House Bill 495 – Use of Permanent Health Fund. The enactment of HB 495 extends the limitation on the use of the interest earnings from the General Revenue–Dedicated Permanent Health Fund for the Higher Education Nursing, Allied Health and Other Health-related Education Program to support only nursing through fiscal year 2019.

FIGURE 214
TOBACCO SETTLEMENT ENDOWMENTS AND PERMANENT FUNDS FOR HEALTH RELATED INSTITUTIONS, 2016–17 BIENNIUM

IN MILLIONS

INSTITUTION/FUND	ENDOWMENT	APPROPRIATION
UT Southwestern Medical Center	$50.0	$6.0
UT Medical Branch at Galveston	$25.0	$3.0
UT Health Science Center at Houston	$25.0	$3.0
UT Health Science Center at San Antonio	$200.0	$23.9
UT M.D. Anderson Cancer Center	$100.0	$11.9
UT Health Science Center at Tyler	$25.0	$3.0
Texas A&M University System Health Science Center	$25.0	$2.8
University of North Texas Health Science Center at Fort Worth	$25.0	$2.3
Texas Tech University Health Sciences Center	$25.0	$2.8
Texas Tech University Health Sciences Center El Paso	$25.0	$2.8
Subtotal, Individual Endowments	$525.0	$61.4
Permanent Health Fund for Higher Education	$350.0	$36.8
TOTAL ENDOWMENTS/FUNDS	**$875.0**	**$98.2**

NOTE: UT = The University of Texas System.
SOURCE: Legislative Budget Board.

PUBLIC COMMUNITY/JUNIOR COLLEGES

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

ESTABLISHED: Various

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

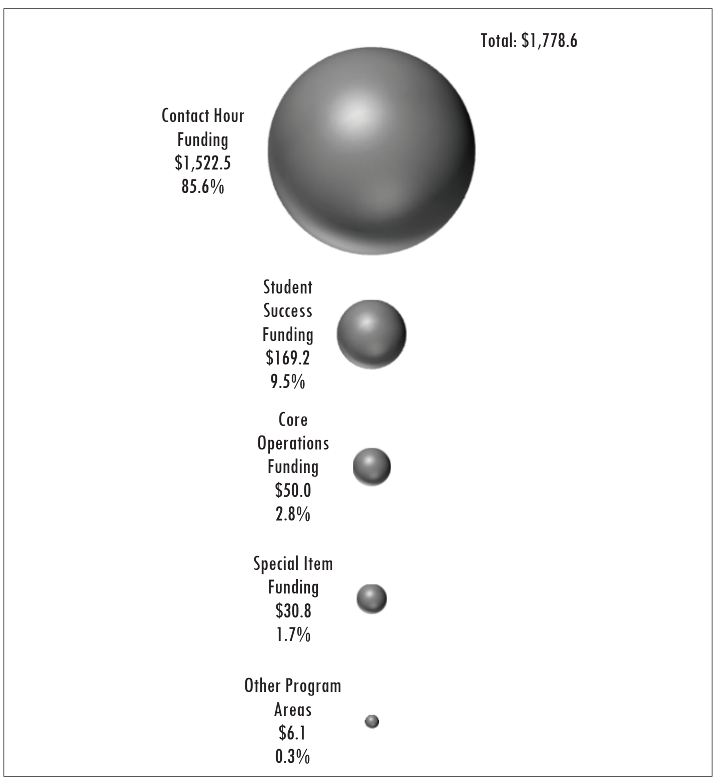
GOVERNANCE: Community college board of trustees, elected by local community

FIGURE 215
PUBLIC COMMUNITY/JUNIOR COLLEGES BY METHOD OF FINANCE

	IN MILLIONS			
METHOD OF FINANCE	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$1,790.8	$1,778.6	($12.2)	(0.7%)
General Revenue–Dedicated Funds	$0.0	$0.0	$0.0	N/A
Federal Funds	$0.0	$0.0	$0.0	N/A
Other Funds	$0.0	$0.0	$0.0	N/A
Total, All Methods of Finance	**$1,790.8**	**$1,778.6**	**($12.2)**	**(0.7%)**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2016	N/A
2017	N/A

INSTITUTION PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

Core operations are funded at **$1.0 million** per institution in the community college outcomes-based formula.

The remaining formula funding maintains the percentage split at **90.0 percent** for contact hour funding and **10.0 percent** for student success funding.

Contact hours are funded at an average annual rate of **$2.69 per contact hour**. Success points are funded at a rate of approximately **$172.58 per success point.**

The **total number of contact hours** for the 2016–17 biennium **decreased by 3.2 percent** from the 2014–15 biennium.

SOURCE: Legislative Budget Board.

MAJOR FUNDING

Appropriations for the 2016–17 biennium for the community colleges total $1,778.8 million in General Revenue Funds. This amount is a decrease of $12.0 million, or 0.7 percent, from the 2014–15 biennial funding level. Formula funding appropriations for the 2016–17 biennium through the community colleges' outcomes-based model total $1,741.7 million, which is a decrease of $28.2 million, or 1.6 percent, from the 2014–15 biennial funding level.

The majority of the total appropriations (approximately 97.9 percent) are accounted for by the outcomes-based formula. The remainder of the appropriations supports 14 new and existing special items ($30.8 million), a 90.0 percent formula hold harmless appropriation based on formula funding in the 2014–15 biennium ($4.0 million), and Bachelor of Applied Technology (BAT) programs at three districts ($2.1 million). **Figure 216** shows the 2016–17 biennial appropriations compared with the 2014–15 biennial funding level for the community colleges.

FIGURE 216
PUBLIC COMMUNITY/JUNIOR COLLEGE GENERAL REVENUE FUND APPROPRIATIONS, 2014–15 AND 2016–17 BIENNIA

IN MILLIONS

PUBLIC COMMUNITY/JUNIOR COLLEGE	2014–15 BIENNIUM	2016–17 BIENNIUM	DIFFERENCE	PERCENTAGE CHANGE
Alamo Community College	$126.9	$128.8	$1.9	1.5%
Alvin Community College	$14.8	$14.4	($0.4)	(2.4%)
Amarillo College	$30.6	$27.6	($3.0)	(9.7%)
Angelina College	$15.2	$14.8	($0.5)	(3.0%)
Austin Community College	$97.4	$93.5	($3.8)	(3.9%)
Blinn College	$45.5	$48.3	$2.8	6.2%
Brazosport College	$11.6	$11.5	($0.1)	(0.6%)
Central Texas College	$41.2	$37.1	($4.1)	(10.0%)
Cisco Junior College	$10.5	$10.4	($0.2)	(1.6%)
Clarendon College	$5.0	$5.1	$0.2	3.4%
Coastal Bend College	$12.6	$12.8	$0.3	2.1%
College of the Mainland	$12.2	$11.7	($0.5)	(4.4%)
Collin County Community College	$66.3	$67.5	$1.2	1.8%
Dallas County Community College	$178.6	$174.7	($3.8)	(2.1%)
Del Mar College	$30.4	$29.1	($1.3)	(4.3%)
El Paso Community College	$67.5	$64.2	($3.3)	(4.9%)
Frank Phillips College	$4.6	$4.9	$0.3	7.2%
Galveston College	$7.5	$7.3	($0.2)	(2.6%)
Grayson County College	$15.0	$15.2	$0.2	1.0%
Hill College	$15.2	$13.8	($1.5)	(9.5%)
Houston Community College	$138.3	$140.0	$1.7	1.2%
Howard College	$19.5	$20.1	$0.6	2.9%
Kilgore College	$21.2	$20.0	($1.2)	(5.7%)
Laredo Community College	$22.2	$20.7	($1.6)	(7.1%)
Lee College	$18.1	$18.2	$0.1	0.3%
Lone Star College System	$145.0	$148.2	$3.2	2.2%
McLennan Community College	$26.9	$24.2	($2.7)	(10.0%)
Midland College	$17.7	$16.0	($1.7)	(9.8%)

FIGURE 216 (CONTINUED)
PUBLIC COMMUNITY/JUNIOR COLLEGE GENERAL REVENUE FUND APPROPRIATIONS, 2014–15 AND 2016–17 BIENNIA

IN MILLIONS

PUBLIC COMMUNITY/JUNIOR COLLEGE	2014–15 BIENNIUM	2016–17 BIENNIUM	DIFFERENCE	PERCENTAGE CHANGE
Navarro College	$32.5	$30.5	($2.0)	(6.1%)
North Central Texas College	$22.6	$22.4	($0.2)	(0.9%)
Northeast Texas Community College	$9.7	$9.2	($0.6)	(5.8%)
Odessa College	$14.7	$15.2	$0.5	3.6%
Panola College	$8.6	$9.4	$0.7	8.6%
Paris Junior College	$17.0	$17.0	($0.0)	(0.1%)
Ranger College	$6.7	$7.2	$0.5	6.8%
San Jacinto College	$74.3	$73.0	($1.3)	(1.8%)
South Plains College	$26.8	$27.9	$1.1	4.1%
South Texas College	$71.8	$77.2	$5.4	7.5%
Southwest Texas Junior College	$14.6	$14.0	($0.6)	(4.4%)
Tarrant County College	$108.8	$112.6	$3.8	3.5%
Temple College	$15.7	$15.3	($0.4)	(2.7%)
Texarkana College	$13.4	$13.9	$0.5	3.9%
Texas Southmost College	$13.7	$12.3	($1.4)	(10.0%)
Trinity Valley Community College	$22.7	$22.3	($0.4)	(1.7%)
Tyler Junior College	$33.6	$33.3	($0.3)	(0.8%)
Vernon College	$11.0	$11.2	$0.2	1.5%
Victoria College	$12.5	$11.6	($0.9)	(7.4%)
Weatherford College	$16.4	$18.0	$1.6	9.7%
Western Texas College	$7.8	$7.1	($0.7)	(9.4%)
Wharton County Junior College	$18.5	$18.2	($0.3)	(1.4%)
TOTAL	**$1,790.8**	**$1,778.6**	**($12.2)**	**(0.7%)**

NOTE: The 2014–15 biennium totals include supplemental funding from House Bill 2, Eighty-fourth Legislature, 2015.
SOURCE: Legislative Budget Board.

In addition to state appropriations, community colleges are further supported by other institutional revenues, primarily local tax revenue and tuition and fees. **Figure 217** shows the proportion of these three major revenue sources since fiscal year 2007. In fiscal year 2007, General Revenue Funds, tuition and fee revenue, and local tax revenue respectively contributed 37.6 percent, 22.6 percent, and 39.4 percent of major operating revenue. However, in fiscal year 2014, General Revenue Funds, tuition and fee revenue, and local tax revenue respectively contributed 30.4 percent, 23.5 percent, and 46.1 percent of major operating revenues, showing an increase in the percentage of major operating revenues for community colleges that are generated by local taxes and tuition and fees.

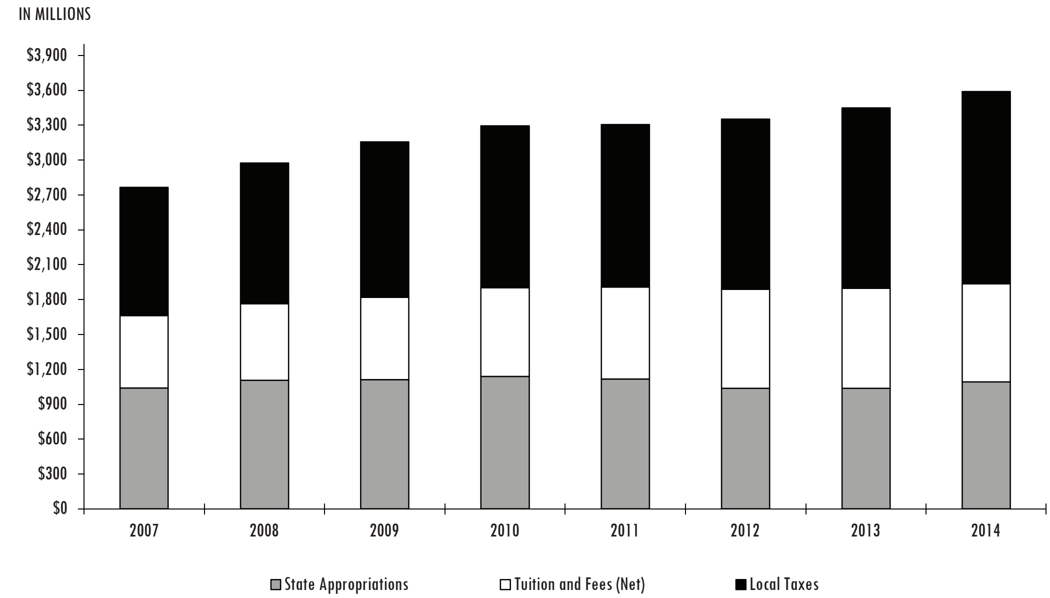
PROGRAMS

Community colleges receive state funding through three major funding areas: (1) formula funding, including core operations, student success, and contact hours; (2) special items funding; and (3) other funding.

FORMULA FUNDING – CORE OPERATIONS, STUDENT SUCCESS, CONTACT HOURS

Beginning in the 2014–15 biennium, the Legislature implemented a new outcomes-based formula funding model for the Instructional and Administrative formula that includes three funding components: core operations, student success, and contact hours. Each community college district receives $1.0 million in General Revenue Funds for core operations ($50.0 million) to help cover basic operating costs

FIGURE 217
COMMUNITY COLLEGES MAJOR ANNUAL OPERATING REVENUE SOURCES (TAX, TUITION AND FEES, AND STATE REVENUE) FISCAL YEARS 2007 TO 2014



SOURCE: Texas Higher Education Coordinating Board.

regardless of the geographic location or institutional size. This core operations funding replaced the small institution supplement that was previously part of the formula funding. After the core operations are funded, the remaining formula funds are allocated between the two remaining funding components: 10.0 percent of the remaining funds are distributed based on student success points ($169.2 million); and 90.0 percent of the remaining funds are distributed based on contact hours ($1,522.5 million).

The total number of student success points is based on each community college's points earned from a three-year average. The three years used for the 2016–17 biennium student success component are fiscal years 2012, 2013, and 2014. **Figure 218** shows the student success metrics and points earned for each student meeting the metric.

Figure 219 shows the total number of contact hours generated since the 2004–05 base year. As shown in the figure, total base year contact hours have decreased by 9.5 percent since the 2012–13 base academic year. **Figure 220** shows the change in enrollment at community colleges since fall 2004 in relation to the change in enrollment during the same period experienced by general academic institutions.

SPECIAL ITEMS FUNDING

Special item appropriations for community colleges in the 2016–17 biennium total $29.8 million, an increase of $11.4 million from the 2014–15 biennium. The Eighty-fourth Legislature, 2015, provided $1.2 million in addition General Revenue Funds to existing special items, including the Virtual College of Texas at Austin Community College ($0.3 million), the Star of the Republic Museum at Blinn College ($0.4 million), and the T.V. Munson Viticulture and Enology Center at Grayson County College ($0.6 million). Appropriations for new special items for the 2016–17 biennium totaled $11.1 million in General Revenue Funds for special items, including Veterans Assistance Centers at Alamo Community College ($8.9 million), and Central Plant and Heating/Ventilation/Air Conditioning (HVAC) Upgrades at the Southwest Collegiate Institute for the Deaf at Howard College ($2.0 million). Supplemental appropriations were also provided for Lee College ($0.8 million) for fiscal year 2015 for prison higher education through the enactment of House Bill 2, Eighty-fourth Legislature, 2015.

OTHER FUNDING

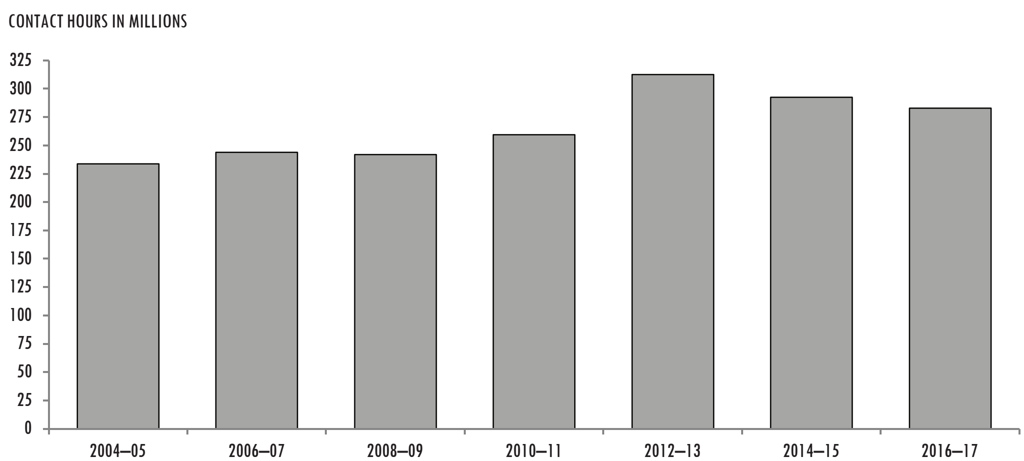
Other funding to community colleges includes formula hold harmless appropriations and appropriations for BAT

FIGURE 218
COMMUNITY COLLEGES STUDENT SUCCESS POINTS METRICS INSTRUCTION AND ADMINISTRATION FUNDING (OUTCOMES-BASED MODEL), 2016–17 BIENNIUM

METRIC	POINTS
Student successfully completes developmental education in mathematics	1.00
Student successfully completes developmental education in reading	0.50
Student successfully completes developmental education in writing	0.50
Student completes first college-level mathematics course with a grade of "C" or better	1.00
Student completes first college-level course designated as reading intensive with a grade of "C" or better	0.50
Student completes first college-level course designated as writing intensive with a grade of "C" or better	0.50
Student successfully completes first 15 semester credit hours at the institution	1.00
Student successfully completes first 30 semester credit hours at the institution	1.00
Student transfers to a general academic institution after successfully completing at least 15 semester credit hours at the institution	2.00
Student receives from the institution an associate's degree, a bachelor's degree, or a certificate recognized for this purpose by the Texas Higher Education Coordinating Board in a field other than a critical field, such as science, technology, engineering and mathematics (STEM), or allied health	2.00
Student receives from the institution an associate's degree, a bachelor's degree, or a certificate recognized for this purpose by the Texas Higher Education Coordinating Board in a critical field, including the fields of science, technology, engineering or mathematics (STEM), or allied health	2.25

SOURCE: Eighty-fourth Legislature, General Appropriations Act, 2016–17 Biennium, Article III, Public Community/Junior Colleges, Rider 20.

FIGURE 219
COMMUNITY COLLEGES TOTAL CONTACT HOURS, BASE YEARS 2004–05 TO 2016–17



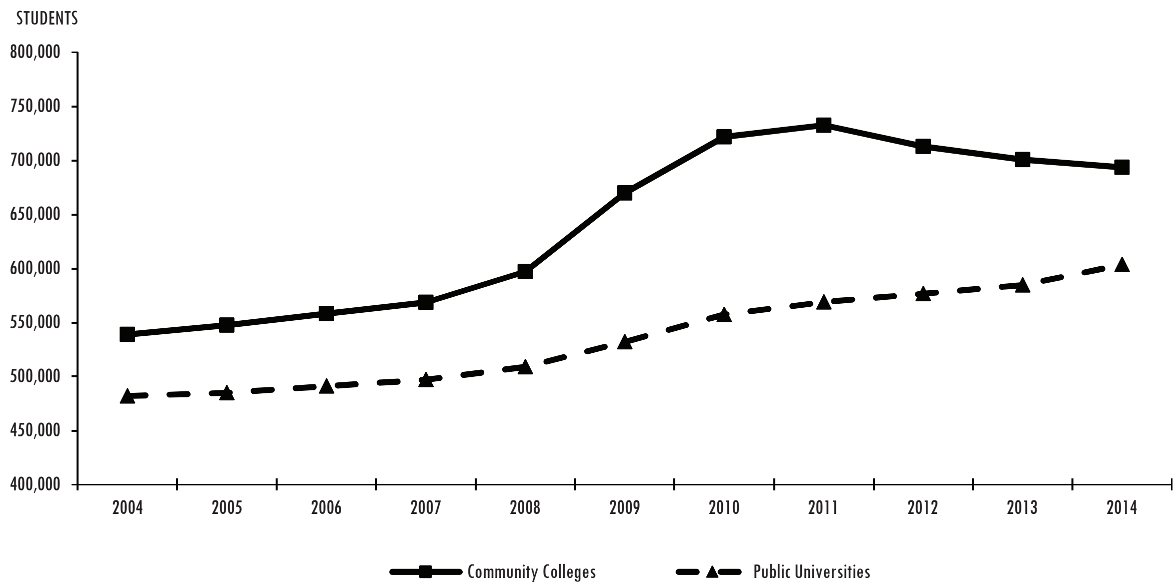
SOURCE: Texas Higher Education Coordinating Board.

programs. Appropriations for the 2016–17 biennium provide a 90.0 percent formula hold harmless appropriation totaling $4.0 million in General Revenue Funds to six community colleges based on formula funding in the 2014–15 biennium. Appropriations for the BAT programs offered at Brazosport College, Midland College, and South Texas College total $2.1 million for the 2016–17 biennium, an increase of $0.6 million from the 2014–15 biennium. BAT programs are funded at the same Instruction and Operations (I&O) General Revenue Funds rate used for the general academic institutions.

SIGNIFICANT LEGISLATION

House Bill 3348 – Dental hygiene baccalaureate degree pilot program. The legislation requires the Texas Higher Education Coordinating Board (THECB) to establish a pilot

FIGURE 220
PUBLIC INSTITUTIONS OF HIGHER EDUCATION STUDENT HEADCOUNT, FALL 2004 TO 2014



SOURCE: Texas Higher Education Coordinating Board.

program to examine the feasibility and effectiveness of authorizing Tyler Junior College to offer a baccalaureate degree program in dental hygiene. By January 1, 2017, THECB must deliver a progress report on the pilot program, and must issue a final report including recommendations for legislative action by January 1, 2019.

House Bill 1583 – Block scheduling for associate degree and certificate programs. The legislation requires all community colleges to provide block scheduling for at least five programs across the areas of career and technical education, allied health, and nursing that do not have block scheduling. The provisions of the bill require THECB to develop a hardship petition process to enable community colleges to seek exceptions if it is too difficult for a community college to implement the provisions of the bill.

Senate Bill 1189 – Establishment of multidisciplinary studies associates degree program. The legislation requires each community college to offer a multidisciplinary studies associate degree program by the fall 2016 semester. Each student in the degree program must complete the core curriculum and meet with an advisor after completing 30 hours of the program to plan a degree with specific consideration of the university that the student wants to attend after completion of the associate's degree.

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

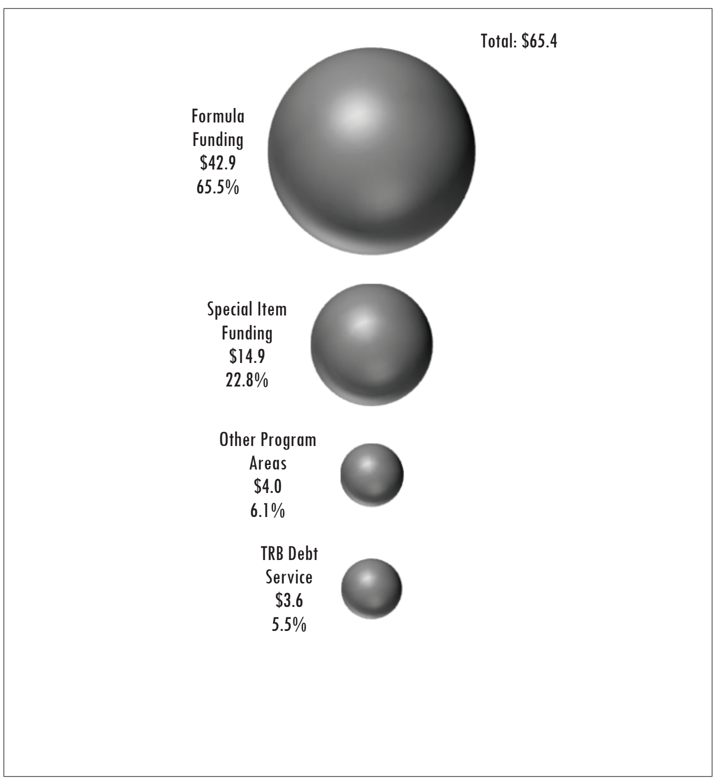
GOVERNANCE: Texas State University System—nine-member board of regents appointed by the Governor with advice and consent of the Senate

FIGURE 221
LAMAR STATE COLLEGES BY METHOD OF FINANCE

	IN MILLIONS			
METHOD OF FINANCE	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$53.0	$52.4	($0.6)	(1.2%)
General Revenue–Dedicated Funds	$15.0	$13.0	($1.9)	(13.0%)
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	**$68.0**	**$65.4**	**($2.6)**	**(3.8%)**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2016	565.4
2017	565.4

INSTITUTION PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

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

Special item support increased by **$4.7 million** and provides funding to establish an associate arts degree, an allied health program, a maritime technology program, vocational technology and heating/ventilation/air-conditioning programs, and includes hold harmless funding.

House Bill 100, Eighty-fourth Legislature, 2015, authorized the issuance of new **tuition revenue bonds** for construction and renovation projects at each of the three Lamar State Colleges.

In fiscal year 2015, **1,686 degrees or certificates were awarded** from the three Lamar State Colleges.

SOURCE: Legislative Budget Board.

MAJOR FUNDING

The Lamar State Colleges receive appropriations providing state support, but unlike community colleges, they do not have local taxing authority. Funding for the Lamar State Colleges for the 2016–17 biennium includes a decrease of $4.5 million in formula funding, a decrease of $1.6 million due to statutory tuition decreases, and a decrease of $1.1 million related to a onetime supplemental appropriation in fiscal year 2015 to Lamar State College – Orange for damages related to Hurricane Ike. These decreases partially offset by an increase of $4.7 million in special item support across the Lamar State Colleges. The decrease in formula funding is due primarily to a reduction in contact hours from the previous biennium.

PROGRAMS

The Lamar State Colleges include Lamar Institute of Technology, Lamar State College – Orange, and Lamar State College – Port Arthur. The three institutions carry out their responsibilities through four major program areas: (1) formula funding; (2) special item funding; (3) other program areas; and (4) tuition revenue bond debt service. **Figure 222** shows the All Funds appropriation level for each of the Lamar State Colleges.

FORMULA FUNDING

The largest source of funding for the Lamar State Colleges is formula funding. The institutions are allocated funding from the Instruction and Administration (I&A) formula based on contact hours. The Eighty-fourth Legislature, 2015, provided I&A formula funding at a rate of $3.53 per contact hour for the 2016–17 biennium. Appropriations for the I&A formula total $26.1 million in General Revenue Funds across the Lamar State Colleges. Additionally, the I&A formula is augmented by $8.1 million in tuition and fee revenues.

In addition to I&A formula amounts, the Lamar State Colleges, like the Texas State Technical Colleges, are included in the general academic institutions' Infrastructure formula and receive a small institution supplement consistent with the methodology used for the general academic institutions. An exception is that the maximum amount received for schools with less than a 5,000 student headcount is $750,000 for the biennium. The Infrastructure formula is allocated based on predicted square feet, and the Eighty-fourth Legislature, 2015, provided funding to support a rate of $5.62 per predicted square foot. Appropriations to the Lamar State Colleges from the Infrastructure formula total $8.6 million for the 2016–17 biennium.

SPECIAL ITEMS

Similarly to other institutions of higher education, the Legislature provides special item support to the Lamar State Colleges. Special items include Institutional Enhancement and direct appropriations to institutions for projects that are specifically identified by the Legislature for support. Appropriations to the Lamar State Colleges for special item funding total $14.9 million for the 2016–17 biennium. In addition to maintaining funding for existing special items, the additional appropriations funded special items ranging from $0.5 million for an associate arts degree program at Lamar Institute of Technology to $1.5 million for hold harmless at Lamar State College – Port Arthur.

OTHER PROGRAMS

Other program funding for the Lamar State Colleges includes funding for staff group insurance and Texas Public Education Grants. Institutions are appropriated General Revenue–Dedicated Funds, which consists of other educational and general income, in staff group insurance appropriation amounts for staff whose salaries are not paid with General Revenue Funds. Pursuant to the Texas Education Code, Chapter 56, Subchapter C, and the Texas Education Code,

FIGURE 222
LAMAR STATE COLLEGES ALL FUNDS APPROPRIATIONS, 2014–15 AND 2016–17 BIENNIA
IN MILLIONS

LAMAR STATE COLLEGE	2014–15 BIENNIUM	2016–17 BIENNIUM	DIFFERENCE	PERCENTAGE CHANGE
Lamar Institute of Technology	$22.9	$23.8	$0.8	3.7%
Lamar State College – Orange	$20.6	$20.0	($0.6)	(3.0%)
Lamar State College – Port Arthur	$24.5	$21.7	($2.8)	(11.4%)
TOTAL	**$68.0**	**$65.4**	**($2.6)**	**(3.8%)**

SOURCE: Legislative Budget Board.

Section 54.051, institutions must set aside a portion of tuition revenue for Texas Public Education Grants. Fifteen percent of each resident student's tuition and 3.0 percent of each nonresident student's tuition are set aside for financial aid to students at the institution. Appropriations for other program funding at the Lamar State Colleges total $4.0 million for the 2016–17 biennium.

TUITION REVENUE BOND DEBT SERVICE

After tuition revenue bonds are authorized by the Legislature and approved by the Texas Bond Review Board, institutions of higher education can issue these bonds and make related debt service payments. Legislative practice has been to use General Revenue Funds to reimburse institutions for the costs related to this debt service. Appropriations for tuition revenue bond debt service for the Lamar State Colleges totals $3.6 million for the 2016–17 biennium. Additionally, the Eighty-fourth Legislature, 2015, provided $240.0 million in General Revenue Funds to the Texas Higher Education Coordinating Board to reimburse debt service for newly authorized projects created by House Bill 100, Eighty-fourth Legislature, 2015.

SIGNIFICANT LEGISLATION

House Bill 100 – Relating to authorizing the issuance of revenue bonds to fund capital projects at public institutions of higher education. The legislation authorizes the issuance of tuition revenue bonds, not to exceed $3.1 billion, to fund 64 projects at institutions across all six university systems, the four independent general academic institutions, the Lamar State Colleges, and the Texas State Technical Colleges. The Eighty-fourth Legislature, 2015, appropriated $240.0 million in General Revenue Funds in fiscal year 2017 to the Texas Higher Education Coordinating Board to distribute to the institutions of higher education to pay the debt service on projects authorized in House Bill 100. Projects authorized by House Bill 100 include the construction and renovation of the technical arts buildings at the Lamar Institute of Technology; a multipurpose education building at Lamar State College – Orange; and the expansion of technology program facilities at Lamar State College – Port Arthur.

TEXAS STATE TECHNICAL COLLEGES

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

ESTABLISHED: 1965–2015

AUTHORIZING STATUTE: The Texas Education Code, §135.01

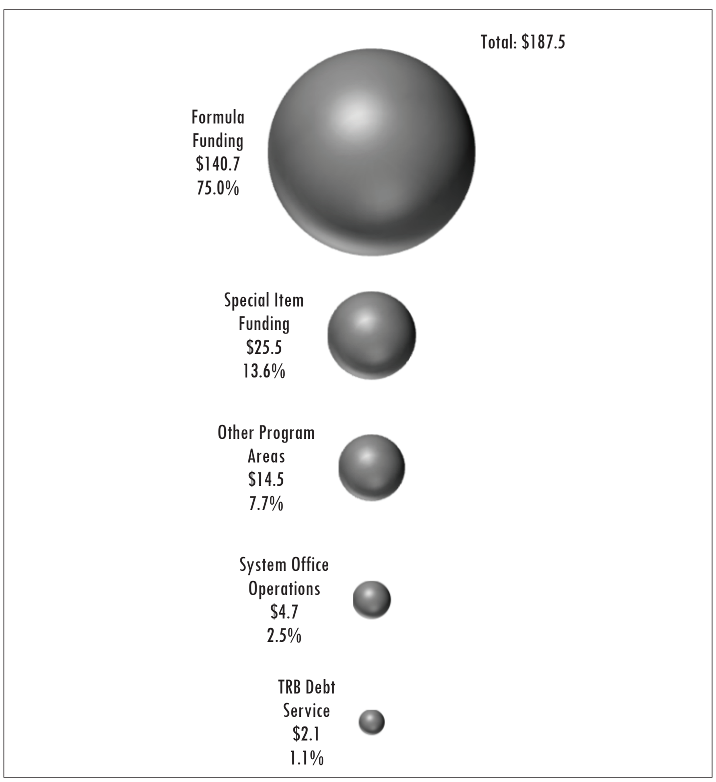
GOVERNANCE: Texas State Technical College System—nine-member board of regents appointed by the Governor with the advice and consent of the Senate

FIGURE 223
TEXAS STATE TECHNICAL COLLEGES BY METHOD OF FINANCE

	IN MILLIONS			
METHOD OF FINANCE	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$124.0	$138.1	$14.1	11.4%
General Revenue–Dedicated Funds	$52.6	$49.4	($3.2)	(6.1%)
Federal Funds	$0.0	$0.0	$0.0	N/A
Other Funds	$0.0	$0.0	$0.0	N/A
Total, All Methods of Finance	**$176.6**	**$187.5**	**$10.9**	**6.2%**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2016	1,333.8
2017	1,333.8

INSTITUTION PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

Formula funding increased by **$4.2 million** and is based on 35.5 percent of the returned value to the state generated by the Texas State Technical Colleges (TSTC).

House Bill 658, Eighty-fourth Legislature, 2015, establishes a **new TSTC campus** in **Fort Bend County**. Appropriations include **$9.0 million** for startup costs associated with the new campus.

House Bill 100, Eighty-fourth Legislature, 2015, authorizes the issuance of new **tuition revenue bonds** for construction and renovation projects at each of the four existing TSTC campuses.

SOURCE: Legislative Budget Board.

MAJOR FUNDING

Institutions within the Texas State Technical College System (TSTC) receive appropriations providing state support, but unlike community colleges, they do not have local taxing authority. Funding for TSTCs for the 2016–17 biennium includes an increase of $4.2 million in All Funds in formula funding, and $9.0 million in General Revenue Funds in new special item support to the TSTC System Administration for start-up costs associated with the new TSTC Fort Bend County Campus. TSTC System Administration is located in Waco with campuses in Harlingen, Marshall, Waco, and West Texas, and new campuses in Ellis and Fort Bend counties (see **Figure 224**).

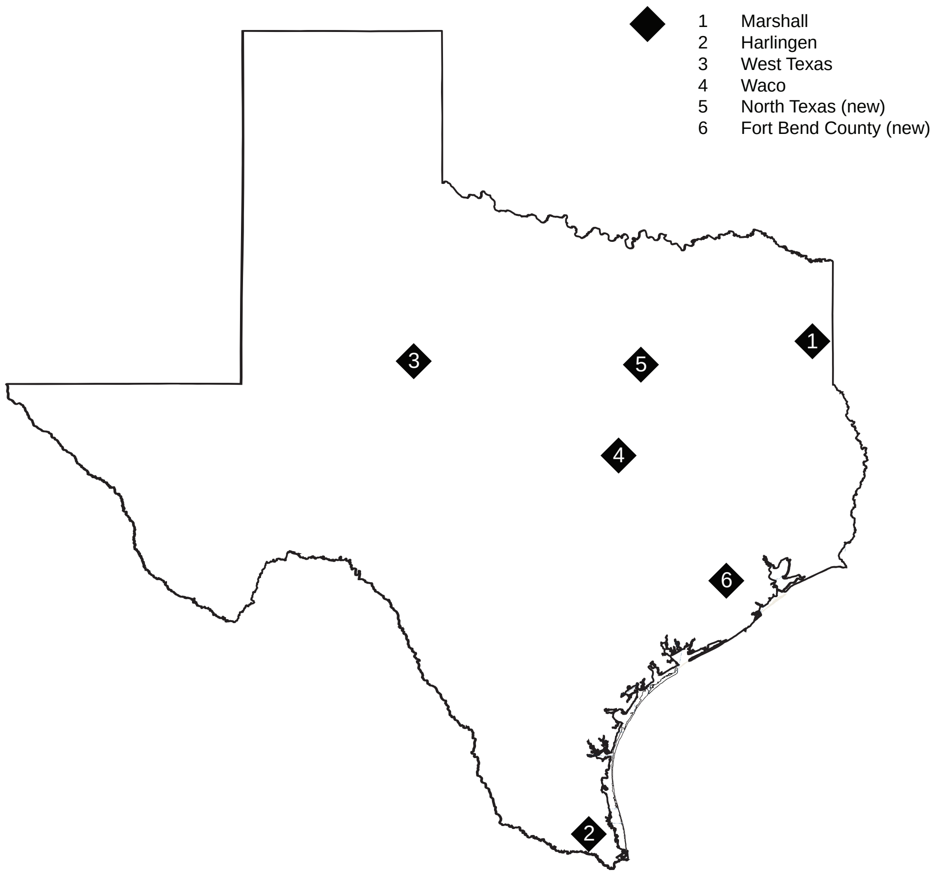
PROGRAMS

TSTC System Administration and its component institutions carry out their responsibilities through five major program areas: (1) formula funding; (2) special item funding; (3) other program areas; (4) system office operations; and (5) tuition revenue bond debt service. **Figure 225** shows the All Funds appropriation level for each of the colleges and the system administration. The significant biennial differences shown for TSTC System and TSTC Marshall are due primarily to a transfer of $4.5 million appropriated to TSTC System to TSTC Marshall during the 2014–15 biennium.

FORMULA FUNDING

TSTC's primary source of funding comes from two funding formulas. Before the 2014–15 biennium, the institutions received funding from the Instruction and Administration (I&A) formula based on contact hours similar to the Lamar State Colleges. The Eighty-third Legislature, Regular Session, 2013, modified the calculation of the I&A formula to base it on the returned value to the state generated by the TSTCs. The Eighty-fourth Legislature, 2015, continued providing formula support through the returned value methodology. The formula uses average student wages upon completion of nine semester credit hours or more at a TSTC institution

FIGURE 224
TEXAS STATE TECHNICAL COLLEGES, 2015



SOURCE: Legislative Budget Board.

FIGURE 225
TEXAS STATE TECHNICAL COLLEGES ALL FUNDS APPROPRIATIONS, 2014–15 AND 2016–17 BIENNIA
IN MILLIONS

TEXAS STATE TECHNICAL COLLEGE	2014–15 BIENNIUM	2016–17 BIENNIUM	DIFFERENCE	PERCENTAGE CHANGE
TSTC System Administration	$9.9	$22.7	$12.8	128.3%
TSTC Harlingen	$51.4	$52.4	$1.0	1.9%
TSTC West Texas	$27.0	$27.6	$0.6	2.1%
TSTC Marshall	$17.4	$13.2	($4.1)	(23.8%)
TSTC Waco	$70.8	$71.6	$0.8	1.1%
TOTAL	**$176.6**	**$187.5**	**$10.9**	**6.2%**

Source: Legislative Budget Board.

compared to minimum wage to determine the additional estimated direct and indirect value an individual generates for Texas after attending a TSTC institution. For the 2016–17 biennium, the cohort of students who completed at least nine semester credit hours at TSTC in fiscal years 2008 and 2009 generated approximately $264.9 million in returned value to the state of Texas. The TSTCs were appropriated 35.5 percent of this amount, or $94.0 million in General Revenue Funds, for I&A funding in the 2016–17 biennium. Additionally, I&A is augmented by $30.8 million in appropriated tuition and fee revenues.

In addition to I&A formula amounts, the TSTCs and the Lamar State Colleges are included in the general academic institutions' Infrastructure formula and receive the small institution supplement, consistent with the methodology used for the general academic institutions. An exception is that the maximum amount received for schools with less than a 5,000 student headcount is $750,000 for the biennium. The Infrastructure formula is based on predicted square feet, and the Eighty-fourth Legislature, 2015, provided a rate of $5.62 per predicted square foot. Appropriations to TSTCs from the Infrastructure formula total $15.9 million for the 2016–17 biennium.

SPECIAL ITEMS

Similar to other institutions of higher education, the Legislature provides special item support to the TSTC System Administration and its component institutions. Special items include Institutional Enhancement and direct appropriations to institutions or the system office for projects that are specifically identified by the Legislature for support. The Eighty-fourth Legislature, 2015, provided $8.0 million in special item funding to the system administration for the existing North Texas and East Williamson County Extension Centers. Additionally, special item funding in the 2016–17 biennium includes $9.0 million to TSTC System Administration for the new Fort Bend County campus authorized by House Bill 658, Eighty-fourth Legislature, 2015. In the 2016–17 biennium, $0.9 million in special item support is provided to the system office to assist with forecasting and curriculum development for new technical programs across all institutions as well as to assist with technical training partnerships with community colleges. Total appropriations to the system office and its component institutions for special item funding totals $25.5 million in General Revenue Funds for the 2016–17 biennium.

OTHER PROGRAMS

Other program funding for TSTCs includes staff group insurance, workers' compensation insurance, and Texas Public Education Grants. Institutions receive General Revenue–Dedicated Funds, which consist of other educational and general income, in staff group insurance appropriation amounts for staff whose salaries are not paid with General Revenue Funds. Pursuant to the Texas Education Code, Chapter 56, Subchapter C, and the Texas Education Code, Section 54.051, institutions must set aside a portion of tuition revenue for Texas Public Education Grants. Fifteen percent of each resident student's tuition and 3.0 percent of each nonresident student's tuition are set aside for financial aid to students at the institution. Appropriations for other program funding totals $14.5 million for the 2016–17 biennium.

SYSTEM OFFICE OPERATIONS

TSTC institutions are headed by the TSTC System Administration headquartered in Waco. A nine-member board of regents and the TSTC chancellor direct the system. The system office provides coordination and planning across the institutions and processing financial and reporting requirement duties for all institutions within the TSTC System. Appropriations for system office operations for the 2016–17 biennium total $4.7 million in General Revenue Funds.

TUITION REVENUE BOND DEBT SERVICE

After tuition revenue bonds are authorized by the Legislature and approved by the Texas Bond Review Board, institutions can issue these bonds and make debt payments. Legislative practice has been to use General Revenue Funds to reimburse institutions for the costs related to this debt service. Appropriations for tuition revenue bond debt service for the TSTCs total $2.1 million for the 2016–17 biennium. Additionally, the Eighty-fourth Legislature, 2015, provided $240.0 million in General Revenue Funds to the Texas Higher Education Coordinating Board (THECB) to reimburse debt service for newly authorized projects established by House Bill 100, Eighty-fourth Legislature, 2015.

SIGNIFICANT LEGISLATION

House Bill 100 – Relating to authorizing the issuance of revenue bonds to fund capital projects at public institutions of higher education. The legislation authorizes the issuance of tuition revenue bonds, not to exceed $3.1 billion, to fund 64 projects at institutions across all six university systems, the four independent general academic institutions, the Lamar State Colleges, and the Texas State Technical Colleges. The Eighty-fourth Legislature, 2015, appropriated $240.0 million in General Revenue Funds in fiscal year 2017 to THECB to distribute to the institutions of higher education to pay the debt service on projects authorized in House Bill 100. Projects authorized by House Bill 100 include construction and renovation projects for an Engineering Technology Center at TSTC Harlingen, an Industrial Technology Center for TSTC West Texas, the purchase and renovation of the North Texas Technology Center at TSTC Marshall, and the construction of a building at the Fort Bend campus.

House Bill 658 – Relating to the creation of a campus of the Texas State Technical College System in Fort Bend County. The legislation establishes an additional campus within in the TSTC System located in Fort Bend County. The new campus is expected to begin offering courses in fiscal year 2017.

House Bill 1051 – Relating to the creation of a campus of the Texas State Technical College System in Ellis County. The legislation reclassifies the existing extension center in Ellis County to a campus within the TSTC System. As a campus, TSTC in Ellis County will be eligible to receive allocations from the Infrastructure formula.

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

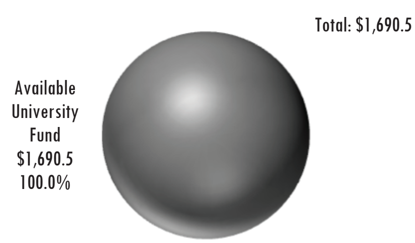
GOVERNANCE: The Texas Legislature governs the Available University Fund (AUF); eligible institutions' boards of regents oversee AUF-funded projects

FIGURE 226
AVAILABLE UNIVERSITY FUND BY METHOD OF FINANCE

	IN MILLIONS			
METHOD OF FINANCE	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$0.0	$0.0	$0.0	N/A
General Revenue–Dedicated Funds	$0.0	$0.0	$0.0	N/A
Federal Funds	$0.0	$0.0	$0.0	N/A
Other Funds	$1,702.2	$1,690.5	($11.7)	(0.7%)
Total, All Methods of Finance	**$1,702.2**	**$1,690.5**	**($11.7)**	**(0.7%)**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2016	0.0
2017	0.0

FUND PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

Appropriations include an **$11.7 million decrease** in Other Funds **due to a special onetime distribution** from the Permanent University Fund (PUF) to the Available University Fund (AUF) **for fiscal year 2014.**

The Texas Constitution requires PUF distributions to AUF that result in a stable income stream into AUF while maintaining PUF's purchasing power. The estimated **PUF market value was $17.8 billion as of June 2015.**

Three **new riders** are included in the 2016–17 General Appropriations Act that **provide reporting and notification requirements** regarding the uses of the AUF.

The **AUF bill pattern** in the 2016–17 General Appropriations Act **does not include any full-time-equivalent (FTE) positions**. FTE positions paid with AUF appropriations are included in the bill patterns of the eligible universities.

SOURCE: Legislative Budget Board.

MAJOR FUNDING

Funding for the Available University Fund (AUF) for the 2016–17 biennium totals an estimated $1.7 billion in All Funds, which includes an All Funds decrease of $11.7 million from the 2014–15 biennium. The decrease in funding is due to a special onetime distribution from the Permanent University Fund (PUF) to the AUF for fiscal year 2014.

PROGRAMS

The PUF is a public endowment contributing to the support of most institutions in The University of Texas (UT) System and the Texas A&M University (TAMU) System. The Texas Constitution established the PUF in 1876 by appropriating land grants previously given to UT plus 1.0 million acres. In 1883, the PUF received another land grant of an additional 1.0 million acres. The fund contains approximately 2.1 million acres located in 24 West Texas counties.

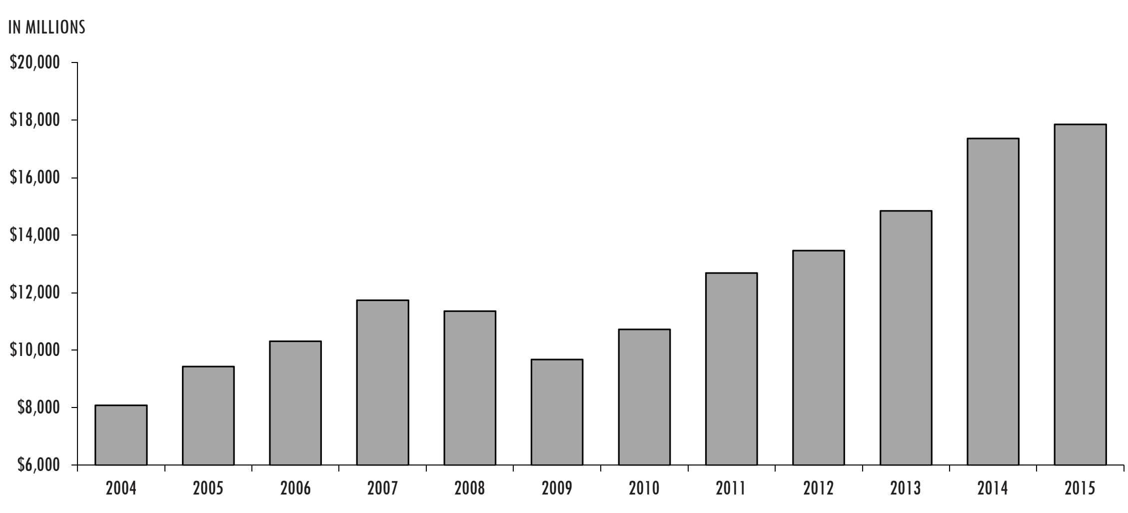
The PUF's 2.1 million acres produce two lines of income: surface and mineral. The Texas Constitution requires all surface lease income to be deposited to the AUF. Mineral income and income from the sale of PUF lands remain in the PUF and are invested in equity, fixed-income, and derivative securities. Proposition 17, approved by voters in 1999, amended the Texas Constitution to authorize the UT Board of Regents to use a total return on investment assets from the PUF to be distributed to the AUF. According to the Texas Constitution, the distribution determination must provide the AUF with a stable annual income stream while maintaining the purchasing power of the PUF. The estimated market value of the PUF corpus as of June 30, 2015, was $17.8 billion, reflecting growth of approximately 119.8 percent since fiscal year 2004. **Figure 227** shows the annual market value of the PUF corpus since fiscal year 2004.

Surface and investment income is distributed from the PUF into the AUF for use by the TAMU and UT Systems. The Texas Constitution designates two-thirds of the AUF for the UT System and one-third for the TAMU System. The first obligation of any income earned by the PUF is to pay the debt service (both principal and interest) on existing PUF bonds.

The residual income, after debt service, is dedicated to system office operations and excellence programs at UT at Austin, TAMU at College Station, and Prairie View A&M University. Excellence programs include special programs, such as library enhancement, specialized equipment purchases for science and engineering, student counseling services, graduate student fellowships, and scholarships. **Figure 228** shows excellence funding is estimated to total $423.5 million for fiscal year 2017.

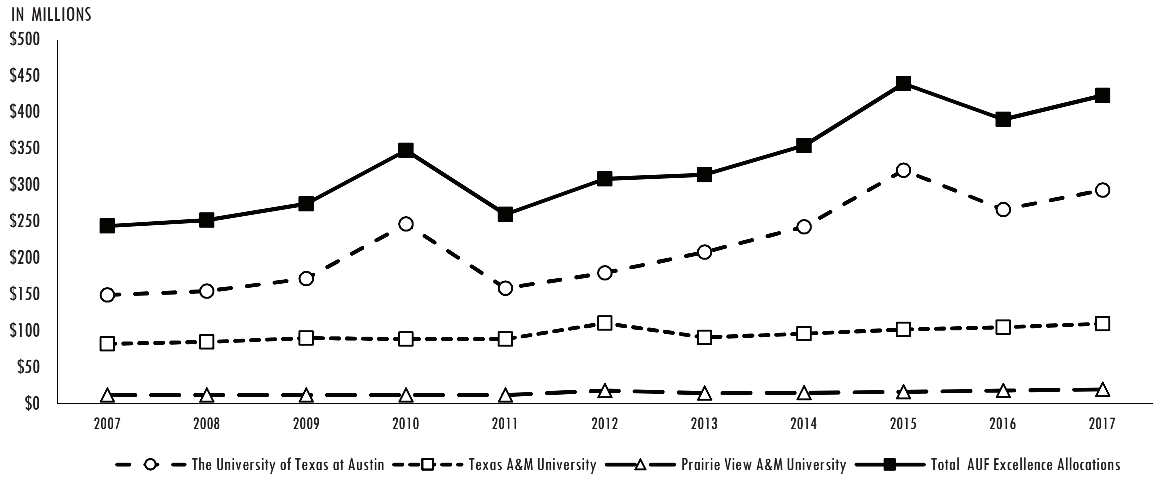
The two systems' respective governing boards determine the allocation of PUF bond proceeds among their component institutions. The UT System is authorized to issue PUF bonds up to a total amount not to exceed 20.0 percent of the book value of the PUF; the TAMU System is authorized to issue up to 10.0 percent of the book value of the fund.

FIGURE 227
MARKET VALUE OF THE PERMANENT UNIVERSITY FUND, FISCAL YEARS 2004 TO 2015



SOURCE: University of Texas Investment Management Company.

FIGURE 228
AVAILABLE UNIVERSITY FUND (AUF) ALLOCATIONS FOR EXCELLENCE, FISCAL YEARS 2007 TO 2017



NOTE: Fiscal years 2015 to 2017 are estimated.
SOURCES: Legislative Budget Board; The University of Texas System; Texas A&M University System.

The Eighty-second Legislature, Regular Session, 2011, passed legislation that amended the composition of the governing board for The University of Texas Investment Management Company (UTIMCO) to require two appointees representing the Texas A&M University System. UTIMCO is the firm that invests and manages the PUF and other endowments, most of which are not appropriated through the General Appropriations Act. The legislation also requires at least one of the TAMU appointees and all of the remaining appointees to have knowledge and expertise in investments.

The Eighty-fourth Legislature, General Appropriations Act (GAA), 2016–17 Biennium, establishes in riders the new reporting and notification requirements regarding the uses of the AUF. A new annual report, due no later than December 1 of each fiscal year, requires additional information on AUF support and maintenance allocations and expenditures for system office operations and initiatives by activity. Each activity must be detailed with information on purpose, authority, objects of expense, and full-time equivalents, and list other funds outside of AUF used for each activity. The UT and TAMU systems are also required to report by February 28, May 31, and August 31 updates of any changes to the annual report information, including:

- expenditure amounts to date for each activity, including object of expense detail;
- updated AUF allocations to system office operations and initiatives including new activities, changes to existing activities, and an explanation for those changes;
- a summary of any board of regents' actions taken since the most recent report that relate to system office operations or initiatives; and
- any additional information requested by the Legislative Budget Board (LBB).

Beginning in fiscal year 2016, no AUF appropriations may be used for system initiatives without written notification to the LBB at least 30 days before the board of regents take action on system initiatives. Additional notification-related details are explained by rider.

The final new rider requirement for the 2016–17 biennium indicates all AUF expenditures must be categorized by one of the following program categories: debt service, system office operations, system initiatives, or support of eligible component institutions.

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

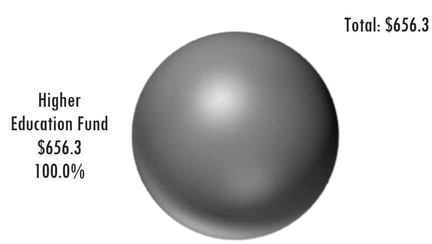
GOVERNANCE: The Texas Legislature governs the Higher Education Fund (HEF); eligible institutions' boards of regents oversee HEF-funded projects

FIGURE 229
HIGHER EDUCATION FUND BY METHOD OF FINANCE

	IN MILLIONS			
METHOD OF FINANCE	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$525.0	$656.3	$131.3	25.0%
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	**$525.0**	**$656.3**	**$131.3**	**25.0%**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2016	0.0
2017	0.0

FUND PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

The fund is appropriated a **$131.3 million increase** in General Revenue Funds based on the passage of Senate Bill 1191, Eighty-fourth Legislature, 2015, which sets the **amount and allocation of HEF appropriations** to certain agencies and institutions of higher education.

Beginning in fiscal year 2016, two universities are **added** to the group of **eligible institutions—University of North Texas at Dallas** and **Texas Tech University Health Sciences Center El Paso**.

SOURCE: Legislative Budget Board.

MAJOR FUNDING

Funding for the Higher Education Fund (HEF) for the 2016–17 biennium includes an increase of $131.3 million from the 2014–15 biennium based on the passage of Senate Bill 1191, Eighty-fourth Legislature, 2015, relating to the amount and allocation of the HEF annual appropriation to certain agencies and institutions of higher education. The HEF appropriation for fiscal year 2016 is level with the annual appropriation provided in fiscal years 2014 and 2015, and is increased in fiscal year 2017.

PROGRAMS

The HEF was established by constitutional amendment as a counterpart to the Permanent University Fund (PUF) for those Texas public institutions of higher education constitutionally ineligible to receive proceeds from the PUF.

The Texas Constitution requires the Legislature to review the HEF's formula allocation every 10 years, and the Legislature may once every five years adjust the amount and the allocation of the constitutional appropriation for the subsequent five years. An adjustment requires a two-thirds majority vote, and the reallocation may not impair any debt service obligation established by the issuance of HEF bonds or notes.

From fiscal years 1986 to 1995, the Legislature appropriated $100.0 million each year to the HEF for distribution to eligible institutions based on a formula allocation incorporating three elements: (1) space deficit, (2) facilities condition, and (3) institutional complexity. In 1993, the Seventy-third Legislature increased the formula allocation to $175.0 million each year starting in fiscal year 1996. A new allocation for the $175.0 million distributed to universities was adopted in 1999 by the Seventy-sixth Legislature, Regular Session, as a result of recommendations from the Texas Higher Education Coordinating Board (THECB).

The Seventy-ninth Legislature, Regular Session, 2005, maintained the $175.0 million annual appropriation level for fiscal years 2006 and 2007 and increased the annual appropriation level to $262.5 million starting in fiscal year 2008. The Seventy-ninth Legislature, Regular Session, 2005, also reallocated the appropriations of General Revenue Funds starting in fiscal year 2006 based on recommendations from THECB.

Legislation passed by the Eighty-first Legislature, Regular Session, 2009, maintained the $262.5 million annual HEF appropriation level for fiscal years 2010 and 2011. To ensure the equitable distribution of the HEF appropriation, the legislation corrected the distribution of fiscal years 2009 and 2010 HEF allocations by using revised formula calculations. Based on these revised formula calculations, the Legislature also factored in updated data elements to generate the annual HEF allocation for the five-year period starting in fiscal year 2011. The Legislature also authorized the University of North Texas at Dallas to participate in the HEF allocation upon the institution's operation as a general academic teaching institution.

Senate Bill 1191, Eighty-fourth Legislature, 2015, maintained the $262.5 million annual HEF appropriation level for fiscal year 2016, and increased the annual allocation amount to $393.8 million for fiscal years 2017 to 2020. Beginning in fiscal year 2016, two universities were added for the HEF distribution (University of North Texas at Dallas and Texas Tech University Health Sciences Center El Paso), and two universities were discontinued from the HEF distribution (University of Texas – Pan American and University of Texas at Brownsville). **Figure 230** shows each eligible institution's fiscal years 2009 to 2020 annual allocations.

SIGNIFICANT LEGISLATION

Senate Bill 1191 – Relating to the amount and allocation of the annual constitutional appropriation to certain agencies and institutions of higher education. The legislation amended the Texas Education Code relating to the amount and allocation of the HEF annual appropriation to certain agencies and institutions of higher education. The HEF appropriation for fiscal year 2016 is level with the annual appropriation provided in fiscal years 2014 and 2015, and is increased in fiscal year 2017.

FIGURE 230
ANNUAL HIGHER EDUCATION FUND ALLOCATIONS TO ELIGIBLE INSTITUTIONS, FISCAL YEARS 2009 TO 2020

IN MILLIONS ELIGIBLE INSTITUTION (BY SYSTEM)	2009–10 FINAL ALLOCATION	2011 TO 2015 ALLOCATION	2016 ALLOCATION	2017 TO 2020 ALLOCATION
Lamar University	$8.0	$8.3	$9.4	$14.1
Lamar Institute of Technology	$1.8	$2.3	$1.7	$2.6
Lamar State College – Orange	$1.1	$1.2	$1.1	$1.7
Lamar State College – Port Arthur	$1.2	$1.2	$1.4	$2.2
Sul Ross State University	$2.1	$1.6	$1.4	$2.1
Sul Ross State University Rio Grande College	$0.4	$0.4	$0.3	$0.4
Sam Houston State University	$10.2	$11.9	$11.6	$17.3
Texas State University	$20.3	$21.9	$24.8	$37.2
Total, Texas State University System	**$45.1**	**$49.0**	**$51.7**	**$77.6**
Texas A&M University – Corpus Christi	$8.5	$7.1	$7.4	$11.1
Texas A&M International University	$3.2	$3.8	$4.5	$6.7
Texas A&M University – Kingsville	$5.2	$5.0	$6.0	$9.0
Texas A&M University – Commerce	$5.7	$5.2	$7.2	$10.8
Texas A&M University – Texarkana	$1.7	$1.3	$1.2	$1.8
West Texas A&M University	$4.9	$4.7	$4.8	$7.2
Total, Texas A&M University System	**$29.1**	**$27.1**	**$31.1**	**$46.6**
University of Houston	$36.1	$35.9	$35.2	$52.8
University of Houston – Clear Lake	$5.4	$5.2	$5.3	$8.0
University of Houston – Downtown	$9.5	$7.4	$7.8	$11.8
University of Houston – Victoria	$2.3	$2.4	$2.9	$4.3
Total, University of Houston System	**$53.3**	**$50.9**	**$51.2**	**$76.8**
The University of Texas – Pan American	$13.2	$12.3	$0.0	$0.0
The University of Texas at Brownsville	$4.3	$5.1	$0.0	$0.0
Total, The University of Texas System	**$17.5**	**$17.4**	**$0.0**	**$0.0**
Total, Texas State Technical College System	**$5.8**	**$5.8**	**$5.8**	**$8.7**
Midwestern State University	$3.8	$3.6	$3.4	$5.1
Stephen F. Austin State University	$6.9	$8.4	$7.8	$11.6
Texas Southern University	$11.3	$8.9	$7.8	$11.7
Texas Woman’s University	$8.6	$10.2	$9.9	$14.8
Total, Independent Universities	**$30.6**	**$31.0**	**$28.8**	**$43.2**
Texas Tech University	$27.4	$23.9	$32.8	$49.2
Texas Tech University Health Sciences Center	$14.9	$17.0	$15.6	$23.4
Texas Tech University Health Sciences Center El Paso	$0.0	$0.0	$4.2	$6.2
Angelo State University	$3.7	$3.7	$3.5	$5.3
Total, Texas Tech University System	**$46.0**	**$44.7**	**$56.1**	**$84.2**

FIGURE 230 (CONTINUED)
ANNUAL HIGHER EDUCATION FUND ALLOCATIONS TO ELIGIBLE INSTITUTIONS, FISCAL YEARS 2009 TO 2020

IN MILLIONS ELIGIBLE INSTITUTION (BY SYSTEM)	2009–10 FINAL ALLOCATION	2011 TO 2015 ALLOCATION	2016 ALLOCATION	2017 TO 2020 ALLOCATION
University of North Texas	$27.1	$27.8	$25.0	$37.6
University of North Texas Health Sciences Center	$8.0	$8.8	$11.4	$17.1
University of North Texas at Dallas	$0.0	$0.0	$1.4	$2.1
Total, University of North Texas System	**$35.1**	**$36.6**	**$37.8**	**$56.8**
TOTAL, ALL ELIGIBLE INSTITUTIONS	**$262.5**	**$262.5**	**$262.5**	**$393.8**

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

AVAILABLE NATIONAL RESEARCH UNIVERSITY FUND

PURPOSE: To provide a dedicated, independent, and equitable source of funding to enable emerging research universities in Texas to achieve national prominence as major research universities. Funds may only be used by eligible universities for the support and maintenance of educational and general activities that promote increased research capacity.

ESTABLISHED: 2009

AUTHORIZING STATUTE: The Texas Constitution, Article VII, §20

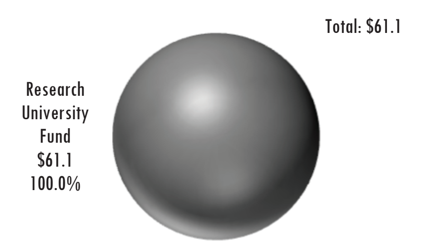
GOVERNANCE: The Texas Legislature governs the Available National Research University Fund (ANRUF); eligible institutions' boards of regents oversee ANRUF-funded activities

FIGURE 231
AVAILABLE NATIONAL RESEARCH UNIVERSITY FUND BY METHOD OF FINANCE

	IN MILLIONS			
METHOD OF FINANCE	**EXPENDED/ BUDGETED 2014–15**	**APPROPRIATED 2016–17**	**BIENNIAL CHANGE**	**PERCENTAGE CHANGE**
General Revenue Funds	$0.0	$0.0	$0.0	N/A
General Revenue–Dedicated Funds	$0.0	$0.0	$0.0	N/A
Federal Funds	$0.0	$0.0	$0.0	N/A
Other Funds	$55.8	$61.1	$5.2	9.4%
Total, All Methods of Finance	**$55.8**	**$61.1**	**$5.2**	**9.4%**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2016	0.0
2017	0.0

FUND PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

Funds available for distribution to eligible research universities in the 2016–17 biennium **increase by $5.2 million** from the previous biennium.

Eligibility requirements are listed in the **Texas Education Code, §62.145**. Eligibility is determined by the Texas Higher Education Coordinating Board.

University of Houston and **Texas Tech University** are **eligible to receive ANRUF** distributions.

SOURCE: Legislative Budget Board.

MAJOR FUNDING

Appropriations in the 2016–17 biennium total $61.1 million in estimated National Research University Fund (NRUF) proceeds to the two eligible research universities through the Available National Research University Fund (ANRUF). The 2016–17 biennial appropriation represents an increase of $5.2 million in All Funds from the 2014–15 biennial spending level.

PROGRAMS

In 1995, the Texas Constitution was amended to authorize the establishment and funding of the Permanent Higher Education Fund (PHEF), a corpus separate from the annual Higher Education Fund (HEF) allocation of General Revenue Funds. The PHEF was originally intended to become a permanent endowment to support non-Permanent University Fund-eligible institutions. The Texas Constitution required cessation of the annual HEF appropriation when the value of the PHEF corpus reached $2.0 billion; however, as of August 31, 2009, the estimated market value of the PHEF corpus was $515.9 million. The Texas Legislature, during the Eighty-first Legislative Session, Regular Session, 2009, established a new source of funding to enhance research capacity at certain universities and redirected the PHEF corpus for that purpose. The redirection of the PHEF corpus was authorized with the voter approval of Proposition 4 in 2009, which amended the Texas Constitution, Article VII, by establishing the NRUF. Proposition 4 transferred the balance of the PHEF to the credit of the NRUF as of January 1, 2010, and repealed the constitutional authorization for the PHEF.

Article VII of the constitution authorizes the Legislature to appropriate some or all of the total return on all investment assets of the NRUF for the purposes of the fund, except for two caveats: (1) the Legislature may not increase distributions from the fund if the purchasing power of investment assets for any rolling 10-year period is not preserved; and (2) the amount appropriated from the proceeds of the NRUF corpus in any fiscal year must be capped at 7.0 percent of the investment assets' average net fair market value. Until the NRUF has been invested long enough to determine its purchasing power during a 10-year period, the Legislature is authorized to use other means of preserving the purchasing power of the fund.

House Bill 1000, Eighty-second Legislature, Regular Session, 2011, establishes the specific eligibility and distribution criteria for the ANRUF appropriations. To be eligible to receive ANRUF appropriations, an institution must meet two mandatory criteria and four out of six optional criteria. The mandatory criteria are:

- the institution is designated as an emerging research university within the Texas Higher Education Coordinating Board's (THECB) Accountability System; and
- the institution reported at least $45.0 million in restricted research expenditures in each of the preceding two fiscal years.

The optional criteria include the following:

- possession of an endowment fund valued in excess of $400.0 million;
- awarding more than 200 doctor of philosophy degrees per year;
- having an entering freshman class of high academic achievement;
- recognition of the institution's research capability and scholarly attainment;
- possession of a high-quality faculty; and
- possession of high-quality graduate education programs.

THECB evaluates the mandatory and optional criteria to determine whether an institution is eligible to receive ANRUF appropriations. As of August 2015, Texas Tech University and University of Houston are the only emerging research universities in Texas eligible to receive ANRUF appropriations.

PERMANENT FUND SUPPORTING MILITARY VETERANS EXEMPTIONS

PURPOSE: To assist public institutions of higher education to offset the waived tuition and fee revenue from the Hazlewood Legacy Program. In accordance with the Hazlewood Legacy Program, qualifying veterans may assign unused hours of their state tuition exemption to a dependent that meets eligibility requirements.

ESTABLISHED: 2013

AUTHORIZING STATUTE: The Texas Education Code, §54.3411

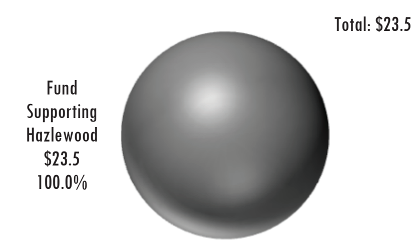
GOVERNANCE: The Texas Legislature governs the Permanent Fund Supporting Military Veterans Exemptions (MVE); the Texas Treasury Safekeeping Trust Company administers MVE

FIGURE 232
PERMANENT FUND SUPPORTING MILITARY VETERANS EXEMPTIONS BY METHOD OF FINANCE

	IN MILLIONS			
METHOD OF FINANCE	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$0.0	$0.0	$0.0	N/A
General Revenue–Dedicated Funds	$0.0	$0.0	$0.0	N/A
Federal Funds	$0.0	$0.0	$0.0	N/A
Other Funds	$11.4	$23.5	$12.1	106.6%
Total, All Methods of Finance	**$11.4**	**$23.5**	**$12.1**	**106.6%**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2016	0.0
2017	0.0

FUND PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

Appropriations include **a $12.1 million increase** in Other Funds due to **expected growth of the MVE and annual distributions** being made in the 2016–17 biennium.

MVE was **established to assist public institutions of higher education to offset the waived tuition and fee revenue** from the Hazlewood Legacy Program.

The Texas Treasury Safekeeping Trust Company determines the amount available for distribution from MVE in accordance with policy adopted by the Texas Comptroller of Public Accounts.

The Texas Veterans Commission has administrative responsibility for the Hazlewood Legacy Program.

MAJOR FUNDING

Funding for the Permanent Fund Supporting Military Veterans Exemptions (MVE) for the 2016–17 biennium totals $23.5 million in All Funds, which includes an increase of $12.1 million from the 2014–15 biennium due to expected growth of the MVE and annual distributions. In fiscal year 2015, the first distribution from the fund totaled $11.4 million and was released in October 2014. For fiscal year 2016, the distribution from the fund is estimated to be $11.6 million.

PROGRAMS

The Eighty-third Legislature, Regular Session, 2013, established the MVE to assist public institutions of higher education to offset the waived tuition and fee revenue from the Hazlewood Legacy Program (HLP). Although no initial funding was appropriated to the MVE by the Eighty-third Legislature, the MVE received a onetime donation of $248.0 million from the Texas Guaranteed Student Loan Corporation in September 2013. The Texas Treasury Safekeeping Trust Company determines the amount available for distribution from MVE in accordance with policy adopted by the Texas Comptroller of Public Accounts.

In accordance with HLP, qualifying veterans may assign unused hours of their Hazlewood Act state tuition exemption to a dependent that meets eligibility requirements.

The following are requirements a veteran must meet to be considered a qualifying veteran for the Hazlewood Act's education benefit of up to 150 hours of tuition exemption:

- at the time of entry into active duty in the U.S. Armed Forces, designated Texas as home of record; or entered the service in Texas; or was a Texas resident;
- received an honorable discharge or separation or a general discharge honorable conditions as indicated on the veteran's Certificate of Release or Discharge from Active Duty;
- served at least 181 days of active duty service (excluding training);
- has no federal veteran's education benefits dedicated to the payment of tuition and fees, or has no such federal veterans education benefits that are equal to or exceed the value of Hazlewood Act benefits received in a given semester or other term;
- is not in default on a student loan made or guaranteed by the state of Texas;
- enrolled in classes for which the college receives tax support (i.e., a course that does not depend solely on student tuition and fees to cover its cost), unless the college's governing board has ruled to let veterans receive the benefit while taking nonfunded courses;
- meets the grade point average (GPA) requirement of the institution's satisfactory academic progress policy in a degree or certificate program as determined by the institution's financial aid policy and, as an undergraduate student, is not considered to have attempted an excessive amount of credit hours; and
- veterans who were granted their first Hazlewood Act exemptions beginning fall 2011 must reside in Texas during the semester or term for which the exemption is claimed. This requirement does not apply to a veteran who either received the exemption before the 2011–12 academic year, has reenlisted into active duty, or resides with a spouse who is on active duty.

The following are HLP requirements that a veteran's dependent must meet to have Hazlewood Act benefits transferred to them:

- classified by the institution as a Texas resident;
- biological child, stepchild, adopted child, or claimed as a dependent in the current or previous tax year;
- age 25 or younger on the first day of the semester or term for which the exemption is claimed (unless granted an extension due to a qualifying illness or debilitating condition); and
- meets the GPA requirement of the institution's satisfactory academic progress policy in a degree or certificate program as determined by the institution's financial aid policy and, as an undergraduate student, is not considered to have attempted an excessive amount of credit hours.

HLP recipients will receive an exemption for the number of degree-certified hours reported by the institution for that term or semester. Maximum degree-certified hours awarded to the HLP recipient depend upon the degree or certificate program in which the student is enrolled for that term or semester and must be consistent with the program length as defined within the school catalog as approved by the regional accreditation commission. If a veteran's dependent to whom hours have been delegated fails to use all of the assigned hours, a veteran may reassign the unused hours that are available to another dependent. Only one dependent can use HLP benefits at a time.

With the enactment of Senate Bill 1158, Eighty-third Legislature, Regular Session, 2013, the administrative responsibility for HLP was transferred from the Texas Higher Education Coordinating Board to the Texas Veterans Commission.

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

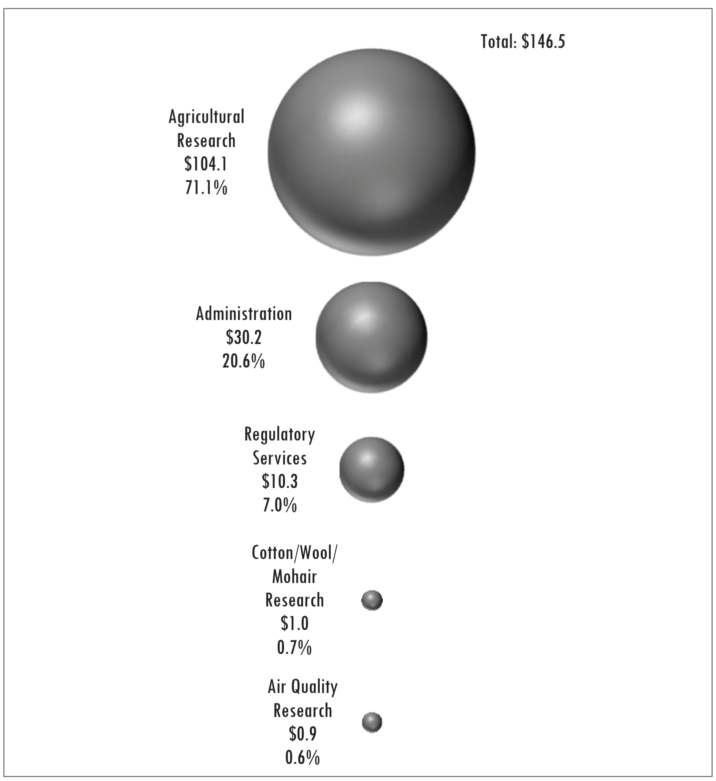
GOVERNANCE: Texas A&M University System Board of Regents—nine members appointed by the Governor with the advice and consent of the Senate

FIGURE 233
TEXAS A&M AGRILIFE RESEARCH BY METHOD OF FINANCE

	IN MILLIONS			
METHOD OF FINANCE	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$107.1	$113.3	$6.2	5.8%
General Revenue–Dedicated Funds	$0.9	$0.9	$0.0	0.4%
Federal Funds	$18.5	$18.5	$0.0	0.0%
Other Funds	$13.9	$13.8	($0.2)	(1.3%)
Total, All Methods of Finance	**$140.5**	**$146.5**	**$6.1**	**4.3%**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2016	989.7
2017	989.7

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

Appropriations include a **$5.0 million increase** in General Revenue Funds to **establish comprehensive research programs** that will disrupt the spread of insect-transmitted diseases in Texas.

During fiscal year 2015, the **agency completed and produced 2,399 publications as a result of its research** that were recognized by scientist peer groups as a professional journal of record.

As part of its regulatory services during fiscal year 2015, the agency **inspected more than 228,000 bee colonies** for disease in order **to maintain the health and quality of bees in Texas.**

SOURCE: Legislative Budget Board.

MAJOR FUNDING

Funding for the Texas A&M AgriLife Research (TAR) for the 2016–17 biennium includes:

- $5.0 million increase in General Revenue Funds and 2.0 full-time-equivalent (FTE) positions to establish comprehensive research programs that will disrupt the spread of insect-transmitted diseases in Texas;
- $0.8 million increase in General Revenue Funds and General Revenue–Dedicated Funds for biennializing state employees' salary adjustments made in the 2014–15 biennium;
- $0.3 million increase in General Revenue Funds for infrastructure support within Brazos County to align with the general academic institutions' Infrastructure formula rate;
- $0.1 million increase in General Revenue Funds related to a new methodology for infrastructure support outside of Brazos County that is proportionally allocated to the agricultural agencies by their percentages of total actual square footage; and
- $0.2 million decrease in Other Funds reflecting lower sales from the Texas A&M Agricultural Experiment Station.

PROGRAMS

To address Texas' geographic diversity and corresponding plant and animal variety, TAR conducts research activities at 13 major research and extension centers throughout the state. The agency integrates its programs with those of the Texas A&M AgriLife Extension Service through colocation of staff at research and extension centers, cooperative planning, joint appointments, and copublications.

TAR's goals are to promote agricultural competitiveness, environmental quality, agricultural product quality, and economic development. The agency conducts research on livestock, plants, crops, and processing techniques to ensure Texas' agriculture system is competitive. It also focuses on conserving natural resources and research that addresses air, soil, and water quality.

TAR also administers two regulatory services. The first is the Texas Apiary Inspection Service (TAIS), which is charged with regulating the honeybee industry in the state. The service has a 2016–17 biennial operating budget of approximately $0.5 million and is partially supported by fees. TAIS regulates honeybees to maintain a population of bees that benefits pollination needs and honey production. TAIS issues permits and certifications, conducts inspection operations, and limits honeybee migration through quarantine procedures. Texas A&M University's Department of Entomology provides the testing services for TAIS.

The second regulatory service administered by TAR involves the Office of the Texas State Chemist (OTSC), and includes the Feed and Fertilizer Control Service (FFCS) and the Agriculture Analytical Service (AAS). FFCS regulates the distribution of approximately 21.0 million tons of feed and 2.6 million tons of fertilizer to ensure the products conform to Texas agriculture commercial feed and fertilizer codes. FFCS licenses distributors of feed, and registers all fertilizer distributors and manufacturers and distributors of ammonium nitrate materials. The entirety of the FFCS operating budget is generated by fee revenue, including contracts with the U.S. Food and Drug Administration (FDA) and the U.S. Department of Agriculture. OTSC supports 17 field investigators commissioned by the FDA. These investigators conduct facility audits, investigate animal deaths associated with feed, review product labels, and collect investigatory samples for analysis by the AAS. OTSC's 2016–17 biennial operating budget is $9.8 million, which supports 52.0 FTE positions.

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

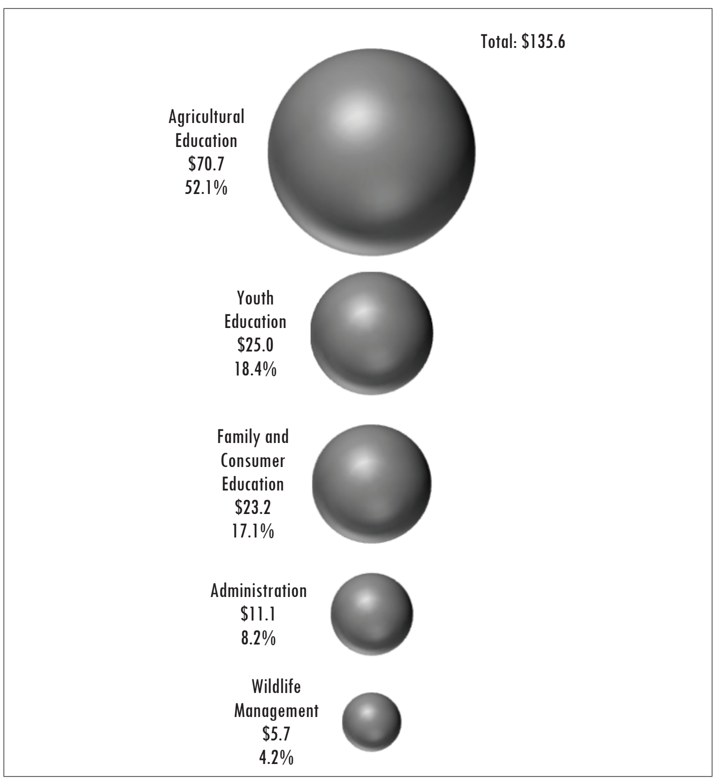
GOVERNANCE: Texas A&M University System Board of Regents—nine members appointed by the Governor with the advice and consent of the Senate

FIGURE 234
TEXAS A&M AGRILIFE EXTENSION SERVICE BY METHOD OF FINANCE

	IN MILLIONS			
METHOD OF FINANCE	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$86.6	$89.0	$2.4	2.8%
General Revenue–Dedicated Funds	$0.0	$0.0	$0.0	N/A
Federal Funds	$26.5	$26.5	$0.0	0.0%
Other Funds	$20.1	$20.0	($0.0)	(0.0%)
Total, All Methods of Finance	**$133.2**	**$135.6**	**$2.4**	**1.8%**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2016	1,031.1
2017	1,031.1

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

Appropriations include **$1.7 million** in General Revenue Funds related to the **dedication of certain wine-related revenue** as enacted by Senate Bill 881, Eighty-fourth Legislature, Regular Session, 2015.

The agency reported more than **13.4 million person-to-person contacts statewide in which agricultural educational material and training were provided** during fiscal year 2015.

The agency reported approximately **4.1 million person-to-person contacts statewide in which health and safety educational material and training were provided** during fiscal year 2015.

SOURCE: Legislative Budget Board.

MAJOR FUNDING

Funding for the Texas A&M AgriLife Extension Service (TAES) for the 2016–17 biennium includes:

- $1.7 million increase in General Revenue Funds related to the dedication of certain wine-related revenue for TAES' viticulture programs as enacted by Senate Bill 881, Eighty-fourth Legislature, 2015;
- $0.9 million increase in General Revenue Funds for biennializing state employees' salary adjustments made in the 2014–15 biennium;
- $0.2 million decrease in General Revenue Funds related to a new methodology for infrastructure support outside of Brazos County that is proportionally allocated to the agricultural agencies by their percentages of total actual square footage; and
- $0.05 million increase in General Revenue Funds for infrastructure support within Brazos County to align with the general academic institutions' Infrastructure formula rate.

PROGRAMS

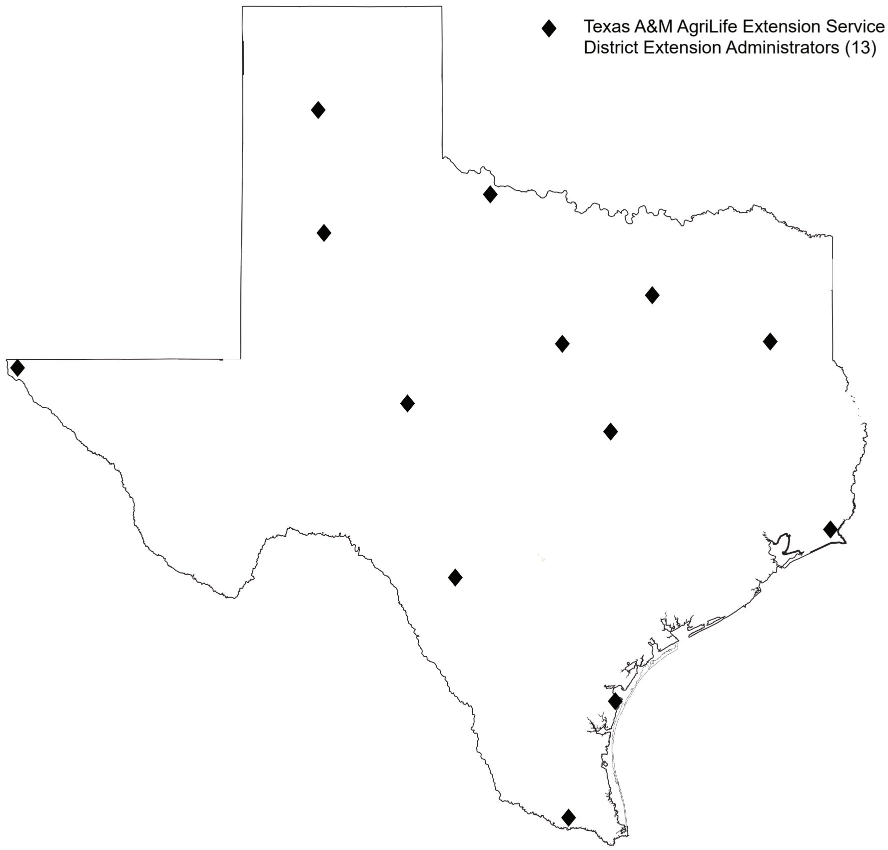
The agency conveys scientific information and technology transfer programs to the public, developed through the Texas A&M University (TAMU) System, the U.S. Department of Agriculture, and private and public research organizations. TAES' programs address areas in agriculture and natural resources; youth, community, and leadership development; environmental quality; and food safety. The 4-H program is one of the youth programs the agency administers, which prepares participants to learn leadership, citizenship, and life skills.

A statewide network of approximately 562 county extension agents, along with program specialists located in research and extension centers, deliver educational programs to all 254 Texas counties. District extension administrators, who supervise personnel and programs, are located in 13 research and extension centers across the state **(Figure 235)**. TAES has more than 240 program specialists located both on and off campus that support 13 academic departments on TAMU campuses. The program specialists provide direct program support for district and county activities. Salaries for county extension agents are paid from county, state, and federal sources. General Revenue Funds contribute approximately one-half the cost of agent salaries, with the counties providing approximately 35.0 percent and the federal government providing the remaining portion. TAES works in partnership with county courts across the state to provide educational resources to its clientele.

SIGNIFICANT LEGISLATION

Senate Bill 881 – Relating to the dedication of certain wine-related revenue. The legislation amends the Texas Alcoholic Beverage Code regarding revenue allocations and exceptions for certain wine-related revenue. The bill directs portions of certain tax revenues to specific state agencies, institutions of higher education, and the General Revenue–Dedicated Wine Industry Development Fund. As a result of Senate Bill 881 and the Eighty-fourth Legislature, General Appropriations Act, Article IX, Section 18.19, contingency rider, TAES is appropriated $830,000 per fiscal year from the dedication of certain wine-related revenue.

FIGURE 235
TEXAS A&M AGRILIFE EXTENSION SERVICE DISTRICT EXTENSION ADMINISTRATORS, FISCAL YEAR 2015



SOURCE: Texas A&M University System.

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

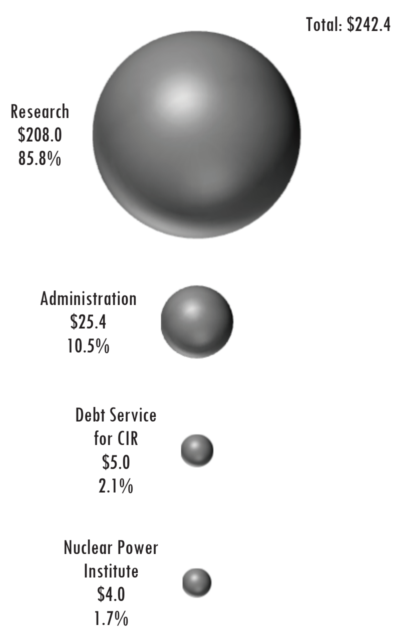
GOVERNANCE: The Texas A&M University System Board of Regents—nine members appointed by the Governor with advice and consent of the Senate

FIGURE 236
TEXAS A&M ENGINEERING EXPERIMENT STATION BY METHOD OF FINANCE

	IN MILLIONS			
METHOD OF FINANCE	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$33.8	$37.5	$3.7	11.0%
General Revenue–Dedicated Funds	$0.9	$0.9	$0.0	0.7%
Federal Funds	$98.5	$90.0	($8.5)	(8.6%)
Other Funds	$106.1	$114.0	$7.8	7.4%
Total, All Methods of Finance	**$239.4**	**$242.4**	**$3.0**	**1.3%**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2016	880.0
2017	880.0

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

A $8.5 million decrease in anticipated **Federal Funds** includes a $4.8 million decrease associated with U.S. Department of Energy programs.

A $7.8 million increase in Other Funds is primarily related to anticipated **private-sector contracts**.

A $5.0 million increase in General Revenue Funds is appropriated for debt service payments **for the Center for Infrastructure Renewal (CIR).**

A $1.0 million increase in General Revenue Funds is appropriated for the agency's **Nuclear Power Institute.**

SOURCE: Legislative Budget Board.

MAJOR FUNDING

Funding for the Texas A&M Engineering Experiment Station (TEES) for the 2016–17 biennium includes:

- $7.8 million increase in Other Funds primarily related to anticipated private-sector contracts;
- $5.0 million increase in General Revenue Funds for debt service payments for the Center for Infrastructure Renewal;
- $1.0 million increase in General Revenue Funds for the agency's Nuclear Power Institute;
- $0.4 million increase in General Revenue Funds for infrastructure support within Brazos County to align with the general academic institutions' Infrastructure formula rate;
- $0.3 million increase in General Revenue Funds and General Revenue–Dedicated Funds for biennializing state employees' salary adjustments made in the 2014–15 biennium;
- $8.5 million decrease in anticipated Federal Funds, which includes decreases of $4.8 million associated with U.S. Department of Energy programs, $1.7 million related to Centers for Homeland Security, and $2.0 million in other federal programs; and
- $3.0 million decrease in General Revenue Funds associated with a 2014–15 pilot project at TEES related to the prevention of wildfires caused by power lines.

PROGRAMS

TEES has a partnership with Texas A&M University (TAMU) and other institutions of higher education across Texas. The agency's headquarters is located in College Station and its partnerships include eight universities within the TAMU System, Angelo State University, Lamar University, Texas State University, Texas Woman's University, University of North Texas, Del Mar Community College, and New Mexico State University. TEES also provides support to the more than 50 community colleges statewide with its Community College Initiative.

The agency's goal is to conduct basic and applied research in engineering and related fields. TEES accomplishes this goal through engineering and technology-oriented research and educational collaborations. The agency provides programs for students in engineering research and education at the secondary, undergraduate, and graduate levels. TEES also forms collaborations between industries, communities and academic institutions that position Texas to be competitive for federal grant dollars while providing technical assistance on licensing and the commercialization of products. TEES research is focused on six strategic areas that include: energy systems and services, healthcare, information systems and sensors, materials and manufacturing, infrastructure, and national security safety. TEES also operates the Offshore Technology Research Center, Nuclear Science Center, Food Protein Research and Development Center, National Center for Therapeutics Manufacturing, Mary Kay O'Connor Process Safety Center, and National Corrosion Center.

TEES has partnerships with primary education schools, community colleges, universities, and industry to offer short courses, certificate programs, and distance education. TEES participates in education partnerships that enhance science, technology, engineering, and math (STEM) education to increase the number of engineers and scientists in the state. TEES is working with five South Texas engineering programs (Texas A&M – Kingsville, Texas A&M – Corpus Christi, Texas A&M International University, The University of Texas Brownsville and The University of Texas – Pan American) to form the South Texas Engineering Alliance and the South Texas–Coastal Bend STEM Coalition. The group focuses on student recruitment and work with STEM in-service teachers. The Energy System Laboratory within TEES assists in energy efficiency and renewable energy research, along with emissions reduction calculations for the Texas Emissions Reduction Plan, administered by the Texas Commission of Environmental Quality.

TEES also generates external research funds, with the majority coming from federal sponsors, including the U.S. Department of Energy, National Science Foundation, U.S. Department of Defense, U.S. Department of Health and Human Services, National Institutes of Health, and National Aeronautics and Space Administration.

SIGNIFICANT LEGISLATION

House Bill 1184 – Relating to authorizing certain utility cost savings and alternative fuel programs as eligible for local government energy savings performance contracts. The legislation amends the Texas Local Government Code to add utility cost savings as a type of energy savings that could offset the cost of an energy-saving improvement measure for local government buildings and grounds in accordance with a performance contract. The bill includes language that defines a pilot program to be operated by TEES' Energy Systems Laboratory, in consultation with the Texas Facilities Commission and the State Energy Conservation Office.

House Bill 1736 – Relating to building energy efficiency performance standards. The legislation amends the Texas Health and Safety Code regarding energy efficiency performance standards. The State Energy Conservation Office adoption of new energy codes would be based on the written findings from TEES' Energy Systems Laboratory.

TEXAS A&M TRANSPORTATION INSTITUTE

PURPOSE: To solve transportation problems through research, to transfer technology and knowledge to the transportation industry and traveling public, and to develop diverse human resources to meet future transportation challenges.

ESTABLISHED: 1950

AUTHORIZING STATUTE: The Texas Education Code, Chapter 88

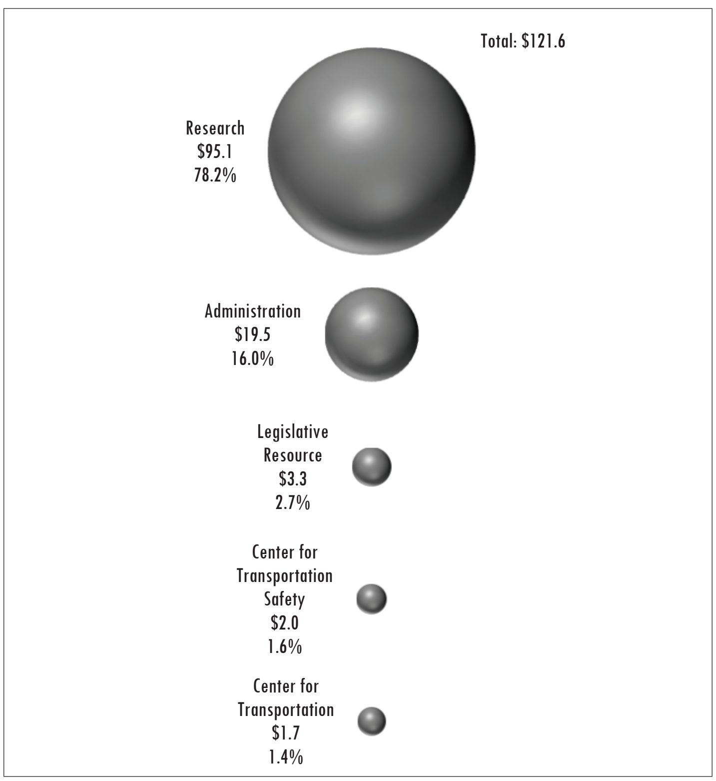
GOVERNANCE: The Texas A&M University System Board of Regents—nine members appointed by the Governor with advice and consent of the Senate

FIGURE 237
TEXAS A&M TRANSPORTATION INSTITUTE BY METHOD OF FINANCE

	IN MILLIONS			
METHOD OF FINANCE	**EXPENDED/ BUDGETED 2014–15**	**APPROPRIATED 2016–17**	**BIENNIAL CHANGE**	**PERCENTAGE CHANGE**
General Revenue Funds	$4.3	$18.7	$14.4	334.4%
General Revenue–Dedicated Funds	$0.0	$0.0	$0.0	N/A
Federal Funds	$23.6	$24.8	$1.2	5.3%
Other Funds	$90.4	$78.0	($12.4)	(13.7%)
Total, All Methods of Finance	**$118.3**	**$121.6**	**$3.3**	**2.8%**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2016	434.7
2017	434.7

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

A **$14.0 million increase in General Revenue Funds** is related to **discontinuing** the appropriation of **State Highway Funds** to the agency.

The agency's **legislative resource program** appropriations **decreased by $2.7 million**.

More than 905,000 agency-**patented roadway safety devices** (e.g., guardrail terminals and crash cushions) have been **installed nationwide.**

The agency's **research expenditures in fiscal year 2015** were $57.7 million.

MAJOR FUNDING

Funding for the Texas A&M Transportation Institute (TTI) for the 2016–17 biennium includes:

- $14.0 million increase in General Revenue Funds related to the discontinuation of appropriations of State Highway Funds to the agency, with an equal reduction to Other Funds;
- $2.9 million increase in anticipated Other Funds from interagency contracts;
- $1.2 million increase in anticipated Federal Funds primarily from the U.S. Department of Transportation;
- $1.0 million increase in anticipated Other Funds for indirect cost recovery;
- $0.8 million increase in anticipated Other Funds for various Appropriated Receipts;
- $0.1 million increase in General Revenue Funds for infrastructure support within Brazos County to align with the general academic institutions' Infrastructure formula rate;
- $0.02 million increase in General Revenue Funds for biennializing state employees' salary adjustments made in the 2014–15 biennium; and
- $2.7 million decrease in All Funds associated with the agency's legislative resource program, which included a method-of-finance change for the program from Other Funds (State Highway Fund) to General Revenue Funds.

PROGRAMS

TTI's goals are to anticipate, identify, and solve transportation problems; disseminate the results of research to improve the overall transportation system; and enhance the quality of transportation education in Texas. The agency researches all transportation modes, including air, water, surface, rail, and pipeline. The agency also researches ways to develop effective and efficient multimodal transportation systems. TTI conducts more than 600 research projects with more than 200 sponsors annually. In addition to the agency's office in College Station and its research annex at Texas A&M University's Riverside Campus in Brazos County, TTI maintains field offices in Arlington, Austin, Dallas, El Paso, Galveston, Houston, San Antonio, and Waco. The agency also has a testing center in Pecos. TTI conducts much of its research through its 10 state and national centers, which include the Center for Transportation Safety, the Transportation Economics Research Center, and the Center for Ports and Waterways (CPW). The agency's CPW addresses issues such as trade movements and trends, intermodal concerns, landside access, economic and environmental effects, international commerce, port development, and security. The CPW provides maritime interests with research, development, technology transfer, and education programs. TTI also serves the Texas Legislature as an independent resource providing analysis of state transportation policies and the economic impact of those policies, primarily through the Transportation Policy Research Center.

TTI has a Center for International Intelligent Transportation Research located in El Paso, which seeks to improve mobility, border-crossing efficiency, and security. TTI conducts full-scale crash tests of safety designs at the agency's Proving Grounds Research Facility where roadside devices, crash cushions, and barrier systems undergo testing. TTI also operates the state's full-scale evaluation facility for performance testing of erosion control materials used by the Texas Department of Transportation (TxDOT) and a drive-in Environmental and Emissions Research Facility capable of accommodating tractor-trailers and buses.

Much of the agency's funding is from sponsored research grants and contracts with private and governmental entities. Approximately 40.4 percent of TTI's funding is from Interagency Contracts, with TxDOT providing most of those contracts.

SIGNIFICANT LEGISLATION

House Bill 790 – Relating to a study on the implementation and effectiveness of sound mitigation measures on certain highways. The legislation requires TTI to conduct a study assessing the implementation and effectiveness of sound mitigation measures on certain highways. The deadline for TTI to report its findings and any recommendations back to the Legislature is November 1, 2016.

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

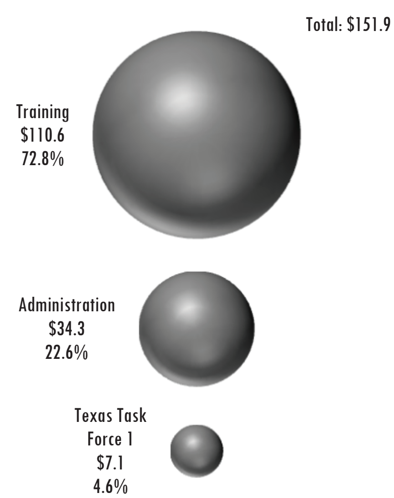
GOVERNANCE: The Texas A&M University System Board of Regents—nine members appointed by the Governor with advice and consent of the Senate

FIGURE 238
TEXAS A&M ENGINEERING EXTENSION SERVICE BY METHOD OF FINANCE

	IN MILLIONS			
METHOD OF FINANCE	**EXPENDED/ BUDGETED 2014–15**	**APPROPRIATED 2016–17**	**BIENNIAL CHANGE**	**PERCENTAGE CHANGE**
General Revenue Funds	$15.6	$15.8	$0.2	1.0%
General Revenue–Dedicated Funds	$0.0	$0.0	$0.0	N/A
Federal Funds	$37.4	$37.4	$0.0	0.0%
Other Funds	$101.3	$98.7	($2.6)	(2.5%)
Total, All Methods of Finance	**$154.3**	**$151.9**	**($2.4)**	**(1.6%)**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2016	555.2
2017	555.2

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

The agency provides **basic and advanced training**, which received less revenue and, therefore, resulted in a **$1.9 million decrease** in Other Funds (Appropriated Receipts).

The agency provided **more than 1.6 million contact hours of training to public-sector students** during fiscal year 2015, in areas such as emergency response, public works, law enforcement, transportation, and water and wastewater.

Texas Task Force 1 spent **more than 126,000 hours on emergency response deployments** during fiscal year 2015, primarily due to state flooding.

MAJOR FUNDING

Funding for the Texas A&M Engineering Extension Service (TEEX) for the 2016–17 biennium includes:

- $0.2 million increase in General Revenue Funds for infrastructure support within Brazos County to align with the general academic institutions' Infrastructure formula rate;
- $0.1 million increase in General Revenue Funds for biennializing state employees' salary adjustments made in the 2014–15 biennium;
- $1.9 million decrease in Other Funds (Appropriated Receipts), which consist primarily of less revenue received from basic and advanced training the agency provides; and
- $0.6 million decrease in Other Funds (Economic Stabilization Funds) that were appropriated for the 2014–15 biennium for the purpose of reimbursing TEEX for natural disaster deployments.

PROGRAMS

The agency provides public- and private-sector training and technology-transfer assistance, and emergency response. Public service programs fulfill mandated training requirements for certification in structural fire protection, emergency medical services, law enforcement, water, and wastewater treatment. Industrial-sector training includes programs in occupational safety, heavy equipment operation, power distribution, job safety, telecommunications, electronics, and workforce and economic development. In fiscal year 2015, TEEX served approximately 174,000 individuals through more than 6,700 class offerings, and technical assistance amounting to approximately 2.8 million student contact hours.

TEEX maintains regional training centers in Galveston, Houston, Mesquite, and San Antonio. Galveston is home to the Center for Marine Training and Safety, which offers training for maritime, oil exploration, and drilling industries. The Houston office focuses on manufacturing assistance and business development. The Mesquite office is the site of the Occupational Safety and Health Administration's Southwest Education Center, which provides occupational, construction, and industrial safety training. The San Antonio office focuses on the needs of South Texas water, wastewater, electric power, safety, and other areas of infrastructure training and assistance.

Additionally, TEEX is the designated state fire training provider for Texas. The agency's Brayton Fire Training Field includes full-scale buildings, towers, tanks, industrial plant structures and a ship superstructure that are all used during liquid-fueled, live-fire training simulations. Adjacent to the fire field are TEEX's Emergency Operations Training Center, a simulation and computer-based technologies training facility, and Disaster City®, a search and rescue training facility.

TEEX is the sponsoring agency for Texas Task Force 1 (TX-TF1), which functions as a federal Urban Search and Rescue team as part of the Federal Emergency Management Agency's national urban search and rescue system and as Texas' only statewide search and rescue team, directed by the Texas Division of Emergency Management. TX-TF1 includes more than 600 emergency response personnel from approximately 60 organizations and departments across the state. State and federal deployments of TX-TF1 have included emergency responder activities at the World Trade Center following the September 11, 2001, attacks; recovery efforts during the *Columbia* space shuttle disaster; and rescue missions after Hurricanes Ike, Katrina, and Rita. In fiscal year 2015, TX-TF1 was deployed on search and rescue activities following significant floods along the Blanco River, and most recently for flooding associated with Hurricane Patricia. TX-TF1 is reimbursed for costs associated with each deployment, from the state and the federal government in the fiscal year following each response activation.

TEEX also operates the National Emergency Response and Rescue Training Center, part of the National Domestic Preparedness Consortium, to provide homeland security training in incident management and unified command to elected officials and emergency response personnel, covering a variety of areas, including all-hazard events, terrorist acts, cybersecurity, and natural disasters.

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

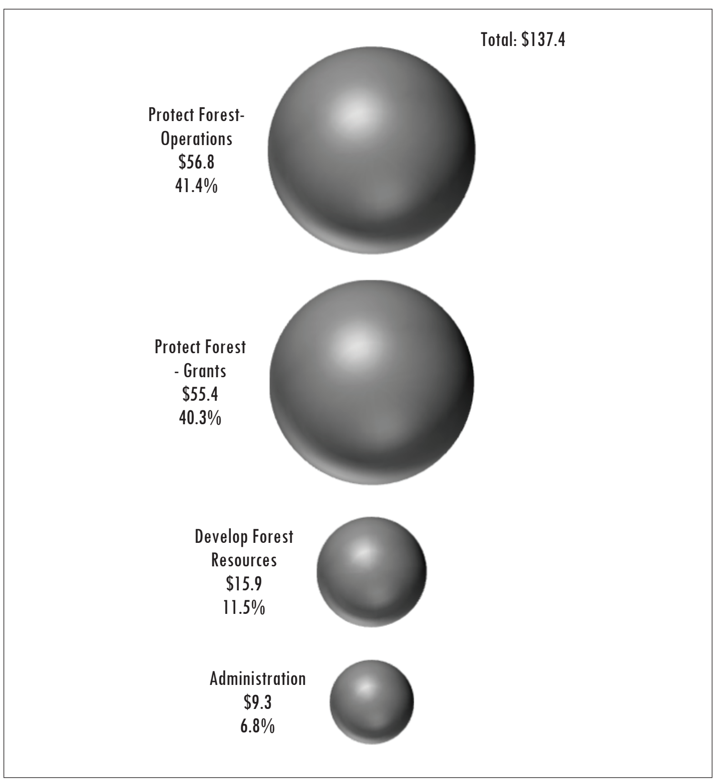
GOVERNANCE: The Texas A&M University System Board of Regents—nine members appointed by the Governor with advice and consent of the Senate

FIGURE 239
TEXAS A&M FOREST SERVICE BY METHOD OF FINANCE

	IN MILLIONS			
METHOD OF FINANCE	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$66.3	$66.4	$0.1	0.2%
General Revenue–Dedicated Funds	$41.1	$63.1	$22.0	53.5%
Federal Funds	$6.5	$6.7	$0.2	2.7%
Other Funds	$1.1	$1.2	$0.0	4.2%
Total, All Methods of Finance	**$115.1**	**$137.4**	**$22.3**	**19.4%**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2016	558.2
2017	558.2

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

Appropriations include a **$23.0 million increase** in General Revenue–Dedicated Funds **for additional grants to rural volunteer fire departments** as authorized by House Bill 7, Eighty-fourth Legislature, Regular Session, 2015.

Appropriations **decrease by $0.3 million** in General Revenue Funds as a result of a **new methodology for infrastructure support outside Brazos County**, which is proportionally allocated to the agricultural agencies by their percentages of total actual square footage.

The agency **provided 75,522 hours of training** to firefighters and emergency responders in fiscal year 2015.

During fiscal year 2015, agency employees spent **more than 33,800 hours** preparing for and participating **in emergency response activities.**

Source: Legislative Budget Board.

MAJOR FUNDING

Funding for the Texas A&M Forest Service (TFS) for the 2016–17 biennium includes:

- $23.0 million increase in General Revenue–Dedicated Funds (Volunteer Fire Department Assistance Account No. 5064) for grants to rural volunteer fire departments (see the Significant Legislation section);
- $0.9 million increase in General Revenue–Dedicated Funds (Rural Volunteer Fire Department Insurance Account No. 5066) to align with the Comptroller of Public Accounts' estimate identified in the Biennial Revenue Estimate for 2016–17;
- $0.3 million increase in General Revenue Funds and General Revenue–Dedicated Funds for biennializing state employees' salary adjustments made in the 2014–15 biennium;
- $0.2 million increase in Federal Funds anticipated from the U.S. Department of Agriculture Forest Service;
- $2.3 million decrease in General Revenue Funds associated with onetime expenditures in the 2014–15 biennium ($1.5 million for the purchase of two pump tank trucks, one rescue truck, and other firefighting equipment; $0.8 million for the purchase of 10 strategic, geographic reserve modules containing fire suppression delivery equipment);
- $0.3 million decrease in General Revenue Funds for infrastructure support within Brazos County to align with the general academic institutions' Infrastructure formula rate; and
- $0.3 million decrease in General Revenue Funds related to a new methodology for infrastructure support outside Brazos County that is proportionally allocated to the agricultural agencies by their percentages of total actual square footage.

PROGRAMS

The agency delivers wildfire response and protection on 156.0 million acres across Texas through its Texas Wildfire Protection Plan (TWPP). TWPP is an emergency response model emphasizing ongoing analysis, mitigation, prevention and preparation, followed by a coordinated response through TFS' locations throughout the state. TWPP includes the Rural Volunteer Fire Department Assistance Program, which provides grants to local volunteer fire departments to help rural areas establish their own firefighting capabilities by sharing the cost of firefighting equipment and training. TWPP also includes the Texas Intrastate Fire Mutual Aid System program, which provides reimbursement grants to fire departments that are not eligible for grant assistance from the Rural Volunteer Fire Department Assistance Program.

Historically, the Texas Legislature appropriates funding as needed to TFS for wildfire costs incurred by the state. These supplemental appropriations are used as state matching funds to receive Federal Emergency Management Agency (FEMA) funds and to cover costs not paid for by FEMA reimbursements. FEMA typically reimburses Texas for eligible costs (whether as part of a presidential disaster declaration or through the Fire Management Assistance Grant Program), and Texas reimburses any responding agencies that assisted in fighting the wildfires. Cost sharing between federal and state governments for fighting wildfires varies depending on the severity of a fire season and the resources deployed.

As requested by the Texas Division of Emergency Management, TFS helps coordinate other response efforts for hurricanes, floods, tornadoes, and other disasters. In addition to response efforts, TFS conducts applied research in the field of forest insects and diseases and disseminates information to landowners. The agency dedicates time to reforestation efforts, urban forestry programs, resource development assistance, windbreak development, ecosystem services, and community assistance. TFS maintains statistics on annual forest growth, harvest trends, and forest industry production levels. The agency also operates a nursery and a seed orchard for the production of tree seedlings.

SIGNIFICANT LEGISLATION

House Bill 7 – Relating to certain fiscal matters affecting governmental entities; reducing or affecting the amounts or rates of certain taxes, assessments, surcharges, and fees. The legislation amends the Texas Government Code by directing that amounts appropriated to TFS for additional grants to volunteer fire departments not exceed $11.5 million each fiscal year, and that any amounts appropriated would be funded out of the unexpended balance in the General Revenue–Dedicated Volunteer Fire Department Assistance Account No. 5064. House Bill 7 also provides that funds in this account can be used for contributions to the Texas Emergency Services Retirement System.

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

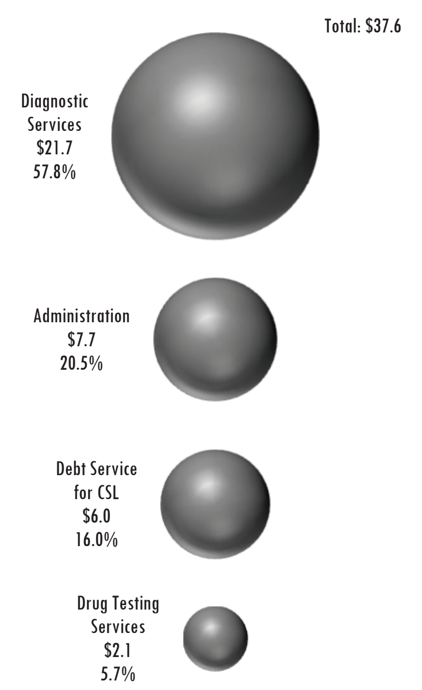
GOVERNANCE: The Texas A&M University System Board of Regents—nine members appointed by the Governor with advice and consent of the Senate

FIGURE 240
TEXAS A&M VETERINARY MEDICAL DIAGNOSTIC LABORATORY BY METHOD OF FINANCE

	IN MILLIONS			
METHOD OF FINANCE	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$17.8	$17.9	$0.2	1.0%
General Revenue–Dedicated Funds	$0.0	$0.0	$0.0	N/A
Federal Funds	$0.4	$0.4	$0.0	5.2%
Other Funds	$19.9	$19.2	($0.7)	(3.5%)
Total, All Methods of Finance	**$38.1**	**$37.6**	**($0.5)**	**(1.3%)**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2016	165.0
2017	165.0

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

A new methodology for infrastructure support outside Brazos County proportionally allocates to the agricultural agencies by their percentages of total actual square footage.

The **number of diagnostic cases** submitted and examined by the agency **in fiscal year 2015 was 143,911.**

More than 771,000 different analytical and diagnostic **tests** were performed by the agency **in fiscal year 2015.**

Fees generate 51.1 percent of the agency's total appropriation.

SOURCE: Legislative Budget Board.

MAJOR FUNDING

Funding for the Texas A&M Veterinary Medical Diagnostic Laboratory (TVMDL) for the 2016–17 biennium includes:

- $0.1 million increase in General Revenue Funds for infrastructure support within Brazos County to align with the general academic institutions' Infrastructure formula rate;
- $0.1 million increase in General Revenue Funds for biennializing state employees' salary adjustments made in the 2014–15 biennium;
- $12,902 increase in General Revenue Funds related to a new methodology for infrastructure support outside Brazos County that is proportionally allocated to the agricultural agencies by their percentages of total actual square footage;
- $20,000 increase in anticipated Federal Funds to assist in providing diagnostic services and disease surveillance; and
- $0.7 million decrease in anticipated Veterinary Medical Diagnostic Fee Revenue (Other Funds).

PROGRAMS

TVMDL performs veterinary diagnostic services, export testing, and disease surveillance. The agency also works to detect, report, and respond to potential disease outbreaks among Texas' animal populations, including foot and mouth disease and avian influenza. TVMDL conducts laboratory tests on specimens from live or deceased animals and their environments. In addition, the agency's four laboratories facilitate commerce of Texas livestock by providing tests required for international, intrastate, and interstate movement of animals. TVMDL also provides laboratory data necessary to identify disease outbreaks, including emerging, reemerging, and zoonotic diseases, and provides appropriate warnings to individuals and governmental agencies.

The agency works with many partners, including the Texas Animal Health Commission, the Texas Parks and Wildlife Department, the Texas Department of State Health Services, the National Center for Foreign Animal and Zoonotic Disease Defense, and the U.S. Department of Agriculture Veterinary Services. TVMDL is one of 12 core labs composing the National Animal Health Laboratory Network, a group of state and regional diagnostic laboratories. All four of the agency's diagnostic and testing facilities provide early detection and surveillance relating to high-consequence animal diseases. College Station is the larger of the two full service labs with 100.0 full-time-equivalent (FTE) positions followed by Amarillo with 30.0 positions. The two smaller poultry labs in Center and Gonzales have 8.0 and 5.0 positions, respectively.

HIGHER EDUCATION EMPLOYEES GROUP INSURANCE

PURPOSE: Higher Education Employees Group Insurance (HEGI) encompasses appropriations of state funds to individual institutions within three systems providing health benefits coverage to higher education employees: The University of Texas (UT) System, the Texas A&M University (TAMU) system, and the Employees Retirement System (ERS).

ESTABLISHED: Various

AUTHORIZING STATUTE: The Texas Insurance Code, Chapter 1601 (UT and TAMU systems) and Chapter 1551 (ERS institutions)

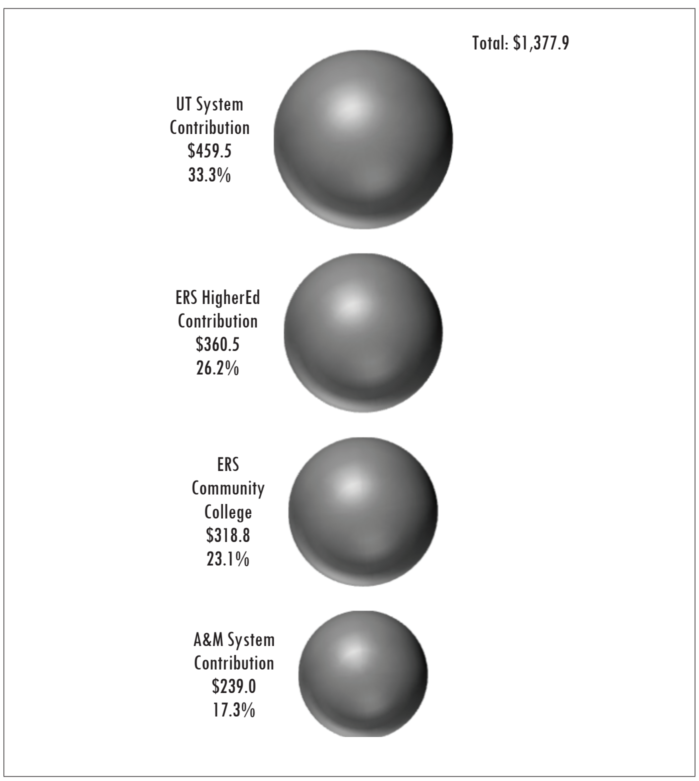
GOVERNANCE: ERS, UT System, and TAMU System

FIGURE 241
HIGHER EDUCATION EMPLOYEES GROUP INSURANCE BY METHOD OF FINANCE

	IN MILLIONS			
METHOD OF FINANCE	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$1,189.2	$1,377.9	$188.7	15.9%
General Revenue–Dedicated Funds	$0.0	$0.0	$0.0	N/A
Federal Funds	$0.0	$0.0	$0.0	N/A
Other Funds	$1.6	$0.0	($1.6)	(100.0%)
Total, All Methods of Finance	**$1,190.8**	**$1,377.9**	**$187.1**	**15.7%**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2016	N/A
2017	N/A

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

State institutions of higher education are funded at **86.8 percent** to **89.2 percent** of full ERS premium rates.

Community college districts are funded at **50.0 percent** of full ERS premium rates.

The **number of participants** (actives, retirees, and dependents) in the group insurance programs for UT System, TAMU System, and ERS **totaled approximately 406,000** in fiscal year 2015.

Due to decreases in enrollment, **29 community colleges** received an employee-level **hold harmless** through the benefits petition process.

SOURCE: Legislative Budget Board.

MAJOR FUNDING

Appropriations for Higher Education Employees Group Insurance (HEGI) for the 2016–17 biennium total $1,377.9 million in General Revenue Funds, an increase of $187.1 million from the 2014–15 biennium. The 2016–17 biennial appropriations for group health insurance is based on the number of eligible enrollees multiplied by premium contribution rates, which are then multiplied by annual rate increases. HEGI premium contribution rates vary by insuring system and type of institution. While premium contributions for general state employees are funded at 100.0 percent of the Employee Retirement System (ERS) premium rates, state institutions of higher education are funded at 86.8 percent to 89.2 percent of full ERS premium rates, while local community college districts are funded at 50.0 percent of full ERS premium rates. HEGI premium rates are increased by 7.19 percent in fiscal year 2016, relative to fiscal year 2015 contribution rates. The fiscal year 2016 premium contribution rates are increased by 7.17 percent, relative to fiscal year 2016 contribution rates, to fund fiscal year 2017 appropriations.

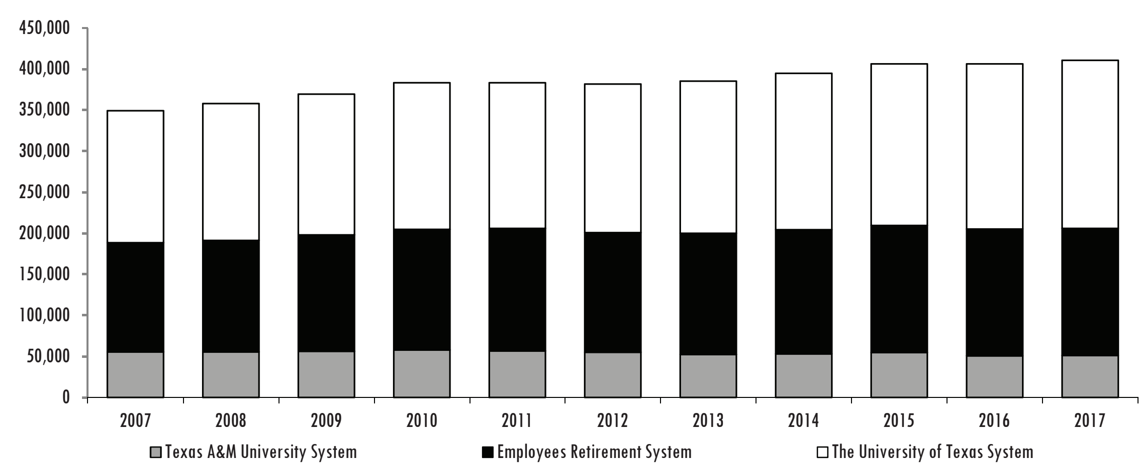
For the 2016–17 biennium, an institution's allocation of General Revenue Funds is based on the number of employees at the institution enrolled in the health insurance program as of December 1, 2014. Funding is based on a sum-certain appropriation methodology in which state contributions to individual institutions are capped at the respective institution's line-item amount and where additional costs, if any, must be borne by individual institutions out of other appropriated or local funds. However, the Eighty-fourth Legislature, General Appropriations Act (GAA), 2016–17 Biennium, also authorizes ERS and The University of Texas (UT) and Texas A&M University (TAMU) systems to transfer HEGI appropriations among institutions within their respective group insurance programs to address needs related to General Revenue Funds group insurance premiums.

PROGRAMS

HEGI encompasses appropriations of state funds to individual institutions that participate in one of three systems providing health benefits coverage to higher education employees: UT System, TAMU System, and ERS. The ERS Group Benefits Program serves all institutions of higher education, except components of the UT System and TAMU System. **Figure 242** shows each system's participants (actives, retirees, and dependents) from fiscal years 2007 to 2017.

The insurance contribution policy for ERS-covered institutions is the same as for non-higher education general state employees. For full-time employees, the state and the institution of higher education pay the employee-only premium in full and half the difference between the employee-only premium and the premium for dependent coverage. For full-time employees of the UT System, the state and UT System also pay the employee-only premium in full and half the difference between the employee-only premium and the premium for dependent coverage. For full-time employees of the TAMU System, the state and TAMU System pay about 98.2 percent of the employee-only premium and half of the difference between the employee-only premium and the premium for dependent coverage. Employees of the UT System and TAMU System receive

FIGURE 242
HIGHER EDUCATION EMPLOYEE HEALTH INSURANCE TOTAL PARTICIPATION, FISCAL YEARS 2007 TO 2017



NOTE: Fiscal years 2016 and 2017 are estimated.
SOURCES: The University of Texas System; Texas A&M University System; Employees Retirement System.

benefits similar to those offered to general state employees by ERS.

For all institutions of higher education except public community colleges, appropriations for HEGI are intended to provide state contributions to individual institutions' costs of health insurance premiums in a manner prescribed by proportional cost-sharing requirements. As such, institutions are required to pay all the health benefit costs for those employees having their salaries paid from sources other than the General Revenue Fund.

Unlike other institutions of higher education, state contributions for group health insurance for community colleges are based on the costs associated with eligible employees (instructional or administrative), whose salaries may be fully paid from funds appropriated in the GAA, regardless of whether such salaries are actually paid from appropriated funds. Contributions may not be adjusted in a proportion greater than the change in student enrollment, with the exception that a college experiencing a decrease in student enrollment may petition the Legislative Budget Board to maintain the number of eligible employees up to 98.0 percent of the previous biennium. For the 2016–17 biennium, a stepped hold harmless appropriation was adopted through the benefits petition process for those colleges that experienced a decrease in enrollment, where the level of hold harmless for employee levels is based on the decrease in enrollment at each institution. **Figure 243** shows employee hold harmless levels corresponding to each range of enrollment decrease in contact hours. For example, a community college that experienced an 8.0 percent decrease in contact hours received a 95.0 percent employee hold harmless. Similarly, a community college that experienced a 4.0 percent decrease in contact hours received a 98.0 percent employee hold harmless.

FIGURE 243
COMMUNITY COLLEGE STEPPED EMPLOYEE HOLD HARMLESS LEVELS, 2016–17 BIENNIUM

PERCENTAGE DECREASE IN CONTACT HOURS	EMPLOYEE LEVEL HOLD HARMLESS
2% to 5%	98%
5% to 10%	95%
10% to 15%	90%
More than 15%	85%

SOURCE: Legislative Budget Board.

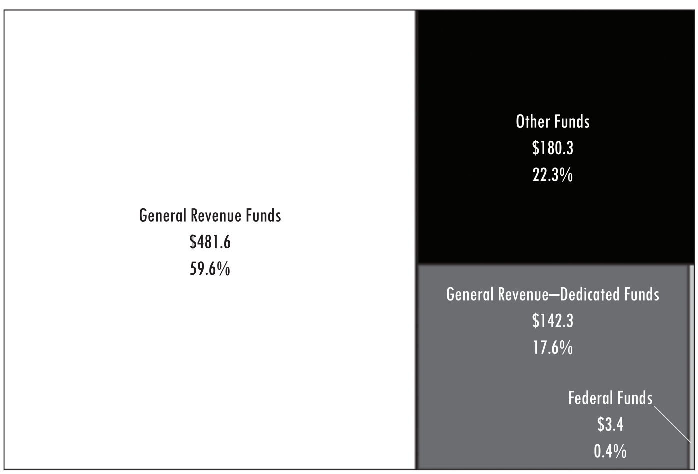
7. JUDICIARY

The Judiciary is the third branch of state government. Appropriations for the Judiciary support operation and administration of the state's court system, which includes the Supreme Court of Texas, the Court of Criminal Appeals, 14 Courts of Appeals, and 2,717 trial courts. Appropriations for the courts and six judicial branch agencies include funding for access to the courts for low-income Texans, judicial education, e-filing, fair defense for indigents, review of allegations of judicial misconduct or disability, publicly available legal resources, prosecutor pay and expenses, juror pay, and nonresident witness expenses.

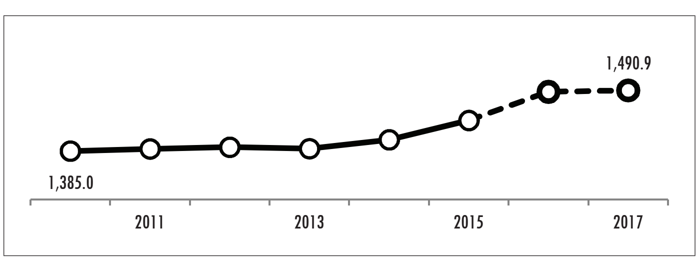
FIGURE 244
ARTICLE IV – JUDICIARY, BY METHOD OF FINANCE

	IN MILLIONS			
METHOD OF FINANCE	EXPENDED/BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$447.3	$481.6	$34.3	7.7%
General Revenue–Dedicated Funds	$133.5	$142.3	$8.9	6.6%
Federal Funds	$3.8	$3.4	($0.3)	(9.0%)
Other Funds	$179.9	$180.3	$0.4	0.2%
Total, All Methods of Finance	**$764.5**	**$807.8**	**$43.3**	**5.7%**

SHARE OF FUNDING BY METHOD OF FINANCE



FULL-TIME-EQUIVALENT POSITIONS



SIGNIFICANT DEVELOPMENTS

eFileTexas appropriations total $45.5 million for vendor payments to manage and fully **implement the system by July 2016.** This amount is an increase of 59.6 percent, including filing fee changes initiated in **Senate Bill 1139**.

Texas Indigent Defense Commission funding totals **$71.1 million**, a decrease of 16.0 percent, to assist counties in providing indigent defense services. Biennial fund balances available in 2014–15 are not available in 2016–17.

Funding to provide **basic civil legal services** to eligible recipients totals **$62.9 million**, an increase of 15.8 percent. This amount includes $10.0 million for **victims of sexual assault** and $3.0 million for **veterans and their families**.

Seven new district courts and five new statutory county courts were established by **Senate Bill 1139**. Appropriations were increased by $2.3 million to implement the bill's provisions.

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

FIGURE 245
ARTICLE IV – JUDICIARY APPROPRIATIONS BY AGENCY, ALL FUNDS

(IN MILLIONS)

FUNCTION	EXPENDED/BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE
Supreme Court of Texas	$69.7	$78.7	$9.0	13.0%
Court of Criminal Appeals	$29.0	$32.4	$3.4	11.8%
First Court of Appeals District, Houston	$8.6	$9.3	$0.7	8.6%
Second Court of Appeals District, Fort Worth	$6.6	$7.2	$0.6	9.6%
Third Court of Appeals District, Austin	$5.6	$6.0	$0.4	7.7%
Fourth Court of Appeals District, San Antonio	$6.6	$7.2	$0.6	8.9%
Fifth Court of Appeals District, Dallas	$11.7	$12.7	$1.0	8.8%
Sixth Court of Appeals District, Texarkana	$3.0	$3.3	$0.2	7.9%
Seventh Court of Appeals District, Amarillo	$3.8	$4.1	$0.3	8.4%
Eighth Court of Appeals District, El Paso	$3.1	$3.3	$0.2	7.7%
Ninth Court of Appeals District, Beaumont	$3.8	$4.1	$0.3	8.6%
Tenth Court of Appeals District, Waco	$3.0	$3.4	$0.3	11.5%
Eleventh Court of Appeals District, Eastland	$3.0	$3.3	$0.2	8.2%
Twelfth Court of Appeals District, Tyler	$3.1	$3.3	$0.2	7.3%
Thirteenth Court of Appeals District, Corpus Christi-Edinburg	$5.6	$6.0	$0.4	7.5%
Fourteenth Court of Appeals District, Houston	$8.8	$9.5	$0.7	8.3%
Office of Court Administration, Texas Judicial Council	$150.5	$159.9	$9.3	6.2%
Office of Capital Writs	$2.1	$2.8	$0.6	30.6%
Office of the State Prosecuting Attorney	$0.8	$0.8	$0.0	4.2%
State Law Library	$2.1	$2.1	$0.0	1.0%
State Commission on Judicial Conduct	$1.9	$2.2	$0.3	16.0%
Judiciary Section, Comptroller's Department	$304.7	$313.7	$9.0	2.9%
Subtotal, Judiciary	**$637.0**	**$675.2**	**$38.2**	**6.0%**
Employee Benefits and Debt Service	$147.0	$152.7	$5.6	3.8%
Less Interagency Contracts	$19.5	$20.2	$0.6	3.3%
Total, All Functions	**$764.5**	**$807.8**	**$43.3**	**5.7%**

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

MAJOR FUNDING

The Eighty-fourth Legislature, 2015, appropriated $807.8 million in All Funds for the Judiciary, an increase of $43.3 million, or 5.7 percent, over the 2014–15 biennium.

APPELLATE COURT FUNDING

Appropriations for all of the appellate courts, including the Supreme Court of Texas, the Court of Criminal Appeals, and the 14 appellate courts, total $193.7 million in All Funds, an increase of $18.9 million. The increase is primarily for the following:

- the Supreme Court of Texas' (SCOT) Basic Civil Legal Services Program provides grants to nonprofit organizations that provide free civil legal services to low-income Texans. Program funding totals $62.9 million, an increase of $8.6 million, which includes $13.0 million to specifically provide services for victims of sexual assault and veterans and their families. These increases offset a decrease of $4.5 million in civil penalties in the 2014–15 biennium that were not anticipated to be available in the 2016–17 biennium;

- the Court of Criminal Appeals' (CCA) Judicial Education Program provides grants to entities that offer continuing legal education, technical assistance, and innocence training for judicial and court staff. Program funding totals $19.8 million, which includes a net increase of $1.8 million;

- appropriations to provide similar funding for similar courts total $8.7 million and include:
    - $6.4 million for the 14 Courts of Appeals to provide similar funding for same-size courts, which is primarily for legal position salary adjustments and funding for additional full-time-equivalent (FTE) positions;

    - $1.6 million for the CCA for legal staff salary increases to raise court staff attorney salaries to be comparable with Supreme Court staff attorney salaries, for non-legal staff salary increases, for an additional staff attorney and deputy clerk, and to provide for computer and operating expenses; and

    - $0.7 million for SCOT legal and nonlegal staff salary increases, for the addition of security features to the SCOT building, and for Supreme Court Advisory Committee travel.

JUDICIAL BRANCH AGENCIES

Judicial branch agencies include the Office of Court Administration (OCA), the Office of Capital and Forensic Writs (OCFW), the Office of the State Prosecuting Attorney (OSPA), the State Law Library, the State Commission on Judicial Conduct, and the Judiciary Section of the Comptroller's Department. Appropriations for these agencies total $481.5 million in All Funds, an increase of $19.2 million. The increase is primarily for the following:

- appropriations for the OCA increased by $9.3 million, including:
    - an estimated $45.5 million, an increase of $17.0 million, from civil filing fee revenues for vendor payments to manage the eFiling system, which enables the electronic filing of cases and to provide assistance to courts so that the system can be fully implemented by July 2016; this amount includes $8.5 million due to the enactment of Senate Bill 1139, Eighty-fourth Legislature, 2015, which increased civil filing fees;

    - $71.1 million, a net decrease of $13.9 million, for the Texas Indigent Defense Commission to assist counties with establishing, developing, and maintaining indigent defense services by reviewing annual plans submitted by counties, educating stakeholders on how to administer effective services, awarding competitive discretionary grants, and distributing formula grants to counties. A funding decrease of $21.4 million in General Revenue–Dedicated Funds (Fair Defense Account No. 5703) due to onetime balances being used in the 2014–15 biennium. Funding decisions made for the Office of Capital and Forensic Writs, and anticipated reductions in revenue to the Fair Defense Account, are offset by increased appropriations of General Revenue Funds totaling $7.5 million. This amount includes $3.1 million for the regional public defender office for capital cases and $4.4 million to defray costs to counties for providing indigent defense services;

    - $24.0 million, an increase of $3.7 million, to provide for 44 child support courts, with funding for 44 associate judges and 43 court coordinators, and for 25 child protection courts (including four newly created courts), with funding for 20 associate judges and 25 court coordinators and reporters; an increase in associate judges' salaries to 80.0 percent of a district judge's salary, or $112,000; and a salary increase for specialty court staff;

  - $2.4 million to replace aging security and legacy data analysis systems and for Centralized Accounting and Payroll/Personnel Systems (CAPPS) deployment; and
  - $0.3 million due to the enactment of House Bill 48, Eighty-fourth Legislature, 2015, to provide for the establishment of the Timothy Cole Exoneration Commission to review convictions after exoneration and prevent wrongful convictions;

- appropriations for the CPA Judiciary Section, increased by $9.0 million primarily to implement statutory changes passed by the Eighty-fourth Legislature, 2015; the increases include:
  - $4.2 million due to the enactment of Senate Bill 1025 to increase the county judge salary supplement for certain county judges to 18 percent of a district judge's state salary;
  - $2.3 million due to the enactment of Senate Bill 1139 to establish new district courts and statutory county courts and new prosecutor positions;
  - $1.3 million due to the enactment of House Bill 9 to increase member contributions to the Employees Retirement System, which results in funding for grants to counties for local compensation to offset the increased costs for this purpose;
  - $0.5 million due to the enactment of House Bill 1690 to defray expenses of local prosecutors relating to the investigation and prosecution of offenses against public administration, including ethics offenses; and
  - $0.5 million for the Special Prosecution Unit for 3.0 percent pay increases, county-forecasted benefits expenses, and increased accounting expenses for the Criminal, Civil, and Juvenile divisions; the net increase includes a decrease of $0.2 million due to the enactment of Senate Bill 746, which reforms the process of civilly committing sexually violent predators by placing the responsibility to initiate commitments with local prosecutors in the counties where the convictions occurred.

SUPREME COURT OF TEXAS

PURPOSE: The Supreme Court of Texas is the court of last resort in civil and juvenile matters. Other responsibilities include original jurisdiction to issue writs, final jurisdiction over the involuntary retirement or removal of judges, promulgating rules and other standards, and regulating the legal profession in Texas.

ESTABLISHED: 1845

AUTHORIZING STATUTE: The Texas Constitution, Article 5, §2

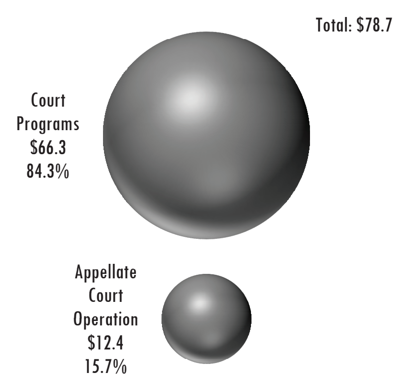
GOVERNANCE: One Chief Justice and eight justices elected to staggered six-year terms through statewide elections

FIGURE 246
SUPREME COURT OF TEXAS BY METHOD OF FINANCE

	IN MILLIONS			
METHOD OF FINANCE	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$28.3	$32.0	$3.7	13.0%
General Revenue–Dedicated Funds	$0.0	$10.0	$10.0	N/A
Federal Funds	$3.3	$3.2	($0.1)	(3.1%)
Other Funds	$38.0	$33.5	($4.5)	(11.9%)
Total, All Methods of Finance	**$69.7**	**$78.7**	**$9.0**	**13.0%**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2016	77.0
2017	77.0

COURT PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



Source: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

Basic Civil Legal Services appropriations total **$62.9 million**, an **increase of $8.6 million** to provide civil legal services to eligible recipients.

Basic Civil Legal Services appropriations include **$10.0 million** for an estimated **5,842 victims of sexual assault** and **$3.0 million** for an estimated **3,250 veterans** and their families.

MAJOR FUNDING

Funding for the Supreme Court increased by $9.0 million in All Funds. This amount includes an increase of $10.0 million in newly appropriated General Revenue–Dedicated Funds (Sexual Assault Program Account No. 5010) to provide basic civil legal services for victims of sexual assault. A General Revenue Funds increase of $3.0 million provides funding for basic civil legal services for veterans and their families. A General Revenue Funds increase of $0.7 million provides for legal and nonlegal staff salary increases, for the addition of security features to the Supreme Court building, and for Supreme Court Advisory Committee travel. These increases are offset by decreases of $0.1 million in Federal Funds that are no longer available for court improvements and of an estimated $4.5 million in General Revenue Fund Account No. 573, Judicial Fund (Other Funds), revenues due to onetime collections of civil penalties in the 2014–15 biennium used to provide basic civil legal services to the indigent that were not anticipated to be available in the 2016–17 biennium.

PROGRAMS

The Supreme Court carries out its responsibilities through two program areas: (1) Appellate Court Operations; and (2) Court Programs.

APPELLATE COURT OPERATIONS

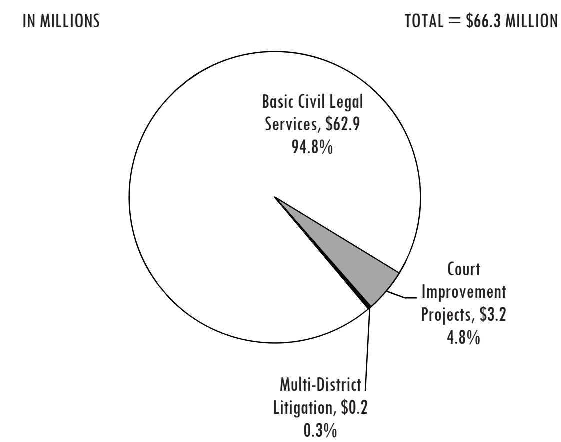
The Appellate Court Operations program area contains funding for the court's primary function and other responsibilities, which include: the promulgation and enforcement of rules of civil procedure and evidence; administrative oversight of the State Bar of Texas; the licensing and supervision of attorneys in Texas; the appointment of members of the Board of Law Examiners; the licensing of attorneys; the supervision of the Office of Court Administration; and the equalization of the 14 Courts of Appeals dockets. The court was appropriated $12.4 million in All Funds with 70.0 full-time-equivalent (FTE) positions for Appellate Court Operations.

COURT PROGRAMS

Court Programs appropriations of $66.3 million in All Funds and 7.0 FTE positions for the 2016–17 biennium (**Figure 247**) support indigent civil legal services, court improvement projects, and multi-district litigation costs.

Support for indigent civil legal services in Texas is provided through the Basic Civil Legal Services (BCLS) program, administered on behalf of the court by the Texas Access to Justice Foundation (TAJF). This nonprofit organization manages grants to legal aid organizations through federal and state funding, with other funding sources that include donations, grants, and the Texas Interest on Lawyer's Trust Accounts program. State funds comprise approximately 27.5 percent of total BCLS funding. Using all sources of funding, Texas legal aid organizations dispose of approximately 100,000 cases each year. For the 2016–17 biennium, TAJF estimates that funding will be made available to 26 legal aid providers.

FIGURE 247
SUPREME COURT OF TEXAS APPROPRIATIONS FOR COURT PROGRAMS, 2016–17 BIENNIUM



SOURCE: Legislative Budget Board.

The court was appropriated $62.9 million in All Funds for the 2016–17 biennium for the BCLS program, which includes an increase of $8.6 million. The additional funds appropriated by the Eighty-fourth Legislature expanded civil legal aid services to veterans and their families and to victims of sexual assault. Although these amounts include an anticipated reduction in revenues available to be appropriated from Judicial Fund No. 573, any revenues deposited to the credit of the fund in excess of the estimated amounts are automatically appropriated for the same purposes.

The Court Improvement Projects program includes the Permanent Judicial Commission for Children, Youth, and Families. This commission administers Federal Funds awarded to the court to strengthen courts for children, youth, and families in the child-protection system through collaborative partnerships. The court was appropriated $3.2 million in Federal Funds with 7.0 FTE positions for the 2016–17 biennium to improve the judicial handling of child-protection cases through improvements in technology, attorney and judicial training, and court improvement pilot projects.

For the 2016–17 biennium, the court's Multi-District Litigation program was appropriated $0.2 million in General Revenue Funds for grants to trial courts and appellate courts for additional court staff and technology to handle multi-district litigation cases such as asbestosis- and silicosis-related cases.

SIGNIFICANT LEGISLATION

House Bill 1079 – Revenue streams for basic civil legal services. This bill expands the types of fines, fees, and other collections to be allocated to the Judicial Fund No. 573 for basic civil legal services.

COURT OF CRIMINAL APPEALS

PURPOSE: The court has statewide final appellate jurisdiction in criminal cases, exclusive jurisdiction in death penalty cases, and the power to issue writs; promulgates rules of evidence and appellate procedures for criminal cases; and makes grants to training entities providing judicial education.

ESTABLISHED: 1891

AUTHORIZING STATUTE: The Texas Constitution, Article V, §4

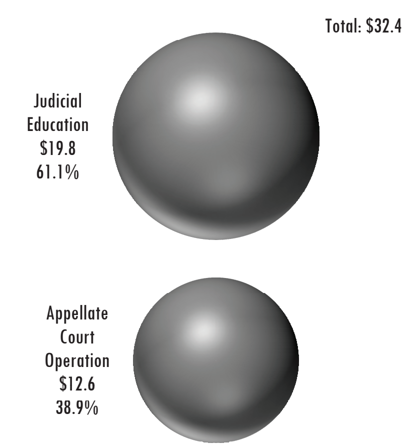
GOVERNANCE: One Presiding Judge and eight judges elected to staggered six-year terms through statewide elections

FIGURE 248
COURT OF CRIMINAL APPEALS BY METHOD OF FINANCE

	IN MILLIONS			
METHOD OF FINANCE	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$10.3	$11.9	$1.6	15.8%
General Revenue–Dedicated Funds	$17.1	$19.6	$2.5	14.4%
Federal Funds	$0.2	$0.2	$0.0	0.3%
Other Funds	$1.4	$0.7	($0.7)	(47.6%)
Total, All Methods of Finance	**$29.0**	**$32.4**	**$3.4**	**11.8%**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2016	71.0
2017	71.0

COURT PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

A $1.6 million increase was provided for staff and technology, including additional positions, legal and nonlegal staff salary increases, and for information technology-related costs.

Judicial Education appropriations increased by $1.8 million for grants to training entities offering continuing legal education for judicial and court staff.

The Court was authorized to **permit judicial education training entities to retain unused judicial education grant funds** for training purposes, subject to court approval.

SOURCE: Legislative Budget Board.

MAJOR FUNDING

Funding for the Court of Criminal Appeals increased by $3.4 million in All Funds from 2014–15 biennial spending levels, an increase of 11.8 percent. This amount includes General Revenue Funds increases of $1.3 million for legal staff salary increases to raise court staff attorney salaries to be comparable with Supreme Court staff attorney salaries, and for nonlegal staff salary increases. Additional funding increases include $0.3 million for an additional staff attorney and deputy clerk, and to provide for computer and operating expenses.

Appropriations from the General Revenue–Dedicated Account No. 540, Judicial and Court Personnel Training Account, include an increase of $2.5 million, or 14.4 percent more than 2014–15 biennial spending levels, to be used for grants to judicial education training entities that offer continuing legal education to judicial and court personnel. These increases are offset by a decrease in Appropriated Receipts of $0.7 million associated with the court being granted authority to permit judicial education training entities to retain unused grant funds for training purposes each year subject to court approval or to return these funds to the court at the court's discretion. Previously, these unused grant funds were required to be returned to the court each year as Appropriated Receipts and were included in the court's budget.

PROGRAMS

The Court of Criminal Appeals carries out its responsibilities through two program areas: (1) Appellate Court Operations; and (2) Judicial Education.

APPELLATE COURT OPERATIONS

The Appellate Court Operations program area contains funding for the court's primary function as the highest state appellate court for criminal cases, for promulgating related rules, and for granting writs of habeas corpus providing relief from final felony convictions. This includes reviewing appeals submitted to the court for decisions made by lower courts on criminal cases and requests for further review among some of those appeals. The Court produces a written opinion for each appeal the Court chooses to review. The court was appropriated $1.6 million in All Funds with 69.0 full-time-equivalent (FTE) positions for this program area.

JUDICIAL EDUCATION

The court administers a grant program for the purpose of the continuing legal education and technical assistance of judges, court staff, prosecuting attorneys and their staff, criminal defense attorneys that regularly represent indigent defendants in criminal matters, and to provide innocence training. This function is mainly funded through the collection of court costs in criminal case convictions. Grant use is monitored and audited by Court of Criminal Appeals staff. The Judicial Education program area was appropriated $19.8 million in All Funds with 2.0 FTE positions for the 2016–17 biennium. General Revenue–Dedicated Funds (Judicial and Court Personnel Training Account) comprise 98.0 percent of the appropriation. **Figure 249** provides a list of grant recipients for fiscal year 2016.

FIGURE 249
FISCAL YEAR 2016 JUDICIAL EDUCATION GRANT RECIPIENTS, AS OF NOVEMBER 2015

RECIPIENT	GRANT PURPOSE
Texas Center for the Judiciary	Training for judges and clerks serving in statutory county, district, and appellate courts
Texas Association of Counties	Training for judges and clerks serving in constitutional county courts, wherein the functions performed by the judge are at least 40% judicial functions
Texas Municipal Courts Education Center	Training for judges and clerks serving municipal courts
Texas Justice Court Training Center	Training for justices of the peace and clerks and constables serving justice of the peace courts
Texas District and County Attorneys Association	Training for prosecutors, investigators, and other staff representing the government in district- and county-level trial courts
Texas Criminal Defense Lawyers Association	Training for criminal defense attorneys regularly representing indigent defendants in criminal matters
Center for American and International Law	Judge, prosecutor, and criminal defense attorney training
Texas District Court Alliance	District clerk and court staff training

SOURCE: Court of Criminal Appeals.

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

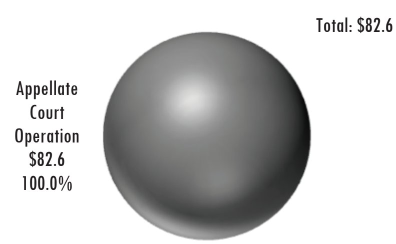
GOVERNANCE: Each court of appeals has from two to eight justices and one chief justice elected to six-year terms

FIGURE 250
COURTS OF APPEALS BY METHOD OF FINANCE

	IN MILLIONS			
METHOD OF FINANCE	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$70.1	$76.7	$6.5	9.3%
General Revenue–Dedicated Funds	$0.0	$0.0	$0.0	N/A
Federal Funds	$0.0	$0.0	$0.0	N/A
Other Funds	$6.0	$6.0	($0.0)	(0.8%)
Total, All Methods of Finance	**$76.2**	**$82.6**	**$6.5**	**8.5%**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2016	429.7
2017	429.7

COURT PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

Appropriations for the 14 Courts of Appeals include a **$6.4 million block grant increase** to provide similar funding for same-size courts.

Appropriations provide for **80 justices (14 chief justices and 66 justices) and other necessary staff (349.7 full-time-equivalent positions)** to carry out intermediate appellate court operations.

SOURCE: Legislative Budget Board.

MAJOR FUNDING

Total appropriations across all 14 Courts of Appeals increased by $6.5 million in General Revenue Funds, 9.3 percent more than 2014–15 biennial spending levels. This increase includes a $6.4 million block grant to provide similar funding for same-sized courts and $0.1 million for the Tenth Court of Appeals, Waco, for courthouse renovations or relocation. **Figure 251** shows an analysis of the block grant by court. A majority of this funding provides for salary increases for legal and nonlegal staff ($3.5 million) and for additional court staff ($2.0 million).

PROGRAMS

The 14 Courts of Appeals exercise intermediate appellate jurisdiction in civil and criminal cases other than those in which the death penalty has been assessed. The courts carry out their responsibilities in separate districts across the state, with one court of appeals in each district, except the First and the Fourteenth courts of appeals, which are located in Houston, housed in the same building, and serve the same counties. The courts are located in Fort Worth, Austin, San Antonio, Dallas, Texarkana, Amarillo, El Paso, Beaumont, Waco, Eastland, Corpus Christi and Edinburg, Tyler, and Houston. Eighty justices preside among the 14 courts of appeals; the number of justices at each court is set by statute and varies from three to 13.

Total appropriations for the 14 Courts of Appeals is $82.6 million in All Funds with 429.7 full-time-equivalent positions for the 2016–17 biennium.

FIGURE 251
ALLOCATION OF COURTS OF APPEALS BLOCK GRANT, 2016–17 BIENNIUM

COURT	JUSTICES	NEW FTES	FUNDING FOR NEW FTES	FTE SALARY INCREASES	SALARY-RELATED COSTS	OTHER OPERATING COSTS	BLOCK GRANT TOTAL	TOTAL COURT APPROPRIATIONS
1	9	3.0	$360,000	$369,299	$10,939	N/A	$740,238	$9,289,496
2	7	1.0	$120,000	$319,624	$6,594	$188,060	$634,278	$7,177,187
3	6	1.0	$170,000	$240,000	$6,150	$13,426	$429,576	$6,032,704
4	7	2.0	$177,800	$284,428	$6,933	$123,261	$592,422	$7,156,086
5	13	N/A	N/A	$752,756	$11,291	$249,314	$1,013,361	$12,677,498
6	3	N/A	N/A	$224,162	$3,362	$16,638	$244,162	$3,276,239
7	4	1.0	$184,000	$112,698	$4,450	$17,202	$318,350	$4,097,636
8	3	1.0	$157,000	$76,155	$3,497	$7,005	$243,657	$3,334,239
9	4	N/A	N/A	$318,278	$4,774	N/A	$323,052	$4,093,159
10	3	1.0	$107,510	N/A	$1,612	$136,056	$245,178	$3,384,240
11	3	N/A	N/A	$244,522	$3,668	N/A	$248,190	$3,289,638
12	3	1.0	$170,000	$47,809	$3,267	N/A	$221,076	$3,282,267
13	6	2.0	$240,000	$136,437	$5,647	$40,036	$422,120	$6,027,123
14	9	3.0	$360,000	$355,230	$10,728	N/A	$725,958	$9,532,036
Totals		**16.0**	**$2,046,310**	**$3,481,398**	**$82,912**	**$790,998**	**$6,401,618**	**$82,649,548**

NOTES:
(1) Salary amounts for the Second, Fourth, and Fourteenth Courts of Appeals include funding to reclassify law clerks to staff attorneys.
(2) Salary-related costs include funding for health and retirement contributions.
(3) Salary increases for the Fourth Court of Appeals include $132,700 to convert two law clerk positions to permanent staff attorneys.
(4) FTE = full-time-equivalent position.
SOURCES: Legislative Budget Board; Office of Court Administration.

OFFICE OF COURT ADMINISTRATION, TEXAS JUDICIAL COUNCIL

PURPOSE: To provide resources and support to trial, appellate, and specialty courts, and to regulatory boards and policymaking bodies; and to provide information about the judicial branch to the legislative and executive branches, the judiciary, and the public.

ESTABLISHED: 1977

AUTHORIZING STATUTE: The Texas Government Code, Chapter 72

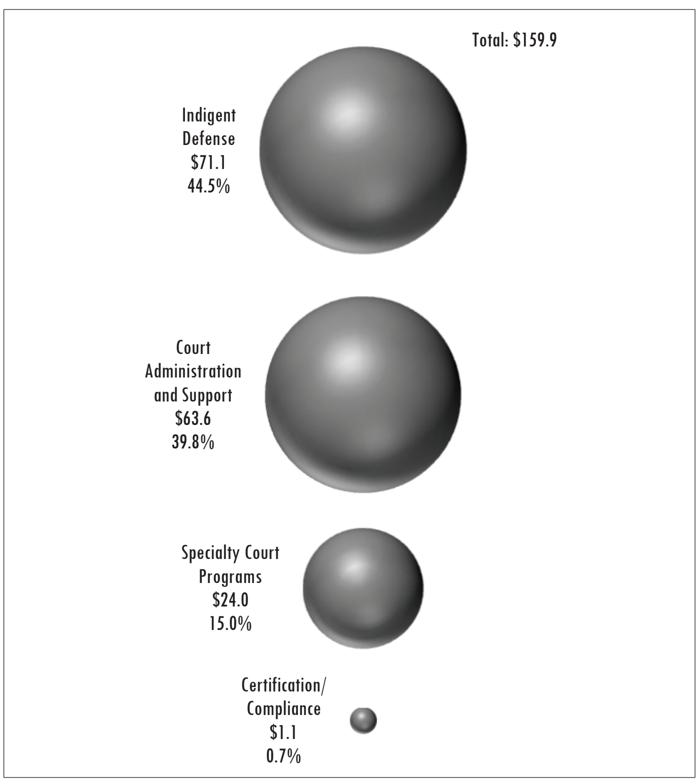
GOVERNANCE: Directed and supervised by the Supreme Court of Texas and the Chief Justice

FIGURE 252
OFFICE OF COURT ADMINISTRATION, TEXAS JUDICIAL COUNCIL BY METHOD OF FINANCE

	IN MILLIONS			
METHOD OF FINANCE	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$26.2	$39.8	$13.6	51.8%
General Revenue–Dedicated Funds	$113.5	$109.1	($4.4)	(3.9%)
Federal Funds	$0.2	$0.0	($0.2)	(97.0%)
Other Funds	$10.6	$10.9	$0.3	3.1%
Total, All Methods of Finance	$150.5	$159.9	$9.3	6.2%

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2016	239.6
2017	239.6

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

Appropriations for the **eFileTexas system increased by $17.0 million**, with changes made in **Senate Bill 1139** increasing electronic filing fees in appellate, district, and county courts from $20 to $30.

A **Texas Indigent Defense Commission** appropriation **decrease of $21.4 million**, primarily due to lower fund balances, is offset by a **$7.5 million increase** for the **Regional Public Defender Office for Capital Cases** and to **defray county costs** for providing mandatory services.

Technology funding increased by $2.4 million to replace aging security and legacy data analysis systems, and for operation and maintenance of the **Centralized Accounting and Payroll/Personnel System**.

Appropriations for specialty courts increased by **$1.9 million** to **increase associate judge salaries** to 80.0 percent of a district judge's salary, or $112,000, and for court staff salary increases.

MAJOR FUNDING

Funding for the Office of Court Administration, Texas Judicial Council (OCA) increased by $9.3 million in All Funds compared to 2014–15 biennial spending levels for the following:

- an increase of $17.0 million in General Revenue–Dedicated Funds (Statewide Electronic Filing System Account No. 5157) from civil filing fees revenues for vendor payments to manage the eFiling system and to assist courts in implementing the system; this amount includes $8.5 million due to the enactment of Senate Bill 1139, Eighty-fourth Legislature, 2015, which increased one of the civil filing fees that provides revenue to the system;
- a net decrease of $13.9 million in All Funds for the Texas Indigent Defense Commission resulting from a funding decrease of $21.4 million in General Revenue–Dedicated Funds (Fair Defense Account No. 5073) due to onetime balances being used in the 2014–15 biennium that will not be available in the 2016–17 biennium, funding decisions made for the Office of Capital and Forensic Writs, and for anticipated reductions in revenue to the Fair Defense Account, offset by increased appropriations of General Revenue Funds totaling $7.5 million. This amount includes $3.1 million for the Regional Public Defender Office for Capital Cases and $4.4 million to defray costs to counties for providing indigent defense services;
- an increase of $2.4 million in General Revenue Funds to replace aging security and legacy data analysis systems and for Centralized Accounting and Payroll/Personnel Systems deployment;
- an increase of $1.9 million in All Funds for an increase in associate judges' salaries for the agency's specialty courts to 80.0 percent of a district judge's salary, or $112,000; for operational support for the agency's child support courts, and a salary increase for specialty court staff;
- an increase of $1.8 million in All Funds to provide for four additional child protection courts;
- a net decrease of $0.8 million due to changes in Appropriated Receipts, Interagency Contracts, and Federal Funds;
- an increase of $0.6 million in General Revenue Funds for a Guardianship Compliance Project; and
- an increase of $0.3 million in General Revenue Funds due to the enactment of House Bill 48, Eighty-fourth Legislature, 2015, to provide for the establishment of the Timothy Cole Exoneration Review Commission to review convictions after exoneration and to prevent wrongful convictions.

PROGRAMS

The agency carries out its responsibilities through four major program areas: (1) Indigent Defense, (2) Court Administration and Support, (3) Specialty Courts Programs, and (4) Certification/Compliance. Total appropriations to OCA for the 2016–17 biennium are $159.9 million and provide for 239.6 full-time-equivalent (FTE) positions.

INDIGENT DEFENSE

The Indigent Defense program area provides funding for the Texas Indigent Defense Commission (TIDC), a standing committee of the Texas Judicial Council composed of eight ex officio members, including the Presiding Judge of the Court of Criminal Appeals, the Chief Justice of the Supreme Court of Texas, and five additional members appointed by the Governor. The commission provides financial and technical support to counties to develop and maintain quality, cost-effective indigent defense systems that meet the needs of local communities and the requirements of the Constitution and state law.

Total appropriations for TIDC for the 2016–17 biennium include $71.1 million in All Funds, a decrease of $13.9 million, with authority for 10.0 FTE positions. TIDC appropriations include $63.6 million in General Revenue–Dedicated Funds (Fair Defense Account No. 5073) and $7.5 million in General Revenue Funds. General Revenue–Dedicated appropriations include funding of $60.3 million for formula and discretionary grants to counties and indigent defense research, $2.1 million for TIDC administration, and $1.2 million for Innocence Projects at six state law schools. The law school funding includes $100,000 per fiscal year for each school and provides for students to review criminal case convictions to exonerate the wrongfully convicted and to identify reforms to improve criminal defense practices. General Revenue Funds appropriations include $3.1 million for the maintenance and operation of the Regional Public Defender Office for Capital Cases, with $500,000 designated for establishing an office servicing Cameron and Hidalgo counties and $4.4 million for counties to mitigate indigent defense service costs.

Formula grant distribution to counties considers factors such as county population and the county's portion of statewide direct indigent defense expenditures for the previous year. Discretionary grant awards include funding to reimburse a county for actual extraordinary expenses of providing indigent defense services in a case or series of cases; programmatic funding to improve indigent defense services such as case management software; programs that address the specific needs of individual counties, such as mental health defender programs; and support from multiple counties to county indigent defense programs, such as the Regional Public Defender for Capital Cases.

COURT ADMINISTRATION AND SUPPORT

The Court Administration and Support program area provides a range of services and support to Texas courts, state and federal agencies, the Legislature, and the general public, including analysis and publication of Texas courts data, professional development, best practices dissemination, and direct services to courts such as information technology and interpreter services.

Court Administration program appropriations include $6.4 million in General Revenue Funds and 39.5 FTE positions for OCA administration and other activities that provide services and support to Texas courts. One activity includes providing a court services consultant that can assist a court or clerk's office in topics such as evaluating and implementing case management, administrative programs, and advising jury management, and the Texas Court Remote Interpreter Service that provides free, licensed court interpreter services to courts in Spanish via speakerphone or videoconferencing. Another activity includes $0.5 million in General Revenue Funds appropriations with authority for 3.0 FTE positions for the Guardianship Compliance Project. This project reviews guardianship filings for the elderly and incapacitated to determine if guardians assigned by the courts are following statutorily required procedures, to review annual reports filed by the guardians, and to identify potential exploitation and/or neglect. Another activity within the Court Administration program includes $0.3 million in General Revenue funding for the Timothy Cole Exoneration Review Commission which was created with the enactment of House Bill 48, Eighty-fourth Legislature, 2015, to review cases where an innocent defendant was convicted and subsequently exonerated after January 1, 2010.

Through the Collection Improvement Program (CIP), the agency provides training and consultation for, and auditing of, county-level programs. These services include technical support provided at no cost to local jurisdictions. CIP programs are designed for local courts to manage cases where defendants are not prepared to pay all court costs, fees, and fines at the point of assessment, and when defendants request a payment plan. Cities with a population of 100,000 or more, and counties with a population of 50,000 or more, are required to implement collection improvement programs based on OCA's model collections program. Appropriations for the CIP program for the 2016–17 biennium include $1.0 million in General Revenue Funds with 14.0 FTE positions.

OCA employs or contracts with counties to provide administrative assistants to the presiding judges of the administrative judicial regions through the Assistance to Administrative Judicial Regions program. This program was appropriated $0.4 million with authority for 1.0 FTE position for the 2016–17 biennium. In addition, the Docket Equalization program funds travel expenses incurred by appellate justices and their staff that travel to hear cases transferred to their court for disposition. This program was appropriated $33,750 for the 2016–17 biennium.

The agency's Information Technology program provides support and service to Texas appellate courts, state judicial agencies, and the various entities administratively attached to the agency through appropriations of $10.3 million in General Revenue Funds with 28.6 FTE positions for the 2016–17 biennium. This includes providing administrative support to the Judicial Committee on Information Technology, a statutorily-authorized committee that establishes standards and guidelines for the systemic implementation and integration of technology in Texas' judicial system. In addition, OCA manages a contract with a third party vendor that manages and operates eFileTexas, the state's electronic filing system manager, to support a Supreme Court electronic civil filing mandate. For the 2016–17 biennium, $45.5 million in General Revenue–Dedicated Funds (Statewide Electronic Filing System Account No. 5157) funding is appropriated for this system due to enactment of Senate Bill 1139, Eighty-fourth Legislature, 2015, that increased electronic filing fees from $20 to $30 in civil cases in the appellate, district, and county-level courts.

Total appropriations for the Court Administration and Support program area for the 2016–17 biennium include $63.6 million in All Funds with authority for 83.1 FTE positions.

SPECIALTY COURTS PROGRAMS

The Specialty Courts program area includes funding for the operation and maintenance of the agency's child support and child protection courts. OCA's specialty courts are located across the state with judges appointed by the presiding judges of the administrative judicial regions. OCA is authorized to employ associate judges to hear child support enforcement cases within expedited timeframes set by federal requirements. The agency maintains 44 child support courts, staffed by 44 associate judges and approximately 43 court coordinators. Total appropriations for child support courts for the 2016–17 biennium include $15.3 million in All Funds with authority for 88.5 FTEs. This amount includes $10.1 million through an interagency contract with the Office of the Attorney General to obtain Federal Funds pursuant to the U.S. Social Security Act, Title IV, Part D. These pass-through Federal Funds are used to pay associate judge salaries and program operating expenses.

The agency's child protection courts reduce the time children spend in temporary foster care by expediting the judicial administration of child abuse, neglect, and adoption cases. Funding for these courts provides for a total of 26 courts operating in 13 counties and staffed by 20 associate judges, 25 court coordinators and reporters, and two administrative positions. Total appropriations for child protection courts for the 2016–17 biennium include $8.7 million in General Revenue Funds with authority for 49.0 FTE positions. Total appropriations for OCA's Specialty Courts Programs for the 2016–17 biennium includes $24.0 million with authority for 137.5 positions.

CERTIFICATION/COMPLIANCE

OCA oversees the certification, registration, and licensing of court reporters, guardians, process servers, and licensed court interpreters through the Certification/Compliance program area. This work is conducted through the Judicial Branch Certification Commission (JBCC), for which the agency provides staffing and support. The commission is composed of nine members appointed by the Supreme Court that serve staggered terms and are advised by four boards, one for each of the four types of certifications overseen by the JBCC. Appropriations for the 2016–17 biennium for the Certification/Compliance program area total $1.1 million with authority for 9.0 FTE positions.

SIGNIFICANT LEGISLATION

Senate Bill 1139 – Increasing certain filing fees. The bill increases the electronic filing fee from $20 to $30 in civil cases in the appellate, district, and county-level courts. These funds are used to meet maintenance and operational costs for the statewide electronic case filing system.

House Bill 48 – Timothy Cole Exoneration Review Commission. The bill establishes the Timothy Cole Exoneration Review Commission to review and examine Texas cases in which an innocent defendant was convicted and subsequently exonerated after January 1, 2010. The commission is required to submit a detailed report on the case review not later than December 1, 2016, and will be dissolved upon conclusion of that report's submission.

House Bill 3424 – Report on guardians of incapacitated persons. The bill requires OCA to conduct a study on the feasibility of developing, implementing, and maintaining a central database containing the names of incapacitated persons who have had a guardian appointed, and the names and contact information of guardians. OCA is also required to study the best practices for protecting the privacy of incapacitated persons and the confidentiality of information in the database, and to report on the study's findings by December 1, 2016.

Senate Bill 1057 – Regional public defender program funding. The bill authorizes TIDC to provide continuing state funding at up to 50.0 percent of the cost for regional public defender programs and to provide the funds directly to these programs.

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

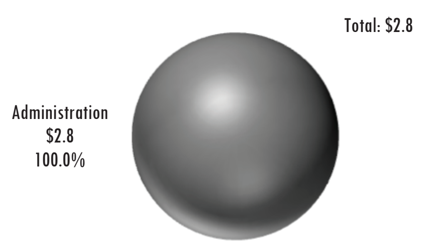
GOVERNANCE: The Court of Criminal Appeals appoints a director to supervise office operations based on recommendations from a committee composed of judges and attorneys appointed by the State Bar of Texas

FIGURE 253
OFFICE OF CAPITAL AND FORENSIC WRITS BY METHOD OF FINANCE

	IN MILLIONS			
METHOD OF FINANCE	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$0.0	$0.0	$0.0	N/A
General Revenue–Dedicated Funds	$2.1	$2.8	$0.6	30.6%
Federal Funds	$0.0	$0.0	$0.0	N/A
Other Funds	$0.0	$0.0	$0.0	N/A
Total, All Methods of Finance	**$2.1**	**$2.8**	**$0.6**	**30.6%**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2016	16.5
2017	16.5

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

Senate Bill 1743 renames the agency **the Office of Capital and Forensic Writs** and expands its powers and duties to include **forensic writs in noncapital cases**.

Administration appropriations increased by $0.6 million for an additional attorney, investigator, and paralegal, for a facilities remodel, and for legal staff salary increases.

MAJOR FUNDING

Appropriations to the Office of Capital and Forensic Writs (OCFW) for the 2016–17 biennium were increased by approximately $0.6 million with 3.5 full-time-equivalent (FTE) positions, an increase of 30.6 percent, from 2014–15 biennial spending levels. This increase includes $65,000 each year for one attorney, $52,000 each year for one investigator, $42,000 each year for one paralegal, $95,563 for a facilities remodel, and $34,000 for legal staff salary increases.

PROGRAMS

The OCFW carries out its responsibilities to provide legal representation for indigent death row inmates in post-conviction habeas corpus proceedings through its administration program. A writ of habeas corpus provides new evidence that may either prove an inmate's innocence, mitigating circumstances, or a violation of a person's constitutional rights during trial proceedings. These writs are developed and filed by OCFW in the original convicting court, which must address the writ. OCFW staff investigators work with the agency's staff attorneys to identify any potential new evidence that can be included within the appeal. The convicting trial court may grant the OCFW an evidentiary hearing. This hearing provides OCFW the opportunity to present new information that the court may not have considered at the trial court level. These proceedings, any answers or motions filed, exhibits introduced, and findings of fact and conclusions of law both proposed by counsel and entered by the court are transmitted to the Court of Criminal Appeals for review.

The OCFW was appropriated $2.8 million in General Revenue–Dedicated Funds (Fair Defense Account No. 5073) and 16.5 FTE positions for the 2016–17 biennium. The agency projects a caseload of 12 habeas writ applications in both fiscal years 2016 and 2017 and that trial courts may grant three evidentiary hearings in both fiscal years.

SIGNIFICANT LEGISLATION

Senate Bill 1743 – Expanding powers and duties of the Office of Capital Writs. This bill expands the powers and duties of the Office of Capital Writs beyond post-conviction matters in death penalty cases to include habeas corpus and other post-conviction matters in cases involving certain scientific evidence that becomes available after a conviction. The office is also renamed to the Office of Capital and Forensic Writs. The legislation authorizes OCFW to consult with law school clinics and other experts to investigate the facts of cases.

OFFICE OF THE STATE PROSECUTING ATTORNEY

PURPOSE: The Office of the State Prosecuting Attorney (OSPA) represents the state in all proceedings conducted by the Court of Criminal Appeals. The OSPA may also represent the state in any stage of a criminal case presented to a Court of Appeals if considered necessary for the interest of the state, and it may assist or be assisted by a district or county attorney in representing the state to a Court of Appeals.

ESTABLISHED: 1923

AUTHORIZING STATUTE: The Texas Government Code, Chapter 42

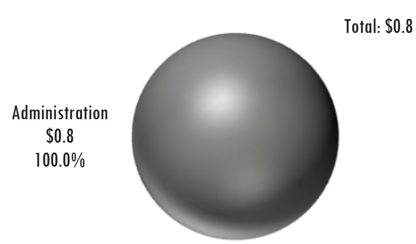
GOVERNANCE: Appointed by the Court of Criminal Appeals

FIGURE 254
OFFICE OF THE STATE PROSECUTING ATTORNEY BY METHOD OF FINANCE

	IN MILLIONS			
METHOD OF FINANCE	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$0.8	$0.8	$0.0	4.5%
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	$0.0	$0.0	0.0%
Total, All Methods of Finance	**$0.8**	**$0.8**	**$0.0**	**4.2%**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2016	4.0
2017	4.0

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

OSPA anticipates that **17 petitions for discretionary review will be granted** by the Court of Criminal Appeals for each year of the 2016–17 biennium.

SOURCE: Legislative Budget Board.

MAJOR FUNDING

All Funds appropriations for OSPA increased by $34,042, or 4.5 percent, from 2014–15 biennial spending levels. This amount includes legal staff salary increases, interagency contract funding with the Office of Court Administration to provide administrative support, and funding for a salary increase for the State Prosecuting Attorney. As a result, the salary for the State Prosecuting Attorney increases from $140,000 to $143,500 with corresponding increases in benefits, effective September 1, 2015.

PROGRAMS

The OSPA carries out its responsibilities by representing the state in all proceedings conducted by the Court of Criminal Appeals (CCA). The office may also represent the state in any stage of a criminal case presented to a state court of appeals if considered necessary for the interest of the state. This representation can include the filing of petitions for discretionary review in the CCA when the state seeks review of a decision of one of the 14 Courts of Appeals in a criminal case. This petition challenges a Court of Appeals decision, and the CCA has discretion to grant or deny the appeal. If granted, the CCA will order both the state and defendant to file briefs and may grant oral argument. The CCA will then issue a written opinion that either affirms or reverses the lower court's opinion.

The agency also functions as the primary source of guidance and assistance for many local prosecutors. To that end, the State Prosecuting Attorney and assistant State Prosecuting Attorneys are required to remain updated regarding criminal law issues and to review opinions from Texas appellate courts that reverse criminal convictions or modify trial courts' judgments. The agency may submit petitions, briefs, and oral argument in cases considered to be of the greatest importance to the state's criminal jurisprudence and can become involved in local and county cases as necessary to advance the state's interests.

The OSPA was appropriated $0.8 million with 4.0 full-time-equivalent positions for the 2016–17 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

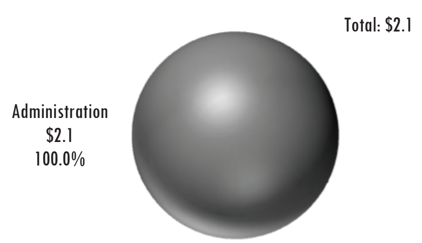
GOVERNANCE: Board composed of representatives for the Chief Justice of the Supreme Court, the Presiding Judge of the Court of Criminal Appeals, and the Attorney General

FIGURE 255
STATE LAW LIBRARY BY METHOD OF FINANCE

	IN MILLIONS			
METHOD OF FINANCE	**EXPENDED/ BUDGETED 2014–15**	**APPROPRIATED 2016–17**	**BIENNIAL CHANGE**	**PERCENTAGE CHANGE**
General Revenue Funds	$2.0	$2.0	$0.0	1.0%
General Revenue–Dedicated Funds	$0.0	$0.0	$0.0	N/A
Federal Funds	$0.0	$0.0	$0.0	N/A
Other Funds	$0.0	$0.0	$0.0	0.0%
Total, All Methods of Finance	**$2.1**	**$2.1**	**$0.0**	**1.0%**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2016	12.0
2017	12.0

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

The State Law Library anticipates **adding 5,000 additional items and 560 new cataloged titles** into its collection for the 2016–17 biennium.

Source: Legislative Budget Board.

MAJOR FUNDING

State Law Library funding includes an increase of $20,153 in All Funds from the 2014–15 biennial funding levels for a salary increase for the library's director.

PROGRAMS

The State Law Library's administration program area includes the following responsibilities: (1) collection management, (2) maintaining the judicial collection, (3) providing reference services for library patrons, (4) providing reference services for incarcerated offenders within the Texas Department of Criminal Justice and their families, and (5) providing virtual legal resources to remote users.

The library acquires, organizes, and maintains all print and digital resources used by library staff and patrons. Library staff use these materials to conduct research and answer reference questions posed by library patrons. This work includes the identification, selection, and purchase of titles. The library's collection includes more than 100,000 items of primary and secondary source material on Texas law, information on Texas legal history, federal primary source materials, major law reviews, treatises and monographs on general law, and selected federal publications. In addition, the library purchases, distributes, and maintains a judicial collection ordered and used for the judges and staff of the Court of Criminal Appeals and Supreme Court. The library updates these collections and addresses any library-related issues that court staff may have.

Library staff also provides reference services, such as assisting library visitors with locating legal reference material and answering questions. In addition, library staff prepare topical guides on specific sections of the law, maintain and enhance the library's website, and provide training on how library users can conduct legal research. The library also provides incarcerated offenders within the Texas Department of Criminal Justice and their families with reference and copy services on a fee-for-service basis. This service includes copies of case files, answering basic legal reference questions, and providing copies of case law, law review articles, historical statutes, and other legal reference material. The library also provides legal reference material through a remote access service whereby virtual library users can access the library's online legal databases covering case law, statutes, and administrative regulations.

The State Law Library was appropriated $2.1 million with 12.0 full-time-equivalent positions for the 2016–17 biennium.

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

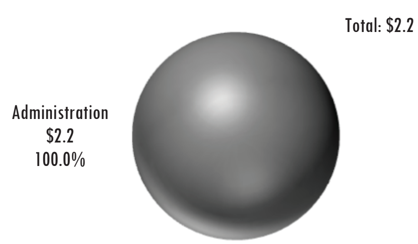
GOVERNANCE: 13-member commission appointed by the Supreme Court of Texas, State Bar of Texas, and the Governor

FIGURE 256
STATE COMMISSION ON JUDICIAL CONDUCT BY METHOD OF FINANCE

	IN MILLIONS			
METHOD OF FINANCE	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$1.9	$2.2	$0.3	16.0%
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**	**$2.2**	**$0.3**	**16.0%**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2016	14.0
2017	14.0

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

The State Commission on Judicial Conduct anticipates that it **will dispose of 1,100 out of 1,200 cases** alleging judicial misconduct or incapacity during **each year** of the 2016–17 biennium.

Administration appropriations **increased by $0.3 million** for a managing attorney position, staff attorney salary increases, and an executive director salary increase.

SOURCE: Legislative Budget Board.

MAJOR FUNDING

Appropriations for agency operations were increased by approximately $0.3 million, or 16.0 percent, from 2014–15 biennial spending levels. This increase includes funding for a managing attorney position to support the agency's growing caseload responsibilities, for attorney salary increases to raise agency attorney salaries to levels competitive with other state attorney salaries; and for an executive director salary increase.

PROGRAMS

The State Commission on Judicial Conduct (SCJC) Administration program enforces the Code of Judicial Conduct promulgated by the Supreme Court by considering allegations of judicial misconduct or incapacity from the public, which could lead to investigation by SCJC staff. Following an investigation, SCJC can dismiss the complaint; issue an order of additional education, suspension, private or public sanction; or the judge may resign in lieu of disciplinary action. Any of these decisions may be appealed by the judge to a panel of three appellate judges, known as a special court of review, which will preside over a trial that is open to the public.

SCJC may initiate either informal or formal proceedings, the latter of which includes the filing of a formal charge against the judge. In the event of formal proceedings, all filings and proceedings in the case become public. Following the notice of formal charges, a fact-finding hearing is conducted either by SCJC or a special master appointed by the Supreme Court of Texas.

Following a public trial or formal hearing, the special master reports findings of fact to the SCJC, which then votes for dismissal or public censure, or recommends removal or involuntary retirement to the Supreme Court of Texas. The judge who receives a public censure can appeal this decision to a special court of review which may move for dismissal, affirm the SCJC's decision, or move for formal proceedings.

SCJC was appropriated $2.1 million with 12.0 full-time-equivalent positions for the 2016–17 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

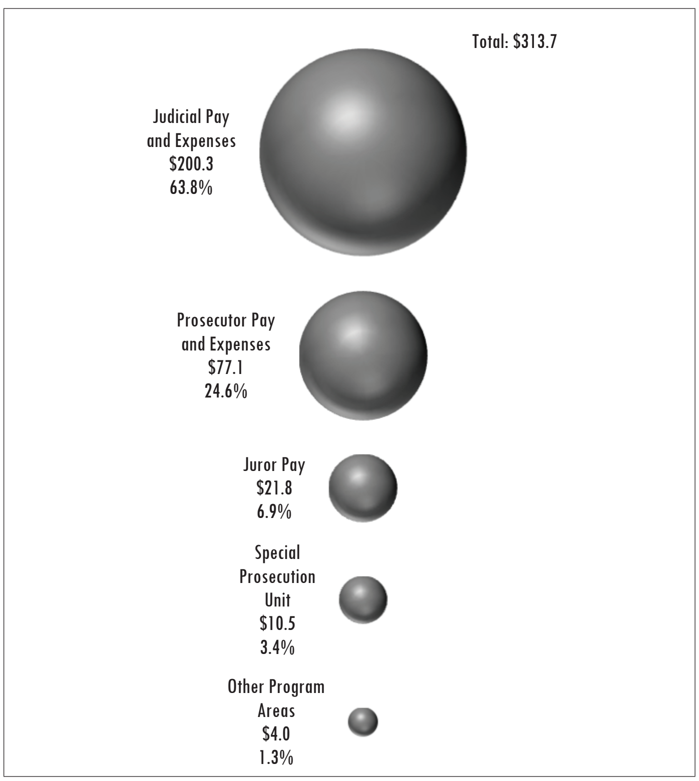
GOVERNANCE: Appropriations at the Comptroller of Public Accounts fund the direct costs of administering judicial branch payments

FIGURE 257
JUDICIARY SECTION, COMPTROLLER'S DEPARTMENT BY METHOD OF FINANCE

	IN MILLIONS			
METHOD OF FINANCE	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$174.3	$177.3	$3.0	1.7%
General Revenue–Dedicated Funds	$0.0	$0.0	$0.0	N/A
Federal Funds	$0.0	$0.0	$0.0	N/A
Other Funds	$130.5	$136.4	$5.9	4.6%
Total, All Methods of Finance	**$304.7**	**$313.7**	**$9.0**	**2.9%**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2016	624.7
2017	627.1

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

Appropriations for constitutional county judge salaries increased by $4.2 million for changes made by Senate Bill 1025, which linked these salaries to 18.0 percent of a district judge's state salary.

Senate Bill 1139 establishes **seven new district courts and five new statutory county courts**, resulting in an appropriations increase of $2.0 million in General Revenue Funds.

Appropriations include a **$1.3 million increase for grants to counties** relating to increases in member contributions to the Employees Retirement System for changes made in **House Bill 9**.

Public integrity prosecution grants were funded with $0.5 million to defray expenses of local prosecutors due to the passage of **House Bill 1690**.

SOURCE: Legislative Budget Board.

MAJOR FUNDING ISSUES

Appropriations for the Judiciary Section increased by $9.0 million in All Funds compared to 2014–15 biennial spending levels, primarily for costs of linking the supplemental pay of constitutional county judges performing judicial functions to a percentage of a district judge's state salary, due to the enactment of Senate Bill 1025 ($4.2 million in General Revenue Funds). Other significant increases included funding for the establishment of additional district courts, county courts at law, and professional prosecutors by the Eighty-fourth Legislature, 2015, due to the enactment of Senate Bill 1139 ($2.3 million in General Revenue Funds); and, for the annualization of costs for new courts established by the Eighty-third Legislature, Regular Session, 2013, due to the enactment of Senate Bill 3153 ($1.0 million in All Funds). Appropriations fund grants to counties to provide prosecutors with local compensation to offset costs of increased member contributions to the Employees Retirement System, due to changes by House Bill 9, Eighty-fourth Legislature, 2015 ($1.3 million). Public integrity prosecution grants were funded with $0.5 million in General Revenue Funds to defray expenses of local prosecutors due to the enactment of House Bill 1690 , Eighty-fourth Legislature, 2015.

PROGRAMS

The Judiciary Section receives appropriations for five program areas: (1) Judicial Pay and Expenses; (2) Prosecutor Pay and Expenses; (3) reimbursements to counties for juror pay; (4) pass-through grants to the Special Prosecution Unit, headquartered in Walker County; and (5) Other Program Areas.

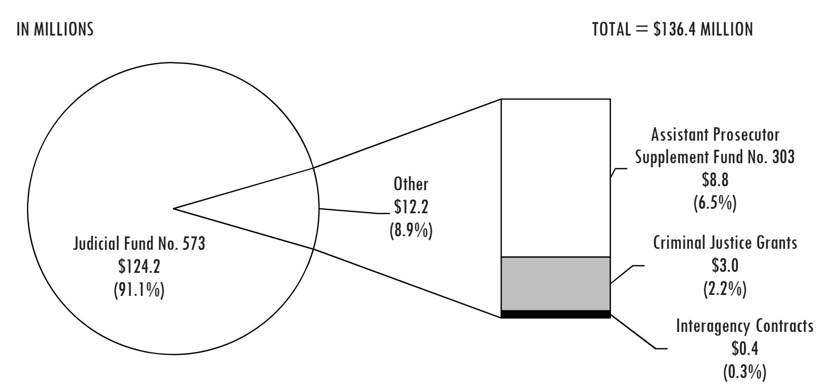
Appropriations for the Judiciary Section include $136.4 million in Other Funds, or 43.5 percent of total appropriations, which support most programs (**Figure 258**). Revenue from the Judicial Fund ($124.2 million), composed mainly of criminal court costs and civil filing fees, provides a portion of the funding for district judge, statutory county judge, and prosecutor salaries and salary supplements.

JUDICIAL PAY AND EXPENSES

Appropriations for judicial salaries and payments total $200.3 million in All Funds and include $132.7 million for salaries of 466 district judges authorized by statute by the end of the 2016–17 biennium. District courts serve as the primary trial courts in the state, handling both civil and criminal cases. The state salary for a district court judge is $140,000. Senate Bill 1139 establishes seven new district courts and five new statutory county courts ($2.0 million in General Revenue Funds).

Other judicial payment appropriations total $12.9 million in All Funds and include payments for visiting judges serving in district and appellate courts ($11.3 million), judicial travel and per diem, and salary supplements for local administrative judges and judges presiding over multi-district litigation involving claims for asbestos- or silica-related injuries. Visiting judges serving in district and appellate courts are compensated at 100.0 percent of the salary of an active district judge or appellate justice.

FIGURE 258
JUDICIARY SECTION, COMPTROLLER'S DEPARTMENT OTHER FUNDS APPROPRIATIONS, 2016–17 BIENNIUM



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

Appropriations for county-level judicial salary supplements total $54.7 million in All Funds and, due to the enactment of Senate Bill 1025, Eighty-fourth Legislature, 2015, include an increase of $4.2 million in General Revenue Funds to increase the supplemental compensation paid to constitutional county judges that perform 40.0 percent judicial functions from $15,000 to $25,200 each year, or an amount equal to 18.0 percent of a district judge's state salary ($140,000) as set forth in the General Appropriations Act and adjusted periodically. Approximately 218 county judges in the state perform judicial functions in addition to their county-administration duties. Statute requires that the state provide each statutory county judge not engaged in the private practice of law a salary supplement that is equal to 60.0 percent of the state salary of a district judge. The state salary supplement for a statutory county judge is $84,000, and 256 statutory county courts and statutory probate courts were in operation as of August 31, 2015.

PROSECUTOR PAY AND EXPENSES

Prosecutor salaries and payments appropriations of $77.1 million fund salaries and salary supplements for positions linked to the salary of a district judge by statute: professional prosecutors, which include 157 district attorneys, criminal district attorneys, and county attorneys prohibited from the private practice of law and four prosecutors permitted to engage in private practice; and for salary supplements paid to 177 constitutional county attorneys. During the 2016–17 biennium, the state salary for a professional prosecutor is $140,000, and the state salary for a felony prosecutor making 80.0 percent of the salary of a district judge is $112,000. Senate Bill 1139 establishes two new professional prosecutor positions and abolishes other positions, which results in new costs for prosecutor salary, salary supplements, and expenses of office ($0.3 million in General Revenue Funds). House Bill 9 increases member contributions to the Employees Retirement System, which results in related funding for grants to counties for local compensation to offset costs ($1.3 million in General Revenue Funds).

Salary supplements are also provided to constitutional county attorneys who do not have general felony jurisdiction and who are not state prosecutors pursuant to the Texas Government Code, Chapter 46, the Professional Prosecutors Act. County attorneys are authorized to receive a supplement based upon one-half the state salary of a district judge divided by the total number of counties within the jurisdiction of a state prosecutor serving the county, but in an amount no less than one-sixth of a district judge's salary. During the 2016–17 biennium, the minimum and maximum state salary supplement for qualifying county attorneys is $23,333 ($140,000/6) and $70,000 ($140,000/2).

Other payments to prosecutors include $8.6 million from the General Revenue Fund for office apportionments for 161 felony prosecutors and the State Prosecuting Attorney. Prosecutors use state funding to supplement local budgets for office expenses, which include salaries of assistant district attorneys, investigators, administrative staff, operating expenses and supplies. The Eighty-fourth Legislature provided $22,500 per office for felony prosecutors serving districts with populations of more than 50,000; $27,500 for felony prosecutors serving districts with populations of less than 50,000; and, $11,083 for the Harris County District Attorney. House Bill 1690, related to public integrity prosecutions, results in funding for grants to local prosecutors to defray prosecutor and witness travel expenses ($0.5 million in General Revenue Funds).

JUROR PAY

By law, counties pay jurors $40 or more per day after the first day of service, with the state reimbursing counties for $34 of the $40 amount. Program appropriations in the 2016–17 biennium total $21.8 million. The state contribution toward juror pay is funded from revenues generated by a $4 court cost charged upon conviction of any offense, other than pedestrian- or parking-related offenses. Counties forward collections to the Comptroller of Public Accounts, which reimburses counties for the state's contribution on a quarterly basis.

SPECIAL PROSECUTION UNIT

The Special Prosecution Unit (SPU), headquartered in Walker County, has three divisions: Criminal, Juvenile, and Civil. The Criminal Division prosecutes crimes committed within the TDCJ prison system. The Juvenile Division prosecutes criminal offenses or delinquent conduct committed within Texas Juvenile Justice Department facilities.

Since its inception in 1999 through the end of fiscal year 2015, the Civil Division was responsible for initiating civil commitment proceedings for sexually violent predators who have completed prison terms. The enactment of Senate Bill 746, Eighty-fourth Legislature, 2015, reformed the system of initiating civil commitments of sexually violent predators. In accordance with the reformed system, the responsibility to initiate civil commitments reverts to the local prosecutor in the county of the offender's original conviction. Although commitment initiations revert to local prosecutors in the 2016–17 biennium, staff in the SPU's Civil Division are responsible for assisting local prosecutors with handling this type of proceeding.

Civil Division funding in the 2016–17 biennium for staff, expert witnesses, and other operating costs is $5.1 million out of the SPU's total appropriation of $10.5 million. The SPU received an increase of $0.5 million in All Funds from 2014–15 biennial spending levels, primarily for 3.0 percent pay increases, county-forecasted benefits expenses, and increased accounting expenses for the three divisions.

OTHER PROGRAM AREAS

Appropriations for the other program areas in the Judiciary Section total $4.0 million, primarily for reimbursements to counties for the travel expenses of witnesses called in a criminal proceeding who reside outside of the county where the trial takes place ($2.8 million). The Judiciary Section also has an appropriation to pay the Texas judiciary's membership in the National Center for State Courts ($0.9 million). Due to changes by Senate Bill 746, funding for court personnel and operating expenses at the 435th District Court in Montgomery County, which formerly had statewide jurisdiction of all civil commitments, was decreased by $0.3 million in General Revenue Funds.

SIGNIFICANT LEGISLATION

House Bill 9 – Increased member contributions to the Employees Retirement System (ERS). The enactment of HB 9 eliminates the 90-day membership waiting period, which will allow for retirement contributions by the state and members to ERS Retirement to begin on the first day of employment. The legislation also increases the member contribution rate to ERS Retirement from 7.2 percent in fiscal year 2016 and 7.5 percent in fiscal year 2017 to 9.5 percent in each fiscal year of the 2016–17 biennium and subsequently. State felony prosecutors are members of ERS.

House Bill 1690 – Investigation and prosecution of offenses against public administration. The enactment of HB 1690 establishes a Public Integrity Unit within the Texas Ranger Division of the Department of Public Safety. The new unit will assist local prosecutors in investigations of offenses against public administration, and the Comptroller is directed to reimburse local prosecutors for reasonable costs, including prosecutor and witness travel expenses.

Senate Bill 746 – Civil commitments of sexually violent predators. The enactment of SB 746, reforms the process of civilly committing sexually violent predators by placing the responsibility to initiate commitments with local prosecutors in the county where the conviction occurred.

Senate Bill 1025 – Constitutional county judge salary supplement linked to district judge pay. The enactment of SB 1025, increases the county judge salary supplement for eligible county judges where 40.0 percent of the judge's functions are judicial to 18.0 percent of a district judge's state salary ($140,000), or as set forth in the General Appropriations Act, as adjusted periodically.

Senate Bill 1139 – Creation of new district courts, county-level courts, and professional prosecutors. The enactment of SB 1139, establishes five additional district courts in fiscal year 2016 and two additional district courts in fiscal year 2017. These courts join 460 courts in operation effective September 1, 2015. The legislation also establishes one new professional prosecutor position (one additional FTE position), effective September 1, 2015, and two additional prosecutors in fiscal year 2017, effective January 1, 2017. The legislation abolishes the professional prosecutor position in the 25th Judicial District effective January 1, 2017. The legislation also establishes the following county-level courts: (1) Cameron County Court at Law No. 4, effective January 1, 2017; (2) Cameron County Court at Law No. 5, effective January 1, 2018; (3) Collin County Court at Law No. 7, effective September 1, 2015; (4) Fort Bend County Court at Law No. 5, effective January 1, 2016; and (5) Harris County Criminal Court at Law No. 16, effective January 1, 2017. The legislation abolishes the Kendall County Court at Law, effective January 1, 2017. SB 1139 also removes Mitchell County from the jurisdiction of the First Multicounty Court at Law serving Fisher, Mitchell, and Nolan counties, effective September 1, 2015, and directs the state to compensate the administrative county of the court an amount equal to 100.0 percent of the state salary of a district court judge for the salary of the judge of the Multicounty Court at Law.

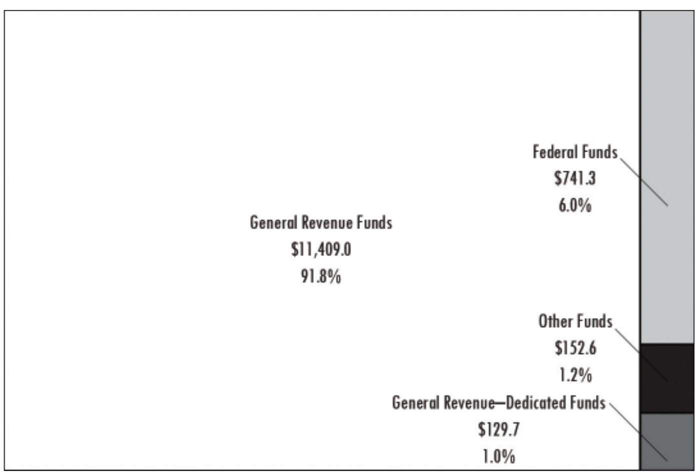
8. PUBLIC SAFETY AND CRIMINAL JUSTICE

Public safety and criminal justice agencies are funded in Article V of the General Appropriations Act and provide an array of services to ensure the safety and security of Texans. Those services include the adult and juvenile corrections systems (community supervision, incarceration, and parole services), law enforcement and highway patrol, the Texas military forces, and driver license processing. Additional services provided include county jail regulation, law enforcement officer training and licensing, alcoholic beverage industry oversight, and fire fighter certification. Border security is coordinated among several Article V agencies, and agencies in other articles of government. Public safety and criminal justice agencies are primarily funded with General Revenue Funds.

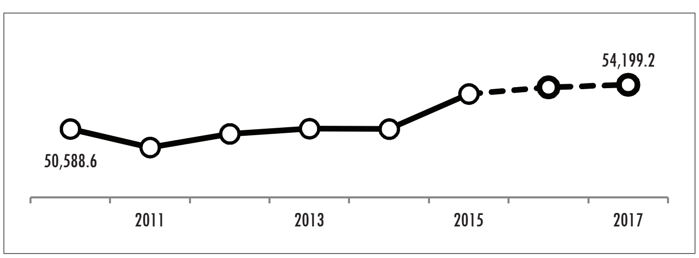
FIGURE 259
ARTICLE V – PUBLIC SAFETY AND CRIMINAL JUSTICE, BY METHOD OF FINANCE

	IN MILLIONS			
METHOD OF FINANCE	EXPENDED/BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$9,292.0	$11,409.0	$2,117.0	22.8%
General Revenue–Dedicated Funds	$56.5	$129.7	$73.2	129.4%
Federal Funds	$1,120.7	$741.3	($379.4)	(33.9%)
Other Funds	$1,399.7	$152.6	($1,247.2)	(89.1%)
Total, All Methods of Finance	**$11,869.0**	**$12,432.6**	**$563.7**	**4.7%**

SHARE OF FUNDING BY METHOD OF FINANCE



FULL-TIME-EQUIVALENT POSITIONS



SIGNIFICANT DEVELOPMENTS

Of the $800.0 million in state funds appropriated for border security, the Department of Public Safety is appropriated $749.8 million, including an amount not to exceed $72.0 million intended to support National Guard deployment at the Texas–Mexico border.

Correctional Managed Health Care for Incarcerated Offenders is appropriated $1.1 billion in General Revenue Funds, an increase of $89.9 million (Texas Department of Criminal Justice).

Juvenile Justice Regional Diversion Alternatives are appropriated $9.6 million in General Revenue Funds. This program is a new initiative intended to reduce the number of juvenile offenders committed to state facilities (Texas Juvenile Justice Department).

$192.3 million in General Revenue Funds is appropriated for **correctional and parole officer salary increases**.

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

FIGURE 260
ARTICLE V – PUBLIC SAFETY AND CRIMINAL JUSTICE APPROPRIATIONS BY AGENCY, ALL FUNDS

(IN MILLIONS)

FUNCTION	ESTIMATED/BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE
Alcoholic Beverage Commission	$93.2	$100.1	$6.9	7.4%
Department of Criminal Justice	$6,407.8	$6,745.4	$337.6	5.3%
Commission on Fire Protection	$4.0	$4.0	$0.0	1.1%
Commission on Jail Standards	$1.8	$1.9	$0.1	4.2%
Juvenile Justice Department	$649.2	$634.9	($14.4)	(2.2%)
Commission on Law Enforcement	$6.7	$7.5	$0.9	12.9%
Military Department	$200.8	$196.6	($4.2)	(2.1%)
Department of Public Safety	$2,672.6	2,631.4	($41.1)	(1.5%)
Subtotal, Public Safety and Criminal Justice	**$10,036.1**	**$10,321.9**	**$285.8**	**2.8%**
Employee Benefits and Debt Service	$1,977.3	$2,244.4	$267.1	13.5%
Less Interagency Contracts	$144.4	$133.7	($10.8)	(7.5%)
Total, All Functions	**$11,869.0**	**$12,432.6**	**$563.7**	**4.7%**

NOTES:
(1) Includes certain anticipated supplemental spending adjustments if applicable.
(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.

MAJOR FUNDING ISSUES

BORDER SECURITY

The total General Revenue Funds and General Revenue–Dedicated Funds cross-article appropriation for border security was $800.0 million. The Department of Public Safety (DPS) was appropriated $749.8 million, an increase of $318.9 million from the 2014–15 biennial expenditure levels, for a number of initiatives including 250 additional troopers, a multiuse training facility in south Texas, a Transnational Intelligence Center, and a 10-hour workday for all troopers. The appropriation also includes funding for transfer to the Military Department for support of National Guard deployment while DPS hires and trains new troopers for border region deployment. Texas Alcoholic Beverage Commission, Texas Department of Criminal Justice (TDCJ), and Texas Commission on Law Enforcement were also appropriated border security funding along with Trusteed Programs within the Office of the Governor and the Parks and Wildlife Department.

CORRECTIONAL MANAGED HEALTH CARE

Appropriations for Correctional Managed Health Care at TDCJ total $1,107.5 million in General Revenue Funds for the 2016–17 biennium. This amount represents an increase of $89.9 million from the 2014–15 biennium All Funds expenditure levels, attributed primarily to the rising cost of healthcare nationwide. The delivery of correctional healthcare services to offenders incarcerated within TDCJ facilities includes medical, dental, nursing, pharmacy, hospital, and mental health services. The direct delivery of correctional health care primarily involves two state entities: The University of Texas Medical Branch and the Texas Tech University Health Sciences Center. Offenders incarcerated in TDCJ often have serious illnesses that require specialized healthcare. The aging offender population is also a contributor to increased healthcare costs.

JUVENILE JUSTICE

The Eighty-fourth Legislature, 2015, continued juvenile justice reform by appropriating $9.6 million in General Revenue Funds for the Regional Diversion Alternatives Initiative, intended to reduce the number of juveniles committed to state custody. The program's goals are to provide additional funding to local juvenile probation departments for placement and services in local juvenile facilities.

Juvenile correctional population projections represent the yearly average of daily population counts and are calculated for certain juvenile populations. Juvenile correctional populations have steadily decreased in recent biennia.

Projections for fiscal year 2016 and 2017 show this trend of decreasing and include the following:

- the state residential population projection is 1,264 in fiscal year 2016 and 1,237 in fiscal year 2017, compared to the actual average daily population of 1,253 in fiscal year 2015;
- the parole population projection is 413 in fiscal year 2016 and 393 in fiscal year 2017, compared to the actual average daily population of 433 in fiscal year 2015; and
- the juvenile supervision population projection is 20,980 in fiscal year 2016 and 20,584 in fiscal year 2017, compared to the actual average daily population of 22,382 in fiscal year 2015.

A decrease of $22.8 million in General Revenue Funds as compared to the 2014–15 biennial expenditure level was realized as the result of the population projections. The decrease was offset by funding for other initiatives, including the Regional Diversion Alternatives Initiative.

Texas Juvenile Justice Department was appropriated $4.3 million in General Revenue Funds for a 2.5 percent salary increase in fiscal year 2016 and an additional 2.5 percent increase in fiscal year 2017 for juvenile correctional and parole officers.

ADULT CRIMINAL JUSTICE

Adult correctional population projections represent the average end-of-month population counts and are calculated for certain adult populations. Adult correctional populations remain stable with only slight shifts in population projections compared to the 2014–15 biennium. This stability is shown in the following projections:

- the adult incarceration population projection is 151,306 in fiscal year 2016 and 151,550 in fiscal year 2017, compared to the actual fiscal year 2015 end-of-month average of 149,186;
- the projected end-of-month average number of offenders in active parole supervision is 87,646 in fiscal year 2016 and 87,751 offenders in fiscal year 2017, compared to the fiscal year 2015 average of 87,546;
- the projected average number of felons on community supervision is 159,485 in fiscal year 2016 and 159,440 in fiscal year 2017, compared to the actual fiscal year 2015 end-of-month average of 156,909; and
- the projected number of misdemeanor community supervision placements is 98,427 in fiscal year 2016 and 98,184 in fiscal year 2017, compared to the actual fiscal year 2015 number of 94,597.

TDCJ was appropriated $188.0 million in General Revenue Funds for an 8.0 percent salary increase in fiscal year 2016 and to maintain that salary level in fiscal year 2017 for correctional and parole officers.

STATE HIGHWAY FUND

The Eighty-fourth Legislature, 2015, discontinued the use of State Highway Funds at DPS to support agency operations by replacing all State Highway Funds ($910.3 million) with General Revenue Funds and General Revenue–Dedicated Funds. While General Revenue Funds account for almost all of this swap ($903.2 million), two General Revenue–Dedicated Funds, both administered by DPS, are also used: Breath Alcohol Testing Account No. 5013 ($3.0 million), and Motorcycle Education Account No. 501 ($4.1 million).

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

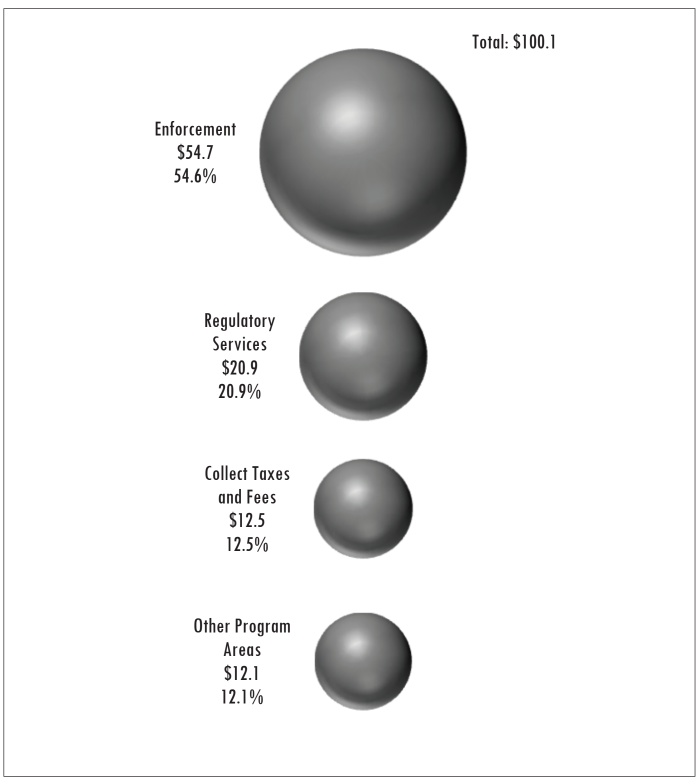
GOVERNANCE: Three-member commission appointed by the Governor, with advice and consent of the Senate

FIGURE 261
ALCOHOLIC BEVERAGE COMMISSION BY METHOD OF FINANCE

	IN MILLIONS			
METHOD OF FINANCE	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$92.6	$99.5	$6.8	7.4%
General Revenue–Dedicated Funds	$0.0	$0.0	$0.0	N/A
Federal Funds	$0.5	$0.6	$0.1	27.5%
Other Funds	$0.1	$0.1	($0.1)	(44.9%)
Total, All Methods of Finance	$93.2	$100.1	$6.9	7.4%

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2016	639.0
2017	639.0

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

Special Investigations Unit funding includes **$1.2 million for six additional field agents** for **border security initiatives**. The Special Investigations Unit is a program within the enforcement program area.

The Texas Alcoholic Beverage Commission (TABC) auditors took **13,324 compliance or administrative actions in fiscal year 2015**, the result of 24,752 inspections, 1,466 audits or analyses, and 50,676 cash law and credit law notices of default.

In fiscal year 2015, **TABC collected $216.8 million in taxes, $38.2 million in fees, $22.8 million in surcharges, and $11.0 million in other collections for a total of $288.8 million.** Collections included $5.7 million at ports of entry.

Appropriations include **17.0 full-time-equivalent positions** supported by **$1.7 million** for salaries and operating costs across multiple program areas.

Source: Legislative Budget Board.

MAJOR FUNDING

Appropriations for the 2016–17 biennium include an increase of $6.8 million in General Revenue Funds from the 2014–15 biennial expenditure level, primarily for the following initiatives: increases of $1.7 million to cover an agency operational shortfall, including 17.0 full-time-equivalent (FTE) positions; $1.6 million for biennializing state employees and Schedule C employees salary adjustments made in the 2014–15 biennium; $1.5 million for replacement radios; $1.2 million for an additional six Special Investigations Unit Field Agents related to border security; $1.0 million for salary increases for nonsupervisory positions in Classified A and B Schedules, and $0.2 million and 1.0 FTE position for Centralized Accounting and Payroll/Personnel Systems deployments.

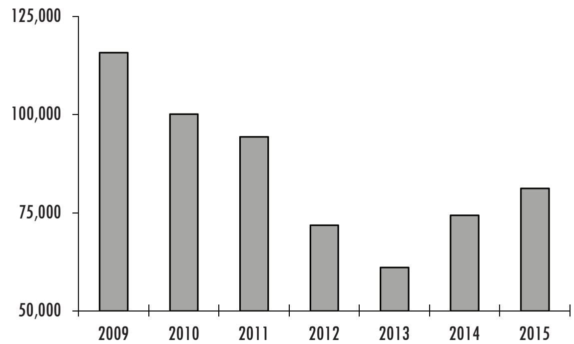
PROGRAMS

The Texas Alcoholic Beverage Commission (TABC) carries out its responsibilities through three primary program areas: (1) enforcement of state law, (2) regulatory services, and (3) collection of taxes and fees. The enforcement of state law program area includes the Enforcement Division, the Special Investigations Unit, and the Financial Crimes Unit. The Enforcement Division is responsible for regulating the distribution of alcoholic beverages by regulating licensees and permittees in their places of business. The division employs approximately 250 commissioned law enforcement officers, located in five regional offices and 35 area or outpost offices. The Enforcement Division inspects establishments engaged in the sale and distribution of alcoholic beverages to ensure they are properly licensed and conform to the administrative and criminal law enforcement provisions of the Texas Alcoholic Beverage Code. **Figure 262** shows the actual performance for the number of inspections conducted from fiscal years 2009 to 2015.

The Special Investigations Unit (SIU) employs commissioned peace officers and works with local, state, and federal law enforcement agencies to gather intelligence and conduct administrative and criminal investigations relating to narcotics operations, human trafficking, and other activities. TABC established the SIU in fiscal year 2013 to identify and investigate habitual patterns of at-risk behavior of persons and entities at licensed locations.

The Financial Crimes Unit (FCU) employs four commissioned peace officers who investigate financially related crimes including money laundering, tax fraud, and other organized financial crimes. TABC established the FCU in fiscal year 2013 to identify and investigate financial crimes committed at licensed locations.

FIGURE 262
INSPECTIONS CONDUCTED BY TEXAS ALCOHOLIC BEVERAGE COMMISSION ENFORCEMENT AGENTS FISCAL YEARS 2009 TO 2015



SOURCE: Texas Alcoholic Beverage Commission.

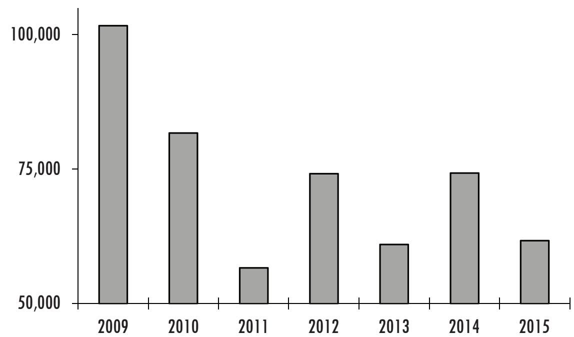
Appropriations for enforcement activities for the 2016–17 biennium total $54.7 million (primarily General Revenue Funds) and provide for 288.9 FTE positions. This appropriation includes an increase of $1.5 million for replacement radios and $1.2 million for six additional SIU field agents for the border security initiative.

The regulatory program area includes the Licensing Division, which processes applications for all phases of the alcoholic beverage industry, including manufacturing, sales, purchases, transportation, storage, and distribution. The division ensures that each applicant is qualified to hold the requested license or permit and is complying with all applicable regulatory requirements. The division also works in conjunction with local, state, and federal agencies on criminal investigations. Appropriations for processing license and permit applications for the 2016–17 biennium total $9.5 million in General Revenue Funds and provide for 82.5 FTE positions.

Figure 263 shows the actual performance for the number of alcoholic beverage licenses and permits issued in fiscal years 2009 to 2015. The reductions in permits issued in fiscal years 2010 and 2011 are largely the result of implementation in fiscal year 2008 of a two-year license renewal cycle, replacing the previous one-year cycle.

The taxes and fees collection program area includes the Excise Tax and Marketing Practices Division, which is charged with the oversight of the taxing authority of the agency. The division oversees the review and processing of excise tax

FIGURE 263
NUMBER OF ALCOHOLIC BEVERAGE LICENSES AND PERMITS ISSUED, FISCAL YEARS 2009 TO 2015



SOURCE: Texas Alcoholic Beverage Commission.

reports, excise tax payments, and other periodic reports that are required by law from licensees and permittees involved in the wholesale and manufacturing tiers of the alcoholic beverage industry. The division is also responsible for overseeing the promotion of alcoholic beverage products and the testing and labeling of the products in Texas. In fiscal year 2015, TABC collected $288.8 million in fees, taxes, and other revenue, most of which is deposited to the Treasury.

SIGNIFICANT LEGISLATION

House Bill 1905 – Excise tax exemption. The enactment of HB 1905 amends certain sections of the Texas Alcoholic Beverage Code to exempt airlines and trains from paying an excise tax and service fee on alcoholic beverages served to customers who are traveling in Texas.

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

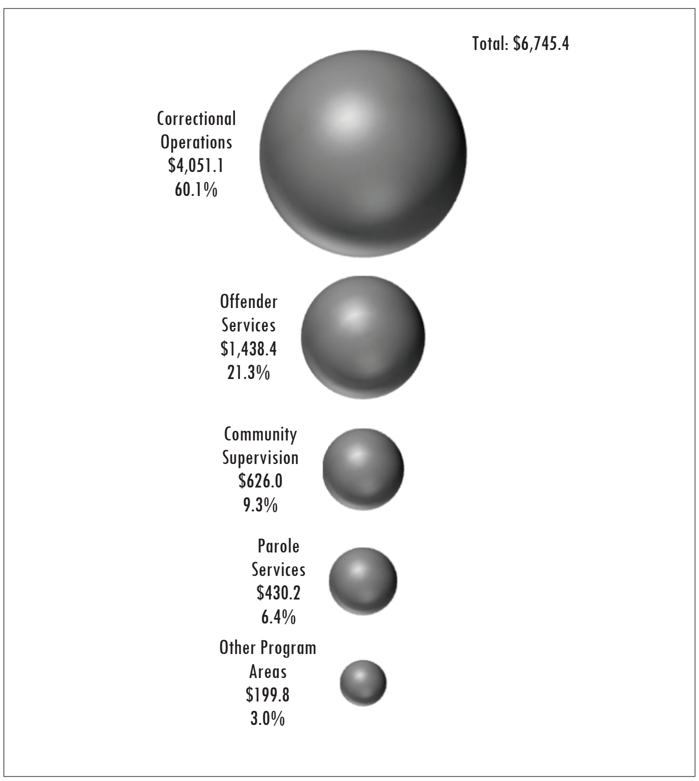
GOVERNANCE: Nine-member board appointed by the Governor with the advice and consent of the Senate

FIGURE 264
DEPARTMENT OF CRIMINAL JUSTICE BY METHOD OF FINANCE

	IN MILLIONS			
METHOD OF FINANCE	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$6,180.2	$6,536.2	$355.9	5.8%
General Revenue–Dedicated Funds	$0.6	$60.6	$60.0	10,218.3%
Federal Funds	$23.7	$15.9	($7.8)	(33.0%)
Other Funds	$203.2	$132.8	($70.5)	(34.7%)
Total, All Methods of Finance	**$6,407.8**	**$6,745.4**	**$337.6**	**5.3%**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2016	39,467.4
2017	39,467.4

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

Correctional and parole officers' salaries were increased 8.0 percent, resulting in funding of **$188.0 million** in General Revenue Funds for the biennium.

Correctional managed healthcare funding totals $1.1 billion in General Revenue Funds, an increase **of $89.9 million.** The additional funds will be used to maintain projected service levels and for competitive salary increases.

Reentry transitional coordinators program funding increased by $4.0 million, to provide for **50.0 additional full-time-equivalent positions**. Reentry transitional coordinators work with offenders to facilitate transition back into the community.

The Board of Pardon and Paroles appropriations were increased by $1.6 million, for five additional Hearing Revocation Officers and 15 additional Institutional Parole Officers.

Source: Legislative Budget Board.

MAJOR FUNDING

The 2016–17 biennial All Funds appropriation for the Department of Criminal Justice (TDCJ) represents a net increase of $337.6 million from the 2014–15 biennial expenditure level. General Revenue Funds and General Revenue–Dedicated Funds increased by $415.9 million from the 2014–15 biennium. A few significant increases include the following:

- $188.0 million for an 8.0 percent increase in correctional and parole officer salaries;
- $89.9 million for correctional managed healthcare (CMHC);
- $60.0 million for major repair and renovation of TDCJ facilities;
- $18.9 million for employee health insurance cost increases at Community Supervision and Corrections Departments (CSCD);
- $18.1 million for contract correctional facilities' per diem increases and to supplant reduced federal funding; and
- $10.0 million for additional basic supervision funding to CSCDs.

The General Revenue Funds and General Revenue–Dedicated Funds increase was offset by significant decreases in Federal Funds and Other Funds, including the following:

- $63.9 million in General Obligation Bond Proceeds previously used for facilities repair; and
- $7.8 million in federal funding primarily from the State Criminal Alien Assistance Program.

PROGRAMS

TDCJ's statutory mission is to provide public safety, promote change in offender behavior, reintegrate offenders into society, and assist victims of crime. TDCJ carries out its responsibilities through five primary program areas: correctional operations, offender services, community supervision, parole services, and other programs.

CORRECTIONAL OPERATIONS

Correctional operations includes 13 programs that are responsible for managing and operating the state's correctional institutions. TDCJ's primary correctional operations programs for incarcerated offenders include correctional security, support, and training; agriculture operations; classification and records; commissary operations; contract prison and privately operated state jails; food and unit services; and Texas Correctional Industries (TCI).

TDCJ's correctional populations from fiscal years 2004 to 2015 are shown in **Figure 265**. The projected end-of-month yearly average of incarcerated offenders is 151,306 for fiscal year 2016 and 151,550 in fiscal year 2017. The incarcerated population in TDCJ correctional institutions increased from fiscal years 2006 to 2015. The correctional institutions population is expected to continue to increase slightly (1.5 percent) from fiscal years 2015 to 2020. Incarcerated offenders are confined in 109 correctional units, including state jails, transfer facilities, and substance abuse facilities across the state. The locations of these facilities are shown in **Figure 266**.

For the 2016–17 biennium, $4.0 billion in All Funds was appropriated to the correctional operations program area for the purpose of confining and supervising adult felons incarcerated in TDCJ's correctional institutions. Included in the appropriations for prison operations is $215.5 million for continued contracts with seven contract prisons and four privately operated state jails. The contract prisons, located in Bridgeport, Cleveland, Diboll, Kyle, Lockhart, Overton, and Venus, incarcerate minimum-security offenders who are within two years of parole eligibility. Privately operated state jails are located in Bartlett, Henderson, Jacksboro, and Raymondville.

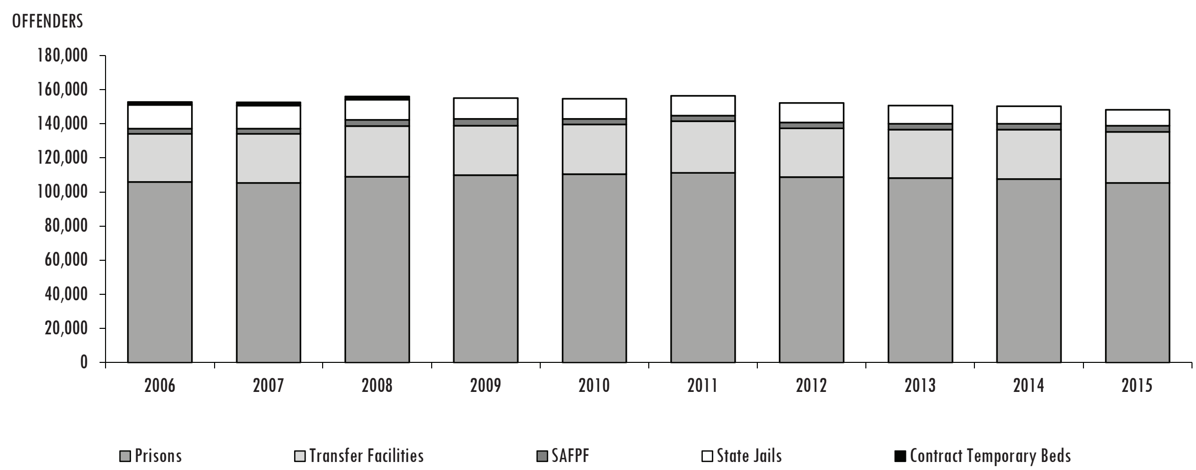
As part of the rehabilitative process, TCI provides training and work opportunities for incarcerated offenders to prepare them for employment. TCI operates 35 factories and plants at 29 prison units and produces goods and services for TDCJ's use and for sale. Sales were approximately $85.1 million in fiscal year 2015. The 2016–17 biennial appropriation for TCI was $136.9 million.

Agriculture Operations manages 139,000 acres in 47 counties in Texas. The division has operations at 15 prison units. Production ranges from 29 varieties of edible crops to a cattle herd of more than 15,000 head. The 2016–17 biennial appropriation for this purpose was $100.5 million.

OFFENDER SERVICES

Offender services constitutes 24 programs that include CMHC, the Texas Correctional Office on Offenders with Medical or Mental Impairments (TCOOMMI), reentry transitional coordinators, vocational and academic programs, and specialized treatment services.

FIGURE 265
ACTUAL CORRECTIONAL INSTITUTIONS POPULATION, FISCAL YEARS 2006 TO 2015



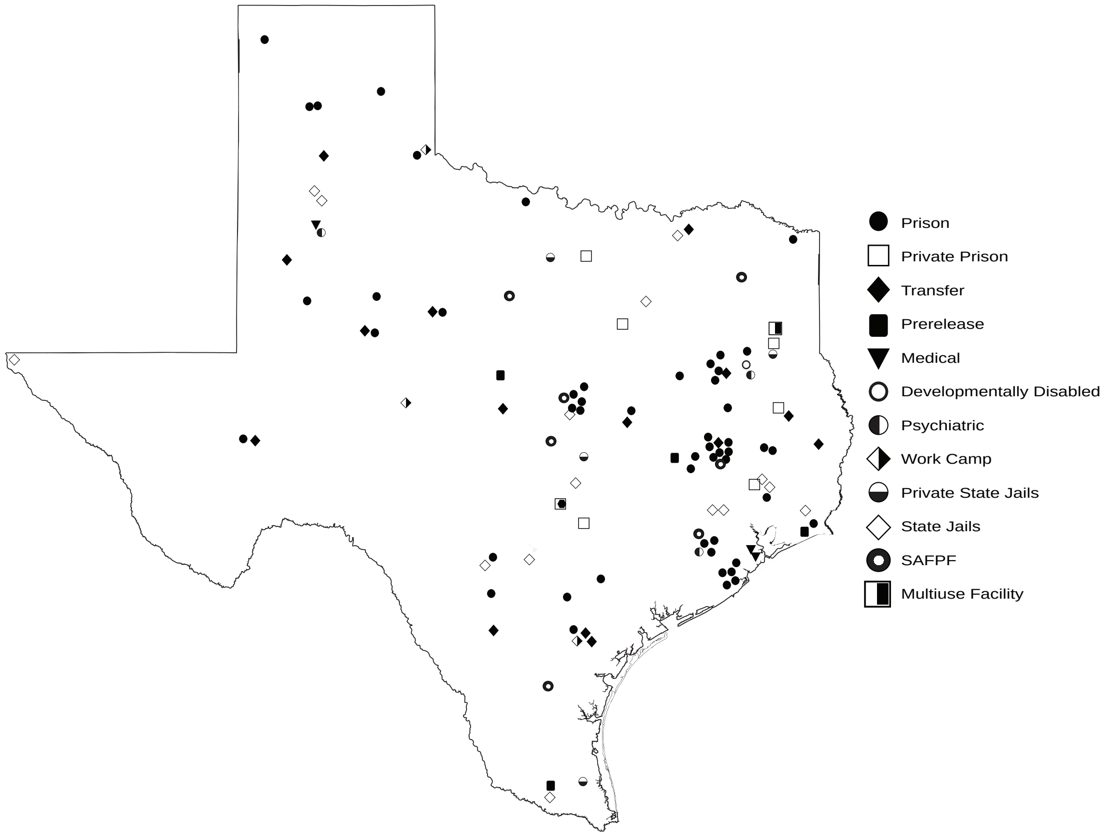
NOTES:
(1) SAFPF = Substance Abuse Felony Punishment Facilities.
(2) Population counts are as of August 31 of each fiscal year.
SOURCES: Legislative Budget Board; Texas Department of Criminal Justice.

The delivery of correctional healthcare services to offenders incarcerated within TDCJ facilities includes medical, dental, nursing, pharmacy, hospital, and mental health services. The direct delivery of correctional healthcare primarily involves two state entities: The University of Texas Medical Branch (UTMB) at Galveston and the Texas Tech University Health Sciences Center (TTUHSC). Both entities utilize a combination of university employees and outsourcing to provide correctional healthcare services. UTMB provides care for incarcerated offenders in the eastern and southern parts of the state, where most facilities are located, and TTUHSC provides care in the western and northern regions of the state. In the 2016–17 biennium, $1.4 billion in All Funds was appropriated to TDCJ for the purpose of rehabilitating adult felons incarcerated in TDCJ's correctional institutions. The 2016–17 biennial appropriation includes an increase of $89.9 million for CMHC, which includes $30.4 million to maintain 2014–15 biennial service levels and $59.5 million for market salary increases for CMHC staff. The total appropriation for CMHC for the 2016–17 biennium is $1.1 billion in General Revenue Funds.

TCOOMMI provides an opportunity for collaboration between criminal justice, health and human services, and other affected organizations to provide continuity of care for offenders with special needs. TCOOMMI contracts in select communities, targeting offenders on parole supervision and offenders on community supervision. Programs for special needs offenders provide immediate access to services, thereby reducing the likelihood of parole or community supervision violations due to an inability to access services required by the courts or the parole board. TDCJ was appropriated $50.0 million in General Revenue Funds for the 2016–17 biennium to provide a comprehensive continuity-of-care system for special needs offenders. Special needs offenders include the elderly and offenders with physical disabilities, terminal illness, mental illness, or intellectual disabilities. Appropriations for TCOOMMI include an additional $6.0 million for expansion of mental health initiatives to serve additional offenders with serious mental illness.

Appropriations for the 2016–17 biennium for the offender services program area include an increase of $4.0 million in General Revenue Funds for an additional 50 reentry transitional coordinators who work with inmates to develop individualized reentry plans, process applications for social security and identification cards, and conduct risk and needs assessments. The additional staff positions increase the number of budgeted reentry transitional coordinators from 139 to 189. Appropriations for this program area also include $2.9 million for 500 additional treatment slots for the In-Prison Driving While Intoxicated Recovery Program and $2.0 million for pilot reentry programs for parolees in the Dallas and Houston regions.

FIGURE 266
TEXAS DEPARTMENT OF CRIMINAL JUSTICE FACILITY LOCATIONS, FISCAL YEAR 2015



SOURCES: Legislative Budget Board; Texas Department of Criminal Justice.

An offender is given an individualized treatment plan (ITP) upon incarceration. The ITP outlines programs and services for the offender and prioritizes participation in the programs and services offered according to the offender's needs, program or service availability, and parole or discharge date. The following programs and services are offered: counseling (including substance abuse and sex offender treatment), adult basic education, special education, and vocational training (often in conjunction with TCI). One such treatment program is the In-Prison Therapeutic Community (IPTC) Program, which provides substance abuse treatment for eligible offenders who are within six months of parole release. Upon completion of the program, offenders are released on parole and must complete an aftercare phase of treatment. Aftercare treatment consists of residential care or intensive outpatient treatment for three months, followed by nine to 12 months of less intensive outpatient counseling. The 2016–17 biennial appropriation for IPTC was $41.3 million in All Funds.

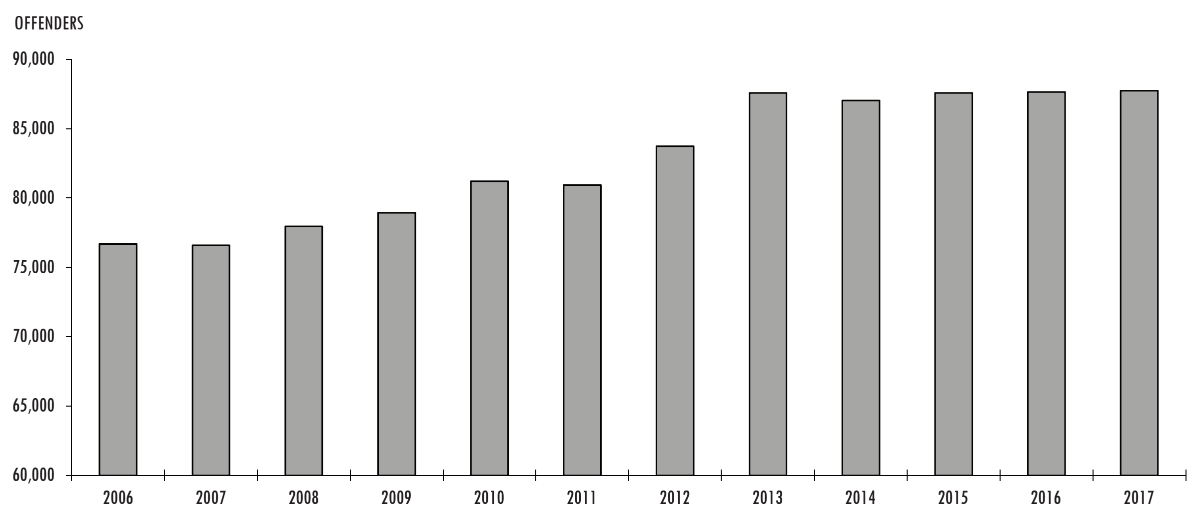
In addition to specialized services, certain offenders may be housed in facilities based on an individual offender's needs. These specialized correctional units include TDCJ's specialized correctional institutions, such as geriatric and medical units, developmentally disabled and psychiatric units, transfer facilities, pre-release and pre-parole facilities, and Substance Abuse Felony Punishment Facilities (SAFPF). SAFPF are secure correctional facilities that use a therapeutic community approach to substance abuse treatment that combines individual and group counseling. Offenders may be sentenced to SAFPF as a condition of community supervision, or an offender on parole may be sent to an SAFPF in lieu of revocation by the Board of Pardons and Paroles. The first phase of the SAFPF program takes place in a secure correctional facility and lasts six months (nine months for offenders with special needs). Upon completion of the incarceration portion of the SAFPF program, offenders are provided substance abuse aftercare in the community. The aftercare component includes up to three months of residential or intensive outpatient treatment, followed by outpatient counseling for up to 12 months. Correctional populations in SAFPFs are shown in **Figure 265**.

PAROLE SERVICES

Parole services constitutes eight programs, which include the Board of Pardon and Paroles (BPP), a constitutionally authorized and separate state entity that shares certain support functions with TDCJ; halfway house facilities; intermediate sanction facilities; parole release processing; and parole supervision. The parole services program area is responsible for providing basic supervision and rehabilitative services to offenders released from prison onto parole. Parole is the discretionary release of an incarcerated offender by a BPP decision to serve the remainder of an incarceration sentence under parole supervision within the community. TDCJ was appropriated $430.2 million in All Funds for the 2016–17 biennium for the parole services program area. Of this total, $246.5 million is designated to fund parole supervision and parole release processing, which includes an $11.0 million increase for an 8.0 percent parole officer salary increase and a $1.2 million decrease for the projected decrease in the parole supervision population. Approximately $125.5 million in All Funds is to provide adequate surveillance and control of offenders on parole residing in residential facilities, including halfway houses and intermediate sanction facilities. Included within the $125.5 million for parole residential facilities is an additional $5.2 million for treatment services for 1,019 existing intermediate sanction beds and $4.4 million for 125 additional halfway houses beds. The projected end-of-month average number of offenders on active parole supervision is 87,646 in fiscal year 2016 and 87,751 offenders in fiscal year 2017. In fiscal year 2015, parole services had an average of 1,437 parole officers throughout its 67 district parole offices statewide. At the close of fiscal year 2015, parole officers had actively supervised a population of 87,546 released offenders. **Figure 267** shows actual active parole supervision populations at the end of each fiscal year since 2006 and projected active parole populations for fiscal years 2016 and 2017.

The parole review and release process includes identifying offenders eligible for parole. BPP reviews the case summary, which outlines criminal, social, medical, psychological, and institutional adjustment history, to make a decision and to determine conditions of parole. Cases are screened for many issues, including protests, victim information, disciplinary conduct, and board-imposed special conditions. If approved for parole, the offender is released on the parole eligibility date or the date specified by BPP. If parole is denied, the offender cannot be reviewed for parole again for a minimum of one year, and must be reviewed again not later than five years from the date of the last denial. BPP has discretion to

FIGURE 267
ACTIVE PAROLE SUPERVISION POPULATION, FISCAL YEARS 2006 TO 2017



NOTES:
(1) Population figures are an average of end-of-month counts. Fiscal years 2006 through 2015 are actual counts, and fiscal years 2016 and 2017 are projected counts.
(2) In fiscal year 2012, the parole and discretionary mandatory supervision (DMS) case approval rates increased notably. This change directly led to an increase in the number of people released to parole supervision. Recent parole and DMS approval rates have remained higher than pre-fiscal year 2012 rates.
SOURCES: Legislative Budget Board; Texas Department of Criminal Justice.

delay case review for certain offenders for 10 years. Local law enforcement is notified of the pending release.

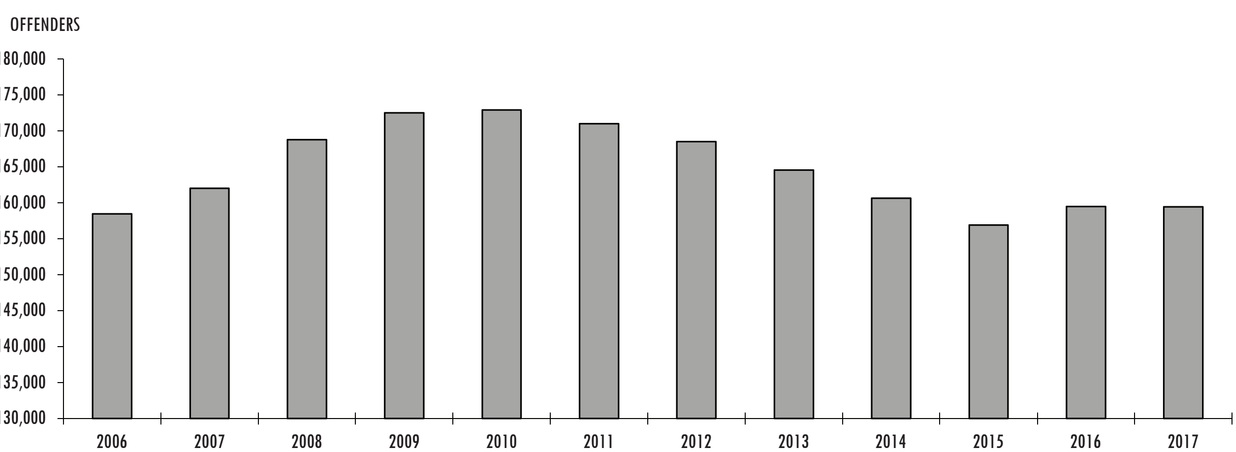
Appropriations for BPP for the 2016–17 biennium total $58.2 million in All Funds and 603.1 FTE positions to support the board's operations and the parole selection and revocation processes. The 2016–17 biennial appropriations includes increases of $2.2 million for an 8.0 percent salary increase for hearing and institutional parole officers, $1.3 million for office relocation costs, $1.2 million for 15 additional institutional parole officers, and $0.5 million for 5 additional parole hearing officers. BPP appropriations are included in TDCJ's budget structure in the General Appropriations Act.

COMMUNITY SUPERVISION

Community supervision (adult probation) includes nine programs that support the goal of diverting offenders from traditional incarceration. Such programs include coordinated work with local Community Supervision and Correction Departments (CSCD), distribution of grants, and specialized community-based diversion programs. TDCJ was appropriated $626.0 million for the 2016–17 biennium to support community supervision and other community-based programs to divert offenders from traditional incarceration. Most of these funds will be distributed as state aid to local CSCDs, which are local entities established by district judges for supervising and rehabilitating felony and misdemeanor offenders who are placed on community supervision statewide. The 2016–17 biennial appropriations include increases of $18.9 million for employee health insurance cost increases at CSCDs and $10.0 million for additional basic supervision funding to CSCDs.

In fiscal year 2015, CSCDs employed an end-of-month average of 3,257 community supervision officers to directly supervise and provide services to an end-of-month average population of 156,909 felony offenders. **Figure 268** shows the actual end-of-month yearly average of felony direct community supervision populations for fiscal years 2006 to 2015, and the projected population for fiscal years 2016 and 2017. The projected average number of felons on community supervision is 159,485 in fiscal year 2016 and 159,440 in fiscal year 2017. **Figure 269** shows the actual number of misdemeanor placements on community supervision for fiscal years 2006 to 2015, and the projected number of misdemeanor placements for fiscal years 2016 and 2017. The actual number of misdemeanor placements in fiscal year 2015 was 94,597. The projected number of misdemeanor community supervision placements is 98,427 in fiscal year 2016 and 98,184 in fiscal year 2017. At the beginning of fiscal year 2016, Texas had 122 CSCDs serving the state's 254 counties. TDCJ was appropriated $244.7 million for the basic supervision of offenders on community supervision during the 2016–17 biennium.

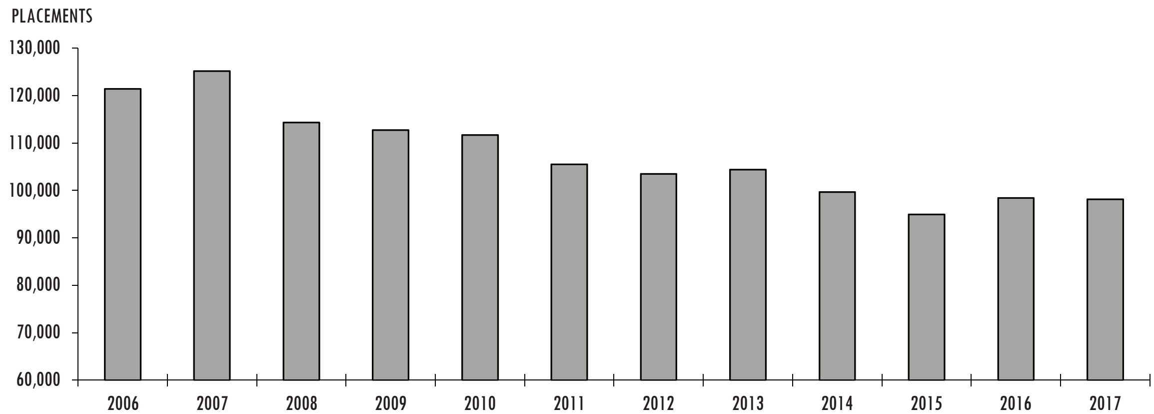
FIGURE 268
FELONY DIRECT COMMUNITY SUPERVISION POPULATION, FISCAL YEARS 2006 TO 2017



NOTES:
(1) Population figures are an average of end-of-month counts. Fiscal years 2006 through 2015 are actual counts, and fiscal years 2016 and 2017 are projected values.
(2) Funding for rehabilitation, treatment, and sanction initiatives provided additional resources that provided for more offenders to be served within the community. The availability of additional resources helped to grow the community supervision population.
(3) In addition to these initiatives, various legislation was passed that affected the duration of supervision, set maximum terms of supervision, and authorized time credits for certain offenders. By fiscal year 2014, these pieces of legislation had reached full implementation.

SOURCES: Legislative Budget Board; Texas Department of Criminal Justice.

FIGURE 269
MISDEMEANOR COMMUNITY SUPERVISION PLACEMENTS, FISCAL YEARS 2006 TO 2017



NOTE: Counts represent the sum of placements for each fiscal year. Fiscal years 2006 through 2015 placements are actual, and fiscal years 2016 and 2017 are projected values.
SOURCES: Legislative Budget Board; Texas Department of Criminal Justice.

In addition to basic supervision funding, TDCJ was appropriated $262.5 million for the 2016–17 biennium for awarding discretionary grants to CSCDs, counties, municipalities, and nonprofit organizations. Discretionary grants allow the Community Justice Assistance Division (CJAD) to fund community corrections proposals designed at the local level. Such programs increase diversions from traditional, more costly incarceration and improve the delivery of community supervision statewide. **Figure 270** shows the grant award categories funded for fiscal year 2015.

The agency was appropriated $94.9 million for the 2016–17 biennium to continue statutory formula funding for community-based correctional programs that encourage the development of alternatives to incarceration. To be eligible for formula funding, CSCDs must submit an acceptable local strategic plan to CJAD. This state aid provides local entities with increased resources for the control, management, and rehabilitation of offenders, and it is typically used for the same types of programs in **Figure 270**.

OTHER PROGRAM AREAS

Other program areas include 10 programs such as agency and program administration and support, major repair of facilities, Office of the Inspector General, information resources, and victim services. TDCJ was appropriated $199.8 million in All Funds for the 2016–17 biennium for these other program areas.

TDCJ operates more than 100 facilities that require maintenance and repairs. For the 2016–17 biennium, TDCJ was appropriated $60.0 million in General Revenue–Dedicated Funds for the repair and rehabilitation of correctional facilities. In the 2014–15 biennium, the agency made its final payment of $5.0 million in General Revenue

FIGURE 270
COMMUNITY JUSTICE ASSISTANCE DIVISION DISCRETIONARY GRANT FUNDING, FISCAL YEAR 2015

PROGRAM TYPE	GRANT PROGRAMS	GRANT AMOUNT (IN MILLIONS)
Community corrections facilities	26	$67.1
Substance abuse treatment programs	51	$15.1
Caseload reduction grants	25	$11.4
Substance abuse treatment caseloads and aftercare caseloads	40	$5.6
Mental health initiative caseloads	37	$4.8
Sex offender caseloads	18	$4.2
High-risk/gang/youth/culturally specific caseloads	12	$3.4
Drug courts	13	$2.2
Battering intervention and prevention programs	26	$1.2
Intensive supervision/surveillance caseloads	4	$0.5
Day reporting centers	1	$0.3
TOTALS	**253**	**$115.8**

SOURCE: Texas Department of Criminal Justice.

Funds for debt service obligations on lease-purchased correctional facilities.

Appropriations for central administration, information resources, and other support services for the 2016–17 biennium total $139.8 million in All Funds. The appropriation includes an increase of $1.2 million for cost adjustments related to data center services and a $10.3 million decrease for a completed capital budget project for an electronic document management system.

SIGNIFICANT LEGISLATION

Senate Bill 578 – Information to TDCJ inmates on reentry resources. The enactment of SB 578 amends the Texas Government Code to require TDCJ to provide TDCJ inmates with certain information regarding reentry and reintegration resources.

House Bill 307 – Study on Implementing a pay-for-performance contract program for criminal justice services. The enactment of HB 307 requires TDCJ to conduct a study to determine the feasibility and potential costs and benefits to the state of implementing a pay-for-performance contract program for certain criminal justice programs and services.

House Bill 875 – Verification of the veteran status of inmates. The enactment of HB 875 amends the Texas Government Code as it relates to requirements for verification of the veteran status of TDCJ and county jail inmates to assist eligible inmates in applying for federal benefits or compensation in accordance with a program administered by the U.S. Department of Veterans Affairs.

House Bill 1083 – Mental health assessment of administrative segregation inmates. The enactment of HB 1083 amends the Texas Government Code to require TDCJ to perform a mental health assessment of an inmate before TDCJ may confine the inmate in administrative segregation. TDCJ is prohibited from confining an inmate in administrative segregation if the assessment indicates that type of confinement is not appropriate as described by the bill.

House Bill 1914 – Frequency to consider parole release eligibility. The enactment of HB 1914 amends the Texas Government Code to permit the Board of Pardons and Paroles to delay reconsidering the release of certain TDCJ inmates to parole for up to 10 years after the date of the previous parole denial. The affected TDCJ inmates are serving a sentence for aggravated sexual assault or a life sentence for a capital felony.

House Bill 1930 – Strategic planning for the operation of community supervision and corrections departments. The enactment of HB 1930 amends the Texas Government Code to change the community justice planning process for Community Supervision and Corrections Departments to a strategic planning process, and makes having a Community Justice Council permissive.

House Bill 2189 – Developmentally disabled offender program. The enactment of HB 2189 amends the Texas Government Code to require TDCJ to establish and maintain a developmentally disabled offender program, and specific program requirements are delineated in the bill's provisions.

House Bill 3387 – Sex offender treatment as a condition of parole. The enactment of HB 3387 amends the Texas Government Code to require BPP to impose sex offender treatment conditions on offenders who participated in sex offender treatment programs before TDCJ release. The bill also authorizes BPP to impose sex offender conditions on other TDCJ releasees as specified in the bill.

COMMISSION ON FIRE PROTECTION

PURPOSE: To develop professional standards and enforce statewide fire laws to assist local governments in ensuring that the lives and property of the public and fire service providers are adequately protected from fires and related hazards. The agency was formed by consolidating two agencies—the Commission on Fire Protection Personnel Standards and Education and the Fire Department Emergency Board—and one fire-related function from the Department of Insurance—the Key Rate Section.

ESTABLISHED: 1991

AUTHORIZING STATUTE: The Texas Government Code, §419.002

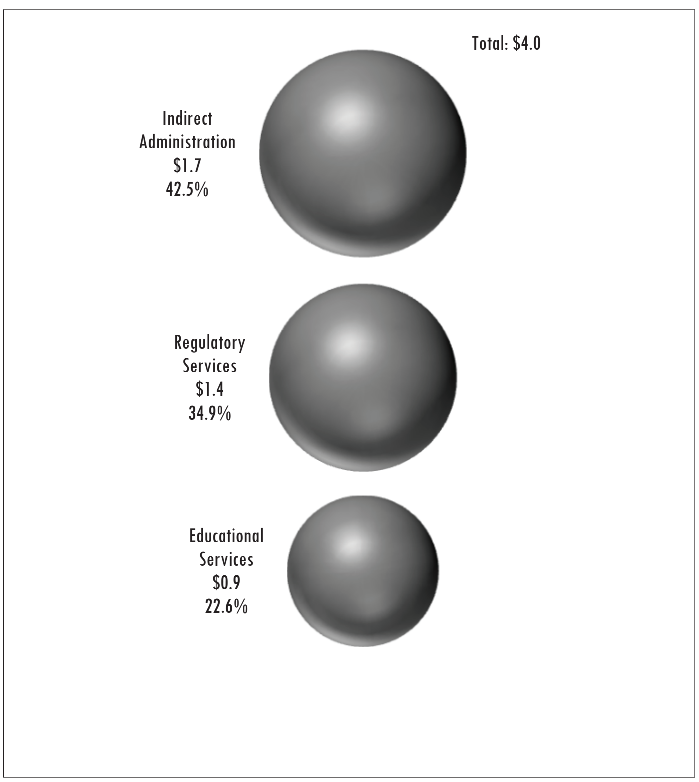
GOVERNANCE: Thirteen members appointed by the Governor, with six members being selected from lists provided by certain firefighter associations

FIGURE 271
COMMISSION ON FIRE PROTECTION BY METHOD OF FINANCE

	IN MILLIONS			
METHOD OF FINANCE	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$3.8	$3.9	$0.0	0.8%
General Revenue–Dedicated Funds	$0.0	$0.0	($0.0)	(100.0%)
Federal Funds	$0.0	$0.0	$0.0	N/A
Other Funds	$0.1	$0.1	$0.1	55.6%
Total, All Methods of Finance	**$4.0**	**$4.0**	**$0.0**	**1.1%**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2016	31.0
2017	31.0

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

Required fee revenue collections (more than appropriated amounts) were reduced from $3.0 million to $1.5 million. As a result, the Texas Commission on Fire Protection is considering fee reductions.

Educational Services include the curriculum development, fire safety information and outreach, testing, and Texas State Fire Fighters Scholarship Fund programs.

Regulatory Services include the agency's certification and compliance programs.

The agency's certified fire service personnel increased to 31,980 in 2015, for an increase of 7,509 from fiscal years 2005 to 2015, or 30.7 percent.

MAJOR FUNDING

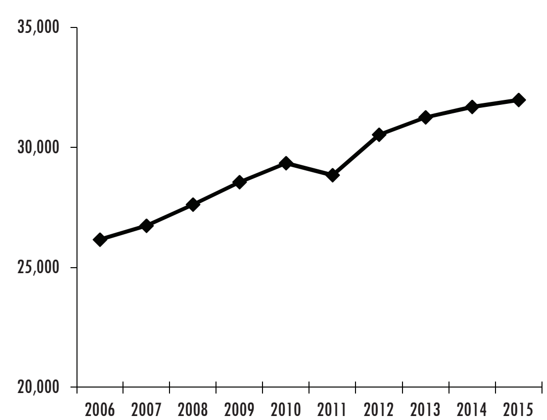
Funding for the 2016–17 biennium is limited to revenue collections and is contingent upon the agency collecting additional funds of more than the amount appropriated through revenue generated by certification fees. For the 2014–15 biennium, this additional amount was $3.0 million. The Eighty-fourth Legislature, 2015, reduced this requirement by half to $1.5 million.

PROGRAMS

Texas Commission on Fire Protection's (TCFP) mission is to protect the lives and property of Texans through the development and enforcement of recognized professional standards, including certification for fire service personnel, education, facilities, and equipment. This mission is accomplished primarily through regulatory services and educational services.

The agency's regulatory services consist of the certification and compliance programs. The certification program provides certification of full-time and part-time paid fire service personnel and volunteers who have sought certification by the agency. This program also certifies fire service training facilities, including course approval, curriculum development, and administration of performance and written tests. **Figure 272** shows the annual number of fire service personnel receiving TCFP certification since 2006. The fiscal year 2011 decrease in the number of fire personnel certified is primarily attributable to a one-time change in the certification renewal dates for firefighters, from April and May to September and October. Appropriations to the Certification program for the 2016–17 biennium total 4.0 full-time-equivalent (FTE) positions and $0.5 million in General Revenue Funds.

FIGURE 272
TEXAS COMMISSION ON FIRE PROTECTION FIRE PERSONNEL CERTIFIED, FISCAL YEARS 2006 TO 2015



SOURCE: Texas Commission on Fire Protection.

The compliance program activities include inspection and investigation of regulated entities, including fire departments, local government entities providing fire protection, and institutions or facilities conducting training for fire protection personnel or recruits. Appropriations to the compliance program for the 2016–17 biennium total 7.0 FTE positions and $0.8 million in General Revenue Funds.

The educational services program area includes the following programs: curriculum development, fire safety information and outreach, testing, and Texas State Fire Fighters Scholarship Fund. The testing program is the largest of these programs, and serves to validate the training curriculum taught by fire training schools to assure the content of the training materials meets state, national, and international standards. Appropriations to the testing program for the 2016–17 biennium total 4.0 FTE positions and $0.5 million in General Revenue Funds.

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

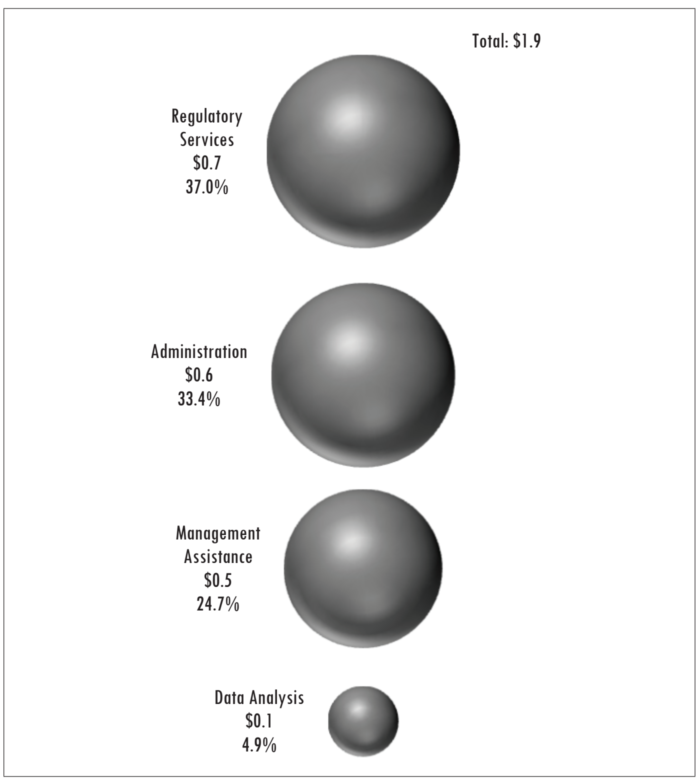
GOVERNANCE: Nine-member commission appointed by the Governor with the advice and consent of the Senate

FIGURE 273
COMMISSION ON JAIL STANDARDS BY METHOD OF FINANCE

	IN MILLIONS			
METHOD OF FINANCE	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$1.8	$1.9	$0.1	4.2%
General Revenue–Dedicated Funds	$0.0	$0.0	$0.0	N/A
Federal Funds	$0.0	$0.0	$0.0	N/A
Other Funds	$0.0	$0.0	$0.0	0.0%
Total, All Methods of Finance	**$1.8**	**$1.9**	**$0.1**	**4.2%**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2016	17.0
2017	17.0

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

The agency inspected 244 jails in fiscal year 2015; 235 were found to be in compliance with the minimum jail standards.

The agency reviewed 64 construction plans for local governmental entities in fiscal year 2015**, 53.0 percent** of the annual target. This variance is due to counties completing major building projects, resulting in a lesser need for consultations.

Appropriations for Indirect Administration total $640,784 in All Funds for an increase of 8.8 percent. The agency received funding for 1.0 full-time-equivalent additional administrative support position.

House Bill 549 requires that all county jail offenders be allowed to receive two in-person, noncontact visits each week. Certain jails, that were constructed to have video visitation only, may be exempt from the in-person requirement. The bill requires the agency to amend visitation rules.

MAJOR FUNDING

Appropriations include an increase of $59,850 for 1.0 full-time-equivalent administrative assistant position to receive guests, answer phones, file necessary paperwork, and other administrative functions previously shared by all staff. Appropriations also include an increase of $9,695 for biennializing the state employees salary increase adjustment made in the 2014–15 biennium.

PROGRAMS

The Texas Commission on Jails Standards (TCJS) carries out its responsibilities through four main program areas: (1) regulatory services, (2) management assistance, (3) data analysis, and (4) administration.

The Texas Commission on Jail Standards is the regulatory agency for all county jails and privately operated municipal jails in the state through which the agency performs inspections and enforces minimum jail standards. TCJS is responsible for establishing effective jail standards by researching, developing, and disseminating minimum standards for jail construction and operations. The minimum standards for jail construction include addressing requirements for facility maintenance and operations. The standards for jail operations include requirements for custody, care, and inmate treatment; inmate rehabilitation, education, and recreation programs; and the number of jail supervisory personnel, programs, and services to meet the needs of inmates. In accordance with state statute, TCJS is required to annually inspect and report on the conditions of each county jail and privately operated municipal jail. This requirement is to ensure that the facilities comply with law and commission orders and rules. Inspections include a walk-through of the facilities and reviews of jail logs, records, data, documents, and accounts pertaining to the operation of each facility and the inmates. TCJS may conduct special inspections on facilities identified as high-risk or found to be in noncompliance. As of September 1, 2015, the 254 Texas counties contained 235 county-operated jails and seven privately operated or combined facilities for a total of 242 facilities within TCJS' purview. In fiscal year 2015, 235 jails were in compliance with the prescribed minimum standards (**Figure 274**).

State statute also requires TCJS to provide management assistance to local jails. This assistance includes reviewing and commenting on plans for the construction, major modification, or renovation of county jails. In addition, TCJS provides local government officials with consultation and technical assistance for jails. Consultations and technical assistance include developing plans for: (1) establishing an inmate classification system; (2) determining jail staffing patterns; (3) providing health services; (4) meeting sanitation needs; (5) developing inmate discipline and grievance procedure; (6) establishing recreation and exercise programs; (7) implementing education and rehabilitation programs; (8) responding to emergencies; and (9) determining a range of inmate privileges. The agency also provides jail management training for county staff.

FIGURE 274
FACILITIES THE TEXAS COMMISSION ON JAIL STANDARDS HAS REGULATORY AUTHORITY FOR MONITORING
FISCAL YEARS 2007 TO 2016

FISCAL YEAR	COUNTY-OPERATED JAILS	PRIVATELY OPERATED FACILITIES	TOTAL
2007	230	26	256
2008	231	26	257
2009	231	17	248
2010	229	20	249
2011	235	10	245
2012	235	10	245
2013	235	9	244
2014	236	9	245
2015	235	10	245
2016	235	7	242

NOTE: The counts are at the beginning of each fiscal year.
SOURCE: Texas Commission on Jail Standards.

The agency collects and analyzes monthly data on county jail populations and operational costs. The data is provided to state and local government agencies to assist in planning and predicting incarceration trends in the state. **Figure 275** shows a historical overview of the number of inmates in local facilities (county jails and privately operated facilities) at the beginning of each fiscal year since 2007. The contract population consists of offenders housed in privately operated facilities and county jail inmates who are from outside the county's jurisdiction (e.g., state offenders, federal detainees). At the beginning of fiscal year 2016, a total of 65,810 inmates in facilities were within TCJS purview, and overall, the facilities were operating at 70.2 percent of total jail capacity.

The administration program area is responsible for purchasing, human resources, strategic planning, accounting, and office support.

FIGURE 275
COUNTY JAIL POPULATION AND CAPACITY AT THE BEGINNING OF EACH FISCAL YEAR
FISCAL YEARS 2007 TO 2016

	INMATES IN COUNTY FACILITIES				
FISCAL YEAR	LOCAL POPULATION	CONTRACT POPULATION	TOTAL POPULATION	TOTAL JAIL CAPACITY	PERCENTAGE OF TOTAL CAPACITY
2007	59,668	14,599	74,267	82,763	89.7%
2008	59,529	12,932	72,461	85,241	85.0%
2009	59,439	11,480	70,919	85,550	82.9%
2010	60,169	11,491	71,660	91,235	78.5%
2011	60,807	11,532	72,339	96,948	74.6%
2012	59,085	10,000	69,085	94,351	73.2%
2013	58,091	9,004	67,095	94,866	70.7%
2014	58,747	8,349	67,096	94,936	70.7%
2015	60,104	8,909	69,013	95,309	72.4%
2016	58,218	7,595	69,013	93,738	70.2%

Source: Texas Commission on Jail Standards.

SIGNIFICANT LEGISLATION

House Bill 549 – County jail inmate visitation. The enactment of HB 549 amends the Texas Government Code to require TCJS to adopt rules and procedures establishing certain minimum county jail standards for inmate visitation as specified in the bill.

House Bill 634 – Inmate visitation in a county jail or state correctional institution by a legal guardian. The enactment of HB 634 amends the Texas Government Code and the Texas Code of Criminal Procedure as it relates to certain rights of a legal guardian of a person in the criminal justice system. The bill's provisions require TCJS and the Texas Department of Criminal Justice (TDCJ) to adopt rules and procedures, as described in the bill, regarding inmate visitation by a legal guardian.

House Bill 875 – Veteran status of inmates in county jails or state correctional institutions. The enactment of HB 875 amends the Texas Government Code to require county sheriffs and TDCJ to verify the veteran status of inmates using certain procedures and data as described by the bill. In addition to verification provisions, the bill requires TCJS to have county sheriffs assist county jail inmates who are veterans in applying for applicable federal benefits.

TEXAS JUVENILE JUSTICE DEPARTMENT

PURPOSE: To provide financial and professional assistance to local juvenile probation departments, to provide regulatory oversight of local probation departments, and to ensure public safety and the provision of effective programming and rehabilitative services to juveniles committed to the Texas Juvenile Justice Department (TJJD) state services and facilities.

ESTABLISHED: 2012

AUTHORIZING STATUTE: The Texas Human Resources Code, Title 12, Subtitle A

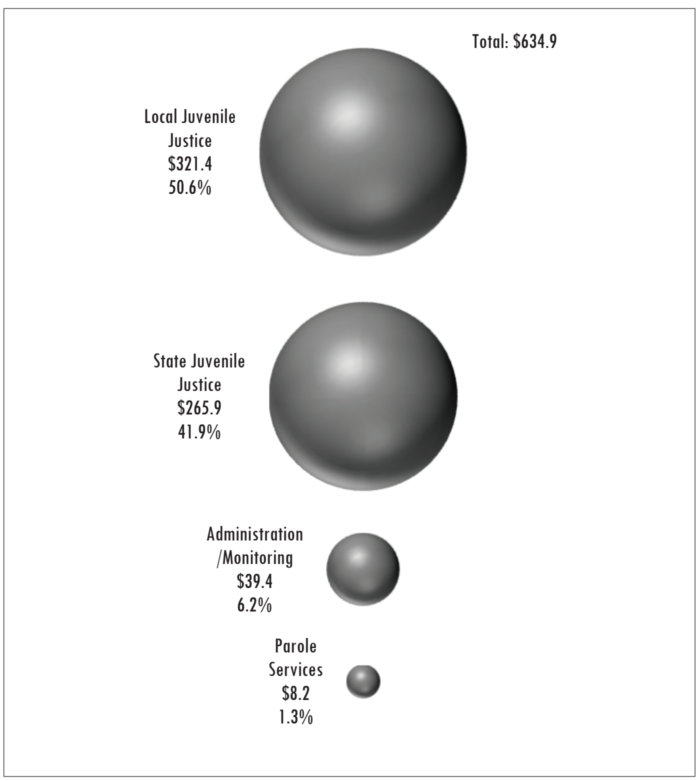
GOVERNANCE: Thirteen-member board appointed by the Governor with advice and consent of the Senate

FIGURE 276
JUVENILE JUSTICE DEPARTMENT BY METHOD OF FINANCE

	IN MILLIONS			
METHOD OF FINANCE	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$590.2	$591.0	$0.8	0.1%
General Revenue–Dedicated Funds	$0.0	$0.0	$0.0	N/A
Federal Funds	$22.7	$19.2	($3.6)	(15.7%)
Other Funds	$36.3	$24.7	($11.5)	(31.8%)
Total, All Methods of Finance	**$649.2**	**$634.9**	**($14.4)**	**(2.2%)**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2016	2,873.1
2017	2,873.1

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

State-operated secure facilities appropriations total $140.7 million, a decrease of $19.5 million. Revision of the TJJD budget structure separated fixed costs from population-driven costs for state-operated secure facilities.

Projected juvenile populations continue to decrease, resulting in a reduction of **$22.8 million** in General Revenue Funds. This reduction was offset by funding for new initiatives.

Senate Bill 1630 requires TJJD to establish a regionalization plan, and is intended to continue the decrease of the juvenile state residential population. Appropriations for this initiative total **$9.6 million,** which supports **4.0 full-time-equivalent positions**.

Juvenile Correctional Officers' and Parole Officers' salaries were increased by 2.5 percent per year, totaling **$4.3 million**.

SOURCE: Legislative Budget Board.

MAJOR FUNDING

The $14.4 million decrease in All Funds is the result of an agency-estimated Federal Funds reduction of $3.6 million and an Other Funds reduction of $11.5 million, attributed primarily to a reduction in General Obligation Bond Proceeds and decreasing juvenile populations. **Figure 277** shows Texas Juvenile Justice Department (TJJD) appropriations for fiscal years 2008 to 2017.

The Eighty-fourth Legislature, 2015, provided a revised budget structure and funding levels for juvenile justice functions. The revised structure includes a new strategy for Regional Diversion Alternatives, appropriated $9.6 million, to reduce the number of youth committed to TJJD state secure facilities by providing additional services to youth in their home communities.

PROGRAMS

TJJD carries out its responsibilities through four major program areas: (1) local juvenile justice; (2) state juvenile justice; (3) parole services; and (4) administration and monitoring.

LOCAL JUVENILE JUSTICE

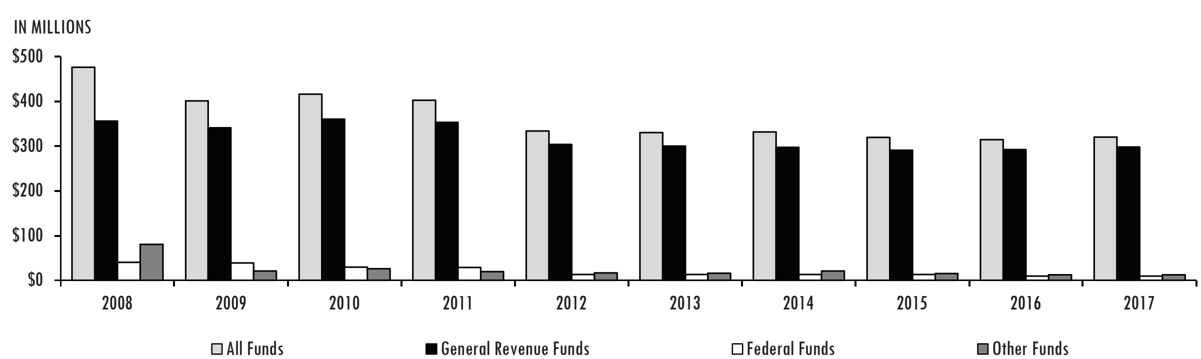
Local juvenile justice includes 10 programs that provide financial assistance to local juvenile probation departments. TJJD allocates grants to local probation departments to provide basic supervision and a variety of treatment, residential, and outpatient services to juvenile offenders. The enactment of Senate Bill 1630, Eighty-fourth Legislature, 2015, resulted in the establishment of a new local juvenile justice program, Regional Diversion Alternatives. The legislation requires the development of a regionalization plan among TJJD and juvenile probation departments organized into regions to divert certain youth from state commitment. The Eighty-fourth Legislature also appropriated an additional $2.4 million for targeted grant funding in three programs: prevention and intervention, community programs, and commitment diversion. Appropriations for local juvenile justice total $321.4 million and 18.5 full-time-equivalent (FTE) positions.

Juveniles are primarily referred to a juvenile probation department by law enforcement, school districts, municipal courts, and justice courts. **Figure 278** shows expenditure levels of juvenile probation departments compared with the average daily population (ADP) of juveniles on probation supervision for fiscal years 2008 to 2015, and appropriations and projected supervision populations for fiscal years 2016 and 2017. The annual number of juveniles on probation supervision has decreased steadily from fiscal years 2008 to 2015. The juvenile probation supervision population is expected to decrease slightly in the 2016–17 biennium.

Juvenile offenders are placed on one of three types of supervision authorized by the Texas Family Code, Chapters 53 and 54: adjudicated probation, deferred prosecution, and conditional predisposition. **Figure 279** shows the actual and projected ADP on basic supervision from fiscal years 2008 to 2017 and the type of supervision the juvenile offender received or is projected to receive.

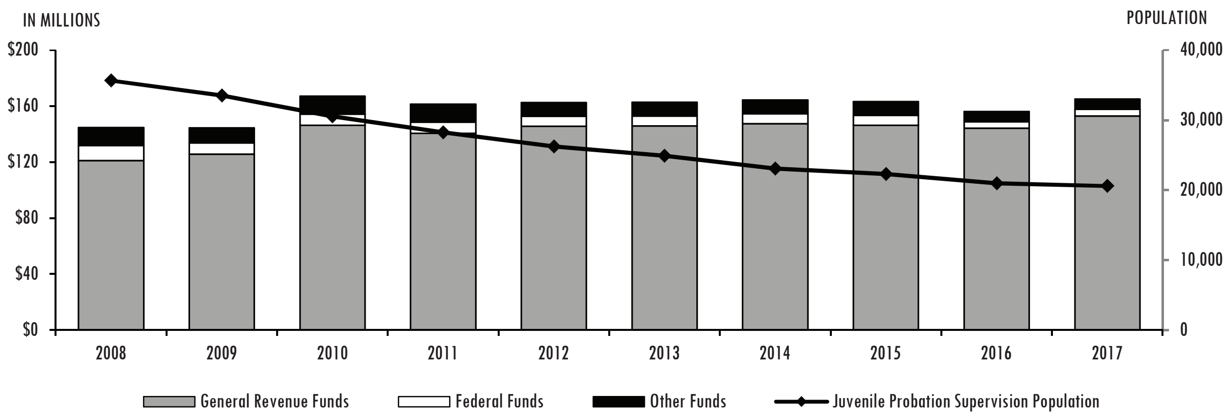
Appropriations for local pre- and post-adjudication facilities provide grants for the placement of juveniles in local secure and nonsecure residential facilities. Preadjudication facilities

FIGURE 277
TEXAS JUVENILE JUSTICE DEPARTMENT APPROPRIATIONS, FISCAL YEARS 2008 TO 2017



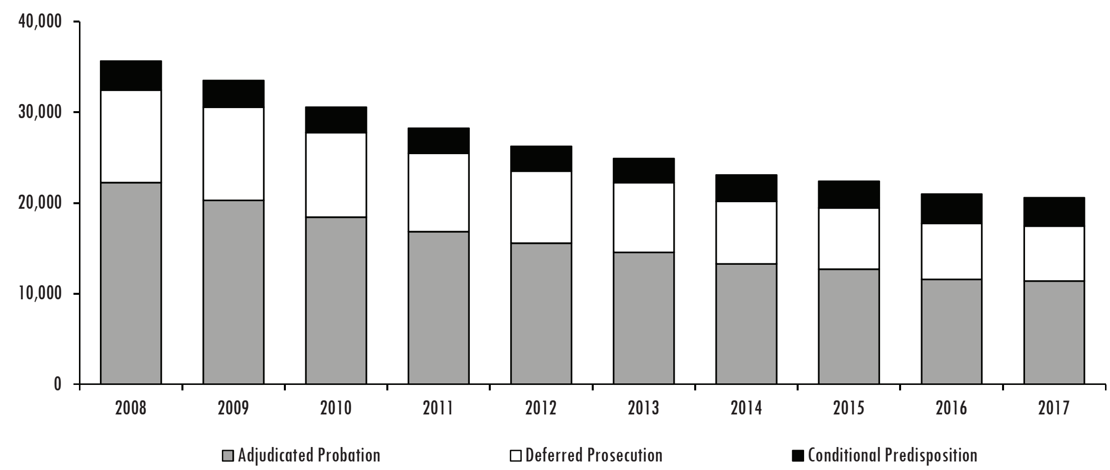
NOTE: Appropriations are the combined total from the Texas Youth Commission and the Juvenile Probation Commission, fiscal years 2008 to 2012.
SOURCE: Legislative Budget Board.

FIGURE 278
STATE EXPENDITURES AND APPROPRIATIONS TO LOCAL JUVENILE PROBATION DEPARTMENTS AND PROBATION SUPERVISION POPULATION, FISCAL YEARS 2008 TO 2017



Notes:
(1) Fiscal years 2008 to 2015 are expended amounts; fiscal years 2016 and 2017 are appropriated amounts.
(2) Fiscal years 2008 to 2015 are actual populations; fiscal years 2016 and 2017 are projected populations.
Sources: Legislative Budget Board; Texas Juvenile Justice Department.

FIGURE 279
AVERAGE DAILY POPULATION UNDER BASIC SUPERVISION BY TYPE, FISCAL YEARS 2008 TO 2017

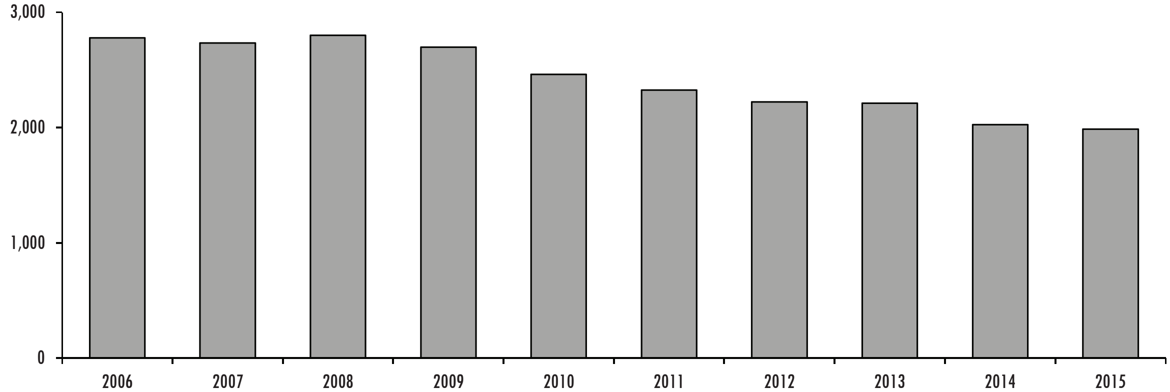


Note: Fiscal years 2008 to 2015 are actual populations; fiscal years 2016 and 2017 are projected populations.
Sources: Legislative Budget Board; Texas Juvenile Justice Department.

primarily house juveniles from the time the juvenile is taken into custody after the commission of an offense until the case is heard in juvenile court. Residential post-adjudication facilities provide an alternative to incarceration in state facilities through placement in a locally operated secure or nonsecure facility for juvenile offenders. Departments also contract for nonsecure placements in facilities licensed by the Department of Family and Protective Services. **Figure 280** shows the ADP of juveniles in residential post-adjudication placements for fiscal years 2006 to 2015. The ADP of juveniles in post-adjudication residential placement has decreased since fiscal year 2008.

Juvenile Justice Alternative Education Programs (JJAEP) provide off-campus alternative education programs for students removed from the classroom for disciplinary reasons. Annual mandatory student attendance days in JJAEPs decreased by 47.4 percent from school years 2007–08 to 2014–15. This decrease can be attributed to several factors, including a decrease in student expulsions, fewer referrals,

FIGURE 280
ACTUAL AVERAGE DAILY POPULATION OF JUVENILES IN RESIDENTIAL POST-ADJUDICATION PLACEMENTS
FISCAL YEARS 2006 TO 2015



NOTE: Average daily population includes only post-adjudication placements in both secure and nonsecure facilities; it does not include pre-adjudication facilities.
SOURCES: Legislative Budget Board; Texas Juvenile Justice Department.

variability within school districts, and changes to the Texas Education Code. The Eighty-fourth Legislature, 2015, raised the not-to-exceed reimbursement rate for participating counties from $86 to $96 per day for students who must be expelled in accordance with the Texas Education Code, Section 37.011(a).

TJJD provides training, certification, and technical assistance to local juvenile probation department staff across the state. The agency sets minimum standards for juvenile probation officers and juvenile supervision officers and requires 40 hours of continuing education annually. TJJD also provides technical assistance and training for compliance with the Prison Rape Elimination Act (PREA). TJJD was appropriated $0.5 million to assist county juvenile facilities with PREA audits, which are required once every three years. PREA-trained TJJD staff and contracted auditors are expected to conduct audits of 40 county facilities from August 2015 to August 2016. Additionally, the Texas Family Code requires TJJD to conduct annual inspections of each of the state's public or private detention facilities and both secure and nonsecure juvenile post-adjudication facilities. TJJD projects monitoring 36 secure and 12 nonsecure county post-adjudication facilities and 49 preadjudication or detention facilities in the 2016–17 biennium.

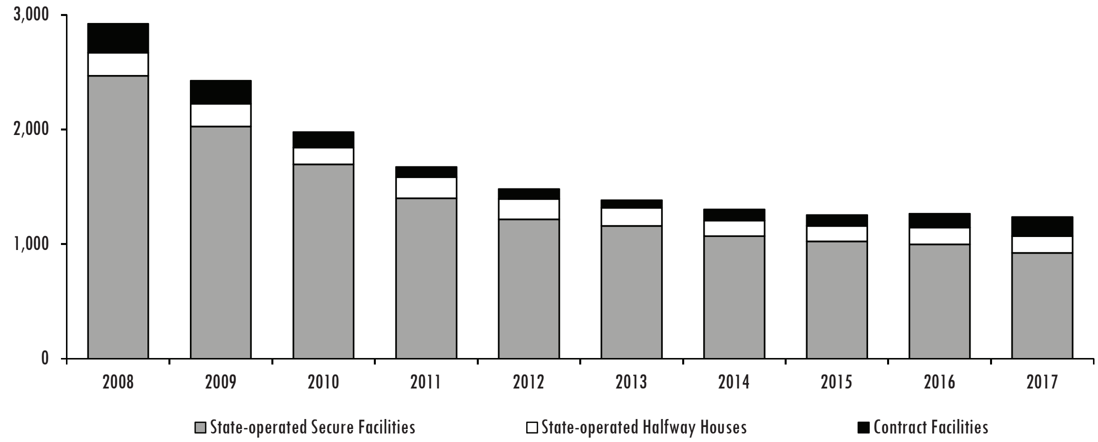
STATE JUVENILE JUSTICE

State juvenile justice includes programs, education, care, and supervision for juveniles committed to TJJD state facilities as the result of a court order related to the commission of a felony crime. When juvenile offenders are committed to state custody, three categories of facilities are available to TJJD: state-operated secure facilities, state-operated halfway houses, and contract facilities. The Legislative Budget Board generates population projections for juveniles in state custody and applies agency population allocations among these three types of facilities.

In the 2014–15 biennium, TJJD operated five secure correctional facilities. Services for juveniles within TJJD secure facilities include education and workforce programs, healthcare, mental healthcare, and rehabilitation treatment. TJJD emphasizes improved educational levels and achievement of a high school diploma or General Equivalency Diploma as critical in reducing recidivism. TJJD employs certified teachers for its academic and vocational programs. TJJD provides educational programs that target reading and math skills and also provides educational programs for juveniles with special education needs. TJJD's workforce development programs offer juvenile offenders opportunities in vocational skills development. Appropriations for education include an increase of $0.3 million for 3.0 FTE positions as additional specialists to provide workforce and reentry services to youth on parole.

The projected average daily population in state-operated secure facilities is 998 in fiscal year 2016 and 923 in fiscal year 2017. **Figure 281** shows the actual and projected ADP of juveniles in state custody for fiscal years 2008 to 2017.

FIGURE 281
AVERAGE DAILY POPULATION OF JUVENILES IN STATE CUSTODY, FISCAL YEARS 2008 TO 2017



NOTE: Fiscal years 2008 to 2015 are actual populations; fiscal years 2016 and 2017 are projected populations.
SOURCES: Legislative Budget Board; Texas Juvenile Justice Department.

In addition to secure facilities, TJJD operates eight halfway house programs in Corpus Christi, Dallas, El Paso, Fort Worth, Harlingen, Brownwood, Roanoke, and San Antonio. Several of these programs provide specialized independent-living preparedness, aggression replacement training, and substance abuse treatment. Juvenile offenders receive aftercare follow-up programs at all halfway houses. The halfway house population is projected to be 146 for each year of the 2016–17 biennium.

All juveniles placed in TJJD custody take part in general rehabilitation treatment programs, but specialized treatment to address specific needs is also available. Specialized rehabilitation treatment includes capital offender treatment, violent offender treatment, sex offender treatment, chemical dependency treatment, and treatment for severe mental health issues. Juvenile programming, healthcare, and educational needs are determined during assessment and orientation. Assessment and orientation operations are performed at the McLennan County State Juvenile Correctional Facility in Mart for male offenders and at the Ron Jackson State Juvenile Correctional Complex in Brownwood for female offenders. During the assessment and orientation process, staff conduct medical, educational, and psychological testing, assess youth for specialized treatment needs, recommend an initial facility assignment, and develop a comprehensive treatment plan including transitional services. TJJD contracts with The University of Texas Medical Branch at Galveston and private providers for medical and mental healthcare for juveniles in its custody.

Contract facilities provide specialized treatment for offenders in less secure residential environments. These facilities include 24-hour residential treatment and services for female offenders with infants, sex offenders, and juveniles with substance abuse issues. The number of contract beds utilized depends on the specialized needs presented by the offender population. TJJD's goal is to increase the use of contract beds to house youth in a less institutional, more treatment-oriented environment. The projected contract facilities population is 120 in fiscal year 2016 and 168 in fiscal year 2017.

Two categories of juveniles are housed in TJJD custody. Committed juveniles are ordered into TJJD custody by juvenile courts after adjudication. TJJD, with the assistance of the parole release panel, administratively determines how long these juveniles will remain in custody, what type of services they will receive, what level of restriction they require, and when they will be released to parole supervision. Sentenced offenders are given a specific sentence to TJJD by the juvenile court pursuant to determinate-sentencing statutes. The determinate-sentence statutes provide that juveniles ages 10 to 16 may be sentenced to 40 years for a first-degree, or aggravated controlled-substance felony; not more than 20 years for a second-degree felony; and not more than 10 years for a third-degree felony. Juveniles adjudicated for a capital felony are sentenced determinately and receive a mandatory life sentence with the possibility of parole.

The Eighty-fourth Legislature, 2015, provided $4.2 million in General Revenue Funds for a 2.5 percent salary increase for juvenile correctional officers in each fiscal year. Appropriations for state juvenile justice total $265.9 million and 2,564.1 FTE positions.

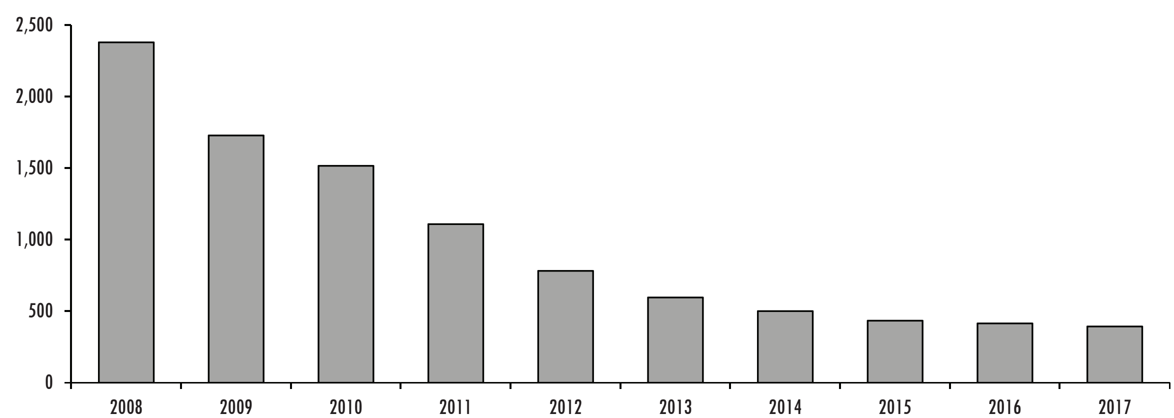
PAROLE SERVICES

The parole services program area includes direct supervision and programs and services for juveniles released from residential programs. The agency employs parole officers and contracts with juvenile probation departments and a private contractor to provide a level of supervision determined by the risk posed by the juvenile. A juvenile offender's parole may be revoked and the juvenile returned to a TJJD facility if the offender violates the conditions of parole. **Figure 282** shows the actual and projected ADP of juveniles on parole supervision for fiscal years 2008 to 2017. The decrease of the juvenile parole population resulted in a General Revenue Funds decrease of $0.6 million in the 2016–17 biennium. The Eighty-fourth Legislature, 2015, appropriated $0.9 million to hire an additional 8.0 FTE positions as parole officers (PO); provided a 2.5 percent salary increase per fiscal year for POs resulting in a $0.1 million increase; and separated appropriations for parole direct supervision from parole programs and services. Parole services appropriations total $8.2 million and 60.0 FTE positions.

ADMINISTRATION AND MONITORING

Administration and monitoring includes the oversight and administrative functions of the agency. The Office of Independent Ombudsman (OIO) is a separate state agency that investigates, evaluates, and secures the rights of juveniles in TJJD state facilities, county-operated facilities, and on TJJD parole. OIO provides families of TJJD juveniles with a variety of information, including a guide to grievance procedures, a family handbook, prevention information, and a parents' bill of rights. Appropriations for this agency are distributed through TJJD. Appropriations for the OIO for the 2016–17 biennium increased by $1.0 million in General Revenue Funds and 7.0 FTE positions as the result of the enactment of Senate Bill 1630, which expanded the responsibilities of the OIO. Other appropriation increases within administration and monitoring include $2.9 million for TJJD headquarters building overhead costs, $1.2 million for increased Data Center Services costs, $0.4 million for computer replacement, and $0.2 million for vehicle replacement. Administration and monitoring appropriations total $39.4 million and 230.5 FTE positions.

FIGURE 282
AVERAGE DAILY POPULATION OF JUVENILES ON PAROLE SUPERVISION, FISCAL YEARS 2008 TO 2017



NOTE: Fiscal years 2008 to 2015 are actual populations; fiscal years 2016 and 2017 are projected populations.
SOURCES: Legislative Budget Board; Texas Juvenile Justice Department.

SIGNIFICANT LEGISLATION

House Bill 1144 – Juvenile sex offender task force. House Bill 1144 establishes a task force to study and make recommendations regarding the outcomes of juveniles adjudicated of sexual offenses.

Senate Bill 1630 – Juvenile services regionalization. Senate Bill 1630 requires TJJD and county juvenile probation departments to develop a regionalization plan to reduce commitments of youth to TJJD secure facilities by committing certain youth to local post-adjudication facilities. The bill requires TJJD to establish a new division to administer the regionalization plan and monitor program quality and accountability. The bill also expanded the responsibilities of the OIO by requiring the OIO to assess the rights of youth at local post-adjudication facilities and any other facilities where youth adjudicated for conduct indicating a need for supervision or delinquent conduct are placed by court order.

House Bill 431 – Juvenile records. House Bill 431 requires TJJD to establish an advisory committee for studying, reorganizing, and revising the Texas Family Code, Chapter 58, and any other relevant laws pertaining to juvenile records.

House Bill 2398 – Truancy. House Bill 2398 repeals the offense of failure to attend school and removes truancy from the definition of Conduct Indicating a Need for Supervision. The bill establishes the new civil offense truant conduct, which applies to children ages 12 to 18. The bill establishes that truant conduct can only be prosecuted as a civil case, in a truancy court.

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

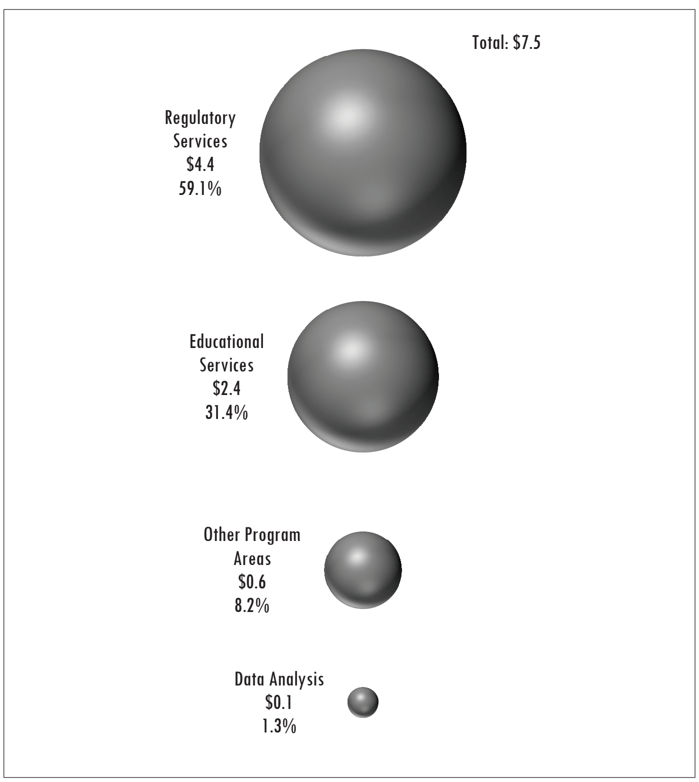
GOVERNANCE: Nine-member commission appointed by the Governor with advice and consent of the Senate; three must be chief administrators of law enforcement agencies; three must be persons licensed by the commission; and three must be from the private sector

FIGURE 283
TEXAS COMMISSION ON LAW ENFORCEMENT BY METHOD OF FINANCE

	IN MILLIONS			
METHOD OF FINANCE	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$0.1	$0.0	($0.1)	(100.0%)
General Revenue–Dedicated Funds	$5.3	$6.5	$1.2	23.0%
Federal Funds	$0.0	$0.0	$0.0	N/A
Other Funds	$1.3	$1.0	($0.3)	(19.9%)
Total, All Methods of Finance	**$6.7**	**$7.5**	**$0.9**	**12.9%**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2016	50.6
2017	53.6

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

Appropriations for **regulatory services**, including the agency's enforcement, licensing, and standards development programs**, increased by 21.5 percent.** This increase funds **7.0 new full-time-equivalent (FTE) positions** to enhance the agency's enforcement program, including 1.0 position dedicated to liaising with the Department of Public Safety on border security efforts.

Appropriations for **educational services**, including the distance learning and technical assistance programs, **increased by 1.2 percent.** This variance is primarily attributable to an increase of $0.3 million to support **3.0 new positions** to enhance the agency's auditing capability and an offsetting decrease of $0.3 million in estimated fee revenues.

The agency is statutorily required to **collect incident-based data** annually pertaining to racial profiling from each of Texas' 2,647 law enforcement agencies. State funding for this data analysis function totals $0.1 million in All Funds for the 2016–17 biennium.

SOURCE: Legislative Budget Board.

MAJOR FUNDING

The All Funds increase of $0.9 million is attributable to an estimated decrease in agency fee revenues of $0.1 million offset by a $1.1 million increase out of the General Revenue–Dedicated Law Enforcement Officer Standards and Education Fund No. 116 to fund the following:

- $0.2 million for 2.0 full-time-equivalent (FTE) compliance specialist positions to strengthen the oversight of law enforcement academies;
- $0.4 million for 3.0 investigator positions to process a greater number of law enforcement complaints received;
- $0.2 million for 2.0 investigator positions to work with the Department of Public Safety in border security; and
- $0.3 million for 3.0 auditor positions to increase the number of field audits conducted of law enforcement agencies.

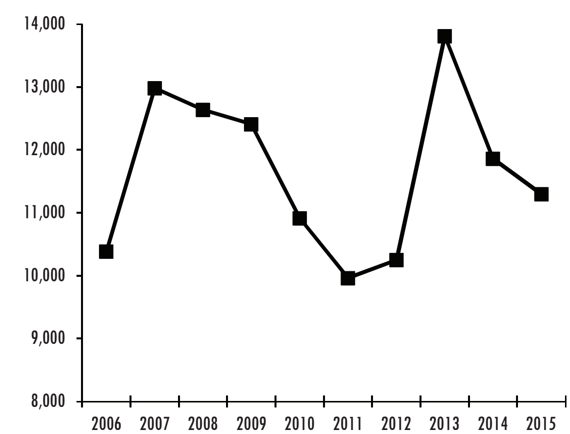
PROGRAMS

The Texas Commission on Law Enforcement (TCOLE) licenses, regulates, and provides continuing education for more than 110,000 active law enforcement, corrections, and telecommunicator personnel who are employed by more than 2,640 state and local government agencies. The agency primarily executes these functions through four program areas: (1) regulatory services, (2) educational services, (3) data analysis and (4) other program areas. The regulatory services and educational services program areas account for $6.8 million, or 90.6 percent, of the agency's total All Funds appropriations for the 2016–17 biennium.

The regulatory services program area includes the following programs: licensing, enforcement, and standards development. The licensing program issues licenses to individuals (peace officers, contract jailers, telecommunicators, school marshals) and law enforcement agencies who demonstrate required competencies through appropriate examinations and/or other qualification criteria. This program was appropriated 13.4 FTE positions and $1.8 million in All Funds in the 2016–17 biennium, a $0.2 million increase from the 2014–15 biennial expenditure level.

Unlike peace officer standards and training commissions in most states, TCOLE does not operate a police academy. TCOLE instead licenses state and local governments to operate training academies with a curriculum that must conform to basic standards. Texas has 106 licensed law enforcement academies and 183 contractual training providers who offered more than 800 law enforcement training courses during fiscal year 2015. Five public and private institutions of higher education in conjunction with secondary schools provide preparatory college-level law enforcement programs. TCOLE maintains a statewide network of more than 50 facilities for administering licensing examinations. In fiscal year 2015, TCOLE administered more than 9,893 licensing exams and issued 11,295 new licenses (**Figure 284**).

FIGURE 284
TEXAS COMMISSION ON LAW ENFORCEMENT
NEW LICENSES ISSUED TO INDIVIDUALS
FISCAL YEARS 2006 TO 2015



Source: Texas Commission on Law Enforcement.

The enforcement program acts to revoke, suspend, or cancel licenses, and issue reprimands to licensees for violations of statutes or TCOLE rules. Inquiries are initiated when information emerges about actions by licensed personnel that may result in disciplinary action or investigation. This program was appropriated 19.4 FTE positions and $2.3 million in All Funds in the 2016–17 biennium, a $0.7 million increase from the 2014–15 biennial expenditure level for this program. This funding increase supports 7.0 new positions to enhance the agency's enforcement program, including 2.0 investigator positions dedicated to liaising with the Department of Public Safety on border security efforts.

The standards development program establishes standards for enrollment in licensing courses for law enforcement officers, contract jailers, telecommunicators, school marshals, and law enforcement agencies. This program also oversees the development and delivery of law enforcement training and education in Texas. This program was appropriated $0.4 million in All Funds in the 2016–17 biennium, a $0.1 million decrease from the 2014–15 biennial expenditure level.

Educational services include the technical assistance and distance learning programs. The technical assistance program provides technical assistance to its licensees. The agency also conducts audits and investigations to enforce its rules and standards and to verify licensees' qualifications. This program was appropriated 14.7 FTE positions and $2.2 million in All Funds in the 2016–17 biennium, a $0.3 million increase from the 2014–15 biennial expenditure level. This funding increase supports 3.0 new positions to enhance the agency's capability to oversee and audit law enforcement agencies.

The distance learning program operates and maintains the Peace Officers Standards Education Internet Training (POSEIT) program. This program enables peace officers to enroll in continuing education courses online. Beginning in fiscal year 2012, POSEIT has been funded by revenues collected by the agency from issuing intermediate, advanced, and master peace officer and jailer certifications. This program was appropriated $0.2 million in All Funds in the 2016–17 biennium.

SIGNIFICANT LEGISLATION

Senate Bill 158 – Body camera training for law enforcement officers. The enactment of SB 158 requires TCOLE to develop or approve a curriculum for a body camera training program for law enforcement officers in consultation with the Department of Public Safety, the Bill Blackwood Law Enforcement Management Institute of Texas, the W. W. Caruth Jr. Police Institute at the University of North (UNT) in Dallas, and the Texas Police Chiefs Association. SB 158 requires TCOLE to provide an annual report to the Legislature and Governor compiling the annual reports submitted to TCOLE by law enforcement agencies receiving state grant funds for a body camera program. SB 158 also authorizes any law enforcement agency operating a body-worn camera program to submit its body camera policy to TCOLE to determine whether the policy complies with the provisions of the bill.

Senate Bill 1987 – Deaf/hard of hearing driver training for law enforcement officers. The enactment of SB 1987 requires TCOLE to establish a statewide comprehensive education and training program on procedures for interacting with drivers who are deaf or hard of hearing. SB 1987 also requires an officer to complete this training program within a certain time frame.

House Bill 593 – Canine encounter training for law enforcement officers. The enactment of HB 593 requires TCOLE to establish a statewide comprehensive education and training program on canine encounters and canine behavior. HB 593 also requires an officer to complete this training program within a certain timeframe.

House Bill 1338 – Traumatic brain injury training for law enforcement officers/first responders. The enactment of HB 1338 requires TCOLE to establish and maintain in collaboration with the Texas Health and Human Services Commission and the Texas Traumatic Brain Injury Advisory Council two training programs for first responders and police officers on the effects of traumatic brain injury and interaction techniques with individuals with traumatic brain injury.

House Bill 2684 – Child Behavior training for law enforcement officers. The enactment of HB 2684 directs TCOLE to develop a training program on child behavior in collaboration with the Texas School Safety Center at Texas State University, the Law Enforcement Management Institute of Texas at Sam Houston State University, and the Caruth Police Institute at UNT. HB 2684 also requires certain school district peace officers or school resource officers to complete this education and training program within a certain timeframe.

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

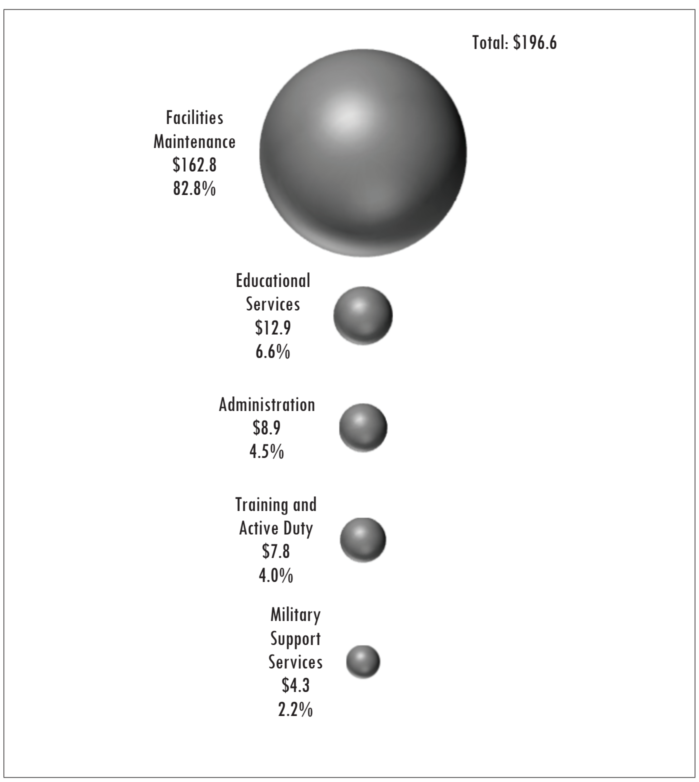
GOVERNANCE: Adjutant General, appointed by the Governor with the advice and consent of the Senate

FIGURE 285
TEXAS MILITARY DEPARTMENT BY METHOD OF FINANCE

	IN MILLIONS			
METHOD OF FINANCE	**EXPENDED/ BUDGETED 2014–15**	**APPROPRIATED 2016–17**	**BIENNIAL CHANGE**	**PERCENTAGE CHANGE**
General Revenue Funds	$58.6	$34.2	($24.4)	(41.7%)
General Revenue–Dedicated Funds	$32.5	$19.6	($12.9)	(39.8%)
Federal Funds	$99.4	$131.6	$32.1	32.3%
Other Funds	$10.2	$11.2	$1.0	9.9%
Total, All Methods of Finance	**$200.8**	**$196.6**	**($4.2)**	**(2.1%)**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2016	615.0
2017	615.0

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

Facilities maintenance appropriations increased by $54.5 million. This increase is primarily attributed to $19.6 million in General Revenue–Dedicated Funds and $29.2 million in Federal Funds for the maintenance and repair of nine readiness centers.

The Texas Military Department (TMD) was appropriated $59.0 million for the 2014–15 biennium for **National Guard border security participation;** an interagency contract with the Department of Public Safety provides for continued participation during the 2016–17 biennium.

A second ChalleNGe Academy Texas National Guard education program in Eagle Lake was funded with $6.0 million. The academy opened in July 2015 and is expected to increase the amount of yearly program graduates to 400.

SOURCE: Legislative Budget Board.

MAJOR FUNDING

The 2016–17 biennial All Funds appropriation net decrease of $4.2 million is primarily attributed to an increase of $48.8 million in All Funds for the renovation of nine Texas Army National Guard readiness centers, offset by a reduction resulting from onetime funding totaling $59.0 million for the Texas National Guard's (TXNG) participation in border security in the 2014–15 biennium. Transitional funding for continued TXNG border security deployment during the 2016–17 biennium is provided in the Eighty-fourth Legislature, General Appropriations Act (GAA), 2016–17 Biennium, Article V, Department of Public Safety (DPS), Rider 53.

Other significant appropriation changes include a $2.2 million increase in General Revenue Funds for Texas military forces training and $6.0 million in All Funds for the operation of the Texas National Guard's education program, ChalleNGe Academy, to have a second site, located in Eagle Lake.

In addition to state appropriations, Federal Funds determined by a master cooperative agreement between the state and the federal National Guard Bureau are estimated to increase by $32.1 million in the 2016–17 biennium, primarily the result of federal contributions for the readiness center renovations and the second ChalleNGe Academy site.

PROGRAMS

The Texas Military Department (TMD) carries out its responsibilities through five major program areas: (1) training and active duty, (2) facilities maintenance, (3) educational programs, (4) military support services, and (5) administration.

TRAINING AND ACTIVE DUTY

This program area encompasses activities of the Texas military forces: TXNG and the Texas State Guard (TXSG). TXNG has a dual mission. It may be ordered to active duty in the state by the Governor to provide trained and equipped military personnel to assist civil authorities in the protection of life and property and the preservation of law, order, and public safety in Texas. TXNG is also a first-line reserve component of the U.S. Army and Air Force, and in that role it may be called into active federal service by the President to provide military personnel for war, national emergencies, and at other times if national security requires augmentation of active forces.

In late fiscal year 2014, TXNG deployed to the Rio Grande Valley to conduct border security activities in conjunction with DPS. A timeline of the TXNG border security deployment and appropriations is shown in **Figure 286**. TXNG has participated in border security missions since fiscal year 2006, but until the TXNG's border security involvement beginning in late fiscal year 2014, these missions had primarily been federally funded. State funding for continued border security involvement of TXNG is provided in the 2016–17 GAA, DPS, Rider 53. The rider directs DPS and TMD to establish a memorandum of understanding (MOU) and subsequent interagency contract to transfer funds as needed from DPS to TMD for transitional flexibility in National Guard deployment in the 2016–17 biennium. DPS and TMD developed this MOU in September 2015 for the transfer of $7.7 million by DPS to TMD, to be used by TMD in the 2016–17 biennium, or until the TXNG deployment ends. The MOU could be amended at a later time during the biennium to provide additional funds if needed.

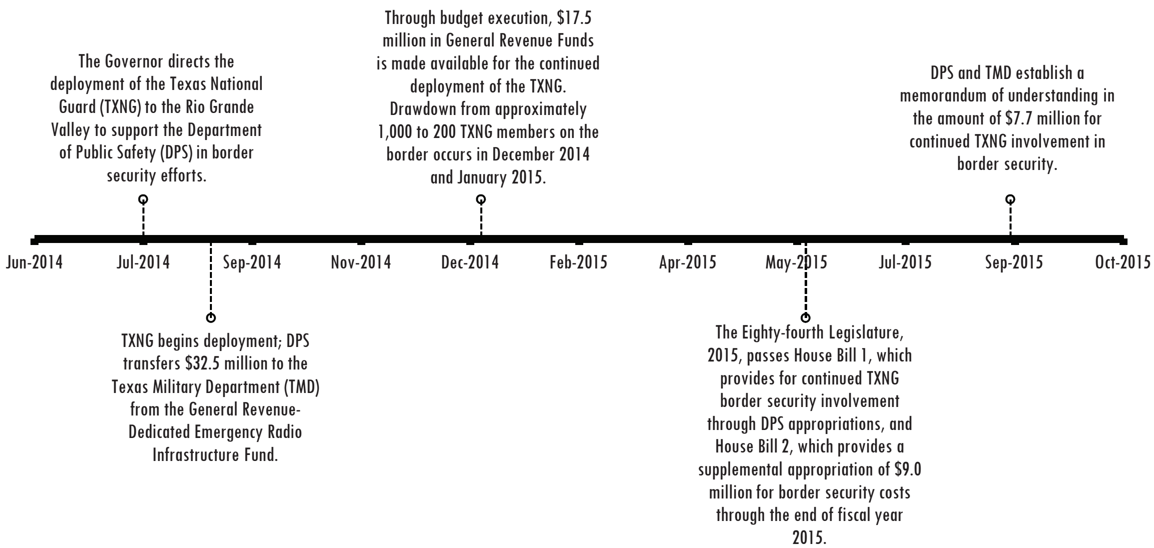
Additionally, TXNG members provide emergency response for law enforcement support, civil support, cold weather operations, and wildfire outbreaks as needed. More than 2,000 members of TXNG participated in federal missions, including overseas contingency operations, in the 2014–15 biennium. In fiscal year 2015, approximately 22,000 members were part of TXNG. The Eighty-fourth Legislature, 2015, appropriated $2.2 million to provide additional training for Texas military forces.

The other component of the Texas military forces, the TXSG, is an all-volunteer state defense force, subject to active duty when called by the Governor to serve Texas in time of emergency. In fiscal year 2015, approximately 1,900 TXSG members were in military units typically colocated with TXNG units. In fiscal year 2015, TXSG members spent approximately 5,200 duty days on state humanitarian, homeland security, emergency, and other state duty. TMD estimates 7,400 TXSG training days per year in the 2016–17 biennium.

FACILITIES MAINTENANCE

The facilities maintenance program area includes utilities, construction, repair, and maintenance of military facilities and equipment owned or licensed by the state that are located on state or federal property, and asset security and protection. In the 2016–17 biennium, the agency will maintain approximately 3,330 buildings in 54 cities. Nine readiness centers are located in Houston, Pasadena, San Marcos, Grand Prairie, Fairview, Austin, El Paso, Temple, and Denison. The

FIGURE 286
BORDER APPROPRIATIONS AND NATIONAL GUARD DEPLOYMENT, JULY 2014 TO SEPTEMBER 2015



SOURCES: Texas Military Department; Department of Public Safety.

Eighty-fourth Legislature, 2015, appropriated $48.8 million in All Funds for the renovation of the readiness centers, including $19.6 million in General Revenue–Dedicated Funds and $29.2 million in Federal Funds. Appropriations also increased by $0.4 million in General Revenue Funds for land purchase of an existing readiness center in Huntsville. A federally funded program, the Truck Rebuild Program, was discontinued as of September 30, 2015. The National Guard Bureau determined that the current supply of vehicles ready to deploy is sufficient, and a need to rebuild trucks for combat deployments no longer exists. The discontinuation of this program will result in a biennial Federal Funds decrease of $12.3 million and 23.0 full-time-equivalent (FTE) positions.

EDUCATIONAL SERVICES

Educational programs include the ChalleNGe Youth Education Program and the STARBASE program. The ChalleNGe program is a five-month residential cooperative program and yearlong mentoring program between Texas and the National Guard Bureau. The ChalleNGe program is an education and skills program serving a projected 400 at-risk youth ages 16 to 18 each year through military-style training. TMD operates two ChalleNGe programs in Sheffield and Eagle Lake. TMD received an appropriation of $1.4 million in General Revenue Funds and $4.2 million in Federal Funds for the 2016–17 biennium to operate the program in Eagle Lake, after receiving $0.6 million in the 2014–15 biennium for renovations to the Eagle Lake facility. The Eagle Lake ChalleNGe program became operational in July 2015. STARBASE is an academic outreach program to assist at-risk youth in grades four through seven by increasing their knowledge in science, math, engineering, and technology.

MILITARY SUPPORT SERVICES

The military support services program area includes state military tuition assistance and the mental health initiative. Texas Military Forces (TXMF) members use state military tuition assistance for tuition costs and mandatory fees associated with postsecondary education. The military tuition assistance program is the only type of educational assistance available to certain Texas military forces members. Appropriations for the mental health initiative for the 2016–17 biennium include an increase of $0.4 million in General Revenue Funds for two additional mental health counselors to assist TXMF members and their families.

ADMINISTRATION

Administration programs include debt service on outstanding bonds, insurance, audit fees, and administrative fees to finance the state costs of armory construction and major maintenance and repair, and the central administration, finance, and human resource divisions of the agency. TMD received $0.7 million and an increase of 3.0 FTE positions to implement the Centralized Accounting and Payroll/ Personnel System in the 2016–17 biennium.

SIGNIFICANT LEGISLATION

House Bill 2123 – Texas Military Forces insurance benefits. The enactment of HB 2123 provides the full state contribution for insurance coverage with the Employee Retirement System Group Benefits Program for Texas Military Forces members called to state active duty or other duty when they serve more than 60 days.

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

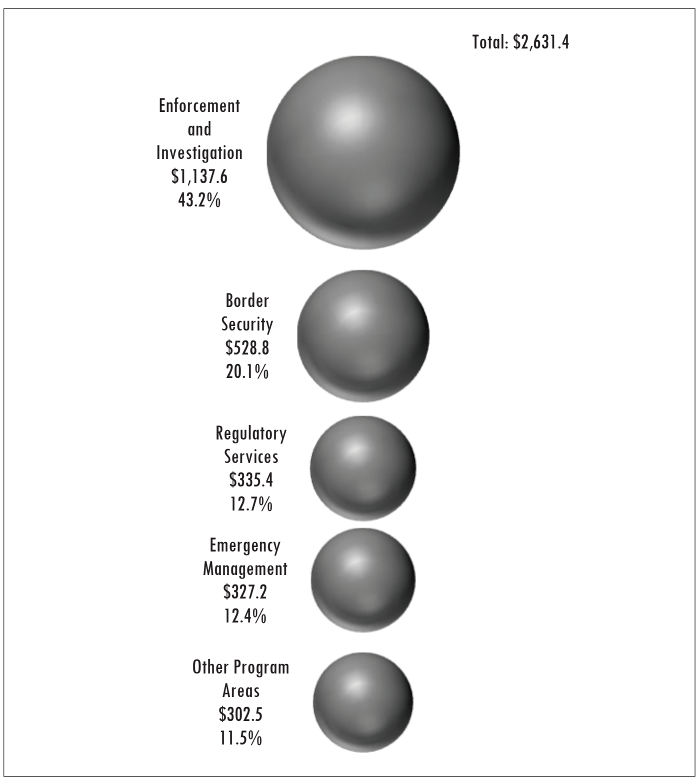
GOVERNANCE: Five-member board appointed by the Governor and confirmed by the Senate; members must have and maintain a secret security clearance granted by the U.S. government

FIGURE 287
DEPARTMENT OF PUBLIC SAFETY BY METHOD OF FINANCE

	IN MILLIONS			
METHOD OF FINANCE	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$677.5	$1,942.0	$1,264.5	186.6%
General Revenue–Dedicated Funds	$12.5	$34.4	$21.9	175.1%
Federal Funds	$943.7	$539.0	($404.7)	(42.9%)
Other Funds	$1,038.9	$116.0	($922.8)	(88.8%)
Total, All Methods of Finance	**$2,672.6**	**$2,631.4**	**($41.1)**	**(1.5%)**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2016	10,306.1
2017	10,503.1

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

Border security appropriations to the Department of Public Safety (DPS) total $749.8 million in state funds, including $107.0 million to recruit and retain 250 new troopers and $142.6 million to fund overtime sufficient to attain a 50-hour work week for all DPS commissioned law enforcement officers.

Driver License Improvement funding increased by $40.0 million, to decrease wait times and increase efficiencies for driver license and identification card applicants. Biennial funding for this program is $143.0 million.

The Texas Highway Patrol Division is appropriated $551.0 million, supporting 3,035.0 full-time-equivalent positions.

No State Highway Funds were appropriated to DPS. Appropriations include $910.3 million in General Revenue Funds and General Revenue–Dedicated Funds, provided to fund programs supported by the State Highway Fund in the previous biennium.

SOURCE: Legislative Budget Board.

MAJOR FUNDING

The All Funds decrease of $41.1 million is primarily attributable to estimated reductions in federal funding for Public Assistance Grants (a decrease of $223.8 million) and Hazard Mitigation Grants (a decrease of $125.3 million). These reductions are largely offset by an All Funds increase in direct funding for border security ($310.5 million) and a General Revenue Funds increase of $40.0 million for the Driver License Improvement Program.

The Eighty-fourth Legislature, 2015, discontinued the use of State Highway Funds at the Department of Public Safety (DPS) to support agency operations by replacing all State Highway Funds ($910.3 million) with General Revenue Funds and General Revenue–Dedicated Funds. Although General Revenue Funds account for almost all of this substitution ($903.2 million), the following two General Revenue–Dedicated Funds, both administered by DPS, are also used: Breath Alcohol Testing Account No. 5013 ($3.0 million), and Motorcycle Safety Account No. 501 ($4.1 million).

The agency's 2016–17 biennial appropriation includes the following All Funds increases:

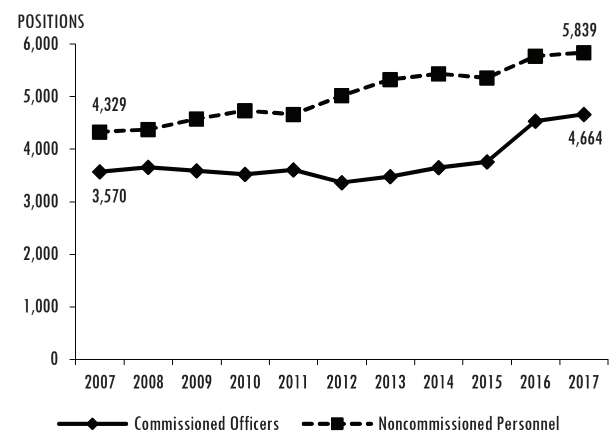
- $310.5 million to enhance border security;
- $40.0 million to expand the Driver License Improvement Plan;
- $9.9 million to combat human trafficking;
- $5.0 million to complete the testing services to eliminate the backlog of sexual assault kits;
- $2.7 million to strengthen the state's capacity to locate missing children;
- $2.2 million to implement the transition to the Centralized Accounting and Payroll/Personnel System;
- $1.9 million to fund a Regional Recovery Coordination Program; and
- $0.9 million to provide Schedule C base salary increases to certain commissioned law enforcement personnel.

AGENCY STRUCTURE AND STAFFING

DPS is organized into 12 major divisions: Texas Highway Patrol, criminal investigations, Texas Rangers, intelligence and counterterrorism, emergency management, driver license, regulatory services, finance, information technology, homeland security and services, law enforcement support, and administration.

As shown in **Figure 288**, the total number of full-time equivalent (FTE) positions employed by DPS increased by 33.0 percent, or 2,604.1 positions from fiscal years 2007 (7,899.0 actual positions) to 2017 (10,503.1 appropriated positions). **Figure 288** also shows that as part of the total FTE positions, the number of commissioned peace officers increased from 3,570.0 to 4,623.0, or 29.5 percent, while during the same period the number of non-commissioned staff increased from 4,329.0 to 5,880.1, or 35.8 percent. Included in the number of commissioned peace officer totals for fiscal years 2016 and 2017 are 652.0 positions based on the additional time available resulting from overtime hours associated with the move to a 50-hour workweek.

FIGURE 288
COMMISSIONED AND NONCOMMISSIONED STAFF
FISCAL YEARS 2007 TO 2017

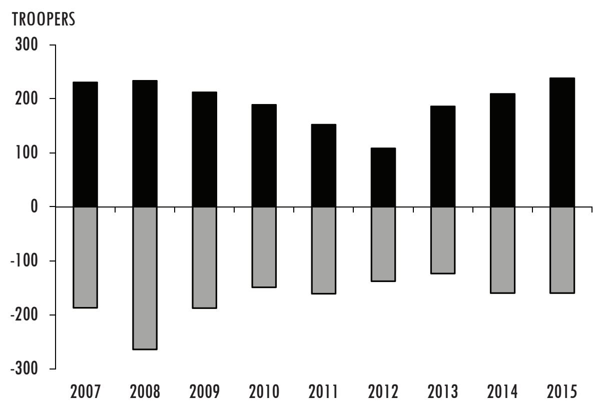


NOTE: Number of staff indicates full-time-equivalent positions.
SOURCES: Legislative Budget Board; Department of Public Safety.

DPS replenishes its cadre of active troopers by operating recruit schools at various times of the year. DPS trains qualified trooper applicants through a rigorous 20-week recruit school that graduates successful recruits as probationary troopers and a shorter eight-week recruit school for current law enforcement officers. A probationary period is still required for the troopers graduating from the eight-week recruit school; however, House Bill 11 by the Eighty-fourth Legislature, 2015, authorizes DPS to credit these troopers with up to four years of experience as a law enforcement officer as years of service for Schedule C salary purposes.

To meet the demands posed by conducting enhanced border security operations, the Eighty-fourth Legislature, 2015, provided an additional $107.0 million in General Revenue Funds for a number of 20-week and 8-week recruit schools sufficient to add at least 250 additional troopers by the end of the 2016–17 biennium, after netting out all trooper attrition in the same period. **Figure 289** shows the number of new recruits being added to the total number of troopers after graduating from DPS recruit schools per year since fiscal year 2007. Also shown are the troopers lost to attrition, primarily retirements and resignations, in the same period. To meet the demands for enhanced border security, HB 11 also increased the workload for all troopers to 50 hours per week, and the Eighty-fourth Legislature appropriated an additional $142.6 million in General Revenue Funds to fund the costs of associated overtime pay.

FIGURE 289
DEPARTMENT OF PUBLIC SAFETY RECRUITS GRADUATED COMPARED TO ATTRITION
FISCAL YEARS 2007 TO 2015



SOURCE: Department of Public Safety.

PROGRAMS

DPS accomplishes its mission of enforcing laws protecting and promoting public safety and providing for the prevention and detection of crime through five primary program areas: (1) enforce laws and investigate crime; (2) border security; (3) regulatory services; (4) emergency management; and (5) other program areas.

ENFORCE LAWS AND INVESTIGATE CRIME

The enforce laws and investigate crime program area focuses on the agency's core mission to realize greater public safety outcomes by eliminating high-threat criminal organizations, enhancing highway security, providing forensic evidence analysis and access to criminal justice and emergency information, facilitating interoperable public safety communications, and conducting investigations that result in the incarceration of corrupt public officials and high-threat criminals. Appropriations for the enforce laws and investigate crime program area for the 2016–17 biennium total $1,137.6 million and provide for 5,314.0 FTE positions in fiscal year 2017. The law enforcement and criminal investigation programs at DPS include the Texas Highway Patrol Division, criminal investigations, intelligence and counterterrorism, crime laboratory, and criminal records.

The largest of these programs is the Texas Highway Patrol Division (THPD). THPD maintains public safety in Texas through the enforcement of traffic and criminal laws. It also has regulatory responsibilities in the areas of commercial vehicle and motor carrier regulations. THPD provides safety education to enhance public awareness of traffic safety. It also assists in disaster response activities and provides security and law enforcement for the Capitol and the Capitol Complex. THPD is also the largest division in DPS with an All Funds appropriation of $551.0 million and more than 3,035.0 FTE positions.

The criminal investigation functions of the agency include the Texas Ranger and Criminal Investigations Divisions. The Criminal Investigations Division (CID) is responsible for conducting criminal enterprise investigations targeting those organized criminal groups that constitute the greatest threat to Texas. CID includes programs focused on drug trafficking, gang activity, and other specialized investigations such as fraud, cargo theft, human trafficking, vehicle theft, and illegal gambling. CID works closely with local, state, and federal agencies to identify and arrest high-threat criminals such as sex offenders and other violent fugitives. Other CID responsibilities include enforcement duties related to sex offender registration compliance and the monitoring of civilly committed sex offenders. CID also provides technical investigative support both within DPS and to other law enforcement agencies. Organizationally, CID is divided into four specialized sections: gang, drug, special investigations, and investigative support. Pursuant to House Bill 2053, the Eighty-fourth Legislature, 2015, provided an additional $2.7 million in General Revenue Funds to assist the Texas

Department of Family and Protective Services in efforts to more effectively locate missing children or families.

The Texas Ranger Division's (TRD) primary responsibilities include major crime investigation, border security, and investigation of public corruption and criminal conduct by DPS employees. TRD specializes in and assists local police agencies with investigating felony offenses such as murder, sexual assault, and robbery. TRD also operates the Unsolved Crimes Investigation Program, which investigates murder cases or linked criminal transactions that are no longer active within other law enforcement agencies. During fiscal year 2015, criminal investigations by the Texas Rangers resulted in 1,710 arrests.

TRD also includes a Special Operations Group that has oversight of the agency's Special Weapons and Tactics Team, Regional Special Response Teams, Ranger Reconnaissance Team, Crisis Negotiations Unit, Explosive Ordnance Disposal Unit, and the Border Security Operations Center. An additional responsibility results from House Bill 1690, Eighty-fourth Legislature, 2015, which establishes a Public Integrity Unit within TRD.

DPS' Intelligence and Counterterrorism Division (ICTD) serves as a statewide intelligence entity that leverages DPS' intelligence and fusion capabilities along with the capabilities of other intelligence entities. ICTD gathers and disseminates criminal intelligence information related to terrorist activities in the furtherance of homeland security initiatives. It is also responsible for the Joint Crime Information Center (located in Austin), which works with federal, state, regional, and local law enforcement and serves as the state repository for homeland security information and incident reporting. The Joint Crime Information Center provides intelligence support to law enforcement and public safety authorities, and consolidates information on suspicious activities that may represent a threat to the public.

DPS provides forensic and analytical services to law enforcement agencies investigating crimes through a system of 13 crime laboratories in locations across Texas. The agency provides analysis of trace evidence (such as hair, fibers, gunshot residue, and tire impressions), biological evidence (such as DNA), drugs, alcohol, and toxicology. Crime laboratory personnel also provide expert testimony on analysis of evidence and interpretation of technical data and findings. The Eighty-fourth Legislature, 2015, appropriated $5.0 million in General Revenue Funds to complete the testing services necessary to eliminate the backlog of sexual assault kits.

DPS administers statewide information systems to provide criminal justice information to authorized users in a rapid and usable format. The Crime Records Service collects information on criminal history and fingerprinting records, sex offender identification, and crime statistics. The Crime Records Service relies significantly upon information sharing among local, state, and federal law enforcement agencies. In fiscal year 2015, the Crime Records Service processed more than 7.3 million criminal history inquiries. The Eighty-fourth Legislature, 2015, appropriated an additional $17.3 million to assist local law enforcement agencies with transition to a new incident-based crime reporting system.

BORDER SECURITY

The border security program area includes activities centering on Operation Border Star, which is the state's multiagency strategy in responding to law enforcement threats in the border region. The Eighty-fourth Legislature, General Appropriations Act, 2016–17 Biennium, Article IX, Section 7.11, defines border security as those "activities associated with deterring crimes and enforcing state laws related to offenses listed in the Texas Government Code, Section 772.0071, or hunting and fishing laws related to poaching, or for which Texas receives federal grants intended to enhance law enforcement, or that relate to federal law enforcement operations, between designated entry and exit points" in certain border counties.

Historically, the Legislature has made significant fiscal investments in state and local efforts to enhance a more secure border region. The Eighty-fourth Legislature, 2015, appropriated $800.0 million in state funds to six state agencies for border security. Including federal grant funds for Operation Stonegarden, the All Funds total appropriated for border security is $839.6 million. Of the six agencies appropriated funds for border security, DPS was appropriated $789.4 million in All Funds, constituting 94.0 percent of the total appropriation. The other agencies appropriated funds for border security are the Office of the Governor ($38.4 million), Texas Parks and Wildlife Department ($9.9 million), Texas Alcoholic Beverage Commission ($1.2 million), Texas Department of Criminal Justice ($0.5 million), and Texas Commission on Law Enforcement ($0.2 million). All agencies receiving border security funding are required to report expenditure and performance data to the

Legislative Budget Board twice each fiscal year per Article IX, Section 7.11.

The Eighty-fourth Legislature, 2015, appropriated $749.8 million to DPS in General Revenue Funds and General Revenue–Dedicated Funds and 1,250.0 FTE positions in fiscal year 2017 for border security. Of these 1,250.0 FTE positions, 598.0 are new positions; the remaining are equivalent positions based on the additional time available resulting from overtime hours associated with the move to a 50-hour workweek. This state funding is intended to conduct law enforcement surge operations in border regions, provide grants to border area law enforcement agencies for overtime and equipment, administer a network of analytical centers, recruit new troopers for border security duty, conduct routine patrol operations in the border region, establish a new Texas Ranger Division with a focus on the border region, and fund the Texas National Guard in its supporting role in Operation Border Star. The $749.8 million is specifically allocated for the following items:

- $305.2 million for routine border security operations and other baseline border security-related activities;
- $142.6 million to fund overtime sufficient to attain a 50-hour work week for DPS' commissioned law enforcement officers;
- $83.4 million to fund Operation Secure Texas through the 2016–17 biennium;
- $107.0 million to recruit, train, and equip 250 new and transfer troopers and 110 support staff;
- $72.0 million to fund the transitional deployment of the Texas National Guard to the border region for border security operations;
- $17.3 million to assist local law enforcement agencies with transition to a new crime reporting system;
- $8.8 million to field a new Texas Rangers company specializing in border security investigations;
- $7.5 million to acquire and equip a Pilatus aircraft;
- $2.4 million to establish and help operate the Texas Transnational Intelligence Center;
- $2.0 million to purchase a multiuse training facility; and
- $1.5 million to support South Texas College's Regional Center for Public Safety Excellence.

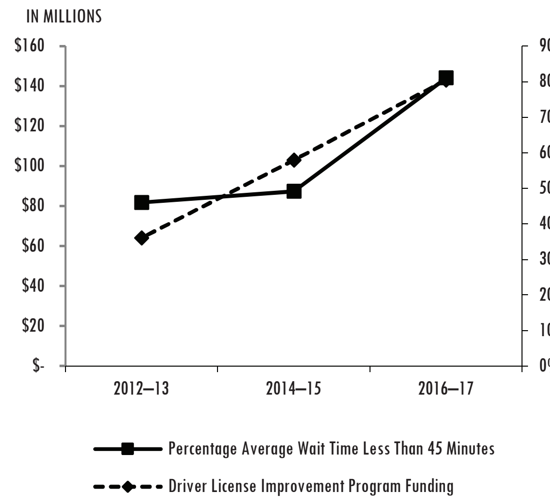
REGULATORY SERVICES

The regulatory services program area exists to provide regulatory services to all external and internal customers, and improve responsiveness, customer focus, and modern business practices in the delivery of all services. Appropriations for the regulatory services program area total $335.4 million in the 2016–17 biennium and FTE positions total 2,468.3 in fiscal year 2017. The regulatory programs at DPS include driver license, private security, handgun licensing, vehicle inspection program, and metals registration program.

The largest regulatory function at DPS involves the driver licensing programs within the agency's Driver License Division (DLD). The Eighty-fourth Legislature, 2015, appropriated $282.9 million in All Funds and 2,103.3 FTE positions for the 2016–17 biennium. DLD serves license-qualified drivers and removes privileges from unsafe drivers; provides accurate records and documents in a timely manner to eligible customers; and supports law enforcement and criminal justice partners. DLD ensures the competency of Texas drivers by testing new drivers and determining the eligibility of renewal applicants, and it administered more than 4.8 million driver license examinations during fiscal year 2015. DLD is also responsible for issuing most of the state identification used for voter identification purposes.

Since fiscal year 2012, the Legislature has made an ongoing effort to support DPS in realizing more efficient processes and shorter waiting periods for driver license applicants by providing additional funding for the Driver License Improvement Program (DLIP). The Eighty-second Legislature, Regular Session, 2011, appropriated $64.1 million to the DLIP. The Eighty-third Legislature, Regular Session, 2013, appropriated the same amount, plus an additional $38.9 million, to the DLIP. The Eighty-fourth Legislature, 2015, appropriated this base funding ($103.0 million), plus an additional $40.0 million. By the end of fiscal year 2017, the Legislature will have appropriated $310.1 million to the DLIP. The Eighty-fourth Legislature directed the Legislative Budget Board to establish a reporting template for the programmatic review of the DLIP's effect on shortening wait times statewide. As of the end of fiscal year 2015, 46.4 percent of those applying for a driver license or identification cards had wait times of less than 45 minutes. **Figure 290** shows a three-biennia history of average wait times of less than 45 minutes and state appropriations for the DLIP, where the 2016–17 biennial wait times are targets set by the Legislature for DPS.

FIGURE 290
DEPARTMENT OF PUBLIC SAFETY DRIVER LICENSE IMPROVEMENT PROGRAM, 2012–13 TO 2016–17 BIENNIA

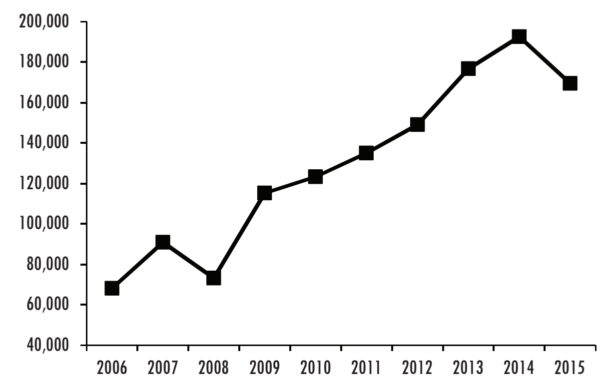


Sources: Legislative Budget Board; Department of Public Safety.

The DPS Private Security Program (PSP) regulates the private security industry in Texas. State regulations for this industry include licensing private security companies and registering individuals employed by those licensed companies. The once stand-alone Texas state agency that licensed and regulated private security was established in 1969 as the Texas Board of Private Detectives and Private Investigators. In 1998, that agency was renamed the Texas Commission on Private Security. The Seventy-eighth Legislature, Regular Session, 2003, abolished the Texas Commission on Private Security, and transferred its agency functions to DPS, which then established PSP. PSP is associated with the statutorily established Texas Private Security Board, which is a seven-member board appointed by the Governor. The Texas Private Security Board was established to hear appeals by applicants in accordance with Texas' Private Security Act. In addition, the board devises rules for the administration of the Act. In fiscal year 2015, PSP issued 85,625 private security licenses and registrations.

DPS administers the Handgun Licensing Program as authorized by the Texas Government Code, Chapter 411, Subchapter H. DPS licenses individuals to carry handguns within Texas, evaluates the eligibility of applicants through criminal history background checks, and monitors those licensed to ensure their continued eligibility. DPS also trains and certifies instructors who teach the required courses to applicants. House Bill 910, Eighty-fourth Legislature, 2015, authorizes individuals to obtain a license to openly carry a handgun in the same places that allow the licensed carrying of a concealed handgun with some exceptions. In December 2014, DPS reported 825,957 active license holders and 3,125 certified instructors. **Figure 291** shows that the number of licenses to carry handguns issued annually by DPS has increased by almost 250.0 percent since fiscal year 2006.

FIGURE 291
DEPARTMENT OF PUBLIC SAFETY CONCEALED HANDGUN LICENSES ISSUED, FISCAL YEARS 2006 TO 2015



Source: Department of Public Safety.

The DPS Vehicle Inspection Program (VIP) certifies vehicle inspectors and inspection stations, monitors and ensures compliance with inspection standards, and supervises vehicle emission programs designed to meet federal clean air requirements. VIP has the authority to deny certification of inspectors and stations and to suspend or revoke station and inspector certification. VIP is also responsible for the sale and fulfillment of orders for inspection certificates. In fiscal year 2015, 41,676 certified inspectors in 11,499 licensed inspection stations performed 19.5 million inspections.

Pursuant to the Texas Occupations Code, Chapter 1956, DPS is responsible for registering all metal recycling entities operating in Texas. Registered entities are required to collect certain identifying information from sellers of recycled material to aid law enforcement in tracking entities and individuals who are buying and/or selling stolen material. The information collected in DPS' Metals Registration Program database contains a record of all reported metals transactions throughout Texas. DPS has the authority to deny applications for certificates of registration to entities that do not meet the criteria set forth by DPS. In fiscal year 2015, DPS issued 416 metal registration certifications. DPS also has the authority to reprimand registrants and suspend or revoke certificates of registration for the reasons set forth in state statute and for failure to comply with rules set forth by DPS.

EMERGENCY MANAGEMENT

DPS's emergency management program area is the Texas Division of Emergency Management (TDEM). TDEM manages the State Operations Center, which serves as the focal point for state weather and health warning systems and is the control facility for emergency operations. In fiscal year 2015, TDEM coordinated the state response for 5,632 local incidents.

TDEM is intended to enhance emergency preparedness at the state and local levels, effectively administer homeland security and emergency management grant programs, and ensure a prompt, effective response to and recovery from natural and man-made disasters. TDEM assists local jurisdictions in responding to major emergencies and disasters, including hurricanes, tornadoes, floods, wildfires, and hazardous material spills. TDEM maintains state emergency plans, reviews local emergency plans, and conducts emergency management training for local officials and for state and local emergency responders. It coordinates state disaster response operations with local governments, federal agencies, volunteer groups, and private sector partners. TDEM administers millions of dollars in federal and state disaster recovery and hazard mitigation grants to local governments, school districts, and state agencies. In fiscal year 2015, TDEM allocated more than $78.4 million in disaster recovery funds to eligible grantees.

Appropriations for the 2016–17 biennium for the emergency management function total $327.2 million and provide for 227.0 FTE positions each fiscal year. Appropriations include an additional $1.9 million in General Revenue Funds and 9.0 positions to fund the Regional Recovery Coordination Program.

OTHER PROGRAM AREAS

DPS's other program areas function encompasses core administrative and financial support functions to ensure DPS adheres to sound business and human resources practices. The purpose of these functions is to improve the services provided to all external and internal customers. Appropriations for the agency services function total $302.5 million, and FTE positions total 1,243.8 each fiscal year.

SIGNIFICANT LEGISLATION

House Bill 11 – Border security. As part of its border security initiative, the Eighty-fourth Legislature, 2015, passed HB 11, which included provisions intended to enhance the state's capacity to realize a more secure border region. The HB 11 provisions specifically affecting DPS include the following, with the associated funding provided in the GAA shown in parentheses:

- authorizes DPS to credit up to four years of experience as a law enforcement officer as years of service for Schedule C salary purposes;
- provides DPS the option of defining a 10-hour workday/50-hour workweek for DPS commissioned officers ($142.6 million in General Revenue Funds in the 2016–17 biennium);
- authorizes DPS to admit certain military veterans to the agency's trooper training academy;
- authorizes DPS to establish and utilize a reserve officer corps;
- requires DPS to implement a strategy for providing federal authorities at international border checkpoints with assistance in the interdiction of weapons, bulk currency, stolen vehicles, and other contraband and of fugitives, being smuggled from Texas into Mexico;
- requires DPS to establish a goal that each local law enforcement agency implement an incident-based crime reporting system that meets the reporting requirements of the National Incident Based Reporting System by September 1, 2019 ($17.3 million in General Revenue Funds and General Revenue–Dedicated Funds in the 2016–17 biennium); and
- requires a certain sheriff's department and municipal police department to establish and operate the Texas Transnational Intelligence Center jointly with DPS ($2.4 million in General Revenue Funds in fiscal year 2016).

Senate Bill 11 – Concealed handgun carry on college campuses. The bill authorizes an individual possessing a valid carried handgun license issued in the state of Texas to carry a concealed handgun on campuses or premises associated with public and private institutions of higher education.

House Bill 910 – Openly carried handguns. The bill authorizes individuals to obtain a license to openly carry a holstered handgun in all the places that allow the licensed carrying of a concealed handgun and authorizes DPS to issue a license to carry an unconcealed holstered handgun, using the same criteria in place for a concealed handgun license.

Senate Bill 273 – Carrying concealed handgun on certain premises. The bill prohibits a state agency or political subdivision from posting signs stating where concealed handgun license holders are prohibited from carrying a concealed handgun on the premises, unless specifically prohibited by the Texas Penal Code, Sections 46.03 and 46.035.

Senate Bill 195 – Transfer of certain prescription functions. The bill transfers the Texas Prescription Monitoring Program (TPMP) and the Prescription Access in Texas database from DPS to the Texas State Board of Pharmacy and authorizes DPS to develop a secure portal for independent access to the TPMP database.

House Bill 1786 – Transfer of driver and traffic safety education. The bill transfers the duties and responsibilities of administering the Driver and Traffic Safety Education Program from the Texas Education Agency and DPS to the Texas Department of Licensing and Regulation.

Senate Bill 1406 – Child safety check alert list. The bill requires the Department of Family and Protective Services (DFPS) to notify DPS that DFPS is unable to locate a child after DFPS has attempted to locate the child for not more than 20 days. Upon receipt of notification from DFPS, DPS must enter certain information into the Child Safety Check Alert List.

House Bill 2053 – Requirements pertaining to reporting missing children. The bill requires DFPS, during an investigation of a Priority 1 report of abuse or neglect, to notify DPS that DFPS is unable to locate a child who is the subject of the Priority 1 report. The bill requires DPS to place the missing child on the Child Safety Check Alert List. The bill also requires DPS, with the assistance of DFPS, to submit an annual report to the Legislature on the use of the Texas Crime Information Center's Child Safety Check Alert List.

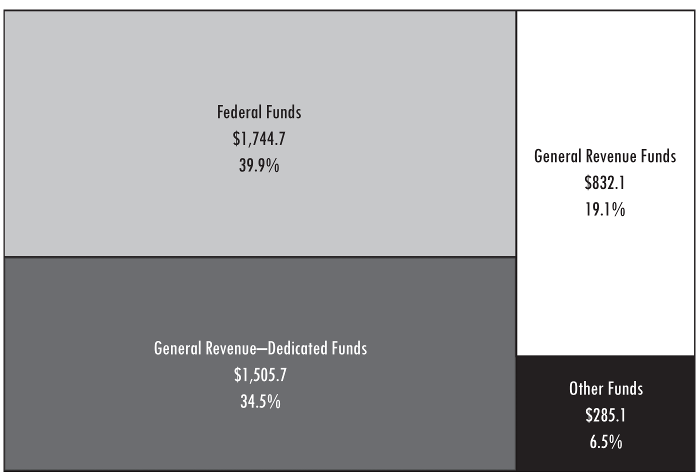
9. NATURAL RESOURCES

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.

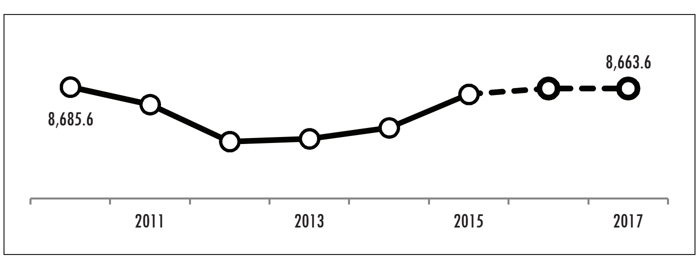
FIGURE 292
ARTICLE VI – NATURAL RESOURCES, BY METHOD OF FINANCE

	IN MILLIONS			
METHOD OF FINANCE	EXPENDED/BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$717.3	$832.1	$114.8	16.0%
General Revenue–Dedicated Funds	$1,210.1	$1,505.7	$295.6	24.4%
Federal Funds	$2,656.2	$1,744.7	($911.5)	(34.3%)
Other Funds	$2,350.0	$285.1	($2,064.9)	(87.9%)
Total, All Methods of Finance	**$6,933.5**	**$4,367.5**	**($2,566.0)**	**(37.0%)**

SHARE OF FUNDING BY METHOD OF FINANCE



FULL-TIME-EQUIVALENT POSITIONS



SIGNIFICANT DEVELOPMENTS

State and local parks are appropriated a total of **$394.9 million**, an increase of 32.6 percent. This amount includes **$172.5 million** for the operation and improvement of **91 state parks**.

The Texas Emissions Reduction Plan was appropriated **$236.3 million, an increase of $81.0 million**, mostly for equipment replacement grants to promote reduced emissions.

The Alamo and facilities in the Alamo Complex are provided **$30.0 million** for capital improvements, repairs, and the development of a master plan **to preserve and maintain the site and the complex.**

Disaster Recovery Programs are appropriated $502.0 million in federal funding**,** a decrease of $815.0 million, due to the conclusion of past grants for hurricanes and wildfires.

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

FIGURE 293
ARTICLE VI – NATURAL RESOURCES APPROPRIATIONS BY AGENCY, ALL FUNDS

(IN MILLIONS)

FUNCTION	EXPENDED/BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE
Department of Agriculture	$1,110.6	$1,109.4	($1.1)	(0.1%)
Animal Health Commission	$22.4	$26.5	$4.1	18.3%
Commission on Environmental Quality	$759.3	$912.4	$153.0	20.2%
General Land Office and Veterans' Land Board	$1,503.5	$688.9	($814.6)	(54.2%)
Low-level Radioactive Waste Disposal Compact Commission	$0.5	$1.2	$0.7	140.4%
Parks and Wildlife Department	$716.4	$700.3	($16.1)	(2.3%)
Railroad Commission	$178.2	$174.5	($3.7)	(2.1%)
Soil and Water Conservation Board	$55.4	65.8	$10.4	18.7%
Water Development Board	$2,292.5	$291.5	($2,000.9)	(87.3%)
Subtotal, Natural Resources	**$6,638.7**	**$3,970.4**	**($2,668.3)**	**(40.2%)**
Employee Benefits and Debt Service	$344.5	$412.6	$68.1	19.8%
Less Interagency Contracts	$49.6	$15.4	($34.2)	(68.9%)
Total, All Functions	**$6,933.5**	**$4,367.5**	**($2,566.0)**	**(37.0%)**

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

MAJOR FUNDING ISSUES

The Eighty-fourth Legislature, 2015, appropriated $4.4 billion in All Funds for Natural Resources agencies, which is a decrease of $2.6 billion, or 37.0 percent, from the 2014–15 biennium.

The largest reductions were realized in the appropriations for the Water Development Board (WDB) and the General Land Office and Veterans' Land Board (GLO). Appropriations for the WDB reflect a $2.0 billion decrease from the Economic Stabilization Fund (Other Funds) for a onetime appropriation to the State Water Implementation Fund for Texas (SWIFT) (Other Funds) in fiscal year 2014. In October 2015, the agency issued $899.7 million in SWIFT bonds, which provides for 26 water projects for communities. Appropriations for the GLO were reduced by $815.0 million in Federal Funds due to the conclusion of past grants provided for Hurricane Ike and wildfires.

Significant appropriation increases for the Texas Commission on Environmental Quality (TCEQ) were realized for the Texas Emissions Reduction Plan (TERP) and the Low-Income Vehicle Repair, Replacement, Retrofit, and Accelerated Vehicle Retirement Program (LIRAP), which is also known as the AirCheck Texas Program. TERP appropriations were increased by $81.0 million, to a total of $236.3 million, from the General Revenue–Dedicated TERP Account No. 5071, primarily to provide grant funding to replace diesel engines and to purchase or lease other equipment to improve air quality, in addition to covering necessary costs related to administering the grants. Appropriations for the LIRAP total $96.6 million from the General Revenue–Dedicated Clean Air Account No. 151, an increase of $81.3 million, to provide grants and local initiatives funding. Of the amount, $86.9 million is for incentive payments to eligible persons in participating counties to replace and/or repair older, more polluting vehicles. The remaining $9.7 million is available for various county initiative programs aimed at reducing vehicle emissions.

TCEQ appropriation increases were offset by an All Funds reduction of $20.7 million. This amount includes $10.6 million in Appropriated Receipts, which primarily resulted from onetime Superfund cost recovery cleanup projects of hazardous waste sites in the 2014–15 biennium and $10.1 million in Federal Funds that are no longer anticipated to be available in the 2016–17 biennium.

The Texas State Soil and Water Conservation Board appropriations increased by $10.4 million in All Funds. The increase is primarily due to Federal Funds increases for flood control dams. In addition, General Revenue funding increased by $1.4 million. This amount includes an increase of $1.0 million for grants to local Soil and Water Conservation Districts for operating expenses; an increase of $1.0 million to increase water yields in specific watersheds of the state through the Water Supply Enhancement program; and a decrease of $0.6 million in onetime expenditures for Conservation Implementation Assistance Grants that provided technical assistance for local conservation projects in the 2014–15 biennium.

The Parks and Wildlife Department (TPWD) appropriations decreased by a net $16.1 million in All Funds compared to 2014–15 biennial spending levels. Significant issues include the following:

- the Legislature appropriated $274.0 million of the Sporting Goods Sales Tax (SGST) revenue estimated to be available in the 2016–17 biennium. TPWD appropriations include the maximum SGST available for parks-related spending. Excluding amounts appropriated elsewhere to the Texas Historical Commission ($12.8 million); for payroll-related benefits ($17.5 million); for debt service payments on park projects ($31.6 million); and transferred to the newly established General Revenue–Dedicated Deferred Maintenance Account No. 5166 ($54.5 million) to pay for deferred maintenance park projects, the amount of SGST appropriated directly to TPWD totals $157.5 million, which is an increase of $35.6 million from the 2014–15 biennial spending amount. A portion of the increased SGST appropriations replaced appropriations previously made from the General Revenue Funds Unclaimed Refunds of Motorboat Fuel Tax ($12.5 million) and the General Revenue Funds ($4.6 million) to maximize the usage of SGST funds for state park-related spending;

- an increase of $91.0 million in General Revenue–Dedicated Deferred Maintenance Account No. 5166 to provide funding for certain deferred maintenance projects for parks due to the enactment of House Bill 158, Senate Bill 1366, and Senate Bill 2004, Eighty-fourth Legislature, 2015. HB 158 and SB 1366 changed the allocation of transfers made to the TPWD from the proceeds of taxes imposed on the sale, storage, or use of sporting goods to align with amounts appropriated by the Legislature. SB 2004 established the new account and the Joint Oversight Committee on Government Facilities, which reviews deferred maintenance plans and receives implementation updates;

- a decrease of $69.7 million in Federal Funds for funding that is no longer anticipated to be available; and

- a decrease of $59.1 million in Other Funds, including:
  - $25.8 million in Appropriated Receipts primarily due to the anticipated availability of donations and other funding sources;
  - $25.4 million in bond proceeds for park projects;
  - $5.8 million in Economic Stabilization Funds used for the onetime purpose of recovery efforts at Bastrop State Park following a wildfire; and
  - $2.2 million in Interagency Contracts primarily due to border security efforts with the Department of Public Safety.

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

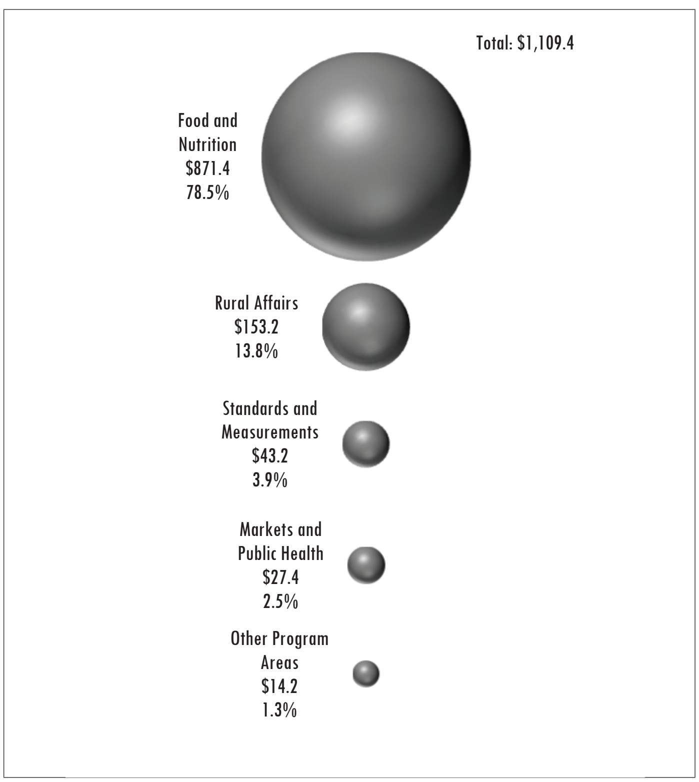
GOVERNANCE: Commissioner, statewide-elected official

FIGURE 294
TEXAS DEPARTMENT OF AGRICULTURE BY METHOD OF FINANCE

	IN MILLIONS			
METHOD OF FINANCE	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$95.1	$101.3	$6.2	6.5%
General Revenue–Dedicated Funds	$5.7	$5.3	($0.4)	(6.6%)
Federal Funds	$990.0	$981.4	($8.5)	(0.9%)
Other Funds	$19.8	$21.4	$1.6	8.0%
Total, All Methods of Finance	**$1,110.6**	**$1,109.4**	**($1.1)**	**(0.1%)**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2016	685.0
2017	685.0

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

Child and adult nutrition program funding decreased by $9.9 million in nonrecurring Federal Funds. The program offered technical assistance and training to school districts for reimbursable student breakfasts, lunches, suppers, or snacks.

Funding for food banks was increased by $3.5 million in grants to acquire surplus agricultural products and provide homebound elderly and disabled Texans with **home-delivered meals.**

The appropriation of **$0.7 million** establishes **a new grant program to reduce wait times for agricultural inspections** of vehicles at ports of entry along the Texas–Mexico border, due to the enactment of **Senate Bill 797, Eighty-fourth Legislature, 2015.**

Appropriations include **$0.6 million** in dedicated wine-related revenue funds for efforts to **mitigate the effects of frost, pestilence, or infestation on grapevines**, due to the enactment of **Senate Bill 881, Eighty-fourth Legislature, 2015.**

MAJOR FUNDING ISSUES

Appropriations for the Texas Department of Agriculture (TDA) in the 2016–17 biennium total $1.1 billion in All Funds, which is an All Funds reduction of $1.1 million from 2014–15 biennial spending levels and includes the following major adjustments:

- a decrease of $9.9 million in nonrecurring Federal Funds to implement new nutrition standards established in the Healthy, Hunger-Free Kids Act of 2010;
- a decrease of $1.0 million in payments for boll weevil eradication efforts, resulting in $14.0 million in the 2016–17 biennium for ongoing maintenance to control infestations;
- a decrease of $1.0 million related to available balances in the General Revenue–Dedicated GO TEXAN Partner Program Account;
- a decrease of $1.0 million related to agency-identified savings in General Revenue Funds costs for administering food and nutrition programs;
- an increase of $3.7 million in Federal Funds to annualize child and adult nutrition program funding;
- an increase of $3.5 million in General Revenue Funds for the surplus agricultural product grant program (food banks) and the home-delivered meals grant program;
- an increase of $3.4 million in All Funds ($1.5 million from General Revenue Funds, $1.3 million in fee-generated General Revenue Funds, and $0.6 million in Appropriated Receipts) to ensure packaged commodities are properly labeled and contain the declared amount of contents when sold and provide additional fuel testing services;
- an increase of $0.7 million from General Revenue Funds due to the enactment of Senate Bill 797, Eighty-fourth Legislature, 2015, which establishes a grant program to reduce wait times for agricultural inspections of vehicles at ports of entry along the Texas–Mexico border; and,
- An increase of $0.6 million from the General Revenue–Dedicated Wine Industry Development Account for efforts to mitigate the effects of frost, pestilence, or infestation on grapevines, due to the enactment of Senate Bill 881, Eighty-fourth Legislature, 2015, which dedicates certain wine-related revenue.

Ten individual programs in addition to administrative support programs throughout the standards and measurement and public health program areas have appropriations totaling $32.3 million that are funded with fee-generated revenues. In addition, revenue collections are also required to cover $10.2 million appropriated elsewhere in the Eighty-fourth Legislature, General Appropriations Act (GAA), 2016–17 Biennium). In addition to direct appropriations for cost-recovered programs, pursuant to rider provisions, TDA has estimated appropriation authority for additional collections provided the agency raises fees in excess of the Comptroller of Public Accounts' Biennial Revenue Estimate.

Although the agency's $42.5 million revenue target for its cost recovery programs in the 2016–17 biennium represents an increase of $5.1 million from the 2014–15 biennial expended level for the programs, in fall calendar year 2015 the agency announced its intention to use estimated appropriation authority to recoup fees more than the revenue target set in the 2016–17 GAA. After a period of public comment, fee increases across most programs went into effect on January 1, 2016. On an annualized basis, the new rates are estimated to recoup a net $15.5 million in additional funds during a 24-month period.

PROGRAMS

The agency has five major program areas: (1) food and nutrition; (2) rural affairs; (3) standards and measurements; (4) markets and public health; and (5) other program areas.

FOOD AND NUTRITION PROGRAMS

TDA carries out its responsibilities in the food and nutrition program area through multiple programs that provide funding and technical assistance for this purpose statewide.

CHILD AND ADULT NUTRITION PROGRAMS

TDA administers eight federal child and adult nutrition and commodity distribution programs, commonly referred to as special nutrition programs. Appropriations in the 2016–17 biennium for major special nutrition programs are as follows:

- Child and Adult Care Food Program ($636.9 million): funds reimburse childcare centers, day care home providers, adult day care centers, emergency shelters housing children, and afterschool programs for youth for the costs of serving meals and snacks;

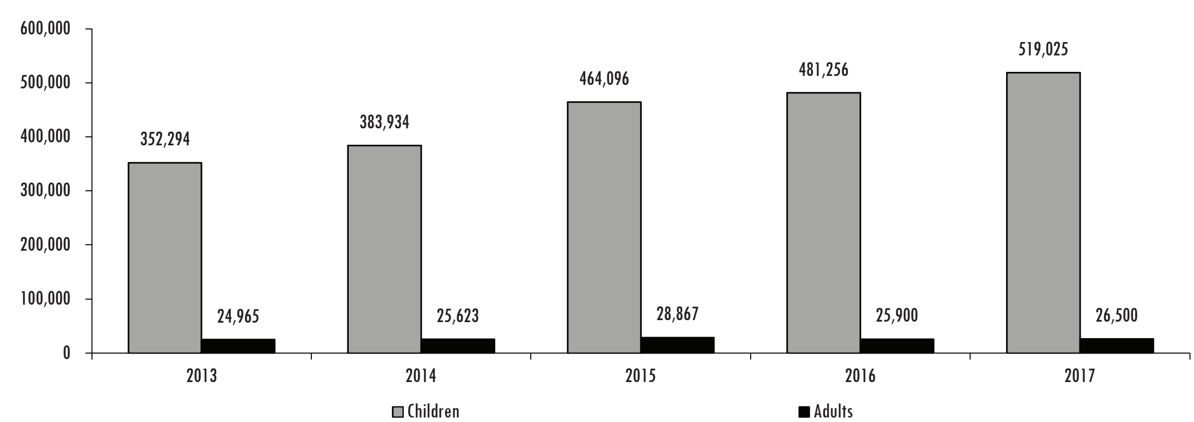
- Summer Food Service Program ($94.4 million): funds provide meals for children in low-income areas between the end of one school year and the beginning of another;
- Fresh Fruits and Vegetables Program ($15.2 million): funds provide fruits and vegetables to students at times other than breakfast and lunch;
- Emergency Food Assistance Program ($12.1 million): funds support the distribution of emergency food and nutrition through organizations such as food pantries, soup kitchens, and housing authorities;
- Commodity Supplemental Food Program ($4.8 million): funds local distribution of U.S. Department of Agriculture (USDA)-donated commodities to low-income women, infants, children, and elderly persons;
- Senior Farmers Market ($2.3 million): funds vouchers for qualified seniors purchasing fresh fruits and vegetables for participating farmers' market associations; and,
- 3 E's (Education, Exercise, and Eating Right) Nutrition Education ($0.9 million): fund health and nutrition programs targeting the prevention of childhood obesity.

The agency's remaining special nutrition program promotes milk consumption by children. **Figure 295** shows the average number of children and adults served meals through the Child and Adult Care Food Program per day from fiscal years 2013 to 2015 and the anticipated amounts for fiscal years 2016 and 2017.

TDA appropriations for the 2016–17 biennium include funding for the National School Lunch ($22.8 million) and School Breakfast ($10.5 million) programs in Texas public schools. Through its Child Nutrition – State Administrative Expenses program, TDA processes school reimbursement claims, conducts onsite compliance monitoring, and coordinates training through the 20 regional Education Service Centers ($46.0 million). Since 2003, TDA has administered the child nutrition programs through an interagency contract with Texas Education Agency (TEA), in which reimbursement payments for the programs continue to be budgeted at TEA ($4.1 billion in Federal Funds, and $29.2 million from General Revenue Funds in the 2016–17 biennium).

Child and adult programs received a combined $845.8 million in appropriations for the 2016–17 biennium, including 166.7 full-time-equivalent (FTE) positions. This amount represents a decrease of $6.2 million compared to 2014–15 biennial spending levels, primarily due to a $9.9 million decrease in nonrecurring Federal Funds to implement new nutrition standards established in the Healthy, Hunger-Free Kids Act of 2010, and a decrease of $0.9 million in agency-identified savings from General Revenue Funds for the costs of administering Child and Adult Nutrition Programs, offset by an increase of $3.7 million in Federal Funds to annualize program funding.

FIGURE 295
CHILDREN AND ADULTS SERVED MEALS THROUGH THE CHILD AND ADULT CARE FOOD PROGRAM PER DAY
FISCAL YEARS 2013 TO 2017



NOTE: Fiscal years 2016 and 2017 are projected.
SOURCE: Texas Department of Agriculture.

NUTRITION-RELATED GRANT PROGRAMS

TDA manages grant programs for several nutrition-related programs:

- Home-Delivered Meals ($18.5 million): TDA awards grants to organizations that both (1) deliver meals to homebound elderly and disabled Texans, and (2) have matching funds from the county where meals are served;
- Surplus Agricultural Products ($5.9 million): grants offset the costs of harvesting, gleaning, and transporting agricultural products to food banks statewide; and
- Surplus Agricultural Products Serving Low Income Students ($1.2 million): grants target programs supplying agricultural products to low-income students and their families.

Agency grant programs are appropriated $25.6 million in the 2016–17 biennium, which is an increase of $3.5 million from 2014–15 biennial spending levels for food bank ($3.0 million) and home-delivered meal ($0.5 million) grant programs.

Total appropriations for the food and nutrition programs are $871.4 million in All Funds for the 2016–17 biennium.

RURAL AFFAIRS

The rural affairs program area consists of two programs: (1) rural community economic development; and (2) rural health.

RURAL COMMUNITY ECONOMIC DEVELOPMENT

The majority of the funding for the agency's rural community and economic development programs is from federal Community Development Block Grant (CDBG) funds distributed to the state by the U.S. Department of Housing and Urban Development (HUD), through which the agency provides grants for community and economic development projects in rural areas. The CDBG funds administered by TDA assist nonentitlement areas of the state, which consist of cities with populations less than 50,000 and counties that have a nonmetropolitan population less than 200,000 and are not eligible for direct CDBG funding from HUD.

The rural community and economic development program received $144.3 million in total appropriations for the 2016–17 biennium, which provides for 46.9 FTE positions. This amount is approximately equivalent to 2014–15 biennial spending levels in expected CDBG grants (Federal Funds).

RURAL HEALTH

Through the rural health program, TDA works to ensure access to and quality of healthcare services by administering programs and technical assistance to approximately 150 rural hospitals, which include the state's 79 critical access hospitals. The agency works to support the recruitment and retention of trained medical professionals to rural areas of the state through financial assistance for medical, dental, and allied health educations and through submission of expedited license requests to the Texas Medical Board for physicians. Additionally, the agency provides grants to rural health facilities for the acquisition, construction, or improvement of a facility, equipment, or real property used to provide health services.

The rural health program is appropriated $8.9 million for the 2016–17 biennium, which provides for 5.4 FTE positions and represents a decrease of nearly $0.2 million from 2014–15 biennial spending levels in expected Federal Funds for rural hospitals and agency administrative costs.

STANDARDS AND MEASUREMENTS PROGRAMS

Through programs in the standards and measurements program area, TDA protects consumers by regulating industries and services; establishing and enforcing standards; and increasing the likelihood that goods sold in Texas are properly measured, priced, and marketed.

WEIGHTS AND MEASURES PROGRAM

Through the Weights and Measures program, TDA protects consumers and businesses by ensuring that weighing and measuring devices perform within acceptable tolerances and that packages are properly labeled prior to sale. A variety of devices are inspected by TDA, ranging from fuel pumps at service stations and bulk meters used at airports for fueling airplanes to scales at grocery stores. Liquefied petroleum gas meters used to fill small tanks for backyard grills and those used to fill storage tanks at businesses or homes are also inspected. In addition, packaging ranging from cereal boxes to packaged polyethylene sheeting is weighed or measured to determine whether the contents meet or exceed the quantity stated on the label. The agency also assures that the prices displayed on the shelf for consumer products are the same price consumers pay at the checkout counter.

The Weights and Measures program is appropriated $14.1 million in All Funds in the 2016–17 biennium, which includes 109.2 FTE positions in fiscal year 2016 and 130.0 FTE positions in fiscal year 2017. Funding levels reflect an increase of $3.2 million in All Funds ($1.5 million from General Revenue Funds and $1.3 million in fee-generated General Revenue Funds including 31.0 FTE positions). With an expanded program, the agency expects to conduct approximately 179,500 weights and measures inspections each fiscal year of the biennium.

PLANT HEALTH PROGRAM

TDA administers the state's seed laws by operating laboratories for germination and purity testing, and greenhouse and field-testing facilities for determining varietal purity. Seeds offered for sale must be correctly tagged and labeled, an important protection for people who use the seeds for agricultural production. Seed testing is conducted in a laboratory in Giddings. The agency expects to analyze approximately 4,500 seed samples each fiscal year of the 2016–17 biennium.

Other program activities focus on protecting consumers by licensing and inspecting retailers, wholesalers, and distributors of all types of plants throughout Texas. The agency enforces quarantine restrictions that prevent destructive pests and plant diseases on nursery and floral products from being shipped out of quarantined areas or into pest-free areas within the state. In addition, the agency prevents destructive pests and plant diseases from being shipped into the state by periodically establishing road stations at strategic points along the Texas border to stop shipments of pest-infested plants into Texas. The agency expects to conduct 8,000 nursery and floral establishment inspections each fiscal year of the 2016–17 biennium.

Appropriations for the plant health program total $13.8 million in All Funds in the 2016–17 biennium, which includes 80.9 FTE positions. Funding levels reflect an increase of $1.4 million in All Funds from 2014–15 biennial spending levels, which reflects a requested increase of $0.6 million in fee-generated General Revenue Funds for seed certification and testing activities.

AGRICULTURAL PESTICIDE REGULATION PROGRAM

TDA is responsible for enforcing state and federal regulations regarding the registration, distribution, and use of pesticides in Texas. This program certifies, licenses, and trains agricultural pesticide applicators. To maintain their licenses, applicators must participate in approved continuing-education training programs that are administered by the agency. The program also issues pesticide dealer licenses, registers pesticide products for use in Texas, and investigates complaints regarding pesticide use in Texas. Through the Right-to-Know Program, farmers and farm workers are trained in the proper use of agricultural chemicals. This program is mandated by the Texas Agriculture Code, Chapter 125 (the Agricultural Hazard Communication Act) and the U.S. Environmental Protection Agency's Agricultural Worker Protection Standard.

The pesticide laboratory in College Station tests food, soil, and other samples for pesticide residue. Field inspectors, case preparation officers, and attorneys in the enforcement section investigate and process violations involving pesticides and herbicides to minimize the misuse of agricultural chemicals. The agency expects to investigate 225 pesticide complaints each fiscal year of the 2016–17 biennium.

Activities in this program also protect endangered species from pesticide use. TDA obtains local input about pesticide use and other management practices near endangered-species habitats. The agency organizes regional teams to help identify where suitable habitats exist and to compile information about land use, crops grown, and chemicals typically applied in the immediate vicinity.

The agricultural pesticide regulation program is appropriated $7.4 million for the 2016–17 biennium, which provides for 48.0 FTE positions. This amount represents an increase of $1.2 million compared to 2014–15 biennial spending levels in alignment with the agency's request to reallocate General Revenue Funds from other programs.

STRUCTURAL PEST CONTROL

TDA is responsible for the licensing and regulation of structural pest control businesses. This regulation includes application of pesticides, use of pest control devices, pest inspections, and related activities in or adjacent to structures including but not limited to homes, schools, nursing homes, child day-care operations, hospitals, food processors, hotels, apartments and warehouses. Appropriations for this program total $2.6 million in the 2016–17 biennium, which includes 30.5 FTE positions. This amounts represents an increase of $0.1 million compared to 2014–15 biennial spending levels. The agency anticipates 5,000 new individual and business licenses to be issued in fiscal years 2016 and 4,600 licenses to be issued in fiscal year 2017.

OCTANE AND FUEL QUALITY

Program activities include testing of motor fuel for national quality standards. TDA may subject fuels to a stop-sale requirement until a noncompliance issue is corrected. A sample found to be contaminated or otherwise not meeting standards is noncompliant. Funding for the program in the 2016–17 biennium totals $2.3 million, which reflects an increase of $0.6 million in Appropriated Receipts, including 2.0 FTE positions for a total of 4.0 FTE positions. The agency expects to double its number of fuel quality inspections in the 2016–17 biennium to 2,000 inspections conducted each fiscal year, compared to the 1,000 inspections conducted each fiscal year of the 2016–17 biennium.

In addition to these major programs, TDA administers several smaller standards and measurement programs. Smaller programs include grain warehouse inspections, egg quality regulation, handling and marketing of perishable commodities, and the Texas Cooperative Inspection Program, which conducts grading and standardization inspections of citrus, vegetables, tree nuts, and peanuts. The total sum of the appropriations for these four programs is $3.0 million in All Funds, which is approximately the same as the 2014–15 biennial spending levels.

Appropriations for the standards and measurements program area total $43.2 million in All Funds.

MARKETS AND PUBLIC HEALTH PROGRAMS

Programs in the markets and public health programs enable Texas farmers, ranchers, and agribusiness to expand profitable markets for agricultural products while protecting public health and natural resources.

BOLL WEEVIL ERADICATION

TDA oversees the Texas Boll Weevil Eradication Foundation, which is responsible for administering the Boll Weevil Eradication Program. TDA approves budgets, posts agendas, receives annual reports, conducts referenda to determine new eradication zones, and provides general oversight of foundation activities. At the beginning of fiscal year 2016, approximately 25,846 cotton growers in six eradication zones (**Figure 296**) participated in the program; of the six zones, one zone, the West Texas Management Area was declared eradicated, four zones achieved functionally eradicated status, and one zone, the Lower Rio Grande Valley, remained in quarantined status. Direct appropriations for boll weevil eradication total $14.0 million for the 2016–17 biennium, which reflects a decrease of $1.0 million in General Revenue Funds from 2014–15 biennial spending levels. In fall 2014, the agency reported it expects the $14.0 million appropriation for the 2016–17 biennium to be the last installment for eradication purposes, unless a new outbreak occurs.

SPECIALTY CROP BLOCK GRANT PROGRAM

This program promotes Texas horticulture and specialty crops through efforts to promote locally grown fruits and vegetables, native plants, and improved landscaping techniques. The program is funded at $3.7 million from Federal Funds in the 2016–17 biennium, which is an increase of $0.4 million from 2014–15 biennial spending levels.

MARKETING AND INTERNATIONAL TRADE

TDA promotes Texas agriculture through the GO TEXAN Program to showcase Texas-made and Texas-raised products. GO TEXAN is a broad-based marketing program to increase awareness of products, culture, and communities of Texas. A specific GO TEXAN program is geared towards helping Texas-based restaurants market themselves and connect with local food producers, while another markets Texas as a retirement destination.

Appropriations for the program in the 2016–17 biennium total $2.6 million in All Funds, including 36.0 FTE positions, which is a decrease of $2.0 million from 2014–15 biennial spending levels primarily consisting of (1) a decrease of $1.0 million from the General Revenue–Dedicated GO TEXAN Partner Program Account to size appropriations to available account balances ($0.1 million); and (2) a decrease of $1.3 million in onetime State Small Business Credit Initiative Federal Funds receipts.

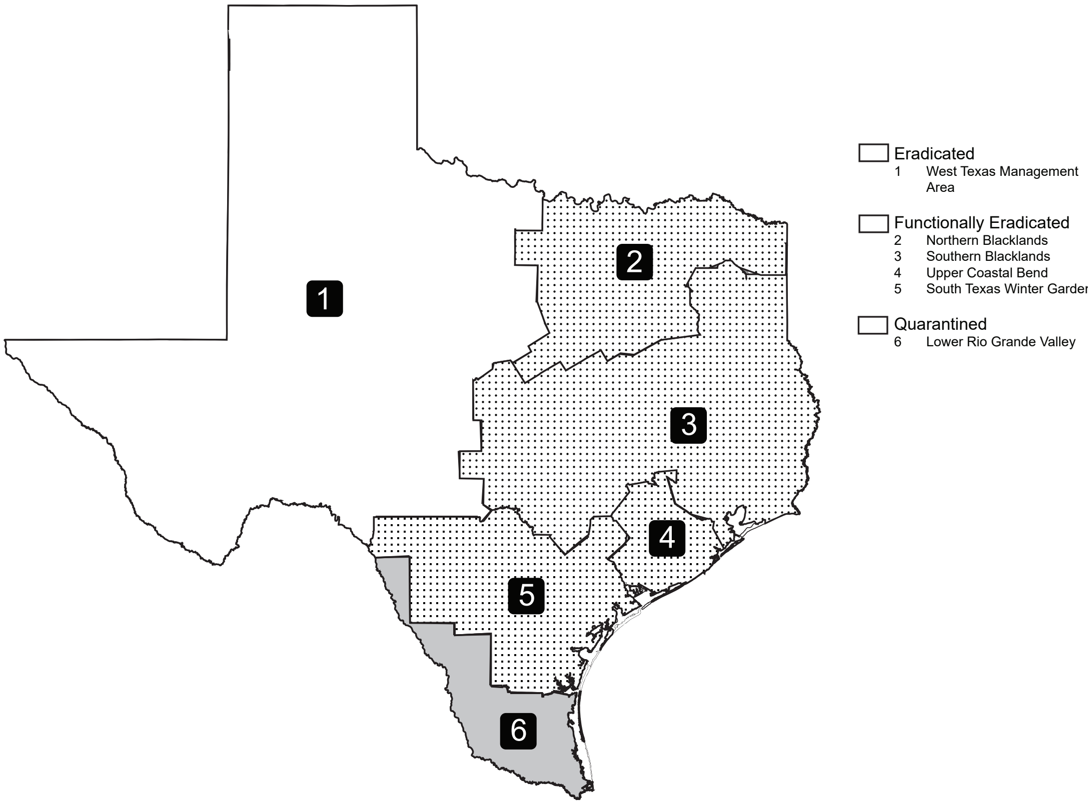
PESTICIDES DATA PROGRAM

TDA manages the collection, analysis, data entry, and reporting of pesticide residues on agricultural commodities in the U.S. food supply, with an emphasis on those commodities highly consumed by infants and children. Appropriations in the 2016–17 biennium total $2.3 million in Federal Funds, which provide for 17.0 FTE positions, and is approximately the same funding level as the 2014–15 biennium.

LIVESTOCK EXPORT PENS PROGRAM

TDA has four facilities along the Texas–Mexico border where Mexican officials inspect livestock and poultry to expedite a safe and efficient transfer from sellers throughout the U.S. and Canada to international buyers. An additional fifth

FIGURE 296
TEXAS BOLL WEEVIL ERADICATION STATUS, FISCAL YEAR 2016



SOURCE: Texas Department of Agriculture.

facility, located in Houston at the George Bush Intercontinental Airport, is available by appointment for exports by air and sea only. In fiscal year 2015, 113,757 head of livestock and 638,296 poultry were exported through TDA livestock export pens. Of the 113,757 head exported, 2,156 were exotic game. Program appropriations total $2.2 million in All Funds in the 2016–17 biennium, which includes 19.4 FTE positions.

Figures 297 and **298** show Texas' ranking among other states in the production of certain agricultural crops and livestock.

TDA administers several smaller markets and public health programs in addition to these major programs. Smaller programs include wine marketing, research and education ($1.1 million), which received an appropriations increase of $0.6 million from 2014–15 biennial spending levels due to the enactment of Senate Bill 881, Eighty-fourth Legislature, 2015. Additional funding was provided to implement the provisions of the legislation and mitigate the effects of frost, pestilence, or infestation on grapevines. The agency also has funds for feral hog abatement ($0.9 million), and the certification of organic agricultural products for sale to the public ($0.4 million). TDA partners with the Texas A&M AgriLife Extension – Wildlife and Fisheries Sciences and the Texas Parks and Wildlife Department in the feral hog abatement program to carry out abatement activities and develop a viable toxicant to reduce the feral hog population.

Appropriations for the markets and public health program area total $27.4 million in All Funds in the 2016–17 biennium.

OTHER PROGRAM AREAS

The program support function provides administrative support for all TDA programs, and appropriations for this function total $13.4 million from General Revenue Funds in the 2016–17 biennium, which provides for 110.0 FTE

FIGURE 297
TEXAS CROP NATIONAL RANKINGS
CALENDAR YEAR 2014

RANKING	CROP	PRODUCTION (IN THOUSANDS)	UNITS
1	Upland cotton	6,170	Bales
1	All cotton	6,203	Bales
1	Sorghum for silage	1,400	Tons
1	All hay	11,746	Tons
1	Sorghum for grain	137,250	Bushels
2	Amer-pima cotton	28	Bales
3	Pecans	61,000	Pounds
3	All citrus	304	Tons
3	Sugarcane	1,255	Tons
4	Peanuts	488,950	Pounds
4	Winter wheat	67,500	Bushels
4	Watermelons	5,200	CWT
5	Rice (all lengths)	10,791	CWT
7	Grapes	9,400	Tons
13	Corn for grain	294,920	Bushels

NOTE: CWT = hundredweight (unit of weight equal to 100 pounds).
SOURCE: Texas Department of Agriculture.

FIGURE 298
TEXAS LIVESTOCK NATIONAL RANKINGS
CALENDAR YEAR 2014

RANKING	SPECIES OR CLASS
1	All Cattle
1	Beef Cows
1	Calf Crop
2	Cattle on Feed
1	All Sheep
1	All Goats
1	Angora Goats
3	Market Sheep and Lambs
6	Chicken – Broilers Raised
5	Chickens – Layers
6	Milk Cows
15	All Hogs

SOURCE: Texas Department of Agriculture.

positions. This funding level reflects a decrease of $2.9 million in alignment with the agency's request.

Appropriations for the Zebra Chip Program total $0.8 million in the 2016–17 biennium, which is the same funding level as the 2014–15 biennium. TDA contracts with the Texas A&M AgriLife Research center to research the Zebra Chip disease affecting potatoes in Texas. This disease is responsible for numerous losses in the Texas potato industry and has had a significant economic effect on potato producers.

SIGNIFICANT LEGISLATION

Senate Bill 797 – Border agricultural inspections. The legislation establishes a grant program to reduce wait times for agricultural inspections of produce in vehicles at ports of entry along the Texas–Mexico border. TDA is required to report to the Legislature by January 15, 2017, on the performance of the program. Statutory authority for the program expires on September 1, 2017.

Senate Bill 881 – Wine-related revenue. The legislation dedicates certain wine-related revenue, resulting in additional funding from the General Revenue–Dedicated Wine Industry Development Account for efforts to eliminate or mitigate the effects of frost, pestilence, or infestation on grapevines.

TEXAS ANIMAL HEALTH COMMISSION

PURPOSE: To protect and enhance the health of Texas animal populations by preventing, controlling, and/or eliminating animal diseases; monitoring and diagnosing animal illnesses; responding to emergency situations involving animals; and promoting productivity and marketability while minimizing risks to human health.

ESTABLISHED: 1949

AUTHORIZING STATUTE: The Texas Agriculture Code, §161.021

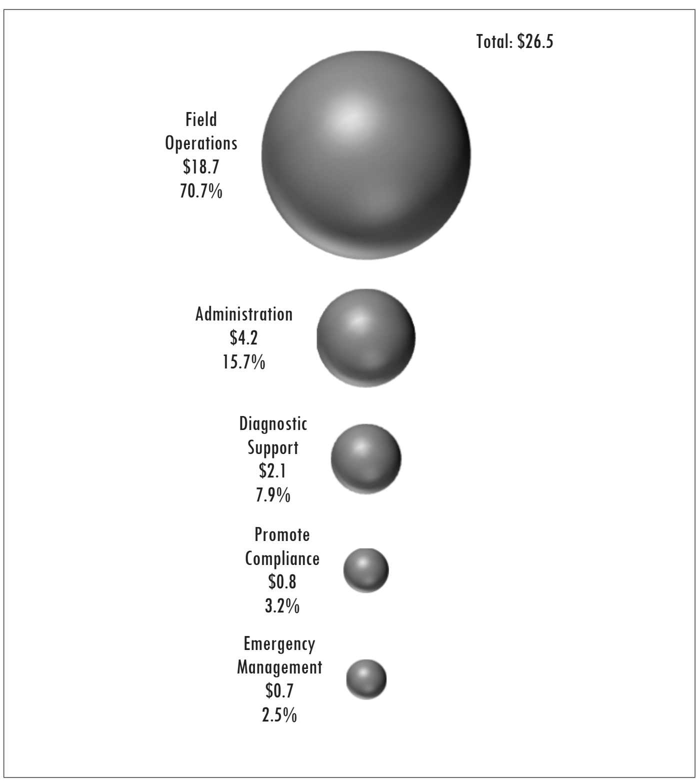
GOVERNANCE: 13 members appointed by the Governor with advice and consent of the Senate

FIGURE 299
TEXAS ANIMAL HEALTH COMMISSION BY METHOD OF FINANCE

	IN MILLIONS			
METHOD OF FINANCE	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$18.0	$22.0	$4.0	22.1%
General Revenue–Dedicated Funds	$0.0	$0.0	$0.0	N/A
Federal Funds	$4.3	$4.5	$0.1	2.9%
Other Funds	$0.0	$0.0	($0.0)	(100.0%)
Total, All Methods of Finance	**$22.4**	**$26.5**	**$4.1**	**18.3%**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2016	184.2
2017	185.2

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

Appropriations of $4.0 million were provided to establish an additional **field office** in South Texas, which will provide additional field operations support in the international border region, including the **permanent fever tick quarantine zone** along the Rio Grande.

Field operations funding increased by $0.6 million for **feral swine** activities and $0.2 million for **vehicle replacements**.

Approximately **46.0 percent** of the agency's **staff hours** are anticipated to be dedicated to addressing **cattle health issues in fiscal year 2016.**

Reduced fee collections of $0.4 million due to the expiration of certain statutes governing fee authority **will not affect** the level of **services provided to producers and dealers.**

Source: Legislative Budget Board.

MAJOR FUNDING

Appropriations increased by $4.1 million in All Funds, or 18.3 percent, from the 2014–15 biennial spending level. The increase is primarily due to an additional $4.0 million in General Revenue Funds to provide for 18.2 full-time-equivalent positions (FTE) to establish a new field office in Laredo to support the border region. This funding includes managing the cattle fever tick quarantine zone along the Rio Grande. The Texas Animal Health Commission (TAHC) also received an additional $0.6 million in General Revenue Funds for 4.0 positions in the Swine Health program for feral swine management to perform disease testing on domestic swine and to provide oversight of feral swine containment facilities, and $0.1 million in additional federal Plant and Animal Disease, Pest Control, and Animal Care grants. These increases were partially offset by a decrease of $0.6 million in General Revenue Funds in the Cattle Health fever tick program for cattle fever tick management, as a result of supplemental funding added in fiscal year 2015.

PROGRAMS

TAHC carries out its responsibilities of enhancing the health of Texas animal populations and facilitate productivity and marketability while minimizing risks to human health through five program areas: (1) field operations; (2) administration; (3) diagnostic support; (4) promote compliance; and (5) emergency management.

FIELD OPERATIONS

The field operations program area constitutes the primary workload of TAHC, including various methods to prevent, monitor, diagnose, control, and eradicate diseases within livestock herds and flocks. It includes field offices, which serve as a base of operations for inspectors and other agency personnel who perform their duties at auction sites, ranches, and other remote locations. Within this program area, the agency performs the following duties:

- conducts inspections at concentration points such as livestock auctions and slaughterhouses;
- inspects, tests, and quarantines infected herds and flocks;
- inspects livestock shipments;
- issues movement permits and monitors livestock movements;
- maintains databases containing animal, herd, and premises information;
- serves as a resource on disease and management problems for the livestock and poultry industries;
- registers certain poultry sellers, distributors, and transporters; and
- depopulates certain infected herds and flocks when necessary.

TAHC allocates a portion of its field operations budget toward specific species, diseases, or parasites. **Figure 300** shows the biennial funding amounts specified for certain diseases and species programs within field operations and categorizes the programs to reflect anticipated spending by species.

The agency assesses fees that cover the costs of certain inspections. These fees support field operations programs such as Cattle Health and Poultry Registration, but do not provide for salaries. **Figure 301** shows fees assessed by TAHC, actual revenue collections for the 2014–15 biennium, and agency-estimated collections for the 2016–17 biennium. Overall fee collections are anticipated to decrease by $0.4 million after the authority to collect some fees expired at the end of fiscal year 2015. The agency is appropriated $0.8 million from these fee-generated General Revenue Funds, which is approximately $0.2 million less than the amount of revenue the agency was estimated to generate in the Texas Comptroller of Public Accounts' (CPA) Biennial Revenue Estimate (BRE). However, all revenue collected that is greater than the BRE amount is appropriated to TAHC.

TAHC staff estimates it will spend almost half of all staff hours on cattle in 2015. The most recent data available from the U.S. Department of Agriculture (USDA) National Agricultural Statistics Service, in calendar year 2012, ranked Texas first in the country in production of cattle and of sheep and goat products. The total market value of Texas livestock, poultry, and their products sold in calendar year 2012 totaled $18.0 billion. Of this amount, $13.0 billion, or 72.3 percent, was from cattle and calves, and $1.7 billion, or 9.4 percent, was from milk from cows. **Figure 302** shows the distribution of TAHC staff hours by species estimated for fiscal year 2016. The agency anticipates an increase in hours spent on multispecies issues, such as response to emergencies and passive surveillance of livestock at certain sale barns as part of a pilot program, and an increase in staff time on cervids as a result of the discovery of chronic wasting disease in captive deer in Texas.

FIGURE 300
FIELD OPERATIONS PROGRAM DESCRIPTIONS AND FUNDING BY SPECIES, 2016–17 BIENNIUM

SPECIES	PROGRAM	DESCRIPTION	2016–17 APPROPRIATIONS
Avian	Avian Influenza / Avian Health	Provide increased surveillance, monitoring, identifying poultry populations at greatest risk of infection, biosecurity enforcement, and record audits to support the avian influenza control program.	$424,188
	Infectious Laryngotracheitis (ILT)	Monitoring for and responding to outbreaks of ILT through surveillance, testing, promotion of biosecurity, and identification of poultry populations at greatest risk of infection.	$90,000
	Poultry/Fowl Registration Program	A registration program for fowl sellers, distributors, and transporters who do not participate in recognized poultry or fowl disease surveillance.	$220,000
Avian Total			**$734,188**
Cattle	Cattle Fever Tick	Cattle fever tick prevention, control, and eradication activities, including livestock inspections and monitoring carriers such as deer and other wild animals.	$531,000
	Cattle Health	Testing to facilitate rapid detection and response to disease outbreaks and providing timely and accurate information. Programs to prevent, control, and eradicate multiple bovine diseases, including brucellosis and tuberculosis.	$3,338,120
	Johne's Disease	Education of livestock producers about the disease and how to prevent its introduction or control and eliminate the disease from their herds.	$1,000
	Trichomoniasis	Development and implementation of regulations to prevent the introduction and spread of trichomoniasis.	$770,000
Cattle Total			**$4,640,120**
Swine	Swine Health	Surveillance of swine garbage feeding operations and rapid detection and response to various swine diseases through testing.	$1,628,328
Swine Total			**$1,628,328**
Other	Chronic Wasting Disease (CWD)	Surveillance of captive deer to reduce risk of introduction of CWD and provide early disease detection.	$400,000
	Equine, Cervids, and Small Ruminants	Rapid detection and response to disease outbreaks in horses, sheep, goats, and captive deer.	$811,970
	Foreign Animal Disease	Planning, preparedness, and surveillance to lower the risk of introduction and provide early detection of a foreign animal disease.	$265,000
	Zoonotic Diseases	Development of a network and printed guides for linkage of state-level animal health authorities, human health authorities, and federal health authorities in cases of zoonotic disease in either the human or animal population of Texas.	$31,492
Other Total			**$1,508,462**
Total			**$8,511,098**

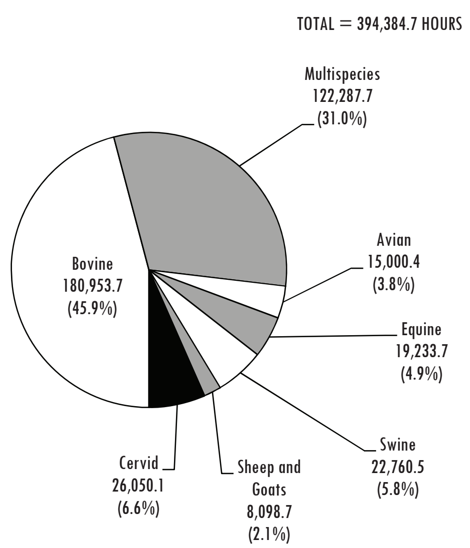
Source: Legislative Budget Board.

FIGURE 301
TEXAS ANIMAL HEALTH COMMISSION FEES
2014–15 AND 2016–17 BIENNIA

FEE	ACTUAL 2014–15	ESTIMATED 2016–17
Health Certificate	$878,518	$922,000
Chronic Wasting Disease Inspection (1)	$12,400	$10,000
Herd Certification (2)	$46,350	$0
Laboratory Testing Fee – In State (2)	$357,520	$0
Laboratory Testing Fee – Out of State (2)	$1,729	$0
Fowl Registration Fees	$107,010	$102,000
Total Collected	**$1,403,527**	**$1,034,000**

NOTES:
(1) Fees collected in the 2016–17 biennium from chronic wasting disease inspections are amounts estimated to be greater than the Texas Comptroller of Public Accounts' 2016–17 Biennial Revenue Estimate.
(2) Authority to collect fees sunsetted in fiscal year 2015.
SOURCE: Texas Animal Health Commission.

FIGURE 302
STAFF HOURS PROJECTED FOR EACH SPECIES
FISCAL YEAR 2016



NOTE: Totals may not sum due to rounding.
SOURCE: Texas Animal Health Commission.

Five programs with appropriations totaling $10.2 million in All Funds that are included in the field operations program area and are not designated for specific species programs include: (1) field staff regional offices; (2) Animal Disease Traceability; (3) central office field support; (4) Authorized Personnel; and (5) Enhanced Passive Surveillance – livestock markets.

The field staff regional offices program is appropriated $6.5 million in General Revenue Funds. These regional offices serve as localized bases of operations for field staff that provide TAHC services to livestock and poultry producers around the state. TAHC has eight regional offices located in Amarillo, Beeville, Fort Worth, Hempstead, Lampasas, Laredo, Mount Pleasant, and Rockdale. The Laredo office was established in the 2016–17 biennium with an additional $4.0 million in General Revenue Funds and will be primarily focused on the border region.

TAHC strives to advance its ability to trace animal disease outbreaks by assisting producers and dealers to register their premises with the agency and properly identify all animals held on those premises for more than seven days through its Animal Disease Traceability program. Appropriations for the program total $1.7 million in All Funds and provide registration assistance and free animal ear tags for animal identification.

The central office field support program is located in Austin but performs administrative functions for field offices. Appropriations for the program total $1.6 million in General Revenue Funds to provide field support information technology, program records, and staff services field expenses services for the agency.

The Authorized Personnel program oversees and trains veterinarians and other individuals who are authorized by TAHC to perform certain functions related to animal disease control or eradication. Appropriations for the program total $0.3 million in General Revenue Funds.

TAHC is conducting a pilot project with its Enhanced Passive Surveillance program to determine the efficacy of certain kinds of surveillance and data collection techniques in livestock markets in Texas. The program is being conducted in cooperation with the USDA Animal and Plant Health Inspection Service. The surveillance program is intended to establish baseline levels of syndromes to allow for rapid response to increased frequencies of disease. Appropriations for the program total $0.2 million, primarily in Federal Funds.

Appropriations for the field operations program area total $18.7 million in All Funds, an increase of $3.5 million, or 22.9 percent, and provide for 131.2 FTE positions, which is 71.6 percent of the agency's total positions.

ADMINISTRATION

Administration includes the central administration, information resources, and other support services programs. These programs provide for the general administrative functions of the agency, including commissioners, executive administration, information technology resources, and other support services based in the Austin office. Appropriations total $4.2 million in General Revenue Funds, an increase of $0.6 million, and support 27.0 FTE positions. The increase is primarily due to the transfer of positions from field operations to information resources. Appropriations also include an additional position to facilitate the transition to the CPA's Centralized Accounting and Payroll Personnel System.

DIAGNOSTIC SUPPORT

The diagnostic support program area includes the laboratory and epidemiology programs within TAHC. In its Austin laboratory program, the agency operates the State–Federal Laboratory in Austin to perform diagnostic testing of samples submitted by field staff and other veterinarians. Appropriations for the Austin laboratory program total $1.3 million in All Funds. The lab also provides support to cooperative programs with USDA. Some tests required by TAHC can be performed by the Texas A&M Veterinary Medical Diagnostic Laboratory. To further cattle tuberculosis disease control, TAHC provides regional laboratory services for gamma interferon testing of samples to test for tuberculosis. Appropriations for this program total $0.3 million in All Funds. The epidemiology program provides assistance in interpreting tests and diagnoses, assistance in developing disease control and eradication plans, and advice on management of potential threats and mitigation strategies. Appropriations for epidemiology total $0.6 million in General Revenue Funds. Appropriations for the diagnostic support program area total $2.1 million and support 15.0 FTE positions.

PROMOTE COMPLIANCE

The agency's Legal and Compliance program provides public information and education for producers related to animal health regulations and statutes, legal counsel, and enforcement of intrastate and interstate regulations. The agency promotes voluntary compliance through education, but when compliance is not forthcoming, TAHC's attorneys and investigators become involved. Appropriations for this program area total $0.8 million in General Revenue Funds and support 5.5 FTE positions.

EMERGENCY MANAGEMENT

Appropriations for this program area total $0.7 million in General Revenue Funds, which does not change from the 2014–15 biennium, and supports 4.5 FTE positions. The Emergency Management program provides assistance in planning, coordination, transportation, sheltering, and care of animals in natural disasters or disease events. TAHC serves as the lead state agency for animal health issues during disasters, is a first responder for foreign and emergency diseases, and supports industry biosecurity and response planning for catastrophic disease situations.

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

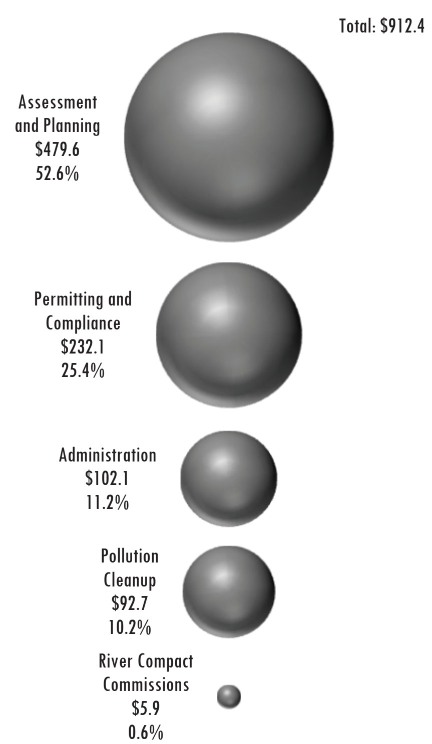
GOVERNANCE: Three-member, full-time commission appointed by the Governor with advice and consent of the Senate

FIGURE 303
TEXAS COMMISSION ON ENVIRONMENTAL QUALITY BY METHOD OF FINANCE

	IN MILLIONS			
METHOD OF FINANCE	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$18.2	$23.0	$4.8	26.3%
General Revenue–Dedicated Funds	$622.9	$798.3	$175.4	28.2%
Federal Funds	$85.9	$75.8	($10.1)	(11.7%)
Other Funds	$32.3	$15.3	($17.1)	(52.8%)
Total, All Methods of Finance	**$759.3**	**$912.4**	**$153.0**	**20.2%**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2016	2,779.7
2017	2,779.7

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



Source: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

The **Texas Emissions Reduction Plan (TERP)** was appropriated **$236.3 million**, an **increase of $81.0 million**, primarily for grants to replace diesel engines and to purchase or lease other equipment to improve air quality.

TERP Account revenue **reductions of $34.5 million** are expected due to **House Bill 7, Eighty-fourth Legislature, 2015, which reduces the diesel surcharge** on the sale, lease, or rental of certain off-road equipment by **0.5 percent**.

Appropriations for the Low-Income Vehicle Repair, Retrofit, and Accelerated Vehicle Retirement Program **(LIRAP/Air Check Texas**) total **$96.6 million**, an **increase of $81.3 million** from the 2014–15 biennial spending levels.

Appropriations include **$3.7 million** and 8.0 full-time-equivalent positions to respond to **new standards for sulfur dioxide** emissions, and **$1.7 million** to conduct additional **water availability modeling, water rights permit processing**, and technical support and analysis relating to **drought.**

MAJOR FUNDING

The Texas Commission on Environmental Quality (TCEQ) appropriations increased by $153.0 million (20.2 percent) in All Funds from 2014–15 biennial spending levels. Significant funding changes compared to the 2014–15 biennium include:

- an increase of $81.0 million from the General Revenue–Dedicated Texas Emissions Reduction Plan (TERP) Account No. 5071, for a total of $236.3 million in appropriations for TERP grants and administration;
- an increase of $87.3 million from the General Revenue–Dedicated Clean Air Account No. 151, $81.3 million of which is for additional Low-income Vehicle Repair, Retrofit, and Accelerated Vehicle Retirement Program (LIRAP/AirCheck Texas) grants and local initiatives funding;
- a decrease of $10.6 million in Appropriated Receipts resulting from onetime Superfund cost recovery cleanup projects of hazardous waste sites in the 2014–15 biennium;
- a decrease of $10.1 million in Federal Funds including a decrease of $3.2 million due to reduced grant funding for nonpoint source pollution grants and various other decreases; and
- an increase of $2.3 million from the General Revenue–Dedicated Workplace Chemicals List Account No. 5020, reflecting the transfer of the Tier II Chemical Reporting Program from the Department of State Health Services (DSHS) to TCEQ, with the enactment of House Bill 942, Eighty-fourth Legislature, 2015.

PROGRAMS

TCEQ fulfills its responsibilities through five major program areas: (1) assessment and planning; (2) permitting and compliance; (3) administration; (4) pollution cleanup; and (5) River Compact Commissions.

ASSESSMENT AND PLANNING

The assessment and planning program area functions to reduce toxic releases in the state and guide the state's regulatory framework. The agency performs assessment and planning in air, water, and waste.

AIR QUALITY

TCEQ assesses the effect of air emissions and develops solutions for regional air quality problems. Air Quality includes the following programs: (1) air monitoring; (2) Air Quality Planning; (3) the Automobile Emissions Inspections program, also known as the Vehicle Emissions Inspection and Maintenance Program (VEIMP); (4) LIRAP/AirCheck Texas; and (5) TERP.

The air monitoring program has established an extensive statewide monitoring network that includes from 219 to 235 air monitoring sites, depending on the time of year and other factors. Many of the monitoring sites have multiple sampling instruments. The Texas network has approximately 1,200 individual samplers, half of which are predominantly controlled by TCEQ. Like the number of sites, the number of sampling instruments changes occasionally as interest in different parameters fluctuates. These stations contain specialized instrumentation that continuously measures air pollutant levels and meteorological conditions. The data from these stations are transmitted to the agency's headquarters in Austin and published on the agency's website. Periodically, TCEQ uses air-sampling aircraft to gather upper-air data to supplement the data gathered by the ground-based monitoring network. Appropriations for the air monitoring program total $36.0 million in All Funds, an increase of $3.8 million (11.7 percent) from 2014–15 biennial spending levels. The agency was appropriated an additional $3.7 million to deploy at least 25 additional sulfur dioxide (SO_2) monitors during the 2016–17 biennium to respond to a new U.S. Environmental Protection Agency (EPA) standard for SO_2 levels.

Through the Air Quality Planning program, the agency updates an inventory of all emissions, including point, area, and mobile air pollution sources for submittal to the EPA every third calendar year. In addition, the point source inventory is updated every year and submitted to the EPA. These inventories assist in development of the State Implementation Plan (SIP) for all areas in the state that EPA designates as nonattainment areas for National Ambient Air Quality Standards (NAAQS). To bring such areas into compliance with federal standards, the agency develops control strategies such as vehicle emissions and inspection testing, point source emissions limitations including emissions cap and trade programs, and heavy-duty vehicle engine-idling restrictions. TCEQ uses computer models to test the effectiveness of various pollution-control strategies when determining what control measures would be effective and appropriate for an area. After the control measures are implemented, progress in air quality is measured by reduced levels of air pollution at the monitors. Appropriations for the Air Quality Planning Program total $39.2 million in All Funds, a decrease of $4.0 million from 2014–15 biennial levels, mainly due to the agency shifting costs to other programs to reflect actual agency resource allocations.

The Dallas–Fort Worth and Houston–Galveston–Brazoria areas were designated nonattainment for the 2008 eight-hour ozone standard in 2012. TCEQ is developing revisions to the SIP to address the 2008 ozone standard. On October 1, 2015, the EPA finalized a more stringent federal eight-hour standard of 70 parts per billion. The EPA plans to finalize nonattainment designations for this standard by October 2017.

TCEQ and local partners continue planning efforts to address issues with the federal ozone standard in the Austin, Beaumont–Port Arthur, Corpus Christi, Dallas–Fort Worth, El Paso, Granbury, Houston–Galveston–Brazoria, Killeen–Temple, Longview–Tyler, San Antonio, Victoria, and Waco areas.

Figure 304 shows the air quality measured in nonattainment and near-nonattainment areas during calendar years 2005 to 2014, reflecting a steady decrease in the design values during this period. Design values provide a metric of a location's air quality status relative to the NAAQS level.

The agency also assists the Texas Department of Public Safety in implementing the VEIMP. These tailpipe emissions inspections are required pursuant to the federal Clean Air Act because of the severity of each city's nonattainment status level. In addition, any area can participate in the VEIMP voluntarily, as has been done in Travis and Williamson counties. The VEIMP is implemented in 17 Texas counties: Brazoria, Collin, Dallas, Denton, El Paso, Ellis, Fort Bend, Harris, Galveston, Johnson, Kaufman, Montgomery, Parker, Rockwall, Tarrant, Travis, and Williamson. Appropriations for the VEIMP total $4.3 million in All Funds, which is the same funding level as during the 2014–15 biennium.

TCEQ also operates the LIRAP/Air Check Texas Program, which targets nonattainment status areas and near-nonattainment areas. LIRAP/Air Check Texas appropriations total $96.6 million, an increase of $81.3 million from 2014–15 biennial spending levels. Of this amount, $86.9 million is for incentive payments to eligible persons in participating counties who replace or repair older, more polluting vehicles. The remaining $9.7 million is available for various county initiative programs intended to reduce vehicle emissions, such as remote sensing programs, transportation system improvements, and local law

FIGURE 304
EIGHT-HOUR OZONE LEVELS IN SELECTED AREAS
CALENDAR YEARS 2005 TO 2014

(IN PARTS PER BILLION)

REGION	2005–07	2006–08	2007–09	2008–10	2009–11	2010–12	2011–13	2012–14
Dallas–Fort Worth	95	91	86	86	90	87	87	81
Houston–Galveston	96	91	84	84	89	88	87	80
Beaumont–Port Arthur	83	81	77	74	79	80	75	70
San Antonio	82	78	74	75	75	80	81	80
El Paso	79	78	75	71	71	72	72	72
Austin	80	77	75	74	75	74	73	69
Tyler–Longview	84	78	75	74	77	79	77	71
Victoria	69	66	65	66	70	69	67	63
Waco	N/A	N/A	N/A	70	72	72	74	69
Corpus Christi	70	72	69	71	72	72	70	66

NOTES:
(1) Amounts exceeding the 2015 ozone standard of 70 parts per billion are shaded.
(2) Parts per billion data are based on data from regulatory monitors only.
(3) A design value of 70 parts per billion, which is based on the three-year average of the annual fourth-highest daily maximum eight-hour ozone, exceeds the eight-hour ozone standard established in October 2015. A standard of 75 parts per billion existed since 2008, and before that a standard of 85 parts per billion was in effect since 1997.
(4) No data is available before 2008 for the Waco area because no air monitors were located there.
SOURCE: Texas Commission on Environmental Quality.

enforcement initiatives intended to reduce inspection sticker fraud. All of the VEIMP counties participated in the LIRAP during the 2014–15 biennium except for El Paso County. For the 2016–17 biennium, Travis and Williamson counties receive a specified allocation of LIRAP funds, $2.4 million and $1.0 million, respectively; other participating counties receive an allocation at the discretion of the agency.

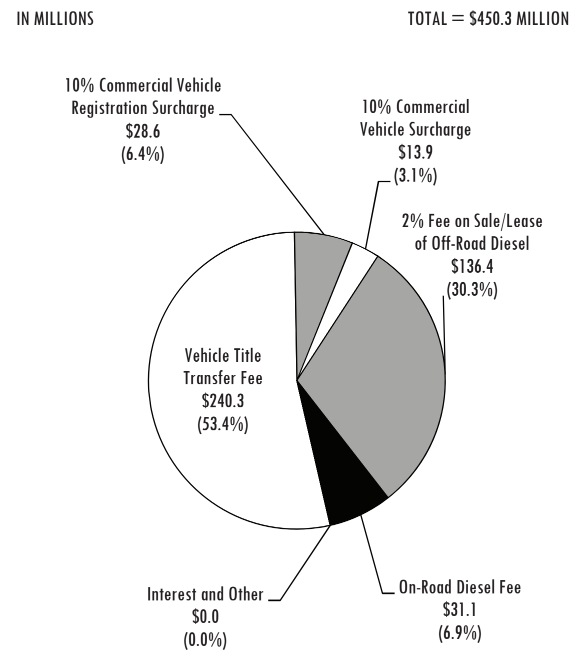
The TERP program implements a number of grant programs targeting nonattainment areas and other areas in the state to promote reduced emissions from on-road vehicles, nonroad heavy-duty equipment, locomotives, marine vessels, and stationary engines. The revenue sources for the TERP Account No. 5071 for the 2016–17 biennium are shown in **Figure 305**. TERP appropriations total $236.3 million, an increase of $81.0 million from 2014–15 biennial spending levels. Of this amount, $123.5 million is for Emissions Reductions Incentive Grants, $37.8 million is allocated to provide grants specifically for fueling facilities providing natural gas vehicles in nonattainment areas, and up to $11.8 million is allocated to each of the following programs: Texas Clean Fleet Program, the Clean Transportation Triangle Program; and the Alternative Fueling Facilities Program. Additional funds are allocated for the Texas Clean School Bus Program, New Technology Implementation grants, an air quality monitoring program, research, studies, and agency administration of TERP. **Figure 306** shows the estimated allocations of TERP for the 2014–15 and 2016–17 biennia.

Appropriations for the Air Quality programs within the assessment and planning program area total $412.5 million for the 2016–17 biennium and provide for 341.6 full-time-equivalent (FTE) positions. This amount represents an increase of $162.0 million, or 64.7 percent, from 2014–15 biennial spending levels and is primarily attributable to the funding increases for the LIRAP and TERP Programs.

WATER QUALITY

TCEQ protects the state's water quality by monitoring and evaluating water quality in lakes, streams, and groundwater and by establishing water quality standards to protect aquatic life, human health, drinking water, and recreation. TCEQ develops and coordinates water quality improvement strategies with other state agencies and local stakeholders. Water quality includes the following programs: (1) water assessment and planning; (2) total maximum daily load (TMDL); (3) Clean Rivers Program; (4) groundwater protection and management; (5) protection and restoration of bays and estuaries; (6) Nonpoint Source Program; (7) Dam Safety; and (8) water quality standards.

FIGURE 305
TEXAS EMISSIONS REDUCTION PLAN (TERP) REVENUE SOURCES, 2016–17 BIENNIUM



NOTES:
(1) Approximately $240.3 million of these receipts constitute the repayment from the State Highway Fund No. 6 (Other Funds) for Vehicle Title Transfer Fee deposited to the Texas Mobility Fund (TMF) (Other Funds). Pursuant to the Texas Transportation Code, § 501.138, TMF receives $20 out of the $33 fee charged in nonattainment counties and $15 out of the $28 fee charged in all other counties. Before September 1, 2015, $5 of the fee was deposited directly to the TERP Account.
(2) Totals may not sum due to rounding.
SOURCES: Legislative Budget Board; Texas Comptroller of Public Accounts' Certification Revenue Estimate for 2016–17.

TCEQ's water assessment and planning program continuously monitors water quality and reports its findings at several locations. The agency has 53 continuous water quality monitoring sites established as of August 31, 2014, and will be evaluating the addition of sites during the 2016–17 biennium. As with the air data sites, data from the water-monitoring sites is continuously transmitted to the agency's headquarters and is displayed on the agency's website. TCEQ expects to complete 114 surface water assessments and 108 groundwater assessments during the 2016–17 biennium. The water assessment and planning program is appropriated $22.3 million in All Funds, a

FIGURE 306
ESTIMATED ALLOCATIONS OF THE TEXAS EMISSIONS REDUCTION PLAN (TERP), 2014–15 AND 2016–17 BIENNIA

PROGRAM	2014–15 (IN MILLIONS)	2016–17 (IN MILLIONS)	PERCENTAGE CHANGE
Emissions Reductions Incentive Grants	$73.5	$123.5	68.1%
Texas Natural Gas Vehicle Grant Program (minimum)	$24.8	$37.8	52.2%
Texas Clean Fleet Program (minimum)	$8.1	$11.8	46.6%
Clean Transportation Triangle Program (maximum)	$7.8	$11.8	52.2%
Alternative Fueling Facilities Program	$7.5	$11.8	57.7%
TCEQ Administration	$6.8	$9.5	39.5%
Texas Clean School Bus (maximum)	$6.1	$9.5	53.9%
New Technology Implementation Grants (maximum)	$2.5	$7.1	182.2%
Regional Air Monitoring Program	$6.0	$6.0	0%
Drayage Truck Incentive Program	$4.0	$4.7	19.5%
Research	$2.7	$2.0	(25.3%)
Health Effects Study (maximum)	$0.4	$0.4	0.3%
Energy Systems Laboratory Contract	$0.4	$0.4	0.0%
Light Duty Motor Vehicle Incentive Grant Program (1)	$4.7	$0.0	(100%)
TOTAL (2)	**$155.2**	**$236.3**	**52.3%**

NOTES:
(1) The Light Duty Motor Vehicle Incentive Grant Program expired on August 31, 2015.
(2) The Texas Commission on Environmental Quality (TCEQ) is authorized to reallocate unexpended balances between programs to meet TERP objectives, provided such reallocations are within the statutory limitations on the use of the General Revenue–Dedicated TERP Account No. 5071 as set forth in the Texas Health and Safety Code, §386.252.
(3) Totals may not sum due to rounding.
SOURCES: Eighty-third Legislature, General Appropriations Act, 2014–15 Biennium; Eighty-fourth Legislature, General Appropriations Act, 2016–17 Biennium.

decrease of $3.6 million, or 13.8 percent, from 2014–15 biennial spending levels.

TCEQ is also responsible for developing plans to restore polluted bodies of water to acceptable water quality standards by developing total maximum daily loads through its TMDL program. TMDLs establish the maximum level of a pollutant that a body of water can assimilate and still meet water quality standards. The Soil and Water Conservation Board and other state agencies, such as the Texas Parks and Wildlife Department and institutions of higher education, assist TCEQ in TMDL development. TCEQ is responsible for overall TMDL development, and the Soil and Water Conservation Board's responsibilities focus on TMDLs specifically affected by agricultural and silvicultural (forestry) practices. The TMDL program is appropriated $5.2 million in All Funds, which represents an increase of $0.5 million, or 11.3 percent, from 2014–15 biennial spending levels.

Other water quality programs include the Texas Clean Rivers Program, the Nonpoint Source Pollution Grants Program, the protection and restoration of bays and estuaries program, and the Dam Safety Program. The Clean Rivers Program implements a statewide framework to use 15 regional partners (river authorities and others) to collect water quality data and to provide a public forum for managing water quality in each Texas river basin. The Clean Rivers Program receives $9.0 million in All Funds, a funding level equal to 2014–15 biennial spending levels.

The groundwater protection and management program supports and coordinates Texas' interagency efforts to protect groundwater by designating priority groundwater management areas, and implementing oversight and implementation of groundwater district plans. The program is appropriated $0.9 million in All Funds, or approximately the same as 2014–15 biennial spending levels.

The Nonpoint Source Pollution Grants Program provides funds to protect and restore water quality affected by nonpoint source pollution, updates the State Water Quality Management Plan, and carries out planning activities. The Nonpoint Source Pollution Grants Program receives $7.1 million, which includes a decrease of $3.2 million in Federal

Funds, or 31.0 percent, from 2014–15 biennial spending levels.

The protection and restoration of bays and estuaries program implements federally approved conservation management plans developed to protect and restore the health and productivity of Galveston and Coastal Bend bays and estuaries, while supporting continued economic growth and public use. Implementation is achieved with local partnerships and stakeholder involvement. The protection and restoration of bays and estuaries program receives $3.3 million in All Funds, which represents a decrease of $3.8 million, or 53.5 percent, from 2014–15 biennial spending levels.

The Dam Safety Program monitors and regulates private and public dams, inspects dams that pose a high or significant hazard, and provides recommendations and reports to responsible parties. The program ensures that these facilities are constructed, maintained, repaired, and removed safely. Appropriations for the Dam Safety Program total $5.1 million in All Funds, which represents a decrease of $0.3 million, or 4.8 percent, from 2014–15 biennial spending levels.

Total appropriations for the water quality subarea total $54.6 million in All Funds for the 2016–17 biennium and provide for 200.0 FTE positions. This amount represents a decrease of $10.8 million, or 16.4 percent, from 2014–15 biennial spending levels.

WASTE ASSESSMENT AND PLANNING AND DISPOSAL

The TCEQ monitors the generation, treatment, and storage of solid waste; tracks the capacity of waste disposal facilities; and provides technical assistance to municipal solid waste planning regions for the development and implementation of waste reduction plans through the waste assessment and planning program and the Regional Solid Waste Grants Program. The waste assessment and planning program assesses municipal solid waste disposal capacity, identify waste management trends, and assess future waste management needs across the state. Appropriations for the waste assessment and planning program total $1.4 million in All Funds, which represents a decrease of $3.6 million, or 43.7 percent, from 2014–15 biennial spending levels.

The Waste Permits Division collects and analyzes facility capacity data, provides technical assistance to the regulated community, and provides financial assistance to local and regional solid waste projects through the 24 Councils of Government (COG). Each COG maintains a Regional Solid Waste Management Plan and some local solid waste management plans. Each biennium, the COGs prepare a regional funding plan to identify funding priorities in their regions and their solid waste management needs. The Regional Solid Waste Grants Program provides funding to the COGs for these priorities. The program receives $11.0 million in All Funds appropriations. This amount represents a decrease of $0.2 million or 1.5 percent, from 2014–15 biennial spending levels.

The three assessment and planning functions and the various programs within the program area account for $479.6 million, or 52.6 percent, of the agency's All Funds appropriations. This amount represents an increase of $150.0 million, or 45.5 percent from the 2014–15 biennium.

PERMITTING AND COMPLIANCE

Through its permitting and compliance program area, TCEQ regulates discharges to air and water and the disposal of solid and hazardous waste. The agency plans and conducts assessments to reduce toxic releases for air, water, and waste, and occupational licensing, compliance, and enforcement duties.

AIR QUALITY PERMITTING

Air quality permitting programs are responsible for issuing permits to facilities that release pollutants into the air. TCEQ regulates air quality through three programs: (1) the federally designated Clean Air Act, Title V, Operating Permits Program; (2) the new source review program; and (3) the air pollution control equipment program.

The Title V Operating Permits Program ensures that facilities comply with Title V of the federal Clean Air Act amendments of 1990. Title V requires all major sites to apply for an operating permit that codifies and consolidates all applicable regulations at that site into one permit. TCEQ expects to issue approximately 1,600 permits during the 2016–17 biennium in this program, approximately the same amount as during the 2014–15 biennium. Appropriations for the Title V Operating Permits Program total $16.2 million in All Funds, which represents an increase of $0.2 million, or 1.1 percent, from 2014–15 biennial spending levels.

The new source review program ensures that new or expanding air-pollution-emitting facilities use the best available control technology to control and reduce emissions, and that emissions do not have adverse health effects on surrounding areas. TCEQ expects to review 19,000 permits, amendments, renewals, standard permits, and permit-by-rule registrations during the 2016–17 biennium, or about 7,800 more than during the 2014–15 biennium. The increase is attributable to an increase in applications expected due to strong economic activity. Appropriations for the new source review program total $14.3 million, which represents an increase of $1.2 million, or 8.8 percent, from 2014–15 biennial spending levels.

The air pollution control equipment program reviews applications for entities seeking a property tax exemption for pollution control equipment. If TCEQ determines that property qualifies as pollution control property, a positive use determination is sent to the applicant and the appropriate appraisal authority for a final determination. The program is funded through application fees deposited to the General Revenue Fund, and appropriations for the program total $0.5 million, an amount equal to 2014–15 biennial expenditures.

Appropriations for the three air quality permitting programs combined total $31.0 million in All Funds for the 2016–17 biennium and provide for 214.2 FTE positions. This funding level represents an increase of $1.3 million, or 4.6 percent, from 2014–15 biennial spending levels.

WATER QUALITY PERMITTING

TCEQ has three water quality permitting programs: the water resource permitting program, the Watermaster Administration Program, and the Edwards Aquifer Protection Program. The water quality permitting programs are charged with reviewing permits and other authorizations relating to the quality and uses of the state's water. TCEQ ensures that streams, lakes, bays, and estuaries meet federal and state water quality standards by issuing permits regulating wastewater and storm water discharges. The agency anticipates reviewing approximately 25,000 water quality permits during the 2016–17 biennium, or about 4,400 more than during the 2014–15 biennium. The increase is attributed to a fluctuation in the anticipated renewal of municipal general permits, which are renewed every five years.

The water resource permitting program appropriations total $23.7 million in All Funds to process permits to divert, use, or store surface water or to transfer surface water between basins. TCEQ anticipates reviewing 1,190 water rights permits during the 2016–17 biennium, or about the same number as during the 2014–15 biennium. Widespread drought conditions across the state have resulted in the agency issuing fewer temporary permit applications.

The Watermaster Administration Program oversees four watermaster programs in the state: the Rio Grande, South Texas, Concho River, and Brazos. These programs are concerned specifically with the allocation and use of surface water within each respective area. Watermasters ensure compliance with water rights in their designated service areas, which is especially necessary during times of drought conditions and diminished stream flows. Appropriations for the program total $4.2 million in All Funds.

An additional water quality permitting program is the Edwards Aquifer Protection Program, which is appropriated $2.7 million in All Funds to review and approve or reject applications or construction plans submitted to the agency for construction projects in the recharge, transition, or contributing zones of the Edwards Aquifer. Approved plans are also monitored, and fees are charged to applicants to cover the cost of the program.

Appropriations for the three water quality permitting programs combined totals $30.6 million for the 2016–17 biennium and provide for 203.9 FTE positions. This amount represents an increase of $1.8 million, or 6.2 percent, from 2014–15 biennial spending levels.

WASTE MANAGEMENT AND PERMITTING

TCEQ regulates all industries engaged in the generation, treatment, storage, and disposal of hazardous, industrial, and municipal waste. Waste permitting programs include (1) Municipal Solid Waste; (2) permitting registration and support; and (3) Underground Injection Control. The Municipal Solid Waste Program oversees the management and disposal of municipal solid waste sites across the state, with appropriations totaling $8.1 million in All Funds. In addition, the program regulates industries engaged in the generation, treatment, storage, and disposal of municipal solid waste.

The permitting registration and support program processes registrations and provides information and customer service for the following TCEQ registration activity areas: industrial and hazardous waste; medical waste; enclosed containers; used oil recycling; sludge transporters; and television manufacturing recycling registration. Appropriations for the program total $2.9 million in All Funds.

The objective of the Underground Injection Control (UIC) Program is to protect underground sources of drinking water (USDW) through permitting of underground injection of fluids. Regulation of wells used for underground injection must maintain the quality of fresh water to the extent consistent with public health and welfare and the operation of existing industries. Through permit issuance, the UIC program regulates site location, construction, operation, maintenance, monitoring, and closure of the following classes of injection wells:

- Class I wells inject hazardous and nonhazardous wastewater below all USDWs;
- Class III wells inject fluids for recovery of minerals (e.g., uranium, sulfur, and sodium sulfate); and
- Class V (miscellaneous) wells are mostly shallow wells primarily used in cleaning up groundwater contamination.

Appropriations for the UIC program total $1.7 million in All Funds.

The issuance of permits provides a mechanism for ensuring that waste management protects human health and the environment. During the 2016–17 biennium, TCEQ expects to review 400 hazardous waste permit applications, or about 30 less than during the 2014–15 biennium. The anticipated increase in applications is attributed to permit expiration cycles. The agency also expects to review 550 nonhazardous waste permit applications, or approximately the same number as during the 2014–15 biennium. Appropriations for waste management and permitting programs total $13.5 million in All Funds for the 2016–17 biennium. This amount represents a decrease of $1.4 million, or 9.0 percent, from 2014–15 biennial spending levels. The decrease is attributable to the agency shifting costs for programs to reflect actual agency activity.

OCCUPATIONAL LICENSING

The Occupational Licensing program issues permits and registrations for: backflow prevention assembly testers; customer service inspectors; landscape irrigators; irrigation technicians and irrigation inspectors; leaking petroleum storage tank corrective action specialists and project managers; municipal solid waste facility supervisors; onsite sewage facility installers; designated representatives, apprentices, maintenance providers, maintenance technicians, and site evaluators; public water system operators and operations companies; wastewater operators and operations companies; water treatment specialists; underground storage tank contractors and onsite supervisors; and training providers for visible emissions evaluators. The division develops and holds training sessions, develops and administers proficiency examinations, approves basic and continuing education training, issues occupational licenses, and monitors approximately 55,000 licenses. Appropriations for occupational licensing total $2.6 million in All Funds for the 2016–17 biennium and provide for 21.2 FTE positions. This amount represents approximately the same funding level as 2014–15 biennial spending levels.

RADIOACTIVE MATERIALS MANAGEMENT

The agency has two radioactive materials management programs: (1) the Radioactive Materials Division; and (2) the low-level radioactive waste program.

The radioactive materials management program accomplishes its objectives through the licensing and permitting and regulatory oversight of in situ uranium recovery, radioactive waste processing and storage, low-level radioactive waste disposal, by-product material disposal, disposal of naturally occurring radioactive waste materials that are not related to oil and gas production, and UIC wells. The major activities performed within the program include regulation, compliance and enforcement, and radioactive material licensing of facilities involved in the storing, processing, or disposing of one or more of the following:

- uranium ore (including mining, extraction, and separation of ore);
- by-product material waste;
- low-level radioactive waste;
- non-oil and gas naturally occurring radioactive material; and
- radioactive waste generated from federal government activities.

Additionally, the radioactive materials management program is responsible for oversight of the reclamation of historic radioactive materials, burial sites and other sites contaminated with radioactive material, including former uranium recovery sites. The Radioactive Materials Management Program receives $3.0 million in All Funds appropriations, or an amount equal to 2014–15 biennial spending levels.

The low-level radioactive waste program performs technical reviews, issues licenses, and monitors compliance for the low-level radioactive waste disposal site in Andrews County. In 2009, TCEQ issued a license to Waste Control Specialists, LLC (WCS), a private waste management company for the operation of the low-level radioactive waste disposal facility.

The facility has two components, the Compact Waste Disposal Facility (CWF) and the Federal Waste Disposal Facility (FWF). The CWF accepts commercial low-level radioactive waste from the Texas Compact generators of Texas and Vermont and nonparty generators located outside those states. The FWF accepts low-level radioactive waste that is the responsibility of the federal government, and is required to be transferred to the U.S. Department of Energy upon decommissioning.

Pursuant to Texas statute, Texas owns the land and the CWF facilities and WCS serves as the operator of the site. On January 7, 2011, the land transfer of the CWF and lease back agreement for construction and operations to WCS were signed. The facility became operational in April 2012. Since the facility became operational and through August 31, 2015, approximately $31.5 million in fee revenues has been remitted to the state from facility operations. The low-level radioactive waste program receives $3.0 million out of the General Revenue–Dedicated Low-Level Waste Account, a level equal to 2014–15 biennial spending levels.

SAFE DRINKING WATER OVERSIGHT

Safe Drinking Water Oversight programs protect public health and the environment by ensuring the delivery of safe drinking water, providing regulation, and promoting regional water strategies. Safe Drinking Water Oversight programs include the Drinking Water Quality and Standards (DWQS) program and the Utility Regulation/District Application program. The DWQS program is appropriated $23.8 million in All Funds to ensure that public drinking water is safe. By definition, a public drinking water system serves at least 15 connections or at least 25 persons for a minimum of 60 days per year. Approximately 6,900 public water systems serve more than 26.0 million Texas residents. During the 2016–17 biennium, TCEQ expects to collect and analyze more than 107,962 water samples to monitor the safety and integrity of the state's public drinking water supply. TCEQ strives to ensure that all water and sewer systems have the capability to operate successfully by providing free onsite financial, managerial, and technical assistance to utilities and public water systems to achieve compliance with agency rules.

The Utility Regulation/District Applications program is appropriated $2.4 million in All Funds to inspect and investigate regulated facilities and respond to complaints within the state of Texas for utility districts.

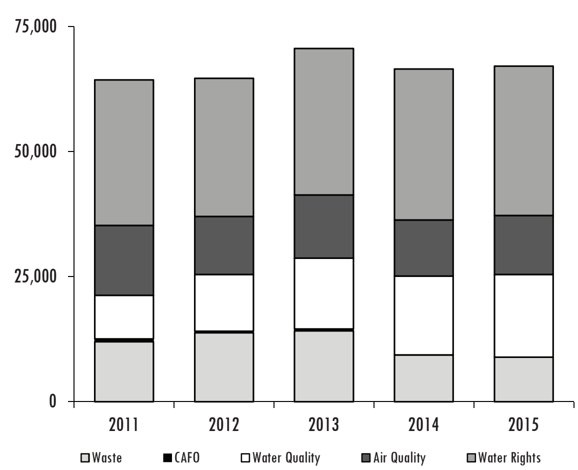
Appropriations for the Safe Drinking Water Oversight programs total $26.2 million in All Funds for the 2016–17 biennium, or 2.9 percent of the agency's budget. This amount represents a decrease of $0.6 million, or 2.1 percent, from 2012–13 biennial spending levels. Approximately 3.6 percent of the agency's workforce, 99.1 FTE positions, are engaged in activities related to these efforts.

FIELD INSPECTIONS AND COMPLAINT RESPONSE

TCEQ pursues compliance with environmental laws and regulations by conducting field investigations and responding to complaints from the public through its field inspections and complaint response program. The agency maintains 16 regional offices and two satellite offices, and laboratories in Houston and Austin, to monitor and assess air and water quality, investigate facilities, respond to complaints, promote voluntary compliance through education and technical assistance, and respond to emergencies such as accidental releases of chemicals into the environment.

It is anticipated that regional staff will perform approximately 130,000 investigations and investigate approximately 9,000 complaints during the 2016–17 biennium. **Figure 307** shows the number and types of investigations performed by TCEQ from fiscal years 2011 to 2015. Appropriations for administering the field inspections and complaints activities total $90.7 million in All Funds for the 2016–17 biennium. This amount represents an increase of $2.0 million, or 2.2 percent, from 2014–15 biennial spending levels.

FIGURE 307
TEXAS COMMISSION ON ENVIRONMENTAL QUALITY
FIELD INVESTIGATIONS BY TYPE
FISCAL YEARS 2011 TO 2015



NOTE: CAFO = concentrated animal feeding operations.
SOURCE: Texas Commission on Environmental Quality.

ENFORCEMENT AND COMPLIANCE

The agency's enforcement and compliance functions include the following programs: (1) enforcement; (2) the Environmental Laboratory Accreditation Program; and (3) the Storage of Certain Hazardous Chemicals program. These programs serve to respond to complaints, coordinate multimedia inspections, and prosecute violators. The agency's Enforcement Division determines penalties, tracks compliance with orders, and monitors the progress of supplemental environmental projects that are sponsored or undertaken by violators seeking to defer or mitigate their fines through TCEQ-approved environmental projects.

TCEQ has several enforcement activities offering specific assistance to certain regulated communities with special needs. Federal and state laws require TCEQ to provide compliance assistance to small businesses. The agency also offers this service to small local governments. The service is confidential, except in the case of an imminent threat to the environment. Appropriations for enforcement total $24.0 million in All Funds. The Environmental Laboratory Accreditation Program is appropriated $1.7 million in All Funds to inspect and credit environmental laboratories throughout the state.

The Storage of Certain Hazardous Chemicals Program is assuming the oversight and responsibility of the Tier II Chemical Reporting Program, previously within DSHS, and it maintains the state repository for the federally required hazardous chemical inventory reports called Texas Tier II Reports, pursuant to the Emergency Planning and Community Right-to-Know Act. This program was transferred to TCEQ from DSHS on September 1, 2015, with the enactment of House Bill 942, Eighty-fourth Legislature, 2015. A total of $454,489 from the General Revenue–Dedicated Workplace Chemicals List Account No. 5020 and 10.5 FTE positions are transferred in each fiscal year for administrative responsibilities relating to the program transfer. An additional 2.0 positions and $590,102 in fiscal year 2016 and $844,308 in fiscal year 2017 from the Workplace Chemicals List Account No. 5020 was appropriated for additional information technology costs and funds for grants to emergency local planning committees.

Appropriations for enforcement and compliance total $28.1 million for the 2016–17 biennium. This amount represents an increase of $4.9 million, or 21.3 percent, from 2014–15 biennial spending levels.

POLLUTION PREVENTION AND RECYCLING

The agency's functions for pollution prevention, recycling, and education include two programs: (1) pollution prevention and recycling, and (2) seminars for the regulated community.

The pollution prevention and recycling program is appropriated $2.5 million in All Funds. Within the program, the small business and environmental assistance subprogram operates multiple statutory programs that help prevent pollution and reduce releases into the environment. Major pollution prevention efforts include the following: (1) the Texas Administrative Code, Title 30, Chapter 335, Subchapter Q (the Waste Reduction Policy Act); (2) the hazardous household waste collection program; (3) the Resource Exchange Network for Eliminating Waste Program; (4) the Don't Mess With Texas Waters program; (5) the Take Care of Texas Program; and (6) the Texas Clean School Bus Program. In addition, several state statutes require TCEQ to implement programs that encourage recycling. Several of these programs include: (1) the computer equipment recycling program; (2) the television recycling program; (3) the recycling market development implementation program; and (4) technical assistance to the public on both understanding recycling regulations and establishing a recycling business.

The seminars for regulated community program administers cost-recovery compliance assistance workshops, seminars, and conferences for entities regulated by the TCEQ. The program receives $1.9 million in All Funds Appropriations, an amount equal to 2014–15 biennial spending levels.

For the 2016–17 biennium, the agency received an appropriation of $4.4 million for pollution prevention and recycling programs. This amount represents approximately the same level as 2014–15 biennial spending levels. Permitting and compliance program area appropriations total $232.1 million All Funds, an increase of $8.1 million, or 3.6 percent, from 2014–15 biennial levels.

POLLUTION CLEANUP

The agency also protects public health and the environment by identifying, assessing, and prioritizing contaminated sites for cleanup and remediation. The pollution cleanup program area includes six programs: (1) petroleum storage tank; (2) petroleum storage tank administration and regulatory; (3) Superfund assessment and cleanup; (4) voluntary cleanup and other remediation; (5) dry cleaning assessment and cleanup; and (6) industrial hazardous waste.

PETROLEUM STORAGE TANK CLEANUP

The petroleum storage tank program and the petroleum storage tank administration and regulatory program regulate underground and above-ground petroleum storage tanks (PST), clean up certain leaking tanks, and promote prevention of pollution from PSTs. The agency maintains a registry for PSTs, enforces regulations, oversees cleanup activities, and offers technical assistance to tank owners and operators. In addition, the agency assumes responsibility on behalf of the state for the cleanup of PSTs for which a responsible owner or operator cannot be located or identified. As of August 2015, approximately 171,000 underground storage tanks and 35,000 above-ground storage tanks are registered at more than 73,000 facilities in Texas. The petroleum storage tank program is appropriated $33.9 million in All Funds, and the petroleum storage tank administration and regulatory program is appropriated $5.5 million in All Funds.

The Remediation Division oversees the cleanup of leaks from storage tanks conducted by responsible parties and by the state. For sites that met eligibility requirements, the reimbursement program paid for costs associated with the investigation and cleanup of sites. The reimbursement program expired September 1, 2012. The remaining reimbursement-eligible sites were allowed to transfer to the state for oversight, cleanup, and investigation. Since the inception of the effort, more than 25,629 sites have been remediated. The agency addresses 366 sites, and other responsible parties assess 1,211 sites. Approximately 20 new contaminated sites are reported each month.

Approximately 400 PST sites are expected to be cleaned up during the 2016–17 biennium. Appropriations for petroleum storage tank administration and regulation combined total $39.4 million for the 2016–17 biennium. This amount represents a decrease of $1.0 million, or 2.4 percent, from 2014–15 biennial spending levels, due to a shift in appropriations to other programs to reflect actual agency workload, including shifting information technology project costs to the Information Resources Division.

HAZARDOUS MATERIALS CLEANUP

The agency administers four hazardous materials cleanup programs: (1) the Superfund assessment and cleanup program; (2) the voluntary cleanup and other remediation program; the (3) dry cleaning assessment and remediation program; and the (4) industrial hazardous waste program.

The Superfund assessment and cleanup program implement both state and federal efforts. The federal Superfund Program identifies and ranks the most serious hazardous waste sites on the Federal National Priorities List (NPL). Texas has 51 NPL sites. Those sites not eligible for the NPL may be included on TCEQ's State Superfund Registry. Texas has 48 sites proposed for listing or listed on the State Superfund Registry. Since the inception of the program in Texas, more than $490.0 million in state and federal funding has been provided for the cleanup of Superfund sites throughout the state. TCEQ expects to complete remedial actions at six state and federal sites during the 2016–17 biennium. The Superfund assessment and cleanup program is appropriated $29.6 million in All Funds, which represents a decrease of $15.8 million, or 34.9 percent, compared to the 2014–15 biennium. The decrease is mainly due to onetime Superfund cost-recovery cleanup projects ($10.6 million) during the 2014–15 biennium.

The voluntary cleanup program provides a process through which sites can be cleaned up voluntarily in a timely manner while ensuring protection of human health and the environment. After TCEQ has given final approval to cleanup activities conducted at a site, future landowners and lenders may be freed from liability caused by past contamination. Participation in the program often leads to the beneficial reuse and economic redevelopment of previously blighted properties. During fiscal years 2014 and 2015, TCEQ issued 175 certificates of completion in accordance with the program.

Numerous properties in Texas known as brownfields are not used or are underutilized because of the liability associated with pollutant contamination. TCEQ, in cooperation with local and federal partners, is attempting to facilitate cleanup, transferability, and revitalization of these voluntary cleanup program properties through the development of regulatory, tax, and technical assistance tools. The objective is to return remediated property to productive use. Appropriations for the voluntary cleanup and other remediation program total $8.7 million in All Funds, or an increase of $1.4 million, or 19.5 percent, compared to 2014–15 biennial spending levels, due to a shift in appropriations from other programs to reflect actual agency workload.

The dry cleaner remediation program was established in 2003. The Dry Cleaning Facility Release Account (General Revenue–Dedicated Funds) was established to pay for state conducted soil and groundwater cleanups at dry cleaner sites. Dry cleaner facility registration requirements, fees, performance standards, distributor registration, and revenue disbursements were also established. By the end of fiscal year 2015, 243 sites have been accepted in the program, and 60 of these sites have been remediated. The dry cleaner remediation program receives $7.5 million in appropriations, which is equal to 2014–15 biennial spending levels.

The industrial and hazardous waste program performs several functions, including the corrective action program, the federal Resource Conservation Recovery Act (RCRA)/Non-RCRA Industrial Corrective Action Program, the Natural Resource Trustee Program, and the federal Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States (RESTORE) Act. The RCRA/Non-RCRA Industrial Corrective Action Program oversees soil and groundwater cleanup activities at industrial and hazardous waste facilities to ensure that the cleanups protect human health and the environment. Most facilities have multiple sites needing remediation. Cleanup is considered complete when the cleanup goals of all closure and/or remediation projects at industrial solid waste and municipal hazardous waste facilities have been achieved. In fiscal year 2015, cleanup was completed at 175 corrective action facilities. As of August 2015, the agency reports that 986 active sites are involved in the Industrial Corrective Action Program.

The Natural Resource Trustee Program works cooperatively with responsible parties and other state and federal natural resource agencies to restore natural resources that have been affected by oil spills and releases of hazardous materials. By the end of fiscal year 2015, the program has negotiated final natural resource restoration settlements at 46 sites, with two additional final settlements pending. In addition, the program continues to be involved in assessment and restoration projects associated with the 2010 BP Deepwater Horizon oil spill.

Due to the Deepwater Horizon oil spill, Texas is expected to receive an estimated $1.1 billion, with about half of that amount coming from the RESTORE Act. The Governor designated TCEQ to administer RESTORE funds. Along with TCEQ, the General Land Office and Texas Parks and Wildlife Department serve as the state's natural resources trustees for Deepwater Horizon funding. In October 2015, BP, five Gulf states, and the federal government agreed to a $20.8 billion settlement. Texas is expected to receive an estimated $818.3 million in accordance with this agreement, paid across several years. Other funding sources include MOEX Offshore 2007 LLC, the National Fish and Wildlife Foundation, a separate agreement between BP and Texas, and economic damages. TCEQ is expected to receive funding from the trust fund to support environmental and economic restoration activities along Texas coastlines.

TCEQ could be awarded at least $75.0 million from the trust fund during the 2016–17 biennium for the federally funded pass-through grants to expend. In addition, a proposed settlement has been reached with BP. A consent decree outlining the proposal for the federal judge's approval requires BP to deposit approximately $4.4 billion across 15 years into the Gulf Coast Restoration Trust Fund. A final decision by the judge on the amount and distribution of the BP money will likely not be made until early calendar year 2016. At this time, it is unlikely that any significant BP funding from the trust fund will be awarded during the 2016–17 biennium to Texas.

Appropriations for the industrial hazardous waste program total $7.5 million, which represents a decrease of $0.5 million, or 19.5 percent, from 2014–15 biennial spending levels.

Appropriations for the pollution cleanup program area is $92.7 million, or 9.3 percent of the agency's budget. This amount represents a decrease of $15.9 million, or 14.6 percent, from 2014–15 biennial spending levels. Approximately 7.0 percent of the agency's workforce, or 200.1 FTE positions, are engaged in activities related to pollution cleanup.

RIVER COMPACT COMMISSIONS

Texas is a signatory to five interstate compacts that apportion river and stream waters flowing through Texas and other states. These compacts are the Canadian River Compact, the Pecos River Compact, the Red River Compact, the Rio Grande Compact, and the Sabine River Compact.

The shared mission of the Texas River Compact Commissions is to ensure that the people of Texas receive their share of river waters as allocated by the various compact agreements. Each river compact is administered by its own commission, which includes representatives of each signatory state and one presidential appointee. Of the seven Texas River Compact Commissioners, six are appointed by the Governor, and one, the Executive Director of TCEQ, serves in an ex officio capacity in accordance with statutory provisions. Commissioners engage in activities to protect Texas' water interests and to ensure that Texas receives its share of water from the various compacts. Those activities include: (1) negotiating with signatory states to resolve disputes regarding compact interpretation; (2) investigating and monitoring water resource data collection; (3) conducting surveys to determine the effect of upstream water diversions on water deliveries; (4) working with state, federal, and local entities to address environmental and endangered species issues involving interstate waters; and (5) implementing programs to increase the quantity and improve the quality of water available to Texas.

Appropriations for the River Compact Commissions total $5.9 million in General Revenue Funds and provide for 7.0 FTE positions, an increase of 0.1 million, or 1.6 percent, from 2014–15 biennial spending levels. Funding includes $5.0 million in General Revenue Funds for the 2016–17 biennium for litigation expenses of the Rio Grande Compact Commission from ongoing water rights disputes with the state of New Mexico. In addition to these appropriations, TCEQ is required to allocate $114,900 out of its other 2016–17 biennial appropriations for the River Compact Commissions' administrative and operating costs.

ADMINISTRATION

TCEQ's administration program area operates divisions that indirectly support the agency's four other program areas. The three programs in the administration program area include central administration, information resources, and other support services. Central administration includes the Office of General Counsel, Alternative Dispute Resolution, Office of Administrative Services, Office of the Chief Clerk, Internal Audit, Office of Public Assistance, and Office of Public Interest Counsel. The biennial appropriation for the administration program area is $102.1 million, or 11.2 percent of agency All Funds appropriations. This amount represents an increase of $10.7 million, or 11.8 percent, from 2014–15 biennial spending levels, which is primarily due to increased Data Center Services-related costs.

SIGNIFICANT LEGISLATION

House Bill 942 – Storage of certain chemicals and reporting requirements. The legislation provides guidelines and procedures for fire prevention at ammonium nitrate storage facilities. Specifically, the bill transferred the Tier II Chemical Reporting Program from DSHS to TCEQ. It also established specific reporting requirements for ammonium nitrate storage, providing that no later than 72 hours after TCEQ receives a Tier II reporting form that the agency provides a copy of that form to the State Fire Marshall and the Division of Emergency Management. The legislation provides that up to 20.0 percent of fees collected for the Tier II program could be used to provide grants to local emergency planning committees to assist them in fulfilling responsibilities related to chemical storage. TCEQ is authorized to use up to 15.0 percent of fees collected for the Tier II program for DSHS administrative costs, pursuant to the Texas Health and Safety Code, Chapter 502.

House Bill 1794 – Water wells and radioactive waste. The legislation requires that when violations of the Texas Water Code, Chapter 28, and the Texas Health and Safety Code, Chapter 401, occur that the first $4.3 million of an amount recovered in civil penalties from a violator is divided equally between the state and local government that brought the lawsuit. These statutes relate to the regulation of water wells and radioactive waste, respectively. Any amount in excess of $4.3 million would be awarded to the state. The legislation also prescribes certain factors to be considered in determining the amount of a civil penalty in a suit brought by a local government relating to a permit issued by TCEQ, and it requires that a local government would bring forth a lawsuit within certain time limitations.

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

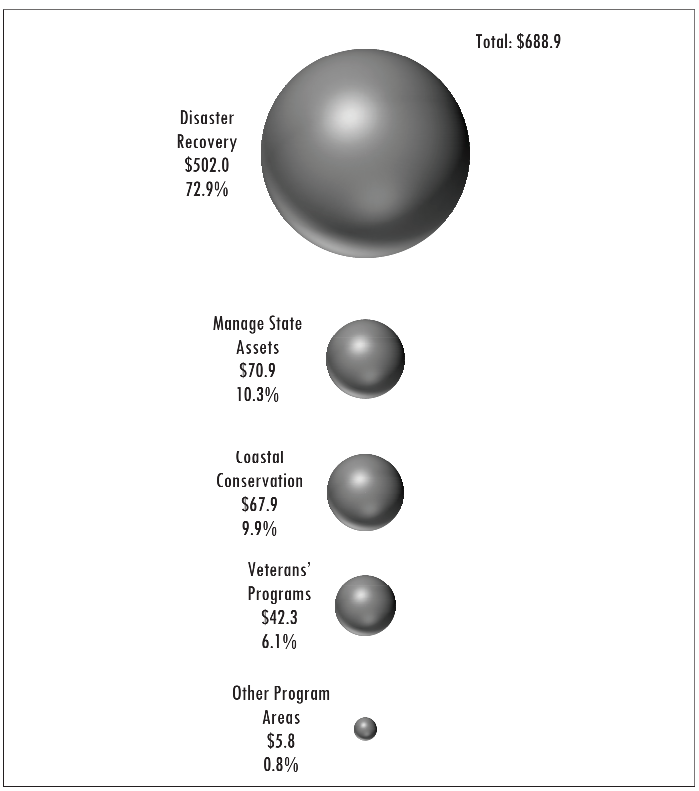
GOVERNANCE: Commissioner, statewide elected official

FIGURE 308
GENERAL LAND OFFICE AND VETERAN'S LAND BOARD BY METHOD OF FINANCE

	IN MILLIONS			
METHOD OF FINANCE	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$7.0	$64.8	$57.8	831.7%
General Revenue–Dedicated Funds	$30.7	$21.8	($8.9)	(29.0%)
Federal Funds	$1,353.0	$515.3	($837.8)	(61.9%)
Other Funds	$112.8	$87.1	($25.7)	(22.8%)
Total, All Methods of Finance	**$1,503.5**	**$688.9**	**($814.6)**	**(54.2%)**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2016	649.2
2017	649.2

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

Funding **decreased by $815.5 million in Federal Funds** for completed Hurricane Ike-related and wildfire-related **housing and infrastructure grant projects.**

The Alamo is funded with $32.1 million, an increase of $21.1 million in All Funds, for capital improvements, repairs, and master planning to **preserve and maintain the Alamo and facilities in the Alamo Complex**.

Funding provides **$5.8 million** in General Revenue Funds **for the closure of Rollover Pass** on the Bolivar Peninsula.

Coastal erosion grants are appropriated $22.6 million in General Revenue Funds, in lieu of pass-through Sporting Goods Sales Tax (SGST) funding, **due to changes in the allowable uses of SGST, pursuant to House Bill 158, Eighty-fourth Legislature, 2015.**

MAJOR FUNDING

All Funds appropriations to the General Land Office (GLO) for the 2016–17 biennium decreased by $814.6 million compared to 2014–15 biennial spending levels. Major funding adjustments include the following:

- a decrease of $837.8 million in Federal Funds from Community Development Block Grants (CDBG) for Hurricane Ike-related and wildfire-related rebuilding awards for housing ($525.6 million) and infrastructure ($289.9 million), and various other Federal Funds ($22.3 million);
- an increase of $30.0 million from General Revenue Funds for capital improvements and repairs, master planning, and a needs assessment of the Alamo and the Alamo Complex;
- an increase of $22.6 million from General Revenue Funds for coastal erosion grants in lieu of pass-through Sporting Goods Sales Tax (SGST) from the Texas Parks and Wildlife Department, due to the enactment of House Bill 158, Eighty-fourth Legislature, 2015, which changed the allowable uses of SGST;
- an increase of $4.5 million from General Revenue Funds for closure of the Rollover Pass on the Bolivar Peninsula, an amount when included with additional funding from agency appropriations ($1.3 million) provides $5.8 million for pass closure;
- an increase of $0.7 million in General Revenue Funds to retain 4.0 full-time-equivalent (FTE) positions with expertise in managing funds for rebuilding housing and infrastructure, contingent on notification that federal funding for disaster recovery has been depleted;
- a decrease of $8.9 million in the General Revenue–Dedicated Alamo Complex Account in alignment with the Comptroller of Public Accounts' (CPA) Biennial Revenue Estimate. Of this amount, revenues totaling an estimated $6.2 million for lease payments ($4.3 million) and gift shop sales ($1.9 million) will continue to be deposited in the Alamo Complex Account. The Eighty-fourth Legislature, 2015, provided GLO with estimated appropriation authority for all deposits to the Alamo Complex Account; and
- a decrease of $3.7 million in Other Funds (Appropriated Receipts), primarily for a donation from the National Fish and Wildlife Foundation for a Galveston Island Bayside Marsh Renourishment project, from amounts originating in Deepwater Horizon Settlement Funds.

In addition to appropriated amounts, the Veterans' Land Board (VLB) administers $1.2 billion in funds outside of the state Treasury, including: (1) self-supporting loans to Texas veterans for the purchase of land, housing, and home improvements; and (2) funds related to the construction of cemeteries and skilled nursing care centers for Texas veterans.

PROGRAMS

Agency activities are carried out in five major program areas: (1) disaster recovery; (2) manage state assets; (3) coastal conservation; (4) veterans' programs; and (5) other program areas.

DISASTER RECOVERY

GLO is the state's lead agency for administering disaster recovery funding from CDBG. The CDBG program includes a number of housing activities to assist households recovering from natural disasters, such as Hurricane Ike, which made landfall in 2008, and the 2011 Central Texas wildfires. Housing activities include single-family home repair, reconstruction, new construction, demolition, acquisition, and code enforcement. GLO also manages a multifamily affordable housing rental repair or reconstruction program. As of August 31, 2015, CDBG grants have repaired or reconstructed more than 11,281 homes.

The nonhousing activities include infrastructure projects, repairs, public facilities from roads to seawalls, drainage, energy generators, equipment acquisition and installation, and economic development. The local services are provided by firms specializing in design engineering, grant administration, and environmental services. The Disaster Recovery Infrastructure program includes more than 937 active projects.

At this time, GLO has not received any federal funding for 2015 flooding events occurring in May and October. However, the agency reports the Federal Emergency Management Agency has paid homeowners funds for home repairs and local governments for infrastructure and debris work through the Texas Division of Emergency Management, which is administered by the Texas Department of Public

Safety. The agency reports that a typical period of six months to one year passes after a disaster before Congress considers making disaster-related appropriations to the U.S. Department of Housing and Urban Development, which is the source of disaster-related CDBG grants. Accordingly, GLO may or may not receive funding related to 2015 floods.

Appropriations for the 2016–17 biennium for the disaster recovery program area total $502.0 million in All Funds and provide for 88.0 FTE positions. Of this amount $0.7 million in General Revenue Funds provided to retain 4.0 FTE positions with expertise in managing funds for rebuilding housing and infrastructure is contingent on notification that federal funding for disaster recovery has been depleted. Funding reflects a decrease of $815.1 million in Federal Funds from 2014–15 biennial spending levels for completed disaster-related rebuilding projects.

MANAGE STATE ASSETS

The programs in this area include activities related to maintaining oversight of the Alamo shrine and facilities in the Alamo Complex; generating revenue from the lease of state-owned lands; and the sale and purchase of real property, including sales and purchases to enhance the values of the Permanent School Fund.

ALAMO COMPLEX

Legislation placed GLO in charge of operations and maintenance of the Alamo Complex, effective September 1, 2011. GLO has an agreement with a nonprofit endowment for the management, operation, and financial support of the Alamo and surrounding facilities. Revenues from the operation of the Alamo, grants, donations, and investment income are deposited into the General Revenue–Dedicated Alamo Complex Account. GLO is authorized to use the Alamo Complex Account for expenses related to the Alamo.

The Eighty-fourth Legislature, 2015, provided an increase of $30.0 million from General Revenue Funds from 2014–15 biennial spending levels for capital improvements and repairs, master planning, and a needs assessment of the Alamo and the Alamo Complex. After aligning appropriations from the Alamo Complex account with the CPA's Biennial Revenue Estimate, which resulted in a decrease of $8.9 million, the Legislature provided GLO with estimated appropriation authority for all deposits to the Alamo Complex Account. Not included in appropriations are revenues totaling an estimated $6.2 million for lease payments (an estimated $4.3 million) and a portion of gift shop sales (an estimated $1.9 million), which will continue to be deposited in the Alamo Complex Account for use during the 2016–17 biennium.

The Alamo Complex program is appropriated $32.1 million in All Funds for the 2016–17 biennium, including 2.0 FTE positions, which reflects a net increase of $21.1 million from 2014–15 biennial spending levels for capital projects.

ENERGY RESOURCES AND ELECTRIC MARKETING

Since 1985, GLO has administered the State Energy Marketing Program, referred to as the Energy Resources and Electric Marketing Program, an extension of the agency's in-kind oil and gas programs. The program sells natural gas to state agencies at a price lower than that offered by local distribution companies and higher than cash royalties. In addition, GLO takes in-kind royalties and negotiates agreements with lessees to convert those royalties to other forms of energy, including electricity, for sale to public retail customers (PRC). PRCs include public school districts, state institutions of higher education, state agencies, and political subdivisions such as cities and counties. PRCs can save money on their utility bills while the state generates additional revenue for the Permanent School Fund.

Appropriations for the Energy Resources and Electric Marketing program total $9.9 million in All Funds in the 2016–17 biennium, including 49.3 FTE positions.

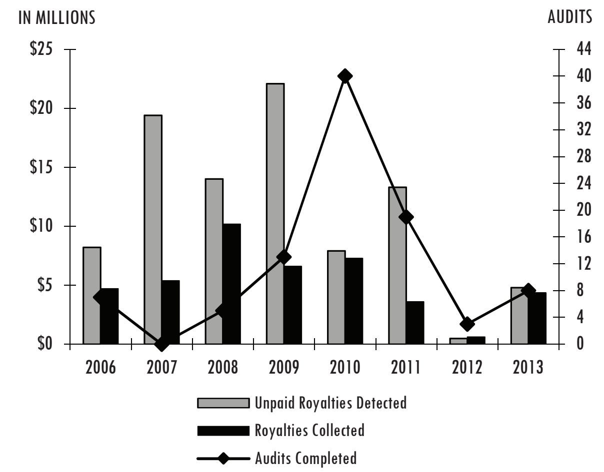
PERMANENT SCHOOL FUND ASSET MANAGEMENT

GLO manages state Permanent School Fund (PSF) lands and mineral-rights properties totaling 14.1 million acres, which include beaches, bays, estuaries, and other submerged lands out to 10.3 miles in the Gulf of Mexico; institutional acreage; grazing lands in West Texas; and timberlands in East Texas. In managing those properties, GLO leases drilling rights for oil and gas production on state lands, producing revenue and royalties. These proceeds are deposited to the Real Estate Special Fund Account (RESFA) and may be used for the acquisition of real property interests on behalf of the PSF.

The agency also conducts field audits to review oil, gas, and hard-mineral royalties on state leases to identify unpaid and underpaid royalties and penalties. **Figure 309** shows the number of royalty audits completed during fiscal years 2008 to 2015, the corresponding unpaid royalties detected, and amounts recovered by GLO staff.

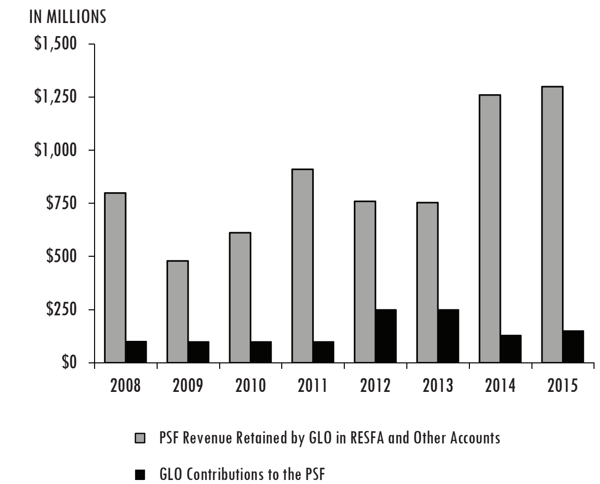
The agency evaluates PSF land and acquires or disposes of selected tracts through purchase, sale, or trade. Proceeds

FIGURE 309
PERMANENT SCHOOL FUND ROYALTY REVENUE AUDITS FISCAL YEARS 2008 TO 2015



SOURCE: General Land Office and Veterans' Land Board.

FIGURE 310
CONTRIBUTIONS TO THE PERMANENT SCHOOL FUND (PSF) AND REAL ESTATE SPECIAL FUND ACCOUNT (RESFA) RECEIPTS, FISCAL YEARS 2008 TO 2015



NOTE: In the 2012–13 biennium, General Land Office (GLO) made a $300.0 million direct contribution to the Available School Fund.
SOURCE: General Land Office and Veterans' Land Board.

from the sale of PSF lands are deposited to the RESFA. Revenue from PSF land sales may be used for the acquisition of additional real property interests for the PSF.

GLO provides administrative support to the School Land Board (SLB), which is responsible for the management and development of all real property owned by the PSF and the management of the PSF investment portfolio. The SLB is composed of the GLO Commissioner (Land Commissioner) and two public representatives. It uses funds generated from the sale of PSF land and proceeds from mineral leases on PSF land for the acquisition of additional real property and mineral interests on behalf of the fund.

During the 2014–15 biennium, GLO sold 31 real estate assets totaling 11,370 acres with total sales of $86.2 million. As of August 31, 2015, the year-end market value of 21 assets in the investment portfolio was $245.6 million. The land sales were for conservation purposes, and generated revenues to the PSF. GLO also transferred $280.0 million to the corpus of the PSF for equity investment by the State Board of Education during the 2014–15 biennium.

Figure 310 shows GLO contributions to the PSF for equity investment, excluding the revenue generated by upland, coastal, and miscellaneous leases and the revenue remaining in the agency's RESFA for fiscal years 2008 to 2015.

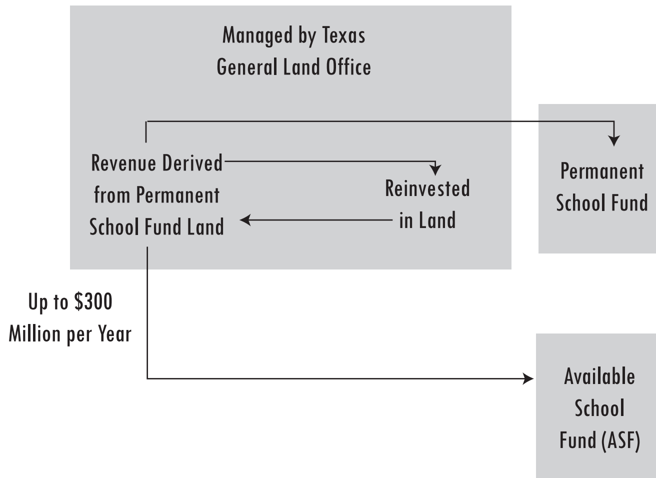
Figure 311 shows how revenue flows to the PSF. It should be noted that the primary focus of SLB and the GLO Investment Advisory Committee has recently changed relative to previous years in that the strategic objective of the fund is diversification of assets by investment in real estate funds as opposed to the actual acquisition of real property to be held by the PSF. As a result, during the past three biennia, the SLB has approved the acquisition of relatively few specific tracts of land. Pursuant to statute, the SLB is authorized to deposit funds directly to the Available School Fund (ASF). During fiscal year 2013, $300.0 million in these deposits were made to the ASF.

Appropriations for the PSF Asset Management program total $8.8 million in All Funds in the 2016–17 biennium, which provides for 46.4 FTE positions.

ASSET/ENERGY/COASTAL/UPLANDS INSPECTIONS PROGRAM

GLO manages activities involving the use of state-owned coastal and upland property. GLO also inspects and monitors state oil, gas, and hard mineral leases throughout the state. Program staff issue surface leases and conduct field assessments of proposed and existing coastal projects. Appropriations for the asset/energy/coastal/uplands inspections program total $8.2 million in All Funds in the 2016–17 biennium, which provides for 52.9 FTE positions.

FIGURE 311
PERMANENT SCHOOL FUND REVENUE PROCESS, 2016–17 BIENNIUM



SOURCE: Legislative Budget Board.

DEFENSE AND PROSECUTION OF MINERAL LEASE CLAIMS/CASES PROGRAM

Additionally, the agency has appropriations to prosecute claims for deficiencies in payments of mineral royalties and other revenue owed to the PSF for oil, gas, and hard-mineral leases. Resources are also allocated for the prosecution of cases defending the title to PSF lands and mineral or royalty interests against claims filed by third parties.

STATE-OWNED PROPERTY APPRAISALS

GLO provides property values to the School Land Board to facilitate informed decisions regarding the PSF portfolio. GLO is also statutorily required to appraise all state-owned properties of the largest agencies. GLO maintains an inventory of real property owned by state agencies and determines the properties' market value. The program is appropriated $3.1 million in All Funds for the 2016–17 biennium, including 18.0 FTE positions.

COMMERCIAL LEASING OF STATE-OWNED LAND PROGRAM

Aside from the leasing of oil, gas, and mineral rights on public lands, GLO conducts other uplands and coastal leasing activities for the benefit of the PSF and state agency land. Uplands, or land located above the mean high tide line, are leased for agricultural purposes, grazing, hunting, recreational use, and oil and gas platform sites. Coastal leases include grants of interest to the Texas Parks and Wildlife Department (TPWD) or an eligible city or county for public recreational purposes; to TPWD for estuarine preserves; to any nonprofit, tax-exempt environmental organization approved by the School Land Board for managing a wildlife refuge; or to any scientific or educational organization or institution for conducting scientific research. Before a land-use contract is issued, GLO evaluates the proposal for consistency with state leasing policy and determines compensation due the state. The agency's revenue from uplands leases was $5.7 million in fiscal year 2015. The agency's revenue from coastal leases was $6.3 million in fiscal year 2015. During the 2016–17 biennium, the agency expects revenues of approximately $3.0 million per year from uplands leases and $4.5 million per year from coastal leases. Program appropriations total $1.3 million in All Funds in the 2016–17 biennium, including 9.2 FTE positions.

Overall, the management of state assets program area received $70.9 million from All Funds in the 2016–17 biennium and 212.4 FTE positions, which reflects an increase of $21.6 million in All Funds from 2014–15 biennial spending levels.

COASTAL CONSERVATION

The programs in this area include activities related to protecting and maintaining coastal resources and preventing and responding to oil spills.

COASTAL MANAGEMENT AND EROSION CONTROL PROGRAMS

The agency's coastal management and erosion control programs received an increase of $22.6 million from General Revenue Funds for coastal erosion grants in lieu of pass-through Sporting Goods Sales Tax (SGST) from the Texas

Parks and Wildlife Department, due to the enactment of House Bill 158, 2015, which changed the allowable uses of SGST.

GLO is the lead agency for coastal management in Texas and is charged with developing a long-term strategy for the protection and enhancement of the coastal environment and economy. The agency is responsible for 367 miles of Texas coastline and 3,300 miles of bay shoreline. GLO administers the Coastal Management Program (CMP) to meet federal coastal zone management guidelines. Appropriations for the CMP total $8.6 million in All Funds, including 16.5 FTE positions. The CMP identifies critical areas for protection and enhancement, including coastal erosion response and dune protection activities. The Land Commissioner in consultation with representatives from seven state agencies and four public appointees, has rule-making and grant-making authority for the CMP. The CMP awards 90.0 percent of the Federal Funds granted to universities, nonprofit organizations and coastal communities. GLO retains approximately 10.0 percent of CMP funds for program administration.

GLO is charged with addressing coastal erosion through the Coastal Erosion Response Projects program, which is appropriated $32.5 million in All Funds, and provides for 15.9 FTE positions. The program implements the Texas Natural Resources Code, Chapter 33, the Coastal Erosion Planning and Response Act, and provides funding for beach nourishment, dune restoration, shoreline protection, marsh restoration, structure and debris removal projects, and studies on shoreline change. During the 2014–15 biennium, 19 construction-related projects and nine studies were initiated. The agency estimates that 19 potential construction projects and nine potential studies will be initiated during the 2016–17 biennium. Projects may consist of one or more of the following: shoreline protection; beach nourishment; and marsh, wetland, and dune restoration. The Eighty-fourth Legislature, 2015, provided an increase of $4.5 million from General Revenue Funds for closure of the Rollover Pass on the Bolivar Peninsula, an amount when included with additional funding from agency appropriations ($1.3 million) provides $5.8 million for closure of the pass. The appropriation for pass closure reflects the refreshment of appropriation authority originally made by the Eighty-first Legislature, Regular Session, 2009. It is hoped closing the pass will reduce the impact of future storms. Delays in the federal permitting process, including a lawsuit challenging the permit that authorized the closure resulted in the original five-year life of the appropriation for the construction-related closure project expiring.

The federal Coastal Impact Assistance Program (CIAP) has an appropriation of $6.7 million in Federal Funds, which provides for 14.0 FTE positions to assist coastal states and intrastate political subdivisions with mitigating the effects of oil and gas production on the Outer Continental Shelf (OCS). The U.S. Fish and Wildlife Service administers CIAP funding.

OCS production activities have onshore effects, including the construction of related facilities, air and water quality changes, and the increased demand for infrastructure and public service needs due to an influx of an OCS workforce. CIAP is supported by revenue (Federal Funds) generated from offshore oil and gas lease royalties.

CIAP funds may be used only for one or more of the following purposes:

- projects and activities for the conservation, protection, or restoration of coastal areas, including wetlands;
- mitigation of damage to fish, wildlife, or natural resources;
- planning assistance and the administrative costs to comply with CIAP;
- implementation of a federally approved marine, coastal, or comprehensive conservation management plan; and
- mitigation of the effects of OCS production through funding of onshore projects for infrastructure public service needs.

A three-member Coastal Land Advisory Board appointed by the Governor makes recommendations to the Governor regarding the best use of state-level CIAP funds. The board prepares the Texas CIAP Plan for the Governor to submit to the U.S. Fish and Wildlife Service. The Governor designated GLO as the administrative agency for CIAP. Texas was awarded approximately $70.3 million from the federal grant award of CIAP funds in years 2009 and 2010, with $46.4 million dedicated for the state and $25.0 million for the 18 coastal counties. GLO has been distributing these funds in increments since fiscal year 2013, and some CIAP projects are continuing into the 2016–17 biennium.

In addition to its other coastal conservation activities, GLO recruits and coordinates activities of volunteers for beach cleanups along the Texas coast through its Adopt-a-Beach Program. Appropriations for the program total $0.2 million for the 2016–17 biennium. Cleanups are targeted for the spring, fall, and winter of each calendar year. During the fall 2015 cleanup, 7,427 volunteers removed 104 tons of trash from 116 miles of coastline.

OIL SPILL PROGRAMS

Pursuant to statute, GLO is the lead state agency responsible for preventing and responding to oil spills in coastal waters. The agency monitors the integrity of oil transport through Texas coastal waters and is able to quickly and efficiently respond to oil spills.

OIL SPILL PREVENTION

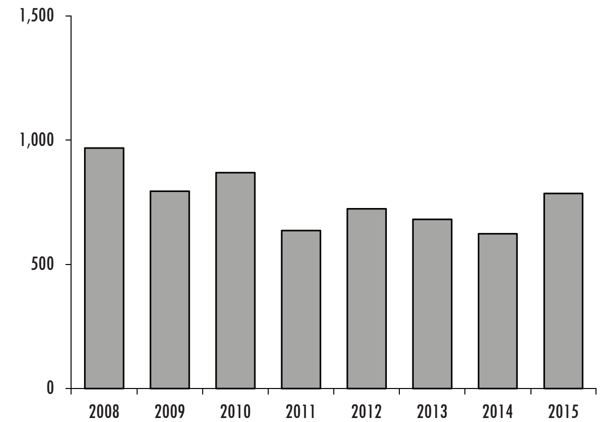
GLO addresses its Oil Spill Prevention program responsibilities in a number of ways through several subprograms and activities. The Small Spill Education Program provides practical ways and tools to avoid spills at marine fuel docks and transfer locations. The Bilge Water Reclamation Facility Program provides a no-cost option for commercial fishermen to offload oil-contaminated bilge water for processing and recycling. GLO personnel also routinely conduct boat and vehicle patrols in harbor and port areas to deter unauthorized oil discharges. The law also provides for the assessment of administrative penalties for persons responsible for causing spills, and penalties are routinely levied and collected. Furthermore, owners and operators of facilities and vessels responsible for a discharge must analyze the factors leading to the discharge and submit a written statement outlining corrective actions they have taken and how they will prevent future discharges. The Oil Spill Prevention Program is appropriated $9.6 million in the 2016–17 biennium, which includes 64.0 FTE positions.

OIL SPILL RESPONSE

Oil spill response functions are implemented through the network of five regional field offices that respond to all reported oil spills. Located in Calhoun, Cameron, Harris, Jefferson, and Nueces counties, field personnel are available to respond to spills 24-hours a day, 365 days per year. The program is funded at $7.9 million in All Funds, which provides for 15.0 FTE positions.

In addition to representing the state's interest during spill response, field personnel inspect and audit oil-handling facilities, conduct spill exercises and drills, and monitor vessel and facility transfers. In fiscal year 2015 the program responded to 785 spills. **Figure 312** shows GLO oil spill responses for fiscal years 2008 to 2015. The program receives funding from a $0.013 fee (per barrel) on crude oil loaded or unloaded in Texas ports by vessel, and the proceeds are deposited to the Coastal Protection Account (General Revenue–Dedicated Funds).

FIGURE 312
OIL SPILL RESPONSES IN TEXAS COASTAL WATERS
FISCAL YEARS 2008 TO 2015



SOURCE: General Land Office and Veterans' Land Board.

Due to the Deepwater Horizon (DWH) oil spill in 2010, Texas is expected to receive an estimated $1.1 billion, with about half of that amount coming from the Resources and Ecosystem Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States (RESTORE) Act. The Governor designated the Texas Commission on Environmental Quality (TCEQ) to administer the RESTORE Act funds. Along with TCEQ, GLO and the Texas Parks and Wildlife Department serve as the state's natural resources trustees for DWH funding. In October 2015, the BP company, five Gulf states, and the federal government agreed to a $20.8 billion settlement. Texas is expected to receive an estimated $818.3 million in accordance with this agreement, paid out across several years. Other funding sources include MOEX Offshore 2007 LLC, the National Fish and Wildlife Foundation, a separate agreement between BP and the state of Texas, and economic damages. During the 2016–17 biennium, GLO expects to receive National Fish and Wildlife Foundation Gulf Environmental Benefit grants for shoreline and marsh restoration projects along the upper coastal bend.

OIL SPILL RESEARCH AND DEVELOPMENT

Program appropriations of $2.4 million in the 2016–17 biennium, which provide for 5.0 FTE positions to conduct oil spill-related research relating to dispersants, shoreline cleaners, bioremediations studies, and high-frequency radar.

Total appropriations for this area are $67.9 million in the 2016–17 biennium and 130.4 FTE positions. This amount reflects a decrease of $19.2 million in Federal Funds from 2014–15 biennial spending levels, primarily for completed coastal erosion, beach, and dune restoration, and recreational amenities projects.

VETERANS' PROGRAMS

The Veterans' Land Board (VLB), with two public members and the Land Commissioner as chair and administrator, was established by the Legislature in 1946. The VLB administers and markets three major benefit programs for Texas veterans: (1) low-interest land and home loans, (2) cemetery operations, and (3) oversight of the operation of long-term skilled nursing homes. Qualified Texas veterans may participate in all three programs. In addition to these three programs, GLO has program funds to construct cemeteries and to market the benefit programs and provide customer service to veterans using the benefit programs.

VETERANS' LAND BOARD MARKETING AND CUSTOMER SERVICE

The program is appropriated $10.1 million from All Funds in the 2016–17 biennium, which provides for 57.0 FTE positions to respond to inquiries benefits and services offered by the VLB and the U.S. Department of Veterans Affairs (VA). Funds are used to maintain the VLB website and manage multiple veteran, lender and real estate agency databases to provide support for direct mail marketing, social media, television, radio, and internet advertising.

VETERANS' LAND AND HOUSING – LOAN OPERATIONS

The VLB administers a self-supporting program that provides low-interest, 30-year term loans of up to $125,000 to Texas veterans for the purchase of land. Since its inception, and as of August 2015, the program has made more than 127,000 land loans to Texas veterans. Two other loan programs aid veterans in purchasing and improving their homes. The Veterans' Housing Assistance Program enables an eligible veteran to borrow up to $417,000 to buy a home. Since it began in 1984, this program has made more than 89,453 home loans, as of August 2015. The Veterans' Home Improvement Program enables eligible veterans to borrow up to $25,000 for home improvements. Since 1986, the program has provided more than 4,970 home improvement loans, as of August 2015.

Figure 313 shows the loan activity for fiscal years 2008 to 2015. The agency's programs are financed with fees and constitutionally authorized General Obligation Bond Proceeds (Other Funds) that are repaid by the veterans participating in the programs. This program was appropriated $9.8 million in the 2016–17 biennium, which provides for 55.0 FTE positions.

FIGURE 313
VETERANS' LAND BOARD LOAN ACTIVITY
FISCAL YEARS 2008 TO 2015

FISCAL YEAR	LAND LOANS	HOUSING LOANS	HOME IMPROVEMENT LOANS
2008	598	3,497	42
2009	526	2,744	97
2010	571	1,405	169
2011	628	1,747	170
2012	550	1,494	200
2013	798	1,963	252
2014	929	2,030	230
2015	1,193	1,527	342

SOURCE: General Land Office and Veterans' Land Board.

STATE VETERANS' HOMES PROGRAMS

VLB also administers the Texas State Veterans' Home Program, with appropriations of $7.7 million from All Funds and 46.1 FTE positions to provide long-term care for qualified veterans, their spouses, and certain parents of deceased veterans. Daily operations of the veterans' homes are the responsibility of contract operators. In addition to its program-management responsibilities, VLB provides each veterans' home with full-time staff who are responsible for ensuring that the contract operators are complying with the terms of the management agreement and delivering quality care. These staff also assist with marketing activities such as distributing information to the community and assisting potential residents and their families with admission application forms.

Skilled nursing facilities for veterans are located in Big Spring, Bonham, El Paso, Floresville, McAllen, Temple, Amarillo, and Tyler. The program is a partnership among the VA, VLB, and private-sector healthcare providers. It has significant administrative participation from TVC, Veterans

County Service Officers, and veterans' organizations in the communities in which the homes are located. The homes provide skilled nursing care; specialized services such as physical, speech, and occupational therapy; and a wide range of recreational and educational activities. Operating costs for the skilled nursing homes are financed by the participating veterans' Social Security benefits, a VA per diem subsidy, Medicare/Medicaid payments, disability entitlements, private insurance, and personal income.

Appropriations for all veterans' programs in the 2016–17 biennium total $42.3 million in All Funds, including 193.9 FTE positions, which reflects a decrease of $1.2 million in Federal Funds from 2014–15 biennial spending levels, primarily for completed construction and improvement projects at veterans' cemeteries in Killeen and Mission.

CEMETERY OPERATIONS AND CEMETERY CONSTRUCTION PROGRAMS

VLB has authorization to construct and operate up to seven state veterans' cemeteries. These cemeteries are designed, constructed, and equipped through grants from the VA. After cemetery construction is completed, VLB owns and operates the cemetery and funds most of the cost of operations. These cemeteries serve veterans, their spouses, and their dependents that are not already served by one of the four national cemeteries in Texas. The VLB operates four veterans cemeteries in Abilene, Corpus Christi, Killeen and Mission. Funding for the cemetery operations program total $9.2 million from All Funds in the 2016–17 biennium, which includes 22.4 FTE positions. The cemetery construction program was appropriated $5.5 million from All Funds, which provides for 13.4 positions.

OTHER PROGRAM AREAS

Appropriations for the 2016–17 biennium for Other Program Areas total $5.8 million including 33.5 FTE positions. GLO serves as the custodian of original land grant records (some dating to 1720), maps and other records of historic significance to Texas through activities in its Archives and Records program ($3.8 million and 20.4 positions). In addition to preserving historic records, the program digitizes records for use by the public, and assists the public with genealogical, land title, historical and mineral rights research. Through its activities in the Surveying and Tide Gauge program ($2.0 million and 13.1 positions), GLO defines boundaries of Permanent School Foundations properties, and uses tide gauges to document beach erosion and maintain coastal boundaries, including boundaries of state-owned submerged land.

SIGNIFICANT LEGISLATION

House Bill 158 – Allowable uses of the sporting goods sales tax (SGST). The enactment of House Bill 158 amended the allowable use of the tax collected on the sale of sporting goods. Formerly, GLO had received pass-through funds from this source from the Texas Parks and Wildlife Department for coastal erosion projects. The Eighty-fourth Legislature, 2015, provided GLO with $22.6 million in General Revenue Funds in lieu of SGST.

TEXAS LOW-LEVEL RADIOACTIVE WASTE DISPOSAL COMPACT COMMISSION

PURPOSE: To ensure that the compact between Texas and Vermont to manage low-level radioactive waste generated within the two states is upheld by cooperating to protect the health, safety, and welfare of their citizens and the environment; and by providing for and encouraging the economical management and disposal of low-level radioactive waste.

ESTABLISHED: 1998

AUTHORIZING STATUTE: The Texas Health and Safety Code, Chapter 403

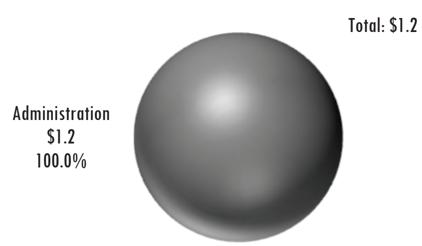
GOVERNANCE: Compact Commission—six members from Texas, two members from Vermont, each appointed by their respective governors

FIGURE 314
TEXAS LOW-LEVEL RADIOACTIVE WASTE DISPOSAL COMPACT COMMISSION BY METHOD OF FINANCE

METHOD OF FINANCE	EXPENDED/ BUDGETED 2014–15 (IN MILLIONS)	APPROPRIATED 2016–17 (IN MILLIONS)	BIENNIAL CHANGE (IN MILLIONS)	PERCENTAGE CHANGE
General Revenue Funds	$0.0	$0.0	$0.0	N/A
General Revenue–Dedicated Funds	$0.5	$1.2	$0.7	140.4%
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	**$0.5**	**$1.2**	**$0.7**	**140.4%**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2016	2.0
2017	2.0

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

Approximately **$31.5 million in fees** have been remitted to the state for **waste disposed** by Texas Compact generators and nonparty generators **since April 2012**.

The commission expects that by the end of fiscal year 2017, **93.0 percent of the volumetric capacity** in the compact waste disposal facility is expected to **remain available**.

SOURCE: Legislative Budget Board.

MAJOR FUNDING

The Compact Commission receives $583,289 in appropriations out of the General Revenue–Dedicated Low-Level Radioactive Waste Disposal Compact Commission (LLRWDCC) Account No. 5151 in each fiscal year. The Legislature chose to provide funding for the 2016–17 biennium at a level equal to the amount appropriated to the commission in the 2014–15 biennium.

PROGRAMS

LLRWDCC is an interstate compact approved by the Texas Legislature in 1993 and subsequently ratified by the U.S. Congress in 1998. In accordance with the terms of the compact, Texas is to be the host state for a disposal site for compact participants, which include Texas and Vermont.

The commission carries out its responsibilities of ensuring the terms of the agreement's language are followed by administratively supporting the functions of the commission. These terms include making estimates for the quantity of waste generated within the compact member states for disposal during a period ending in 2045, and then assuring that the annual volume limits and the proportional disposal volume limits stated in the agreement are met. As a part of the function, LLRWDCC is authorized to grant permission to in-compact generators to export waste to disposal sites outside the compact and to enter into agreements that would allow out-of-compact generators to dispose of waste in the Texas compact for management or disposal in accordance with prescribed parameters. Commission staff support the functions of the LLRWDCC.

The agreement provides that each party state is to provide financial support for LLRWDCC's activities before the date of facility operation. Funding for LLRWDCC operations comes from the General Revenue–Dedicated LLRWDCC Account, which consists of revenue from a surcharge on facility disposal fees specifically assessed to cover administrative costs of the compact. Proportional contributions from the state of Vermont to cover LLRWDCC costs are expected to continue. The commission is authorized 2.0 full-time-equivalent positions, although the LLRWDCC uses contractors to perform necessary administrative duties. The commission is specifically exempted from limitations on state employment levels contained in the Eighty-fourth Legislature, General Appropriations Act, 2016–17 Biennium.

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

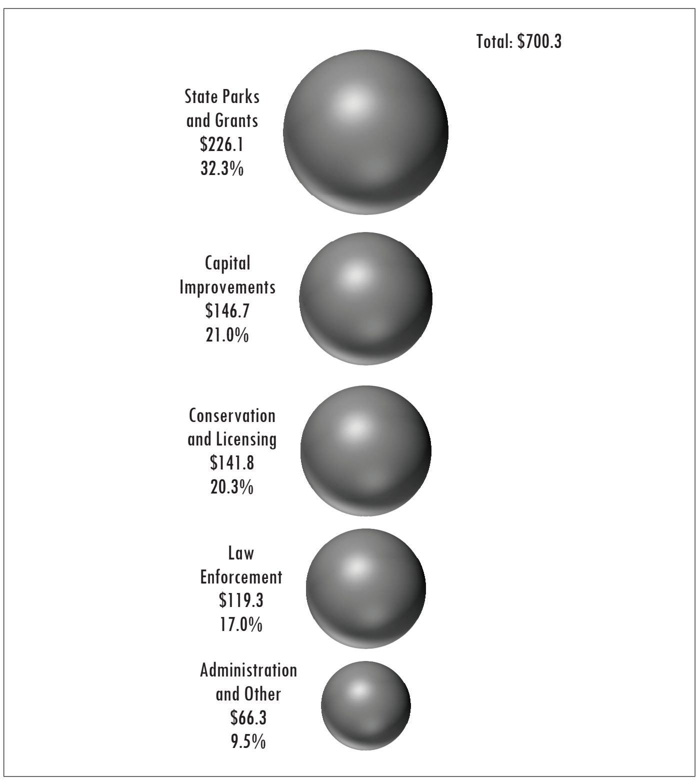
GOVERNANCE: Texas Parks and Wildlife Commission – nine members appointed by the Governor with advice and consent of the Senate

FIGURE 315
PARKS AND WILDLIFE DEPARTMENT BY METHOD OF FINANCE

	IN MILLIONS			
METHOD OF FINANCE	**EXPENDED/ BUDGETED 2014–15**	**APPROPRIATED 2016–17**	**BIENNIAL CHANGE**	**PERCENTAGE CHANGE**
General Revenue Funds	$197.4	$200.9	$3.5	1.8%
General Revenue–Dedicated Funds	$291.0	$400.1	$109.1	37.5%
Federal Funds	$143.5	$73.9	($69.7)	(48.5%)
Other Funds	$84.5	$25.5	($59.0)	(69.9%)
Total, All Methods of Finance	**$716.4**	**$700.3**	**($16.1)**	**(2.3%)**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2016	3,143.2
2017	3,143.2

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

State Parks operations funding totals $172.5 million. Grant funding includes $32.0 million for **local parks** and $21.7 million for boating access and other recreational opportunities.

One hundred percent, $261.1 million, of the estimated **Sporting Goods Sales Tax** revenue available to the agency is appropriated. This amount is an **increase of $120.7 million, or 85.9 percent**.

An additional **$32.6 million, or 28.6 percent**, is provided for **capital Improvements projects**. These projects include **$91.0 million** from the General Revenue–Dedicated **Deferred Maintenance Account.**

Appropriations of **$119.3 million** support positions for **549 game wardens** performing law enforcement duties. This number includes **49 game wardens** dedicated to **border security** efforts.

MAJOR FUNDING

Appropriations to the Texas Parks and Wildlife Department (TPWD) for the 2016–17 biennium decreased by $16.1 million, or 2.3 percent, in All Funds from the 2014–15 biennial funding level. The decrease is primarily due to a decrease in estimated Federal Funds of $69.7 million and Other Funds totaling $59.0 million. These decreases are partially offset by increases in General Revenue Funds of $3.5 million and General Revenue–Dedicated Funds of $109.1 million. A portion of the estimated decreases ($95.5 million) in Federal Funds and Appropriated Receipts (Other Funds) may change as the agency receives additional federal grants, unanticipated donations, or other new funding over the course of the biennium.

The agency's budget includes appropriations from the General Revenue Fund and Unclaimed Refunds of Motorboat Fuel Tax (URMFT). URMFT is the amount of fuel tax revenue estimated to be used for motorboats and eligible for a motor fuels tax refund, but for which no refund form is submitted. State law allocates 75.0 percent of all revenues collected from URMFT for TPWD, which can be used for any purpose in the agency. Any unappropriated URMFT revenue remaining of less than the 75.0 percent limit remains in the General Revenue Fund. General Revenue Funds and General Revenue–Dedicated Funds also include Sporting Goods Sales Tax (SGST) transfers to four General Revenue–Dedicated accounts: the State Parks Account No. 64; the Texas Recreation and Parks Account No. 467; the Large County and Municipality Recreation and Parks Account No. 5150; and the Texas Parks and Wildlife Conservation and Capital Account No. 5004. SGST is not a separate tax. It consists of the proceeds from taxes imposed on the sale, storage, or use of sporting goods that TPWD is statutorily eligible to receive. The allocation of SGST in the 2016–17 biennium to the separate General Revenue–Dedicated accounts is determined by the amounts appropriated due to the enactment of House Bill 158 and Senate Bill 1366, Eighty-fourth Legislature, 2015.

For the 2016–17 biennium, the Legislature appropriated $261.1 million, the maximum amount of SGST estimated to be available, including amounts for employee benefits and debt service payments. This amount reflects an increase of $120.7 million, or 85.9 percent, from the 2014–15 biennial spending level. In previous biennia, the full amount available to TPWD was not appropriated, and the unappropriated portion was retained in the General Revenue Fund. Since the 2008–09 biennium, the Comptroller of Public Accounts has estimated the amount of SGST that will be available. In accordance with current law, 94.0 percent of this amount is available to be appropriated to TPWD, and the remaining 6.0 percent is available to be appropriated to the Texas Historical Commission. HB 158 and SB 1366, 2015, grant the Legislature discretion for the distribution of SGST to the four General Revenue–Dedicated accounts that receive SGST transfers, rather than the predetermined percentage to each in accordance with previous law. The result of these changes is that more funding was made available from SGST for state park operations and capital improvements than in previous biennia. As in previous biennia, any unappropriated SGST revenue remains in the General Revenue Fund where it is initially deposited. **Figure 316** shows fiscal years 2014 expended and 2015 budgeted amounts of SGST funding compared to 2016–17 biennial appropriations.

General Revenue Funds and General Revenue–Dedicated Funds for the agency increased by $3.5 million from the 2014–15 spending level due to:

- a net increase of $35.6 million in all SGST funds appropriated directly to TPWD, for a total of $157.5 million;
- a decrease of $19.6 million in General Revenue Funds primarily as the result of method of finance swaps to maximize the use of SGST and General

FIGURE 316
SPORTING GOODS SALES TAX FUNDING, 2014–15 AND 2016–17

(IN MILLIONS) PURPOSE	EXPENDED/BUDGETED 2014–15 BIENNIUM	APPROPRIATED 2016–17 BIENNIUM	DIFFERENCE
Direct Appropriations	$121.9	$157.5	$35.6
Benefits and Debt Service	$18.6	$49.1	$30.6
Transferred to Deferred Maintenance Account	N/A	$54.5	$54.5
Total	**$140.5**	**$261.1**	**$120.7**

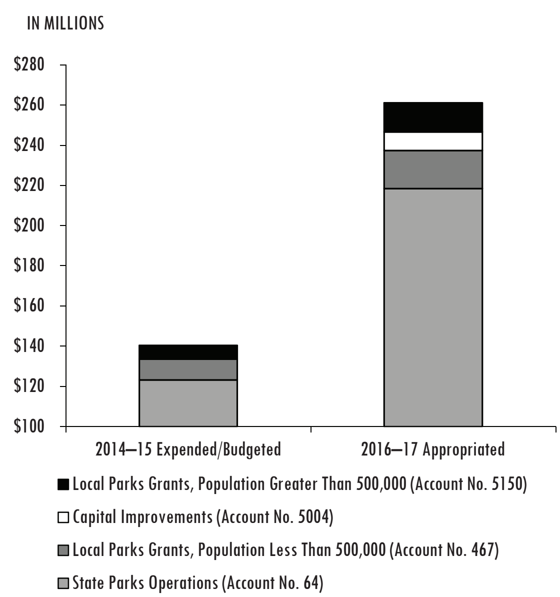
SOURCE: Legislative Budget Board, Eighty-fourth Legislature, General Appropriations Act, 2016–17 Biennium, Article IX, Section 18.09.

Revenue–Dedicated Funds in the agency's budget. These reductions were partially offset by increases of $10.3 million for recreation grants, $5.3 million for 19.0 additional game warden full-time-equivalent (FTE) positions related to border security, and $2.0 million for the transfer of the Texas Farm and Ranch Lands Conservation Program; and

- a reduction of $12.5 million in URMFT to maximize the usage of available SGST.

Appropriations of General Revenue–Dedicated Funds increased by $109.1 million from 2014–15 biennial spending levels. Appropriations include $91.0 million from the General Revenue–Dedicated Deferred Maintenance Account No. 5166, an account established by Senate Bill 2004, Eighty-fourth Legislature, 2015. Appropriations made from the account are funded from transfers from other methods of financing in the agency's budget, including $47.9 million from SGST transfers (**Figure 317**) to the General Revenue–Dedicated State Parks Account No. 64, $27.6 million from the General Revenue Fund, $8.9 million from the General Revenue–Dedicated Game, Fish, and Water Safety Account No. 9, and $6.6 million from SGST transfers to the Conservation and Capital Account No. 5004. Appropriations

FIGURE 317
TOTAL SPORTING GOODS SALES TAX TRANSFERS BY GENERAL REVENUE–DEDICATED ACCOUNT 2014–15 AND 2016–17 BIENNIA



SOURCE: Legislative Budget Board, Eighty-fourth Legislature, General Appropriations Act, 2016–17 Biennium.

from the State Parks Account increased by $14.2 million for various projects, which primarily include $4.7 million as part of a method of finance swap for Data Center Services, $2.7 million for development of the Palo Pinto Mountains State Park, $2.5 million for minor repairs at state parks, $2.2 million for improvements and operations of state parks business systems, $2.0 million for state park vehicle replacements, and $1.5 million for salary increases for state park peace officers, and a decrease of $1.8 million for onetime expenses in the 2014–15 biennium. Appropriations from the Game, Fish, and Water Safety Account increased by $4.6 million, including $4.6 million as part of a method of finance swap for Data Center Services, $2.1 million for coastal and inland fisheries capital projects, $1.0 million for wildlife division capital projects, $0.9 million for quail study and habitat development, $0.5 million for game warden salary increases, $0.5 million for agency modernization and equipment upgrades, $0.4 million for coastal habitat monitoring, and $0.3 million for oyster reef enhancement, partially offset by reductions for onetime expenditures in the 2014–15 biennium. Appropriations to the General Revenue–Dedicated Lifetime License Endowment Account No. 544 decreased by $0.8 million, or 75.2 percent, from 2014–15 biennial spending levels due to reduced anticipated available funding in the account for hunting and other wildlife oriented recreation opportunities.

Federal Funds for TPWD decreased by $69.7 million, or 48.5 percent, from the 2014–15 biennial spending level based upon agency estimates. These amounts could change if additional funding becomes available to the agency during the biennium.

Other Funds for the agency decreased by $59.0 million, or 69.9 percent. The decreases include $25.8 million from Appropriated Receipts primarily for anticipated fluctuations in donations, $25.4 million from bond proceeds, $5.8 million from the Economic Stabilization Fund for the onetime purpose of recovery efforts at Bastrop State Park following a wildfire, and $2.2 million from Interagency Contracts primarily for border security efforts with the Department of Public Safety. Like Federal Funds, the appropriated amounts from Appropriated Receipts reflect existing agreements and could increase as the agency receives reimbursements, donations and gifts, and other revenues that are not part of the revenue streams for General Revenue–Dedicated accounts.

PROGRAMS

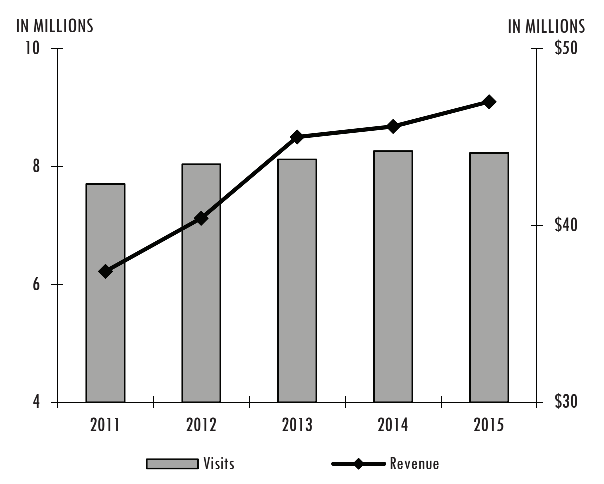
TPWD fulfills its mission of conserving natural and cultural resources of the state and providing hunting, fishing, and outdoor recreation opportunities through five program areas: (1) state parks and grants; (2) capital improvements; (3) conservation and licensing; (4) law enforcement; and (5) administration and other programs.

STATE PARKS AND GRANTS

The state parks and grants program area includes two main functions: (1) operation and support of state parks and (2) providing grants to local parks and for boating access and other recreation opportunities.

The State Parks Operations program operates and maintains state parks, state historic sites, and state natural areas. Texas has 91 of these facilities that are open to the public, and visitation totaled 8.2 million in fiscal year 2015. **Figure 318** shows total visits, including paid and those not subject to fees, and total revenue collected from state park users. Growth in revenue has outpaced growth in visitation since 2013 due to increased sales of pre-paid park passes and concessions, including swimming pool and golf course access. Revenue from entrance fees is deposited in the General Revenue–Dedicated State Parks Account No. 64 and is used for state park operations and capital improvements. State Park Operations is the largest single program in the TPWD budget, totaling $139.1 million in All Funds, an increase of $1.5 million, or 1.1 percent. The increase is primarily the result of an additional $5.5 million from the Sporting Goods Sales Tax transfer to the State Parks Account for state parks staffing and operations expenditures and $2.0 million for vehicle replacements, partially offset by decreases of $4.0 million from the Economic Stabilization Fund for recovery from the Bastrop State Park wildfires in 2011, $1.9 million from Appropriated Receipts, and $0.5 million in Federal Funds.

FIGURE 318
STATE PARKS REVENUE AND VISITS
FISCAL YEARS 2011 TO 2015



SOURCE: Texas Parks and Wildlife Department.

The State Parks Visitor Services and Public Safety program provides interpretive services to explain the meaning and significance of natural and cultural resources at parks, historic sites, and natural areas, including guided tours and camping workshops such as Texas Outdoor Family, in addition to administrative functions such as the reservation center, managing concessions and concessionaires, sales, managing exhibit shops, and community outreach. This program also provides state parks law enforcement officers, who are peace officers assigned to state parks, and are now trained at the Game Warden Academy. These officers are distinct from the game wardens included in the law enforcement program area. Funding for this program totals $15.0 million in All Funds, an increase of $3.4 million, or 29.1 percent. This increase is the result of $2.1 million for state park visitation and business system operations and improvements and $1.4 million from the State Parks Account No. 64 for state park peace officer salary increases.

The parks minor repair program provides for routine and preventative maintenance of facilities at state parks. These maintenance projects are intended to keep state parks functioning in a clean, safe manner and reduce the need for major repairs. Most of the funding for this program is included in the agency's capital budget due to the threshold for project capital expenses. Appropriations for the program total $9.9 million in All Funds, an increase of $1.7 million, or 20.5 percent, as a result of an additional $2.5 million from the State Parks Account, partially offset by a decrease of $0.8 million in Federal Funds.

The parks support program includes management of the function and programs in the State Parks Division that directly support state park operations, visitor services, and public safety. These functions include management of natural and cultural resources, interpretive services, management of exhibits, management of state parks law enforcement officers, and management of business activities such as visitor reservations and entrance fee collection. Funding for the program totals $8.5 million in All Funds, an increase of $0.3 million, or 3.6 percent, primarily as a result of the agency's internal reallocation of FTE positions to the program from the State Parks Operations program.

Within the Recreation Grants Assistance program, TPWD provides grants to local units of government and other entities to further outdoor recreation opportunities and enjoyment of natural and cultural resources managed by local governments or private organizations. The agency primarily provides 50.0 percent matching grants to local governments and other entities, or direct assistance grants to provide the requisite matching funds to qualify for grants from the federal government or other sources. Although most projects are selected through competition, projects specified by the Legislature include $9.0 million for a grant to the Texas State Aquarium, $3.0 million for grants to local parks in San Antonio, $2.5 million for grants to local parks and museums in Houston, and $0.2 million for grants to local parks in Angleton. Program funding totals $53.6 million in All Funds, of which $32.0 million is for local parks grants and $21.7 million is for boating access and other grants. The total is an increase of $1.4 million, or 2.7 percent.

Funding for the state parks and grants program area totals $226.1 million in All Funds, an increase of $8.3 million, or 3.8 percent from the 2014–15 biennial funding level.

CAPITAL IMPROVEMENTS

The capital improvements program area includes most of the agency's capital budget and management of associated functions. The program area previously included the General Land Office Interagency Contract for Coastal Erosion Programs, which was funded with $22.6 million to provide funding for coastal erosion projects. The Interagency Contract, which was established in the 2008–09 biennium, is no longer an allowable use of the Sporting Goods Sales Tax transfer to the General Revenue–Dedicated State Parks Account No. 64 due to the enactment of HB 158, Eighty-fourth Legislature, 2015. Funding for those projects is now included in the General Land Office (GLO) budget with General Revenue funding.

The capital construction and project delivery program carries out capital improvements and major repairs to facilities and sites throughout the agency. The program includes architectural and engineering design, project management, a memorandum of understanding agreement between TPWD and the Texas Department of Transportation, and other related activities. In 2015, the agency maintained more than 3,000 structures and more than 13,000 assets as part of its infrastructure. Program funding totals $137.9 million All Funds, an increase of $56.4 million, or 69.3 percent. This amount includes $91.0 million from the General Revenue–Dedicated Deferred Maintenance Account No. 5166 for deferred maintenance projects, including $25.0 million intended to be used for structural repairs to the Battleship Texas. Other increases include $3.5 million from the Sporting Goods Sales Tax transfer to the State Parks Account for a new visitor center at Franklin Mountains State Park, and $2.7 million from the State Parks Account for development of the Palo Pinto Mountains State Park. These increases are partially offset by decreases of $25.4 million in bond proceeds, $6.5 million from Appropriated Receipts, $6.1 million in Federal Funds, and $1.8 million from the Economic Stabilization Fund that was appropriated for recovery from wildfires in 2011.

The debt service program manages debt service requirements related to revenue bonds issued for infrastructure improvements and maintenance. Appropriations for General Obligation bond debt service for TPWD are provided in the Texas Public Finance Authority (TPFA) budget. Debt service funding totals $6.2 million in General Revenue Funds, a decrease of $0.6 million, or 9.4 percent, as a result of adjustments made to scheduled payments as prescribed by TPFA.

The land acquisition program carries out capital budget authority for acquisition of land and other real property. The program includes $2.0 million in General Revenue Funds for the Texas Farm and Ranch Lands Conservation Program, which was transferred from GLO to TPWD with the enactment of House Bill 1925, Eighty-fourth Legislature, 2015. Funding for the program totals $2.6 million in All Funds, a decrease of $0.7 million, or 22.0 percent, predominately as a result of $2.1 million in Federal Funds and $0.4 million in Appropriated Receipts that were available in the 2014–15 biennium and are not anticipated to be available in the 2016–17 biennium.

The capital improvements program area funding totals $146.7 million in the 2016–17 biennium, an increase of $32.6 million, or 28.6 percent.

CONSERVATION AND LICENSING

The conservation and licensing program area includes the programs associated with the Wildlife Division of the agency, including protection and management of game and nongame animal species, freshwater and saltwater aquatic life habitats, and hunting and fishing activities. The program area also includes functions related to the sale of hunting and fishing licenses and boat registration.

GAME AND WILDLIFE CONSERVATION

The wildlife conservation program provides for the regulation and management of big game species, small game species, nongame species; and protection of endangered, threatened, and rare species. The program is responsible for the management and operation of wildlife management areas that are established to perform research on wildlife populations and habitat, provide education on resource management, and provide outdoor recreation opportunities to the public. Texas has 47 wildlife management areas representing most ecological regions of the state. The program also conducts wildlife and harvest surveys, facilitates collaboration with universities to conduct research, issuing permits to take and hold captive wildlife, development of wetlands and other habitats, and assessing the effects of human activities on wildlife. Program appropriations total $45.0 million in All Funds, a decrease of $26.6 million, or 37.2 percent.

The hunting and wildlife recreation program is responsible for enhancing hunting and other recreation opportunities. It manages public hunting permits to enable walk-in hunting on TPWD-owned and -leased land, public hunting drawings for limited numbers of supervised or guided hunting opportunities on certain state-owned land or leased private property, youth hunting programs, and wildlife and paddling trails. Funding for the program totals $5.3 million in All Funds, a decrease of $0.2 million, or 4.0 percent.

The Technical Guidance program provides assistance and information to private landowners and the public on programs such as the Private Lands and Public Hunting program, which supports landowners engaging in voluntary habitat conservation practices through a written wildlife management plan and providing cost-share assistance. According to the agency, more than 8,000 landowners operating almost 30.0 million acres of the state have received this service from TPWD. Appropriations for the Technical Guidance program total $5.2 million in All Funds, a decrease of $0.6 million, or 9.9 percent.

AQUATIC CONSERVATION

The Artificial Reef program oversees the development and maintenance of artificial reefs off the Texas coast and evaluates the use of artificial reefs by marine species and humans. The program repurposes structures such as boats, oil rig platforms, deconstructed bridges, and other items to assemble the reefs. Funding for the program totals $1.0 million, a decrease of $9.7 million, or 91.1 percent. The program is entirely funded by Appropriated Receipts, and the decrease is attributable to a onetime $10.0 million donation made in fiscal year 2014.

The Coastal Fisheries Resource Management program provides oversight of the Coastal Fisheries Division of the agency. The program includes field offices that monitor and assess marine life populations and environmental conditions. Funding for the program totals $13.8 million in All Funds, a decrease of $10.6 million, or 43.3 percent.

The Coastal Fisheries Science and Policy Resources program is another program related to coastal fisheries management. It includes research and assessment programs, such as species population health, investigation of pollution and fish kill incidents, implementation of habitat restoration projects, and management of invasive plant and animal species. Funding for this program totals $8.9 million in All Funds, a decrease of $1.4 million, or 13.6 percent.

The Coastal Hatcheries Operations program stocks fish in coastal waters for recreational fishing. Three saltwater hatcheries raise and release juvenile red drum and spotted speckled trout, in addition to conducting research on fish genetics, marine habitats, and the effects of stocking on wild populations. Funding for Coastal Hatcheries Operations totals $6.1 million in All Funds, a decrease of $0.9 million.

The Freshwater Fisheries Conservation program provides management and oversight of the Inland Fisheries Division and conducts surveys of fish populations, habitats, and anglers to determine status and needs of the freshwater fisheries resources of the state. Appropriations for the program total $16.2 million in All Funds, a decrease of $4.7 million, or 22.5 percent.

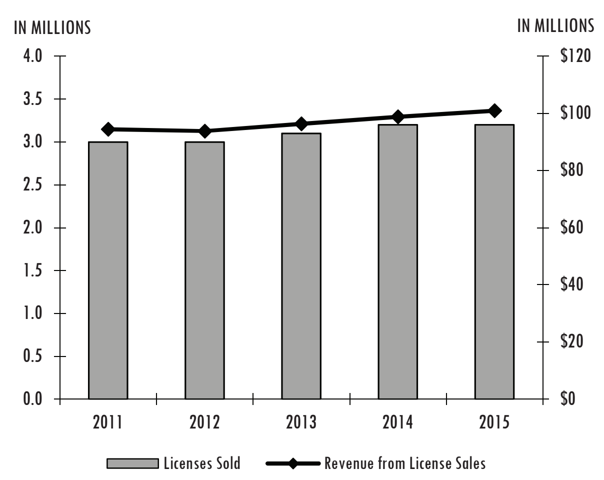
The other program affiliated with the Inland Fisheries Division is the Inland Habitat Conservation program. This program manages efforts to contain aquatic invasive species such as giant salvinia, hydrilla, and zebra mussels. Other functions include pollution response and restoration, stream flow studies, implementation of species recovery plans, and permitting for the sale of marl, sand, gravel, and shells taken from Texas bodies of water. Appropriations for Inland Habitat Conservation total $11.0 million in All Funds, an increase of $2.6 million, or 31.3 percent.

Inland Hatcheries Operations provide stocked fish for freshwater fisheries. The program operates five hatchers, producing various species of sportfish and conducting aquaculture research. Funding for the Inland Hatcheries Operations program totals $11.3 million in All Funds, an increase of $0.6 million, or 5.3 percent.

LICENSING

The license and boat revenue program oversees the sale of recreational and commercial hunting and fishing licenses and boat registration and titling. Hunting and fishing licenses can be purchased in person at a licensing agent or TPWD office, with a mail-in application, by telephone, or online. Boat registration and titling can be conducted in person at TPWD law enforcement offices, TPWD headquarters, and participating county tax assessor-collector or with a mail-in application; registration renewals only can be completed online. **Figure 319** shows actual hunting and fishing license sales and revenue from fiscal years 2011 through 2015. Revenue from license sales and titling is deposited in the General Revenue–Dedicated Game, Fish, and Water Safety Account No. 9 and used for various conservation and law enforcement purposes. Revenue from certain sources is limited to uses related to the revenue source; for example, migratory game bird stamp revenue can only be appropriated for purposes related to management and research of migratory game birds and their habitats. Appropriations for this program total $18.1 million in All Funds, an increase of $0.3 million, or 1.5 percent.

FIGURE 319
HUNTING AND FISHING LICENSE SALES AND REVENUE
FISCAL YEARS 2011 TO 2015



NOTE: Reflects both personal and commercial license sales.
SOURCE: Texas Parks and Wildlife Department.

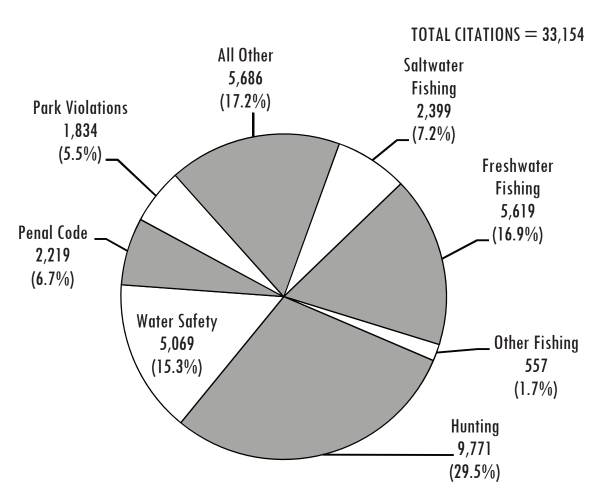
Appropriations for the conservation and licensing program area total $141.8 million in All Funds, a decrease of $51.2 million, or 26.5 percent.

LAW ENFORCEMENT

The law enforcement program area includes the operation, training, and support of game wardens throughout the state, including those dedicated to the border region for border security efforts. The program area does not include state parks peace officers, who are part of the State Parks Visitor Services and Public Safety program.

Enforcement programs enforce the game, fish, and water safety laws of the state through public education, crime prevention, and apprehension of offenders. TPWD maintains 28 law enforcement offices throughout the state that support 549.0 game warden FTE positions and provide services to the public such as sale of licenses, boat registration and titling, and education. The citations made by game wardens in fiscal year 2015 is shown in **Figure 320**. In addition to general law enforcement and enforcement of game, fish, and water safety laws, the program provides disaster response and homeland security activities. During the 2016–17 biennium, 49 game wardens will be dedicated to border counties, including those sharing a land border with Mexico and counties on the Gulf Coast, for border security purposes. TPWD participated in Operation Strong Safety II (OSS II) during the 2014–15 biennium and received supplemental funding for its participation. Appropriations for enforcement

FIGURE 320
CITATIONS ISSUED BY PARKS AND WILDLIFE
LAW ENFORCEMENT DIVISION, FISCAL YEAR 2015



NOTE: Does include state parks peace officers.
SOURCE: Texas Parks and Wildlife Department.

programs total $111.4 million in All Funds, a decrease of $1.7 million, or 1.5 percent. The decrease is predominately the result of General Revenue Funds decreasing by $6.0 million as a result of OSS II funding received by the agency in fiscal year 2015 not continuing in the 2016–17 biennium. An Interagency Contract established through a Memorandum of Understanding (MOU) totaling $1.7 million with the Department of Public Safety (DPS) provided additional funding for border security activity in the 2014–15 biennium. A new Interagency Contract and MOU with DPS for the 2016–17 biennium provides funding for TPWD to participate in Operation Secure Texas for an indeterminate period of time.

The Game Warden Training program administers and operates the Texas Game Warden Training Center to train new game warden cadets and prepare them for the peace officer licensing exam. Beginning in 2015, new parks peace officers are also trained in this program. The training center offers continuing education training to game wardens and training to outside law enforcement entities. Appropriations for the program total $2.7 million in All Funds, a decrease of $41,815, or 1.5 percent, primarily as a result of an internal agency realignment of 2.5 FTE positions to other programs.

The law enforcement support program provides management of the Law Enforcement Division, including administrative functions such as budgeting, coordination and implementation of policies and procedures, and oversight. Funding for the program totals $5.2 million in All Funds, an increase of $0.2 million, or 4.6 percent.

Funding for law enforcement in the 2016–17 biennium totals $119.3 million in All Funds, a decrease of $1.5 million, or 1.2 percent.

ADMINISTRATION AND OTHER PROGRAMS

The administration and other programs include programs related to the Administrative Resources, Communications, Human Resources, Information Technology, and Legal divisions, and the noncapital functions of the Infrastructure Division. This program area provides statewide administrative support to TPWD and mass communication to the public or targeted constituencies.

The IT, accounting control, and agency services program provides the primary administration and management of the agency. The executive office coordinates activities related to the Parks and Wildlife Commission and outside entities, such as the Legislature and Texas Parks and Wildlife Foundation. The program implements information technology solutions to support the agency's functions, including customer service applications. Other functions performed by the program include financial and accounting services, human resources, legal services, warehouse management, purchasing and contracting, management of the Historically Underutilized Businesses program, headquarters complex facility management, risk management, and agencywide records management. Appropriations for the program total $51.1 million in All Funds, an increase of $2.0 million, or 4.2 percent. The increase includes $0.7 million in General Revenue Funds from the Unclaimed Refunds of Motorboat Fuel Tax to fully fund agency obligations for Data Center Services, $0.5 million from the General Revenue–Dedicated Game, Fish, and Water Safety Account No. 9 for contracts related to Data Center Consolidation and business services.

The communication production and services program includes production and publication of TPWD media, including Texas Parks and Wildlife Magazine, the Texas Parks and Wildlife television program, the Passport to Texas radio program, video news reports, news releases, marketing, web development, social media, and creative and interactive services. Appropriations for the program total $10.2 million in All Funds, a decrease of $1.3 million, or 11.2 percent. The decrease is the result a reduction in estimated appropriated receipts totaling $0.8 million, declining federal Sportfish Restoration Funds, and internal agency reallocations to other programs.

The Outreach and Education program provides education to hunters, boaters, and other water users to be safe, knowledgeable, and responsible while pursuing outdoor recreation activities and developing new outdoor recreation enthusiasts. The program includes the Hunter Education and Boater Education programs required of all participants of a certain age segment in order to legally hunt or boat in the state. Other functions include outdoor skill workshops, outreach events, and programs that utilize trained volunteers to provide conservation and outdoor recreation education. Appropriations for the program total $4.9 million in All Funds, a decrease of $5.1 million, or 50.7 percent. The decrease includes a $4.9 million reduction in Federal Funds, primarily Wildlife Restoration Funds, and no funding from Appropriated Receipts in the 2016–17 biennium.

Appropriations for administration and other programs total $66.3 million in All Funds, a decrease of $4.3 million, or 6.1 percent.

SIGNIFICANT LEGISLATION

House Bill 158 – Allocation of Sporting Goods Sales Tax revenue. The legislation amends the process for allocating Sporting Goods Sales Tax (SGST) revenue. The bill repeals the provision in the Texas Tax Code limiting the amount of SGST revenue transferred to the four TPWD General Revenue–Dedicated accounts to the amounts appropriated, thus authorizing the transferred revenue to exceed the appropriation. Without the enactment of Senate Bill 1366, Eighty-fourth Legislature, 2015, the legislation would require the transfer of 94.0 percent of the amount of SGST revenue estimated to be available by the Comptroller of Public Accounts to the four General Revenue–Dedicated accounts in the TPWD budget regardless of what amounts were appropriated to the agency or for payroll-related benefits or debt service. The bill also specifies eligible uses of the SGST transfers, including activities related to operation and maintenance of state parks, grants to local governments or other entities, and contributions to employee benefits. These limitations resulted in the end of an Interagency Contract with the General Land Office, which previously had provided funds for coastal erosion projects.

House Bill 1925 – Farm and Ranch Lands Conservation Program. The legislation transferred the Texas Farm and Ranch Lands Conservation Program from the General Land Office to TPWD. The program provides grants and pays transaction costs related to the purchase of conservation easements on agricultural properties.

Senate Bill 1366 – Allocation of Sporting Goods Sales Tax revenue. The legislation amends the process for allocating Sporting Goods Sales Tax (SGST) revenue. The bill removes provisions that specify the maximum allocation of SGST revenue to each of the four General Revenue–Dedicated accounts in the TPWD budget based on a percentage of the total amount estimated to be available to TPWD by the Comptroller of Public Accounts. The bill removes the statutory allocations and leaves the distribution of SGST revenue within the TPWD budget to the discretion of the Legislature through the appropriations process. The bill also adds language to the Texas Parks and Wildlife Code relating to the four General Revenue–Dedicated accounts that limits the amount of SGST revenue transferred to the appropriated amount. Pursuant to the bill, any unappropriated SGST revenue would remain in the General Revenue Fund.

Senate Bill 2004 – Deferred maintenance funding for state facilities. The legislation established the General Revenue–Dedicated Deferred Maintenance Account No. 5166. The bill did not establish a revenue stream for the account and for the 2016–17 biennium, the account was funded by transfers from other accounts. The bill also established a Joint Oversight Committee on Government Facilities to review deferred maintenance plans and receive implementation updates.

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

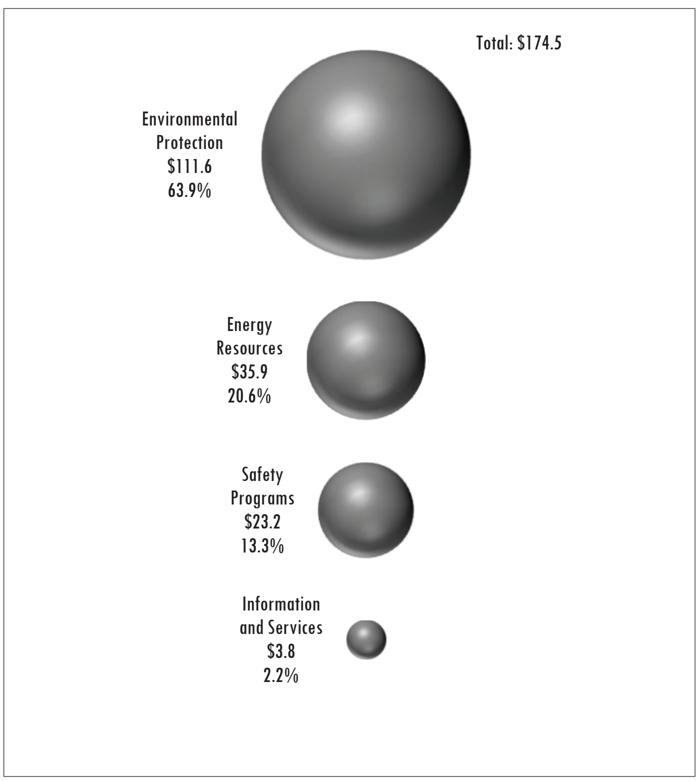
GOVERNANCE: Three statewide-elected officials

FIGURE 321
RAILROAD COMMISSION OF TEXAS BY METHOD OF FINANCE

	IN MILLIONS			
METHOD OF FINANCE	**EXPENDED/ BUDGETED 2014–15**	**APPROPRIATED 2016–17**	**BIENNIAL CHANGE**	**PERCENTAGE CHANGE**
General Revenue Funds	$26.5	$22.1	($4.4)	(16.5%)
General Revenue–Dedicated Funds	$133.2	$133.4	$0.3	0.2%
Federal Funds	$13.7	$14.2	$0.4	3.2%
Other Funds	$4.8	$4.8	$0.0	0.1%
Total, All Methods of Finance	**$178.2**	**$174.5**	**($3.7)**	**(2.1%)**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2016	820.1
2017	820.1

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

Appropriations were reduced by $3.9 million for completed information technology projects, including online filing and permitting for oil and gas production and transportation.

The Oil and Gas Regulation and Cleanup Account, a General Revenue–Dedicated account, which is primarily supported by production-related fees, **contributes $133.4 million or 76.4 percent** of agency funding.

A $2.3 million increase was provided for 20.0 full-time-equivalent positions **to perform specialized safety inspections of pipeline operations.**

Funding for the Alternative Fuels Research and Education Division was reduced at a savings of $1.9 million, resulting in **$2.2 million** in Other Funds remaining to support outreach activities for incentives available for alternative-fuel vehicles.

SOURCE: Legislative Budget Board.

MAJOR FUNDING ISSUES

Appropriations to the Railroad Commission (RRC) for the 2016–17 biennium include $155.5 million in General Revenue Funds and General Revenue–Dedicated Funds (89.1 percent). Of this amount, taxpayer-funded General Revenue Funds provide $22.1 million for agency operations, primarily for pipeline safety ($8.7 million), surface mining inspections and reclamation ($7.4 million), and gas utility activities ($4.2 million). A total of $133.4 million, or 76.4 percent of agency funding, is from the General Revenue–Dedicated Oil and Gas Regulation and Cleanup Account (OGRC Account). The OGRC Account is used by RRC to pay costs related to regulating and monitoring the oil and gas industry, plugging abandoned wells, and cleaning up oil and gas sites. Major revenue sources to this account are production-related fees paid by the oil and gas industry. Two major fees deposited to the credit of the OGRC Account are (1) a pumping fee of five-eighths of one cent per barrel produced, and (2) a surcharge that can be no more than 185.0 percent of the original pumping fee. The OGRC Account is self-leveling, and the agency must suspend fee collections when account balances reach $30.0 million. Fees may be reinstated when account balances decrease to $25.0 million.

The RRC's appropriations decreased by $3.7 million from 2014–15 biennial spending levels, primarily for the following:

- a decrease across all agency programs of $3.9 million from General Revenue Funds and General Revenue–Dedicated Funds for onetime costs of completed information technology modernization projects. In the 2014–15 biennium, the agency completed projects that (1) enable online permitting and filing of required information for oil and gas producers and pipeline operators; (2) track compliance information and related activity resulting from field inspections and complaints; and (3) map geographic locations of wells with production data;
- a decrease of $1.9 million from General Revenue Funds and General Revenue–Dedicated Funds for the Alternative Fuels Research and Education Division;
- a decrease of $0.6 million from General Revenue Funds and General Revenue–Dedicated Funds for onetime purchases of infrared cameras, used for inspections of gas facilities;
- a decrease of $0.2 million from General Revenue Funds and General Revenue–Dedicated Funds for vehicle replacement cycles;
- an increase of $2.3 million in All Funds, including 20.0 full-time-equivalent (FTE) positions to conduct specialized pipeline safety inspections. The new inspectors will target gathering pipelines for hazardous liquids and carbon dioxide in rural areas;
- an increase of $0.9 million in General Revenue Funds and General Revenue–Dedicated Funds to annualize 2014–15 biennial statewide pay increases; and
- an increase of $0.2 million from the OGRC Account to replace microfilm and microfiche reader-printers in order to continue to access oil and gas information available only in micro format.

PROGRAMS

Agency activities are carried out in four major program areas: (1) environmental protection; (2) energy resources; (3) safety programs; and (4) information and services.

ENVIRONMENTAL PROTECTION

Appropriations for this program area are used to ensure that Texas' fossil fuel energy production, storage, and delivery occurs in a manner that minimizes harmful effects on the state's environment and preserves natural resources. The agency accomplishes this goal through monitoring and inspections, and remediation, reclamation, and plugging of oil and gas wells. RRC addresses these responsibilities through a variety of activities, which include:

- promulgating rules for regulated industries;
- registering organizations;
- maintaining financial assurance of operators;
- requiring and maintaining certain filings by operators;
- granting permits and licenses;
- monitoring performance and inspecting facilities;
- maintaining records and maps;
- reviewing variance requests;
- investigating complaints and responding to emergencies; and

- plugging abandoned (or orphaned) oil and gas wells and cleaning up associated facilities and pollution sites.

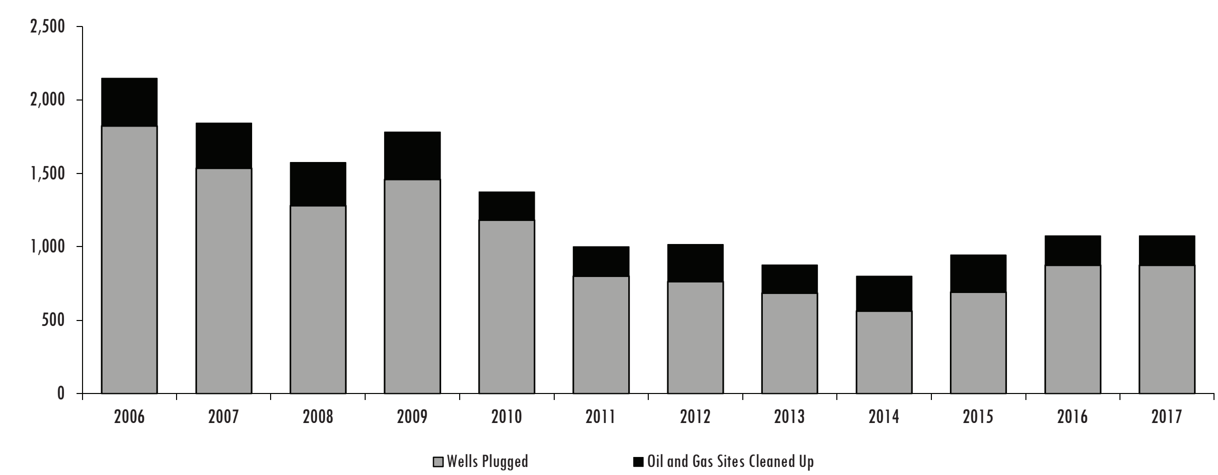
The Oil and Gas monitoring and inspection program includes nine district offices statewide charged with oversight of oil and gas operations. Field inspectors visited 134,484 oil and gas wells and other related facilities in fiscal year 2015 to enforce agency environmental and safety rules. Producers filed 107,341 permit applications in fiscal year 2015. Appropriations for the 2016–17 biennium total $43.6 million in All Funds, including 292.6 FTE positions. The agency expects to inspect 118,800 facilities and process more than 105,000 permits each fiscal year.

As of August 2015, the agency has plugged 35,116 abandoned wells with the use of OGRC Account funds and identified a backlog of approximately 9,715 unplugged and orphaned wells. If an operator abandons its well(s), the RRC initiates enforcement actions to sever all of the operator's leases, including collection actions on the operator's financial security of more than 75 to 80 days of delinquency. Many operators still continue to be in noncompliance with agency enforcement actions, and those cases are referred to the Office of the Attorney General for further enforcement action, leaving RRC to plug the operator's abandoned wells. The agency uses a priority rating system to determine which wells should be plugged first that includes four categories and 26 rated factors of human health, safety, environment, and wildlife to determine which wells pose the greatest risk to public safety and the environment. The Oil and Gas Well Plugging program appropriations for the 2016–17 biennium total $38.2 million in All Funds, including 44.2 FTE positions.

The OGRC Account is used to perform the cleanup of sites where abandoned oil and gas waste and other regulated substances are causing or are likely to cause pollution of surface or subsurface water. These site cleanups can range from simple tank-battery cleanups requiring less than a day to complete to more complex cleanups requiring several years to properly evaluate, design, procure, and ultimately complete. As of August 2015, the agency has completed approximately 7,001 cleanup activities since program inception and has a backlog of approximately 1,992 abandoned sites. Appropriations for the State-Managed Cleanup (Site Remediation) program total $2.1 million in All Funds, which provides for 12.0 FTE positions.

Figure 322 shows the number of wells plugged and the number of polluted oil and gas sites cleaned up using state funds from fiscal years 2006 to 2015, with projected performance in the 2016–17 biennium. The number of wells plugged began to decrease in fiscal years 2011 to 2013 due to an agency ongoing focus on several longer-term and complex cleanup and assessment activities. Also, a shortage in available plugging contractors resulted in contractors having multiple awards during the 2014–15 biennium, resulting in fewer abandoned wells being plugged. The agency also prioritized plugging offshore wells, which at an average cost of $1.0

FIGURE 322
WELLS PLUGGED AND OIL AND GAS SITES CLEANED UP USING STATE FUNDS, FISCAL YEARS 2006 TO 2017



NOTE: Fiscal years 2016 and 2017 are estimated.
SOURCE: Railroad Commission of Texas.

million per well is more costly than plugging land wells. Industry plugging activities in the 2014–15 biennium contributed to the shortage of available contractors for state purposes. The agency expects to plug 875 wells each fiscal year of the 2016–17 biennium.

The agency's Operator Cleanup Assistance Program oversees cleanups performed by the regulated community, which primarily consists of responsible party operators. Program appropriations in the 2016–17 biennium total $8.7 million in All Funds and provide for 33.0 FTE positions.

Third party, nonresponsible person cleanups may be eligible to enter the agency's Voluntary Cleanup and Brownfields Response programs, which provide incentives to remediate oil and gas pollution by applicants who did not cause or contribute to the contamination, or who seek to redevelop abandoned oil and gas sites. These activities are funded at $0.3 million in All Funds in the 2016–17 biennium, which provides for 2.0 FTE positions.

The agency also regulates surface mining of coal and lignite, mining of iron ore, uranium exploration, and the reclamation of abandoned mine lands. Reclamation of abandoned surface mines usually consists of earthwork burial or treatment of unsuitable spoil (usually acidic or radioactive spoil), installation of erosion- and water-control structures, and re-vegetation. Dangerous abandoned underground mine openings are usually closed by backfilling, capping (concrete or metal grating), or metal gating. The agency oversees contractors hired to perform these services. Funding for the Surface Mining and Reclamation Program totals $6.5 million in All Funds in the 2016–17 biennium, and includes 9.7 FTE positions.

Other mining programs include the Coal Mining Applications and Permits Program, which is appropriated $3.7 million from All Funds and provides for 29.0 FTE positions to process applications and permits; the Coal Mining Inspection and Enforcement Program, which is appropriated $3.4 million from All Funds and provides for 27.0 positions to conduct unannounced inspections of permitted sites and to assess penalties for violations; and, the Uranium Mining Inspections Program, which is appropriated $0.4 million from All Funds and provides for 0.8 positions to conduct unannounced monthly inspections and to assess penalties in the event of environmental damage.

Appropriations in the 2016–17 biennium for the Gas Utility Market Oversight Program ($1.9 million and 13.4 FTE positions) fund the regulation of gas utilities. The Gas Utility Audit program funds audits of utilities to ensure that the proper gas utility tax is paid and monitors rates charged customers for natural gas and services ($2.6 million in All Funds and 21.0 positions in the 2016–17 biennium).

Overall, the environmental protection program area receives 63.9 percent of the agency's All Funds appropriations, or $111.6 million in All Funds for the 2016–17 biennium, which provides for approximately 478.3 FTE positions (or 58.0 percent of the agency's workforce).

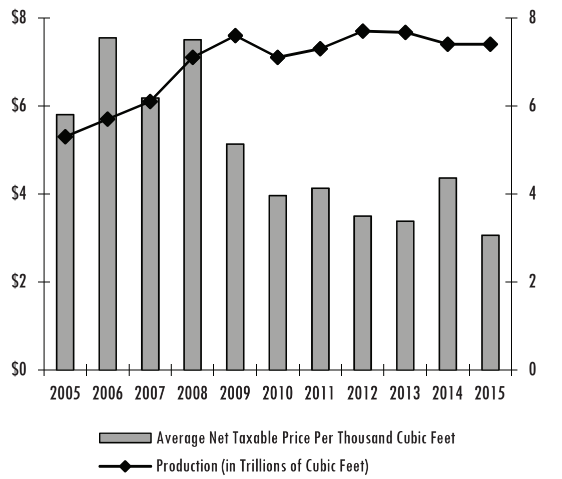
ENERGY RESOURCES

Appropriations for this program area support the development, management, and use of Texas oil and gas energy resources, protecting correlative rights (legal rights protecting property of a portion of a gas or oil reservoir from excessive or wasteful withdrawal) and equal and fair energy access to all entities.

The Administrative Compliance Program appropriations of $14.5 million in All Funds support 68.0 FTE positions and agency activities, which include registering energy producers and monitoring well production and completions. The RRC assigns production limits on oil and gas wells and performs audits to ensure that those limits are not exceeded. The agency received approximately 3.0 million operator's production reports in fiscal year 2015. Texas had 177,924 oil wells and 95,618 gas wells in production as of August 31, 2015. Production allowables (amounts that a producer is permitted to extract from a well in a given year) are assigned according to factors such as tested well capability, reservoir mechanics, market demand for production, and past production. **Figures 323** and **324** show gas and oil production and the average taxable price for each fiscal year from 2005 to 2015. The average net taxable price per barrel of oil decreased from $96.56 in fiscal year 2014 to $59.97 in fiscal year 2015 due to global commodity prices and production.

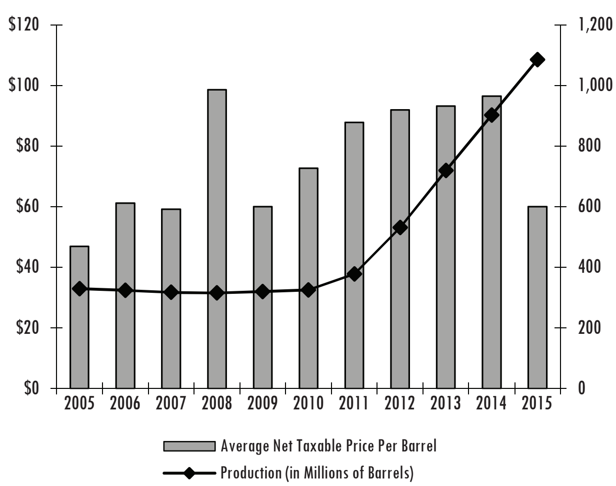
Technical Permitting Program activities include the issuance of drilling permits based on established spacing and density rules and in a manner to protect the public from surface storage of disposal of drilling waste byproduct. With a decrease in oil prices, drilling permit applications decreased to 21,245 in fiscal year 2015, down from expected applications of nearly 29,000 annually. Appropriations in the 2016–17 biennium total $15.6 million in All Funds, including 73.6 FTE positions.

FIGURE 323
TEXAS GAS PRODUCTION
FISCAL YEARS 2005 TO 2015



SOURCE: Comptroller of Public Accounts.

FIGURE 324
TEXAS OIL PRODUCTION
FISCAL YEARS 2005 TO 2015



SOURCE: Comptroller of Public Accounts.

The Groundwater Advisory Unit Program is appropriated $2.0 million in All Funds, which provides for 9.0 FTE positions to review geological data to determine the presence and depth of usably quality water in order to specify depths from which such resources must be protected from oil and gas operations.

The RRC is appropriated $1.6 million in All Funds, including 7.3 FTE positions for the Geographic Information Systems (GIS) and Well Mapping program. The RRC uses GIS technology to track and maintain mapping data related to wells, pipelines, and other oil and gas infrastructure. GIS data is used for planning, tracking, enforcement, and environmental assessment in the event of a disaster.

The Alternative Fuels, Research, and Education Division (AFRED) promotes natural gas and propane as an environmentally and economically beneficial alternative fuel. The agency uses federal, state, and private-sector grants to develop competitive technologies, marketing activities, and educational materials related to alternative fuels that are or have the potential to be effective in improving air quality, energy security, and the Texas economy. The Eighty-fourth Legislature, 2015, reduced $1.9 million General Revenue Funds and General Revenue–Dedicated Funds for AFRED program activities. Registration fees totaling $2.2 million (Other Funds – Appropriated Receipts) from event participants will continue to fund the programs, which include the marketing and public education program and the training program (11.3 FTE positions).

Overall, the energy resources program area is appropriated $35.9 million in All Funds for the 2016–17 biennium, or 20.6 percent of the agency's budget, which provides for 166.7 FTE positions.

SAFETY PROGRAMS

The Pipeline Safety Program enforces pipeline operators' compliance with federal and state laws and regulates the safety of intrastate natural gas pipelines and hazardous liquid pipelines in Texas. The division issues licenses and permits, conducts field inspections and accident investigations, and responds to emergencies. The agency is certified by the U.S. Department of Transportation for the enforcement of federal pipeline safety regulations for intrastate pipeline facilities pursuant to the federal Pipeline Safety Act. **Figure 325** shows the number of safety inspections the agency has performed and the number of violations found through those inspections from fiscal years 2006 to 2015, and includes projected performance for each fiscal year of the 2016–17 biennium.

Appropriations provide an increase of $2.3 million in All Funds, including 20.0 FTE positions, for the purpose of conducting specialized safety inspections of operators of gathering pipelines transporting hazardous liquids and carbon dioxide. Total program funding is $17.6 million in All Funds, which provides for 98.3 positions. In fiscal year 2016, the new inspectors will be hired and trained in accordance with federal guidelines. After the hiring and training period, approximately 150 specialized inspections

FIGURE 325
RAILROAD COMMISSION PIPELINE SAFETY INSPECTIONS AND VIOLATIONS, FISCAL YEARS 2006 TO 2017

NOTE: Fiscal years 2016 and 2017 are projected.
SOURCE: Railroad Commission of Texas.

are expected to be completed in the final six months of fiscal year 2017, based upon a risk-based evaluation.

The One-Call Underground Prevention Program focuses on compliance and enforcement activities related to the movement of earth near pipelines and provides educational presentations to affected stakeholders statewide to prevent pipeline damage. Appropriations in the 2016–17 biennium are $2.6 million in All Funds and include 15.6 FTE positions.

The RRC is also responsible for regulating the safe transportation, storage, and use of liquefied petroleum gas, compressed natural gas, and liquefied natural gas as alternative energy sources. The agency issues licenses and permits, provides safety training, conducts field inspections, investigates complaints and accidents, and responds to emergencies. More than 5,700 company licenses were issued and more than 18,000 safety inspections were performed in fiscal year 2015.

The Alternative Energy – LP Gas Regulation program regulates liquefied petroleum gas (LPG), compressed natural gas (CNG), and liquefied natural gas (LNG) by promulgating safety rules, conducting investigations, and taking enforcement actions against LP/LPG/CNG operators. The program is funded at $2.9 million in All Funds in the 2016–17 biennium, which provides for 22.5 FTE positions. The Alternative Energy – LP Gas Licensing program is funded at $0.2 million, which provides for 3.0 positions to register cargo tank motor vehicles and license and register individuals engaged in activities in the LPG, CNG, and LNG industries.

All together, safety programs are appropriated $23.2 million in All Funds for the 2016–17 biennium, or 13.3 percent of total agency appropriations. The function encompasses approximately 152.3 of the agency's FTE positions.

INFORMATION AND SERVICES

Information and services programs are appropriated $3.8 million from the General Revenue–Dedicated OGRC Account for the 2016–17 biennium, including 22.8 FTE positions. Program activities include providing the public access to oil and gas records.

SIGNIFICANT LEGISLATION

House Bill 7 – Redirecting pipeline safety inspection fee revenue. House Bill 7 redirects certain fees previously deposited to the General Revenue Fund, including pipeline safety inspection fee revenue, oil and gas disposal well permit fee revenue, and oil regulations tax receipts from the General Revenue Fund to the General Revenue–Dedicated OGRC Account. This direction is anticipated to result in an increase in revenues to the OGRC Account of approximately $6.7 million per fiscal year, with a like decrease in revenues to the General Revenue Fund.

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

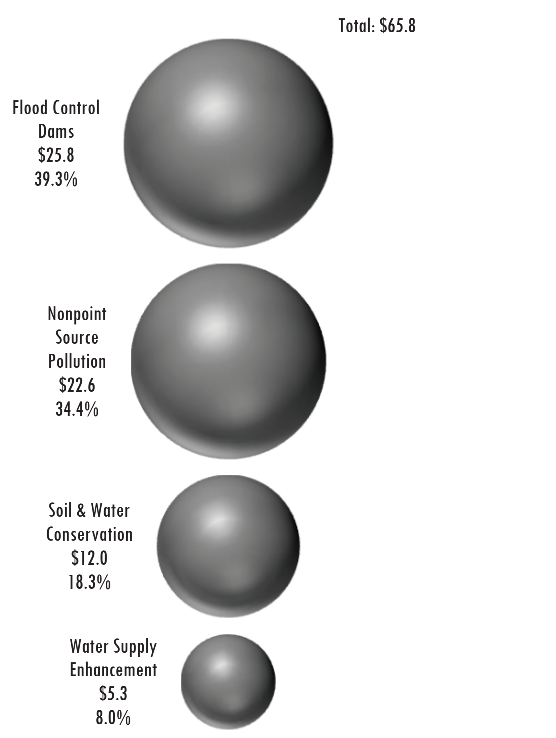
GOVERNANCE: Five elected members and two members appointed by the Governor

FIGURE 326
STATE SOIL AND WATER CONSERVATION BOARD BY METHOD OF FINANCE

	IN MILLIONS			
METHOD OF FINANCE	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$40.7	$42.7	$2.1	5.1%
General Revenue–Dedicated Funds	$0.0	$0.0	$0.0	N/A
Federal Funds	$14.7	$23.0	$8.3	56.6%
Other Funds	$0.0	$0.0	($0.0)	(100.0%)
Total, All Methods of Finance	**$55.4**	**$65.8**	**$10.4**	**18.7%**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2016	72.1
2017	72.1

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

Appropriations from **Federal Funds increased by $9.0 million** for operations and maintenance, structural repairs, and rehabilitation of flood control dams throughout the state.

Local soil and water conservation districts were provided an additional **$1.0 million** in funding to assist with increased operating expenses.

Funding for **additional brush control projects** in the **Water Supply Enhancement Program** was increased by **$1.0 million.**

MAJOR FUNDING

Appropriations to the Texas State Soil and Water Conservation Board (TSSWCB) increased by $10.4 million, or 18.7 percent, in All Funds from 2014–15 biennial spending levels. The increase is due to an additional $9.0 million in Federal Funds for flood control dams, an increase of $1.0 million in General Revenue Funds for grants to local soil and water conservation districts for operating expenses, and an additional $1.0 million in General Revenue Funds for the Water Supply Enhancement program. These increases are partially offset by a decrease of $0.6 million in Federal Funds that are no longer anticipated to be available for Conservation Implementation Assistance Grants in the Soil and Water Conservation program area to provide technical assistance for local conservation projects.

PROGRAMS

The agency carries out its responsibilities through four program areas: (1) Soil and Water Conservation; (2) Flood Control Dams; (3) Nonpoint Source Pollution; and (4) Water Supply Enhancement.

SOIL AND WATER CONSERVATION

The Soil and Water Conservation program area provides soil and water conservation assistance to local districts and the public. The agency provides the 216 local soil and water conservation districts (SWCDs) across the state with financial, technical, and program-management assistance for the development of district soil and water conservation programs. This program area contains seven programs to carry out these duties and responsibilities.

The Soil and Water Conservation program area includes two programs for grants to SWCDs. Conservation Assistance Grants, with appropriations totaling $2.2 million, provides matching grants for daily operating expenses of SWCDs on a dollar-for-dollar match basis. Locally raised funds typically are in the form of grants from the federal government or private entities because SWCDs do not have taxing authority. The new soil and water conservation district operations program receives an additional appropriation of $1.0 million in General Revenue Funds for financial support to SWCD offices, which are typically co-located with U.S. Department of Agriculture Natural Resource Conservation Service offices. The Conservation Implementation Assistance Grants program is appropriated $4.3 million in All Funds and provides SWCDs funds to employ technical experts for various projects to provide technical natural resource conservation planning assistance to owners and operators of agricultural and other lands. This amount reflects a $0.6 million decrease in Federal Funds.

Other programs in this program area include the Field Representative Function program, which is appropriated $2.2 million to support field representatives that serve as liaisons to communicate and coordinate with SWCDs. The Soil and Water Conservation Public Education and Information Program is appropriated $0.2 million and provides coordination of informative and educational programs related to the agency and its programs, services, operations, and resources.

This program area also includes the agency's administrative functions. Appropriations for the Soil and Water Conservation District Mileage and Per Diem Reimbursement Program total $0.9 million in General Revenue Funds to reimburse SWCD directors for travel expenses they incur while performing their duties. The indirect administration program includes the governing board, Executive Director, human resources, budgeting and accounting, and other administrative functions. Appropriations for indirect administration total $1.3 million in General Revenue Funds.

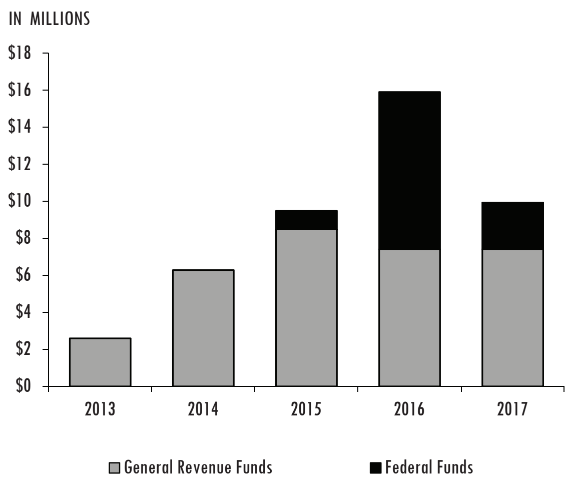
The Soil and Water Conservation program area is appropriated $12.0 million and 21.3 full-time-equivalent (FTE) positions.

FLOOD CONTROL DAMS

The Flood Control Dams Program assists local districts in operation and maintenance of flood control dams. Since 2010, SWCB has been assisting local districts with operations and maintenance (minor preventive upkeep), structural repairs (major repairs to damaged dams), and rehabilitation (improvements to increase hazard or size classification) of flood control dams across the state. These dams are typically earthen structures that were built in the 1950s on private property with the assistance of the federal government to help prevent flooding. Out of 2,041 flood control dams across the state, 190 require structural repairs, and many others require maintenance.

TSSWCB uses appropriations to enter into cost-share agreements with local soil and water conservation districts for flood control dam maintenance and structural repair projects. For flood dam structural repair projects, the state covers 95.0 percent of the cost and the remainder can be funded from local, federal, or private funds. For maintenance projects, the state pays 90.0 percent of the cost and the remaining funds are paid from local, federal, or private funds. Flood Control Dams appropriations total $25.8 million, which includes an increase of $9.0 million in Federal Funds. **Figure 327** shows the actual expended amounts for flood control dams from fiscal years 2013 to 2015 and appropriated amounts in fiscal years 2016 and 2017.

FIGURE 327
FLOOD CONTROL DAM FUNDING
FISCAL YEARS 2013 TO 2017



NOTE: Fiscal years 2013 through 2015 are expended; fiscal years 2016 and 2017 are appropriated.
SOURCE: Texas State Soil and Water Conservation Board.

NONPOINT SOURCE POLLUTION

The Nonpoint Source Pollution program area's goal is to effectively administer a program for the abatement of nonpoint source pollution caused by agricultural and silvicultural (forestry-related) uses of the state's soil and water resources. Nonpoint source pollution affects water bodies where contaminants from agricultural or urban runoff flow into rivers or watersheds. TSSWCB administers all programs for abating nonpoint source pollution in the state and represents the state before the federal government in all matters related to agricultural and silvicultural nonpoint source pollution. The agency implements a statewide management plan for controlling nonpoint source pollution and develops pollution abatement plans for designated agricultural areas.

This program area also includes the Water Quality Management Plan Program, which is appropriated $7.2 million in All Funds to provide incentives to agricultural produces and other rural landowners to participate in voluntary nonpoint source pollution mitigation practices. As part of the development of individual water quality management plans, TSSWCB identifies areas with the potential for water quality problems resulting from agriculture and silviculture uses. The agency facilitates the development and implementation of (1) select federal Clean Water Act (CWA) functions, such as total maximum daily loads; (2) watershed protection plans; and (3) one-half of the state's annual CWA Section 319(h) Nonpoint Source Grant Program, which is achieved through a statewide management plan for the control of agricultural and silvicultural nonpoint source water pollution. The Texas Commission on Environmental Quality implements the other half of the state's annual CWA Section 319(h) Nonpoint Source Grant Program to address urban and industrial nonpoint source water pollution. TSSWCB's Nonpoint Source Grant Program is appropriated $14.6 million in All Funds for these purposes.

The final program in the Nonpoint Source Pollution program area is the Poultry Water Quality Management Plan Program, which is appropriated $0.8 million in All Funds to administer water quality management plans for poultry producers in the state. All poultry farms are required by law to have a water quality management plan certified by TSSWCB.

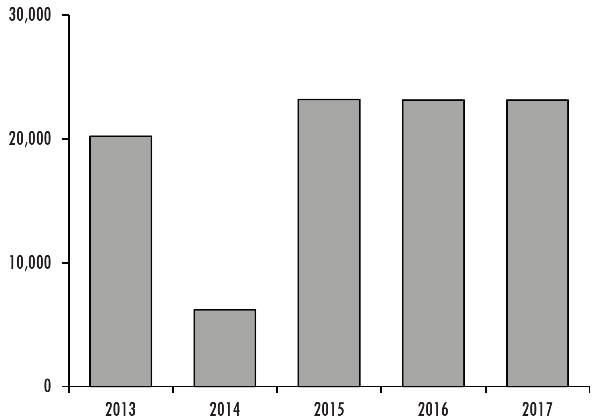
Appropriations for the Nonpoint Source Pollution program area total $22.6 million in All Funds and provide for 42.8 FTE positions for the 2016–17 biennium. This amount represents a decrease of $0.2 million, or 0.8 percent, compared to 2014–15 biennial spending levels.

WATER SUPPLY ENHANCEMENT

TSSWCB also undertakes projects to protect and enhance the state's water supply, increase water conservation, and enhance water yields. Appropriations for the Water Supply Enhancement Program, which is the only program in this program area, total $5.3 million in All Funds, an increase of $1.0 million, or 23.4 percent. Within this program, TSSWCB implements the Water Conservation and Enhancement strategy, also known as Brush Control, to increase water yields in specific watersheds of the state. The agency uses funds to implement cost-share programs in which the state pays a maximum of 70.0 percent of the share of a brush control project, and the landowner pays the remaining costs.

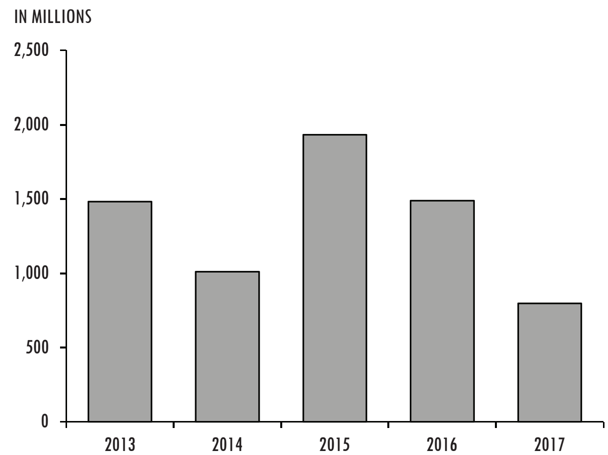
Figure 328 shows the number of acres of brush treated through the Water Supply Enhancement program from fiscal years 2013 to 2015 and projected amounts in fiscal years 2016 and 2017. The agency has decreased its reliance on the

FIGURE 328
WATER SUPPLY ENHANCEMENT PROGRAM ACRES TREATED, FISCAL YEARS 2013 TO 2017



NOTE: Fiscal years 2016 and 2017 are projected.
SOURCE: Texas State Soil and Water Conservation Board.

FIGURE 329
WATER SUPPLY ENHANCEMENT PROGRAM PREDICTED GALLONS OF WATER YIELDED
FISCAL YEARS 2013 TO 2017



NOTE: Fiscal years 2016 and 2017 are projected.
SOURCE: Texas State Soil and Water Conservation Board.

chemical treatment of brush, which previously resulted in a greater number of treated acres at reduced cost. The Texas Agriculture Code, Section 203, requires the agency to conduct a spatial analysis before beginning a water supply enhancement project, and to concentrate on projects in areas that yield the greatest amount of rain flow into watersheds and rivers. According to the agency, projects tend to focus on the removal of juniper (cedar), mesquite, and prickly pear cactus.

Figure 329 shows the predicted number of gallons of water yielded from the Water Supply Enhancement Program from fiscal years 2013 to 2015 and estimated amounts in fiscal years 2016 and 2017. Although funding in fiscal years 2016 and 2017 is the same, the agency anticipates the yield to decrease because the calculation is based upon the year in which the treatment occurs, rather than the year in which the treatment contract is initiated.

SIGNIFICANT LEGISLATION

Senate Bill 1734 – Carrizo cane eradication. This legislation requires TSSWCB to establish a program to eradicate Carrizo cane along the Rio Grande.

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

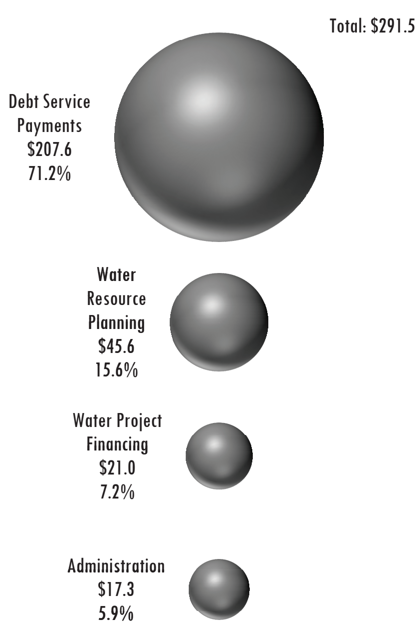
GOVERNANCE: Three-member, full-time board appointed by the Governor with advice and consent of the Senate

FIGURE 330
TEXAS WATER DEVELOPMENT BOARD BY METHOD OF FINANCE

	IN MILLIONS			
METHOD OF FINANCE	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$150.2	$151.1	$0.9	0.6%
General Revenue–Dedicated Funds	$0.0	$0.0	$0.0	N/A
Federal Funds	$16.0	$16.1	$0.1	0.7%
Other Funds	$2,126.3	$124.3	($2,002.0)	(94.2%)
Total, All Methods of Finance	**$2,292.5**	**$291.5**	**($2,000.9)**	**(87.3%)**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2016	327.1
2017	327.1

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

Funding decreased by **$2.0 billion** from the **Economic Stabilization Fund** (Other Funds) due to a onetime appropriation to the **State Water Implementation Fund for Texas (SWIFT)** in the 2014–15 biennium.

Appropriations for **debt service payments for non-self-supporting General Obligation water bonds** include **$62.0 million** for **Economically Distressed Areas** bonds, and **$145.7 million** for **water infrastructure** bonds.

SWIFT funds totaling $108.2 million will be used to subsidize debt service for Texas communities for 26 projects funded with $900.0 million in SWIFT bonds that were issued in October 2015.

Approved water projects are supported by $2.2 billion available outside the appropriations process: $600.6 million in the Water Development Fund II; $1.1 billion in the Clean Water State Revolving Fund; and $536.9 million in the Drinking Water State Revolving Fund.

Source: Legislative Budget Board.

MAJOR FUNDING

Funding for the Water Development Board for the 2016–17 biennium totals $291.5 million in All Funds, which is a reduction of $2.0 billion. The reduction is primarily attributable to an Other Funds reduction from a onetime appropriation to the State Water Implementation Fund for Texas (SWIFT) in fiscal year 2014.

Funding includes a decrease of $2.0 billion from the Economic Stabilization Fund (Other Funds) for a onetime appropriation to the newly established SWIFT in fiscal year 2014. The Water Development Board intends to fund $700.0 million in State Water Plan projects each fiscal year of the 2016–17 biennium using the financing mechanism established within SWIFT, the State Water Implementation Revenue Fund for Texas (SWIRFT). The SWIRFT funding will provide leveraging, bond enhancement, interest rate discounts, loan payment deferrals to borrowers, and/or extended loan terms.

Funding provides an increase of $0.9 million in General Revenue Funds from the 2014–15 biennial spending levels. The increase is primarily related to:

- a decrease of $12.0 million for onetime grant funding for projects related to border security and levees and demonstration projects for near-term water supply programs;
- an increase of $9.1 million for debt service payments for Economically Distressed Areas Program (EDAP) bonds, including a $6.0 million increase for debt service payments on $50.0 million in EDAP bonds authorized to be issued during the 2016–17 biennium, and an increase of $3.1 million to annualize debt service payments on $50.0 million in EDAP bonds issued in fiscal year 2015;
- a decrease of $6.7 million from reductions in debt service payments for Water Infrastructure Fund (WIF) bonds because the bonds are becoming increasingly self-supporting; and lower overall debt service needs because of a lack of recent bond issuances;
- an increase of $2.3 million for quantifying and installing water conservation strategies aimed at meeting the needs of the State Water Plan;
- an increase of $2.1 million to identify and designate brackish groundwater production zones and implement House Bill 30, Eighty-fourth Legislature, 2015; and
- an increase of $1.0 million for grants for demonstration projects and feasibility studies for alternative water supplies.

Funding available to TWDB that is not appropriated to the agency includes $2.2 billion in General Obligation Bond Proceeds (Other Funds), loan payments, Federal Funds and interest earnings, including: $600.6 million in the Water Development Fund II (Dfund II); $1.1 billion in the Clean Water State Revolving Fund (CWSRF); and $536.9 million in the Drinking Water State Revolving Fund (DWSRF).

In addition to these amounts, the Eighty-fourth Legislature, 2015, authorized TWDB to issue an additional $50.0 million in non-self-supporting General Obligation (GO) bonds to finance projects in economically distressed areas in the 2016–17 biennium.

PROGRAMS

TWDB has four program areas: (1) Water Resources Planning; (2) water project financing; (3) debt service payments; and (4) indirect administration.

WATER RESOURCES PLANNING

The Water Resources Planning program area includes a number of programs aimed at planning for the water resource needs of the state. TWDB develops and periodically updates a State Water Plan (SWP) that assesses the state's water needs for a 50-year period. This plan is revised every five years and developed by 16 designated regional planning groups, in conjunction with TWDB. The SWP provides an overview of the state's current and prospective water use and identifies water supplies and estimated facility needs and costs. It also describes water problems and opportunities, outlines significant environmental concerns and water issues, and offers policy and funding recommendations to the Legislature. The process of drafting a water plan was initially formulated after what is commonly known as the Drought of Record, which occurred in the 1950s.

In the 2012 iteration of the SWP *Water for Texas*, regional planning groups recommended implementing 562 water strategies or a total of 3,089 discrete projects, to meet future water needs. If implemented, these projects are anticipated to provide 9.0 million acre-feet in additional water supplies by 2060. An acre-foot is the volume of water needed to cover an area of one acre to a depth of one foot, or the equivalent of the average annual water use by two families. Strategies include constructing new reservoirs, desalination plants, water recycling and reuse centers, and increasing water conservation efforts. The capital costs of these projects are estimated to be $53.1 billion through 2060. It is anticipated that $6.9 billion will be funded directly by private entities and $19.3 billion from local governments. The 2012 SWP recommends that the state provide the remaining $26.9 billion in financial assistance to local water suppliers to fill this financing gap. For details of projected water demand and financial assistance needs shown by region, refer to the Legislative Budget Board publication, *Texas State Government Effectiveness and Efficiency Report*, Fund the State Water Plan to Ensure Adequate Future Water Supplies, January 2013.

The largest category of strategies, other surface water, includes projects to convey water from established supplies, such as an existing reservoir, to points of distribution for other users and to make established supplies legally available to users. This strategy is projected to provide 33.9 percent of the 9.0 million in acre-feet of water available by 2060 if all water management strategies were implemented. Reuse strategies include projects to reuse some types of wastewater for landscape irrigation or to route wastewater to treatment as water supply. Conjunctive use strategies that combine water use from multiple sources in a manner that optimizes the beneficial characteristics from each source. The next edition of the State Water Plan is anticipated to be released in January 2017.

The agency has four subareas within the Water Resources Planning program area: (1) data collection; (2) water planning; (3) water conservation and education assistance, and (4) National Flood Insurance Program (NFIP).

DATA COLLECTION AND DISSEMINATION

The planning process at TWDB is supported by ongoing collection of basic data. Data collection determines the location, quantity, and quality of surface and groundwater resources across the state. TWDB conducts both localized and regional groundwater studies and prepares reports on these studies for use by individuals, municipalities, industry, and other state agencies involved in developing and managing groundwater resources. Within the data collection and dissemination subarea are programs with the following biennial All Funds appropriations levels: Bays and Estuaries ($3.7 million), Geospatial Data Catalog and Borderlands Information Center ($4.2 million), Groundwater Monitoring ($1.6 million), Hydrosurvey ($0.9 million), Instream Flows ($2.7 million), and Strategic Mapping ($0.5 million).

The Bays and Estuaries section is responsible for collecting, analyzing, and disseminating physical and chemical water quality data which monitors the effects of freshwater inflows upon bays and estuaries; developing hydrologic and hydrodynamic models; and providing administrative and technical assistance to the environmental flows process. The Geospatial Data Catalog and Borderlands Information Center programs manage the Texas Natural Resource Information System (TNRIS). TNRIS serves as a clearinghouse for other state agencies and the public, providing access to natural resources and census data. Program responsibilities include coordination of high-priority imagery and data sets, establishing authoritative statewide data sets, serving the needs of emergency responders, and ensuring that data are accessible to the public. The Groundwater Monitoring program measures water levels and water quality in wells across the state. This information is used for water planning, groundwater management, drought monitoring, and the development of groundwater resources by individual landowners, water providers, and industry.

The Hydrosurvey program measures how quickly the state's reservoirs are filling up with sediment. The information is used to revise volume estimates that help the state understand how much water is available for use. The Instream Flows program collects data on stream flows and lake levels. This information is used to monitor water supplies during drought, observe (and plan for) floods, evaluate water supplies, and help implement the water plan. The Strategic Mapping program develops geographic data resources and provides data products online for government, commercial business, and the public. The program administers the state's High-Priority Imagery and Datasets contract for the Texas Council on Competitive Government. The Strategic Mapping program digitizes geographic data maps, thereby enhancing public access to geographic data, serving a variety of data needs, and avoiding duplication of effort through coordination with federal, state, and local entities.

Appropriations for the data collection and dissemination subarea programs total $13.6 million in All Funds for the 2016–17 biennium, or 4.0 percent of total agency appropriations. This amount represents a decrease of $0.2 million, or 1.7 percent, compared to 2014–15 biennial spending levels.

WATER PLANNING

The water planning subarea includes the following programs and the 2016–17 biennial appropriations level for each program: (1) Regional Water Planning ($13.3 million); (2) Groundwater Availability Modeling ($4.5 million); (3) Groundwater Technical Assistance ($1.6 million); (4) Innovative Water Technologies ($3.8 million); and (5) Water Availability Modeling ($0.3 million).

Through the Regional Water Planning program, the agency provides grants to local governments for the development and updating of regional water plans, which guide the use and management of an area's water supplies. The regional plans outline water management strategies to meet projected water supply needs and are incorporated into the State Water Plan. The Groundwater Availability Modeling program supports the Regional Water Planning program by providing and verifying the availability of surface water. The Groundwater Availability Modeling program is appropriated $2.1 million in General Revenue Funds and 2.0 full-time-equivalent positions to implement HB 30, which requires the agency to identify and designate brackish groundwater production zones that are separated by hydrologic barriers that prevent consequences to water availability or water quality in certain areas of the state, and House Bill 1232, Eighty-fourth Legislature, 2015, which requires the agency to conduct a study of the hydrology and geology of the confined and unconfined aquifers of the state.

The Groundwater Technical Assistance program provides technical assistance to citizens, water providers, industries, groundwater conservation districts, and regional water planning groups on the groundwater resources of the state. The Innovative Water Technologies program provides research, information, and technical assistance on the use of nontraditional water supplies such as desalination, reuse, aquifer storage and recovery, and rainwater harvesting. The Water Availability Modeling program supports regional water planning by providing and verifying the availability of surface water.

Appropriations for the agency's Water Planning subarea programs total $23.0 million for the 2016–17 biennium, or 6.7 percent of the agency's All Funds appropriations. This amount represents a decrease of $2.2 million, or 6.8 percent, compared to 2014–15 biennial spending levels.

WATER CONSERVATION EDUCATION AND ASSISTANCE

The water conservation education and assistance program promotes water conservation through educational and technical assistance programs, financial assistance, and evaluations of water and wastewater systems. Funding for this program includes General Revenue Funds for the agency to contract to obtain the most effective and accurate process by which to measure water conservation statewide. Appropriations for this program total $5.1 million for the 2016–17 biennium, or 1.8 percent of the agency's All Funds appropriations. This amounts represents a decrease of $5.3 million, or 49.2 percent, compared to 2014–15 biennial spending levels, primarily for onetime funding for grants to groundwater conservation districts and other entities.

NATIONAL FLOOD INSURANCE PROGRAM AND FLOODPLAIN MAPPING

The National Flood Insurance Program (NFIP) and Floodplain Mapping subarea includes the following programs three programs and the 2016–17 biennial appropriations level for each program: (1) Floodplain Mapping ($3.0 million); (2) NFIP Grant Program ($0.3 million); and (3) NFIP Community Assistance and Training ($0.5 million).

In 2007, the Eightieth Legislature named TWDB as the agency responsible for coordinating the NFIP within the state. The NFIP state coordinator serves as the liaison between the federal component of the program and the local communities. The primary duty of the state coordinator is to provide guidance and education to communities to assist in meeting federal eligibility requirements for entrance into the NFIP and to assist the communities with maintaining their NFIP participation status. The Floodplain Mapping program develops data and mapping products to strengthen the digital flood insurance rate maps that serve as the official reference for determinations of floodplain elevations. The program provides access to Federal Funds for local communities via statewide Cooperating Technical Partner agreement with the Federal Emergency Management Agency. The NFIP Grant Program provides flood mitigation assistance and severe repetitive loss grants of up to several million dollars in federal funding each fiscal year (when available) to communities for flood hazard mitigation planning and to address the long-term risk of flood damage to structures insured in accordance with the NFIP. The NFIP Community Assistance and Training Program provides administration and mitigation grants for the NFIP, and technical assistance and education to communities on federal floodplain management regulations.

Appropriations for the National Flood Insurance Program and Floodplain Mapping subarea total $3.8 million for the 2016–17 biennium, or 1.1 percent of the agency's All Funds Appropriations. This amount represents a decrease of $3.3 million, or 46.7 percent, compared to 2014–15 biennial spending levels. In addition, the agency has entered into an Interagency Contract with the Office of the Governor for $6.8 million from proceeds from the General Revenue–Dedicated Disaster Contingency Fund No. 453, which the agency will use for flood preparation and floodplain management purposes.

The Water Resources Planning program area appropriations total $46.6 million for the biennium, or a decrease of $9.5 million (17.0 percent). The primary reasons for the decreases include a $3.0 million decrease for onetime funding for demonstration projects for near-term water supplies, a decrease of $3.6 million for onetime grants for the Texas Alliance for Water Conservation Demonstration Project, and a decrease of $2.5 million for a onetime border area drainage study.

WATER PROJECT FINANCING

Through the water project financing program area, TWDB provides financial assistance for building or expanding water and wastewater infrastructure throughout the state, and the agency administers various grant and loan programs. The programs within the water project financing program areas include State Financial Assistance, CWSRF Administration, DWSRF Administration, EDAP, and the Special Appropriations Act program.

STATE FINANCIAL ASSISTANCE

Programs operated within the State Financial Assistance program activities provide financial assistance for water and wastewater infrastructure to communities and other entities. Major activities include SWIFT and SWIRFT, the Water Infrastructure Fund, the State Participation Program (SPP) the Water Development Fund Program (Dfund I and Dfund II), which is funded by General Obligation Bond Proceeds (Other Funds), and the Rural Water Assistance Fund Program (RWAF).

Since 1957, Texans have approved constitutional amendments authorizing TWDB to issue approximately $10.2 billion in water development bonds. Through the end of fiscal year 2015, the agency has issued nearly $3.7 billion in GO bonds. Proceeds from the water development bonds provide financial assistance to Texas communities in the form of direct loans and state match of Federal Funds. TWDB has authority to issue bonds from the Dfund II in amounts such that the aggregate principal amount of outstanding bonds issued does not exceed $6.0 billion. Dfund II provides loans and grants for: the acquisition, improvement, or construction of water-related projects, such as water wells, retail distribution and wholesale transmission lines, pumping facilities, storage reservoirs and tanks, water treatment plants, and wastewater collection and treatment projects; the purchase of water rights; and flood control projects.

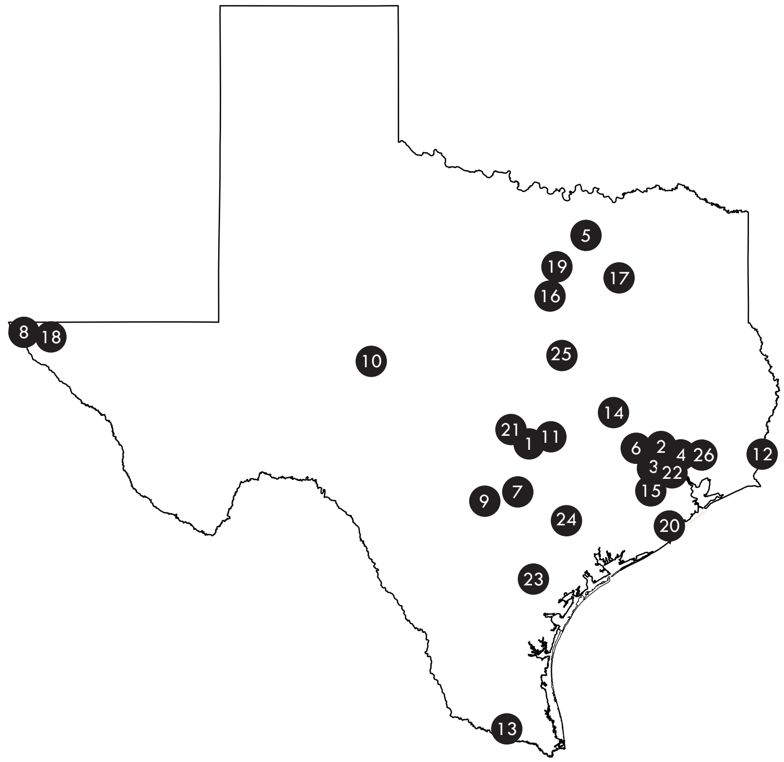
The SWIFT and SWIRFT were established to provide affordable, ongoing state financial assistance for water and wastewater projects in the state water plan. Communities benefit from low-interest loans, extended repayment terms, deferral of loan repayments, and incremental repurchase terms. The SWIRFT was capitalized with $2.0 billion from the Economic Stabilization Fund that was transferred to the SWIFT. In October 2015, the agency issued $899.7 million in SWIFT bonds for 26 projects. An estimated $108.2 million in funds from the SWIRFT are expected to be used for this inaugural round of projects to achieve debt service savings to the communities receiving awards of an estimated $106.7 million. **Figure 331** shows the location of the identified projects, the entities awarded funding, and the eligible amount to date.

Financing available through the SPP enables TWDB to assume temporary ownership of eligible projects and recover principal, interest and issuance costs on a deferred timetable (i.e., until a sufficient rate base develops in the project area to allow local participants to purchase the state's interest). For new water supply projects, the TWDB may fund up to 80.0 percent of project costs through the SPP. The WIF provides reduced-interest loan rates and deferral of annual principal and interest payments for State Water Plan projects funded through the WIF. The WIF finances project needs and preconstruction environmental and engineering studies. As indicated previously, regional planning groups identified $26.9 billion in demand for state financial assistance in the 2012 iteration of the State Water Plan.

State Water Plan projects are implemented primarily through three agency loan programs administered by the State Financial Assistance Program: (1) SWIFT/SWIRFT, (2) the SPP; and (3) WIF Program. **Figure 332** shows details about the three programs.

The State Financial Assistance Program also operates the RWAF, which is funded from General Obligation Bond

FIGURE 331
STATE WATER IMPLEMENTATION FUND FOR TEXAS ABRIDGED APPLICATIONS, FISCAL YEAR 2016



IN MILLIONS

ENTITY	PROJECT	ELIGIBLE
(1) City of Austin	Advanced Metering Infrastructure	$80.2
(2) North Harris County Regional Water District	Transmission 2020 (Second Source)	$117.9
(3) Central Harris County Regional Water Authority	Transmission and Distribution Expansion	$12.6
(4) North Harris County Regional Water District	Internal 2020 Distribution System	$107.8
(5) Trophy Club Municipal Water District No. 1	Increase Delivery Infrastructure from Fort Worth	$17.4
(6) Central Harris County Regional Water Authority	Shared Transmission	$2.9
(7) Schertz Seguin Local Government Corporation	Expanded Carrizo	$66.5
(8) City of El Paso (PSB)	Groundwater Importation	$150.0
(9) San Antonio Water System	SAWS Vista Ridge Integration	$127.3
(10) City of San Angelo	Reclaimed Water Project	$136.0
(11) City of Austin	Direct Reuse Strategy	$87.0
(12) Sabine River Authority	Sabine River Authority Pump Station	$85.0
(13) United Irrigation District	Off-Channel Storage Facility	$8.1
(14) City of Bryan	Aquifer Storage and Recovery	$18.0
(15) City of Seabrook	Municipal Conservation and Water Loss Reduction	$1.7
(16) City of Cleburne	West Loop Reuse	$19.0
(17) Gastonia-Scurry Special Utility District	Connect to Seagoville	$6.0
(18) Town of Anthony	Additional Groundwater Well	$1.2

FIGURE 331 (CONTINUED)
STATE WATER IMPLEMENTATION FUND FOR TEXAS ABRIDGED APPLICATIONS, FISCAL YEAR 2016

IN MILLIONS

ENTITY	PROJECT	ELIGIBLE
(19) City of Keller	Enhanced Water Loss Control and Conservation Program	$12.0
(20) City of Pearland	City of Pearland Surface Water Treatment Plant	$145.1
(21) Loop 360 Water Supply Corp	Automated Control Filter Valves	$0.3
(22) Harris County Municipal Utility District No. 50	Municipal Conservation and Water Loss Reduction	$0.5
(23) City of Beeville	Chase Field Project	$4.8
(24) City of Yoakum	Municipal Water Conservation: AMI Water Meter Upgrade	$0.3
(25) City of Waco	Advanced Metering Infrastructure	$12.0
(26) City of Cleveland	Municipal Conservation and Water Loss Reduction	$4.8
TOTAL		**$1,224.4**

NOTE: Totals may not sum due to rounding.
SOURCE: Texas Water Development Board.

FIGURE 332
WATER DEVELOPMENT BOARD LOAN PROGRAMS, 2015

PROGRAM	TYPE	ELIGIBLE USES	METHOD OF FINANCE
State Water Infrastructure Fund for Texas (SWIFT)/ State Water Implementation Revenue Fund for Texas (SWIRFT)	Self-Supporting Bonds. The majority of the debt service is funded by loan repayments, with a portion being covered by an initial $2.0 billion transfer from the Economic Stabilization Fund in fiscal year 2014	Eligible projects are recommended water management strategies in the adopted regional water plans and will be included in the state water plan and have an associated capital cost. Alternative water management strategies are not eligible unless the regional and statewide plans are amended to include them as recommended strategies.	Subsidized loans, some with deferrals; temporary state ownership via a purchase contract with interest-deferred repurchase payments back to the state
Water Infrastructure Fund (WIF)	Self-Supporting/Non-Self-Supporting Bonds (the majority of the debt service is funded by loan repayments; two of the five outstanding issuances are self-supporting)	Planning, design, and construction of water supply, wastewater, and flood control projects, which are strategies in the State Water Plan	Subsidized loans, some with deferrals; utilized since fiscal year 2008 for projects implementing State Water Plan strategies
State Participation Program (SPP)	Self-Supporting/Non-Self-Supporting Bonds (as the program matures, bond issues become self supporting; five of the six outstanding issuances are self-supporting)	Regional development of projects including reservoirs and storm water retention basins for water supply, flood protection and groundwater recharge; facilities for the transmission and treatment of water; and treatment works; includes funding of State Water Plan projects	Temporary state ownership via a purchase contract with interest-deferred repurchase payments back to the state

SOURCE: Texas Water Development Board.

Proceeds (Other Funds) using the state Private Activity Bond cap. Private Activity Bonds are a financing tool that provides private-sector investment in public projects with the benefits of interest rates lower than conventional taxable financing, lower delivered cost of service, and a readily available money supply. The RWAF is intended to assist small rural utilities to obtain low-cost financing for water and wastewater projects through private-sector investments.

Appropriations for State Financial Assistance for the 2016–17 biennium total $11.0 million, or 3.8 percent of agency appropriations. This amount represents a decrease of $2.0 billion, due to the onetime transfer during the 2014–15 biennium from the Economic Stabilization Fund to the SWIFT to finance the State Water Plan. Total appropriations for state and federal financial assistance programs do not include the loans, grants and other forms of financial assistance made through the Water Development Fund, the CWSRF, and the DWSRF because these funds are not included in the General Appropriations Act.

CLEAN WATER STATE REVOLVING FUND

The CWSRF is capitalized with Federal Funds and revenue bond and General Obligation Bond Proceeds (Other Funds). The CWSRF provides: reduced-interest rate loans for wastewater projects addressing compliance issues consistent with the requirements of the federal Clean Water Act; loan forgiveness up to 70.0 percent for wastewater projects in disadvantaged communities and loan forgiveness of 15.0 percent for eligible green project reserve components. Since CWSRF's inception in 1988, TWDB received $1.89 billion in federal capitalization grants (i.e., Federal Funds for construction projects). State matching funds, leveraged with General Obligation bond proceeds (Other Funds), have made approximately $6.3 billion available for loans. As of July 2015, TWDB has made 1,968 commitments totaling $9.1 billion in loans and grants to entities to improve wastewater treatment facilities across the state. Appropriations to administer the CWSRF total $4.9 million in All Funds, or 1.7 percent of the agency's budget. This amount represents approximately the same level of funding as the expended amounts during the 2014–15 biennium.

DRINKING WATER STATE REVOLVING FUND

The DWSRF is also capitalized with Federal Funds and revenue bond and General Obligation bond proceeds (Other Funds), and it is authorized pursuant to the federal Safe Drinking Water Act. Initiated in fiscal year 1996, the DWSRF includes federal capitalization grants matched with TWDB-issued GO bonds and loan repayments deposited back into the fund. The fund provides reduced-interest rate loans to ensure compliance with the national primary drinking water standards. In addition, loan forgiveness is available for disadvantaged communities (up to 70.0 percent), for green project costs (up to 15.0 percent), and for very small systems (up to 100.0 percent of project costs up to a total of $200,000). Since inception of the DWSRF, the agency has been awarded capitalization grants totaling $1.5 billion. As of July 31, 2015, TWDB has made 365 loan commitments totaling $1.5 billion for projects that will assist entities through the DWSRF. Appropriations for the DWSRF program total $4.1 million in All Funds, or 1.7 percent of total agency appropriations, which is approximately equivalent to the 2014–15 biennial spending level.

ECONOMICALLY DISTRESSED AREAS PROGRAM

The Economically Distressed Areas Program (EDAP) provides financial assistance for the supply of water and wastewater services to economically distressed areas where water or wastewater facilities are inadequate to meet minimum state standards. With voter approval of three constitutional amendments in 1989, 1991, and 2007, TWDB was authorized to issue $500.0 million in GO bonds to provide affordable water and wastewater services in these areas. Of this amount, $101.0 million in GO bond authority remains. From 1993 to 1999, the federal government provided $300.0 million through the federal Colonia Wastewater Treatment Assistance Program (CWTAP) to complement the state's EDAP program.

As of August 31, 2015, TWDB has directed $734.0 million in funding through EDAP and CWTAP funding and utilized an additional $193.0 million from other TWDB programs to provide water and wastewater improvements for the benefit of approximately 486,830 residents in economically distressed areas. The Eighty-fourth Legislature, 2015, authorized TWDB to issue $50.0 million in existing bond authority during the 2016–17 biennium to finance projects associated with EDAP. The Legislature appropriated $6.0 million in General Revenue Funds for the related debt service. The agency estimates that at the end of the 2016–17 biennium, the remaining authorized but unissued GO bond authority for EDAP will total $51.0 million.

The Economically Distressed Areas Program is appropriated $0.8 million in All Funds for the 2016–17 biennium for the administration of EDAP-related programs, which is approximately equivalent to the 2014–15 biennial spending level. EDAP assistance amounts from General Obligation Bond Proceeds (Other Funds) and Federal Funds are not included in this total because these amounts are not part of TWDB's administrative appropriation.

SPECIAL APPROPRIATION ACT PROJECT GRANTS

The federal Special Appropriation Act Project (SAAP) grants provide funding for water and wastewater projects. Financial assistance funds are distributed directly to the recipients by the U.S. Environmental Protection Agency with construction management and program oversight being performed by the TWDB. The TWDB receives 3.0 percent of the project's total costs to monitor construction and provide construction and administration assistance for the Texas projects. Appropriations for the SAAP total $0.2 million, or the same funding as 2014–15 biennial spending levels.

The water project financing program area is appropriated $21.0 million, or a decrease of $2.0 billion compared to 2014–15 biennial spending levels. The decrease is attributable to a onetime $2.0 billion appropriation from the Economic

Stabilization Fund (Other Funds) to the SWIFT in fiscal year 2014 to capitalize the SWIFT and SWIRFT programs.

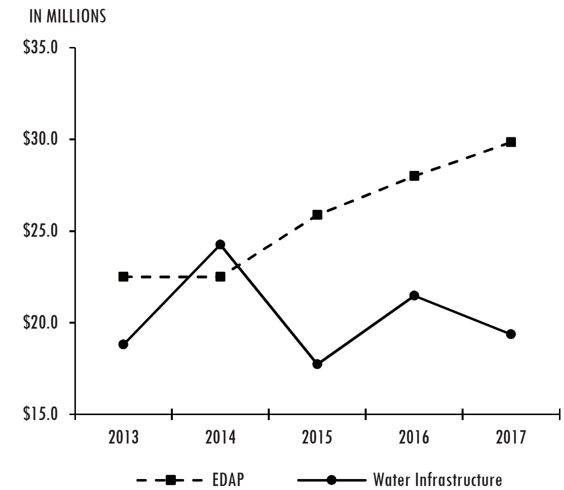
DEBT SERVICE PAYMENTS

The debt service payments program area includes EDAP Debt Service and WIF Debt Service. Much of the state funding provided by the agency to local governments for water and wastewater projects is financed through bonds. The issuance of bonds requires debt service to repay the principal and interest on the bonds. Debt service for most programs within the Water Development Fund, CWSRF, and DWSRF is fully recovered through loan repayments. This is not the case, however, with the bonds issued through EDAP and WIF. The debt service for these bonds, referred to as non-self-supporting GO bonds, is not fully recovered through loan repayments and requires General Revenue Funds to cover debt service requirements. In the case of EDAP, loan repayments are insufficient to cover debt service because the vast majority of assistance comes from grants and below-market-rate loans. The Eighty-fourth Legislature, 2015, appropriated $62.0 million for the 2016–17 biennium for debt service on EDAP bonds issued by the state, which includes $57.8 million in General Revenue Funds and $4.1 million from the Economically Distressed Areas Bond Payment Account (Other Funds). This amount represents an increase of $9.4 million, or 19.6 percent, compared to 2014–15 biennial spending levels. Of this amount, $6.0 million is the debt service related to $50.0 million in bonds authorized by the Eighty-fourth Legislature, 2015, for EDAP projects.

Loan repayments made within the WIF are subsidized and may be deferred up to 10 years, and therefore require appropriations of General Revenue Funds to meet debt service requirements in the first years of the project. The Eighty-fourth Legislature, 2015, appropriated $145.7 million in All Funds for WIF debt service, which includes $40.8 million in General Revenue Funds and $104.6 million from the Water Infrastructure Fund (Other Funds). This amount represents an All Funds increase of 4.4 percent compared to 2014–15 biennial spending levels. The increase is mainly attributable to additional loan repayments being available to make debt service payments.

A summary of expected debt service needs from General Revenue Funds for each of the programs from fiscal years 2013 to 2017 is shown in **Figure 333**.

FIGURE 333
GENERAL REVENUE FUNDS DEBT SERVICE PAYMENTS
FISCAL YEARS 2013 TO 2017



NOTE: EDAP = Economically Distressed Areas Program.
SOURCE: Legislative Budget Board.

INDIRECT ADMINISTRATION

The agency's indirect administration only has one program, and it is appropriated $17.3 million for the 2016–17 biennium to support the agency's three program areas. This amount represents a decrease of $0.2 million, or 1.4 percent, compared to 2014–15 biennial spending levels.

SIGNIFICANT LEGISLATION

House Bill 30 – Brackish groundwater development. The legislation requires the agency to identify and designate brackish groundwater production zones that are separated by hydrologic barriers that prevent consequences to water availability or water quality in certain areas of the state. The agency is also required to determine and include in the designation description the amount of groundwater that the zone is capable of producing during a 30-year to 50-year period without causing a significant effect on water availability or water quality. The bill requires the agency to prepare a biennial progress report on the designation of the groundwater production zones specified in the bill, and another report in December 2022 identifying and designating brackish groundwater production zones in areas of the state that are not specified in the bill.

House Bill 280 – Requirements for SWIFT information posted on the agency's website. The legislation requires the agency to post certain information to its website relating to the State Water Implementation Fund for Texas (SWIFT), including: the amount of bonds issued, terms of the bonds, and a summary of any bond enhancement agreement; the status of repayment of loans and a default risk assessment; information on the financial management of the fund's investment portfolio; a description of the point system for prioritizing projects and points awarded to each project; any nonconfidential information submitted to the agency as part of a SWIFT application that is approved by the board; and administrative and operating expenses for development of the State Water Plan and providing financial assistance for projects included in the plan.

House Bill 1232 – Study regarding the mapping of groundwater in confined and unconfined aquifers. House Bill 1232 requires the agency to conduct a study of the hydrology and geology of the confined and unconfined aquifers of the state. The bill requires that the study include a map showing the area and water quality of such aquifers.

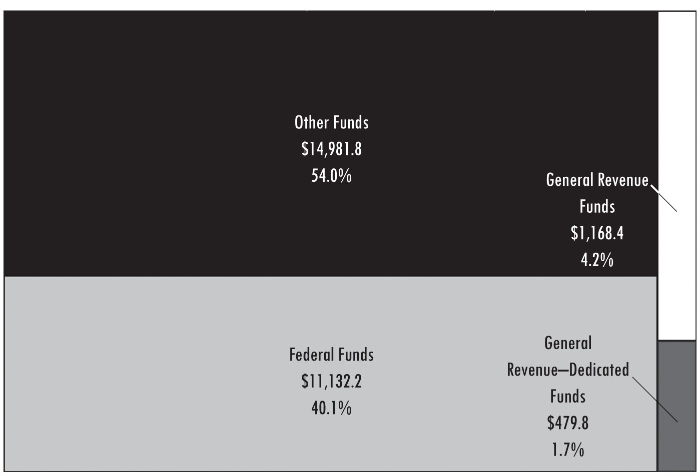
10. BUSINESS AND ECONOMIC DEVELOPMENT

The five business and economic development state agencies provide services supporting the Texas economy through transportation, business and workforce development, lottery and bingo operations, and community infrastructure. These agencies include the Department of Housing and Community Affairs (TDHCA), the Texas Lottery Commission (TLC), the Department of Motor Vehicles (DMV), the Texas Department of Transportation (TxDOT), and the Texas Workforce Commission (TWC).

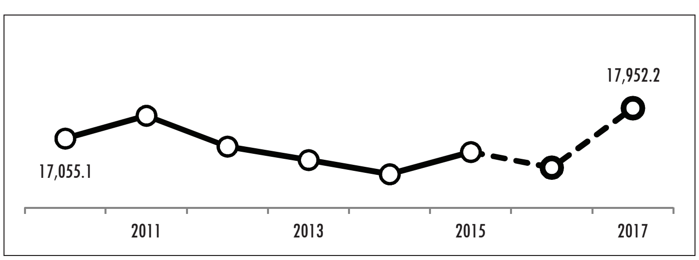
FIGURE 334
ARTICLE VII – BUSINESS AND ECONOMIC DEVELOPMENT, BY METHOD OF FINANCE

	IN MILLIONS			
METHOD OF FINANCE	EXPENDED/BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$914.9	$1,168.4	$253.5	27.7%
General Revenue–Dedicated Funds	$463.4	$479.8	$16.4	3.5%
Federal Funds	$11,102.3	$11,132.2	$29.9	0.3%
Other Funds	$14,949.1	$14,981.8	$32.7	0.2%
Total, All Methods of Finance	**$27,429.5**	**$27,762.2**	**$332.6**	**1.2%**

SHARE OF FUNDING BY METHOD OF FINANCE



FULL-TIME-EQUIVALENT POSITIONS



SIGNIFICANT DEVELOPMENTS

Appropriations for the Texas Department of Transportation include **$1.3 billion in State Highway Funds** (Other Funds) available from the **discontinuation of providing State Highway Fund appropriations to other agencies.**

Appropriations for the Texas Department of Transportation include an estimated **$2.4 billion** from oil and natural gas tax-related transfers to the State Highway Fund pursuant to **Proposition 1 (2014).**

Appropriations for the Texas Workforce Commission include **an increase of $309.1 million** in All Funds for the **transfer of certain vocational rehabilitative programs** to the agency from the Department of Assistive and Rehabilitative Services.

Appropriations for the Department of Motor Vehicles include funding from the **Texas Department of Motor Vehicles Fund (TxDMV Fund)** beginning in fiscal year 2017.

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

FIGURE 335
ARTICLE VII – BUSINESS AND ECONOMIC DEVELOPMENT APPROPRIATIONS BY AGENCY, ALL FUNDS

(IN MILLIONS)

FUNCTION	EXPENDED/BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE
Department of Housing and Community Affairs	$507.9	$486.7	($21.2)	(4.2%)
Texas Lottery Commission	$458.2	$471.2	$13.0	2.8%
Department of Motor Vehicles	$332.2	$313.4	($18.8)	(5.7%)
Department of Transportation	$23,141.1	$23,054.9	($86.3)	(0.4%)
Texas Workforce Commission	$2,374.3	$2,641.5	$267.2	11.3%
General Revenue–Dedicated Reimbursements to the Unemployment Compensation Benefit Account	$47.4	$38.8	($8.7)	(18.3%)
Subtotal, Business and Economic Development	**$26,861.2**	**$27,006.4**	**$145.3**	**0.5%**
Retirement and Group Insurance	$565.1	$728.3	$163.2	28.9%
Social Security and Benefits Replacement Pay	$131.7	$139.0	$7.3	5.5%
Bond Debt Service Payments	$25.8	$30.8	$5.0	19.2%
Lease Payments	$1.7	2.7	$1.0	59.5%
Subtotal, Employee Benefits and Debt Service	$724.4	$900.8	$176.4	24.3%
Less Interagency Contracts	$156.0	$145.0	($11.0)	(7.0%)
Total, All Functions	**$27,429.5**	**$27,762.2**	**$332.6**	**1.2%**

NOTES:
(1) Includes certain anticipated supplemental spending adjustments if applicable.
(2) Biennial change and percentage change are calculated on actual amounts before rounding. Therefore, figure totals may not sum due to rounding.
(3) 2016–17 biennial amounts reflect the transfer of certain programs from Article I to Article II and from Article II to Article VII.
SOURCE: Legislative Budget Board.

MAJOR FUNDING ISSUES

The Eighty-fourth Legislature, 2015, appropriated $27.0 billion in All Funds directly to the Business and Economic Development agencies for the 2016–17 biennium. This amount represents an increase of approximately $145.3 million, or 0.5 percent, from the 2014–15 biennial spending level and is primarily related to changes in funding at Texas Department of Transportation (TxDOT) and Texas Workforce Commission (TWC).

Appropriations for TxDOT total $23.1 billion in All Funds, a decrease of $0.1 billion; the decrease is associated with Federal Funds and bond proceeds. Funding for the State Highway Fund (Other Funds) includes: $1.3 billion made available from the discontinuation of State Highway Fund appropriations to agencies other than TxDOT; and an estimated $2.4 billion from oil and natural gas tax-related transfers to the State Highway Fund (Proposition 1, 2014) for use in constructing, maintaining, and acquiring rights-of-way for nontolled public roadways. Funding for TxDOT also includes a decrease of $1.1 billion in Other Funds for a reduction in bond proceeds and includes an increase of $202.5 million in General Revenue Funds for an increase in General Obligation bond debt service payments.

The approval by voters on November 3, 2015, of a proposition to make Senate Joint Resolution 5 law will result in revenue from the first $2.5 billion of state sales tax collected in excess of $28.0 billion in a fiscal year and 35.0 percent of motor vehicle sales and rental taxes collected in excess of $5.0 billion in a fiscal year to be deposited into the State Highway Fund beginning in fiscal years 2018 and 2020, respectively. Funds deposited to the State Highway Fund pursuant to these provisions may only be appropriated to construct, maintain, or acquire rights-of-way for public roadways, other than a toll road, or to repay principal and interest on certain General Obligation debt issued by TxDOT.

The Eighty-fourth Legislature, 2015, evaluated TWC through the Sunset review process and continued the agency for 12 years. The enactment of the agency's Sunset legislation resulted in the transfer of certain programs, including

Vocational Rehabilitation, Business Enterprises of Texas, Older Blind Independent Living Services, and Criss Cole Rehabilitation Center programs, from the Department of Assistive Rehabilitative Services (DARS) to TWC effective September 1, 2016. To support these programs, appropriations to TWC include an increase of $309.1 million in All Funds in fiscal year 2017 that had previously been appropriated to DARS. This funding includes $249.1 million in Federal Funds, $56.4 million in General Revenue Funds, $1.1 million in General Revenue–Dedicated Funds, and $2.5 million in Other Funds.

Additionally, appropriations for TWC include an increase of $10.0 million in General Revenue Funds related to the enactment of House Bill 3062, Eighty-fourth Legislature, 2015, which transferred the Jobs and Education for Texans Grant Programs from the Comptroller of Public Accounts to TWC beginning in fiscal year 2016. The increases in funding at TWC were offset by decreases in Federal Funds of $17.3 million in the Unemployment Insurance program due to an anticipated decrease in unemployment claims and $20.9 million in the Adult Basic Education program to account for a onetime transfer of federal grant funds to TWC from the Texas Education Agency during the 2014–15 biennium.

Funding for the Department of Motor Vehicles (DMV) includes a net decrease in All Funds of $18.8 million, which is primarily related to the reduction of $30.5 million in All Funds for onetime capital budget expenditures for the agency's vehicle registration and titling system, TxDMV Automation System. This reduction is offset by increases of $9.8 million in All Funds for the separation of information applications and servers from TxDOT information technology infrastructure and additional data center consolidation costs, and $2.9 million in All Funds for the relocation of certain offices, facilities, and regional services centers.

The passage of Senate Bill 1512 by the Eighty-fourth Legislature, 2015, resulted in funding DMV in fiscal year 2017 primarily through the Texas Department of Motor Vehicles Fund (TxDMV Fund). The legislation reestablishes the TxDMV Fund as a fund inside the state Treasury outside the General Revenue Fund, and requires revenue from certain fees collected by or on behalf of DMV that were previously deposited to the General Revenue Fund to be deposited to the TxDMV Fund beginning in fiscal year 2017.

Funding for the Department of Housing and Community Affairs includes a decrease in Federal Funds of $24.1 million primarily due to American Recovery and Reinvestment Act funds expended in the 2014–15 biennium, and a decrease in administrative costs related to the U.S. Section 811 Project Rental Assistance Demonstration in fiscal years 2016 and 2017.

Funding for the Texas Lottery Commission includes a net increase in All Funds of $13.0 million, attributable to a decrease of $2.5 million in General Revenue Funds related to onetime funding for the agency's Automated Charitable Bingo System redesign offset by an increase of $15.5 million in General Revenue–Dedicated Funds related to an anticipated increase in gross lottery ticket sales. The increase in funding related to gross lottery ticket sales is appropriated to the Texas Lottery Commission to fund the lottery operator contract and retailer commissions, which are based on a percentage of gross lottery ticket sales. These amounts are appropriated through strategies at the Texas Lottery Commission that are estimated and nontransferable.

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

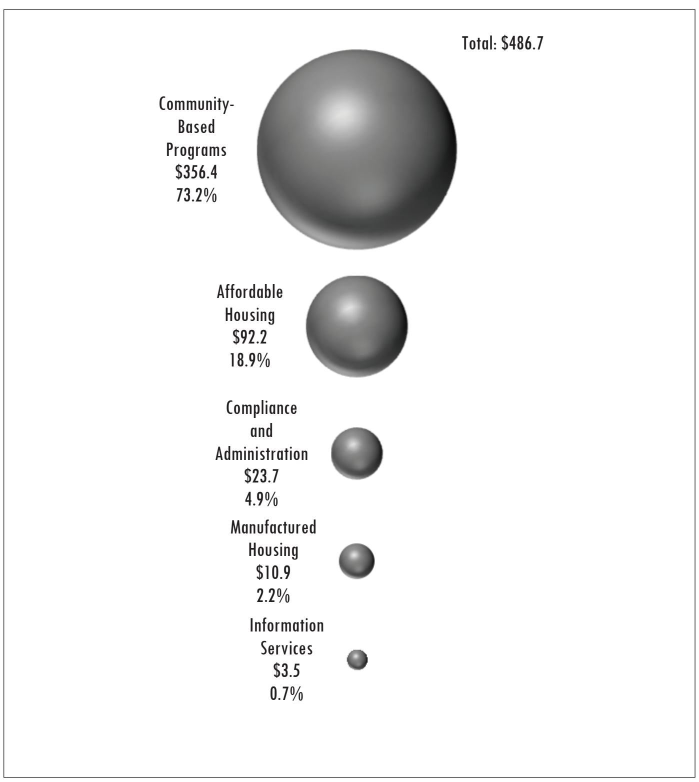
GOVERNANCE: TDHCA Governing Board—seven public members appointed by the Governor with advice and consent of the Senate

FIGURE 336
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS, BY METHOD OF FINANCE

	IN MILLIONS			
METHOD OF FINANCE	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$26.4	$26.5	$0.0	0.1%
General Revenue–Dedicated Funds	$0.0	$0.0	$0.0	N/A
Federal Funds	$445.0	$420.9	($24.1)	(5.4%)
Other Funds	$36.4	$39.3	$2.9	7.9%
Total, All Methods of Finance	**$507.9**	**$486.7**	**($21.2)**	**(4.2%)**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2016	313.0
2017	313.0

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

Appropriations for the 2016–17 biennium include **a $10.0 million decrease** in Federal Funds primarily due to American Recovery and Reinvestment Act (ARRA) **stimulus funds expended in the 2014–15 biennium.**

Appropriations include an $11.3 million decrease in Federal Funds due to **administering the project funding for Section 811, Project Rental Assistance Demonstration, in 2014 and funding administrative costs only** in the 2016–17 biennium.

TDHCA anticipates **assisting approximately 430,000 individuals** each fiscal year of the biennium through **homeless- and poverty-related services** at the agency.

SOURCE: Legislative Budget Board.

MAJOR FUNDING

Appropriations for the Texas Department of Housing and Community Affairs (TDHCA) for the 2016–17 biennium include a net decrease of $21.1 million in All Funds, due to a decrease of $24.1 million in Federal Funds, offset by an increase of $2.9 million in Other Funds due to an increase in appropriated receipts.

The decrease in Federal Funds is primarily attributable to a $10.0 million reduction in American Recovery and Reinvestment Act funds expended in the 2014–15 biennium, and a decrease of $11.3 million in funding related to the Section 811 Project Rental Assistance Demonstration. Federal funding of $11.5 million for the Section 811 Project Rental Assistance Demonstration was expended during the 2014–15 biennium, and funding for the 2016–17 biennium includes only $0.2 million for ongoing administrative costs related to the program. Overall, Federal Funds account for $420.9 million, or 86.5 percent, of the agency's total appropriation for the 2016–17 biennium.

TDHCA also holds certain funds outside the state Treasury that are not included in the General Appropriations Act. TDHCA issues mortgage revenue bonds for single-family and multifamily projects. The majority of these bonds are federally authorized, tax-exempt private activity bonds. The proceeds of these bonds are for financing low-interest loans to income-eligible, first-time homebuyers and to developers of affordable rental housing. Funds and obligations associated with TDHCA's bond indentures contribute the majority of funds maintained by TDHCA in the Texas Treasury Safekeeping Trust Company. TDHCA pays bond investors as it receives loan repayments from homeowners and developers (see the Affordable Housing Program Area).

PROGRAMS

The responsibility of TDHCA is carried out through five main program areas: (1) Community-Based Programs; (2) Affordable Housing; (3) Compliance and Administration; (4) Manufactured Housing; and (5) Information Services.

COMMUNITY-BASED PROGRAMS

Community-Based Programs at TDHCA consist of four programs to improve the living conditions of the poor and homeless and reduce the cost of home energy for very low-income households. These programs include: (1) Weatherization Assistance Program; (2) Community Services Block Grant; (3) Emergency Solutions Grant Program; and (4) Homeless Housing and Services Program. Federal programs administered by the U.S. Department of Health and Human Services, the U.S. Department of Housing and Urban Development, the U.S. Department of Energy, and General Revenue Funds are the primary sources of funding for these programs. Community Based Programs are the largest funded program area at TDHCA, and appropriations total $356.4 million, or 73.2 percent, of the agency's funding.

Grant funding for energy assistance comes from the Weatherization Assistance for Low-Income Persons Program. TDHCA administers grants to local organizations across the state for energy-related assistance to very low-income persons and families. Home weatherization, energy-efficiency guidance, utility assistance, and financial intervention for energy crisis emergencies are provided. The programs help reduce families' energy-related costs and provide healthier environments, and target those most vulnerable to extreme weather conditions, such as the elderly, people with disabilities, and families with small children. The Weatherization Assistance for Low-Income Persons Program is appropriated $266.0 million in Federal Funds for the 2016–17 biennium.

TDHCA administers the federal Community Services Block Grant Program and the Emergency Solutions Grant Program to provide emergency and permanent shelter, utilities, nutrition, clothing, medical, and other services for the elderly, the needy, homeless persons, and persons with disabilities. These programs help communities to improve living conditions for poor and homeless persons and to transition families out of poverty. These programs also provide assistance to individuals affected by natural disasters. Funds are dispersed through community action agencies, continuum of care, nonprofit organizations, and local governments, and are available statewide. TDHCA is appropriated $63.8 million for the Community Services Block Grant Program and $16.5 million for the Emergency Solutions Grant Program for the 2016–17 biennium.

The Homeless Housing and Services Program supports homeless initiatives in the state's eight largest cities. The initiatives may include construction and development of housing for homeless persons, rehabilitation of structures targeted to serve homeless persons, or provisions to provide direct services and case management to homeless persons. These funds also allow TDHCA to provide technical assistance to rural coalitions seeking federal homelessness funds. The Homeless Housing and Services Program is appropriated $10.1 million for the 2016–17 biennium.

AFFORDABLE HOUSING

TDHCA operates six programs related to affordable housing, including: (1) HOME Investment Partnerships Program; (2) Section 8 Housing Choice Voucher; (3) Texas Housing Trust Fund; (4) Federal Housing Tax Credit Program; (5) First-Time Homebuyer, Mortgage Credit Certificate, and Taxable Mortgage programs; and (6) Multifamily Mortgage Revenue Bond Program. Most housing activities are made available through federally funded or federally authorized programs that provide affordable housing to extremely low-, very low-, low-, and moderate-income families. **Figure 337** shows household incomes for a family of four at each income classification by metropolitan area. **Figure 338** shows, by multifamily and single-family designation, the number of units funded by program in fiscal year 2015 and the number of units anticipated in fiscal years 2016 and 2017.

The federal HOME Investment Partnerships (HOME) Program provides grants or loans for the construction of single-family and multifamily housing units by public and private sector partnerships. HOME awards also finance homebuyer, home repair, and tenant-based rental assistance, and can be used to help eligible communities affected by natural disasters. By statute, 95.0 percent of TDHCA's HOME funds are available only to areas of the state that are mostly rural that do not receive HOME funds directly from the federal government. The remaining 5.0 percent of the funds are reserved for people with disabilities who reside in Texas. TDHCA is appropriated $60.0 million for the 2016–17 biennium for the HOME Program.

The Section 8 Housing Choice Voucher Program is a federal program in which qualified tenants typically pay 30.0 percent of their adjusted income for rent, and the federal government pays the balance in an amount not to exceed fair market value. The program provides rental payments directly to landlords on behalf of extremely low-, very low-, and low-income families and individuals, including the elderly and persons with disabilities. TDHCA is one of several different public housing authorities that administers Section 8 Housing Choice Voucher programs across the state. Due to the ability of local housing authorities to administer the program, the Section 8 Program at TDHCA serves only a limited number of rural communities that do not have local public housing authorities. The Section 8 Housing Choice Voucher Program is appropriated $12.5 million for the 2016–17 biennium.

The Housing Trust Fund (HTF) program is the agency's only state-funded housing program. Except for administrative funding, all appropriations provided for the program are

FIGURE 337
TARGETED HOUSEHOLDS BY AREA MEDIAN FAMILY INCOME, FISCAL YEAR 2015

	AREA MEDIAN FAMILY INCOME (AMFI)	EXTREMELY LOW INCOME (30% AMFI)	VERY LOW INCOME (50% AMFI)	VERY LOW INCOME (60% AMFI)	LOW INCOME (80% AMFI)
State of Texas Median for Metropolitan Statistical Area (MSA) Counties	$64,400	$19,320	$32,200	$38,640	$51,520
SAMPLE MSAs					
Austin–San Marcos MSA (Bastrop, Caldwell, Hays, Travis, and Williamson counties)	$76,800	$23,050	$38,400	$46,080	$61,450
Dallas MSA (Collin, Dallas, Denton, Ellis, Henderson, Hunt, Kaufman, and Rockwall counties)	$70,400	$21,100	$35,200	$42,240	$56,300
El Paso MSA (El Paso County)	$47,600	$15,700	$26,200	$31,440	$41,900
Houston MSA (Chambers, Fort Bend, Liberty, Harris, Montgomery, and Waller counties)	$69,300	$20,800	$34,650	$41,580	$55,450
San Antonio MSA (Bexar, Comal, Guadalupe, and Wilson counties)	$63,400	$18,650	$31,100	$37,320	$49,750
State of Texas Median for Non-MSA Counties	$52,400	$15,720	$26,200	$31,440	$41,920

Notes:
(1) Statewide income limits calculated from U.S. Department of Housing and Urban Development statewide median incomes for a family of four.
(2) MSA income limits are based on applicable federal Housing Tax Credit Program income limits for a family of four people.
(3) Applicable income limits are calculated based on Area Median Family Income and other factors.
(4) For communities such as El Paso, with a median income lower than the statewide non-MSA income, the statewide non-MSA income limits apply.
Source: Texas Department of Housing and Community Affairs.

FIGURE 338
MULTIFAMILY AND SINGLE-FAMILY UNITS BY PROGRAM, FISCAL YEARS 2015 TO 2017

	HOUSEHOLDS/UNITS 2015			HOUSEHOLDS/UNITS 2016			HOUSEHOLDS/UNITS 2017		
PROGRAM	MULTIFAMILY	SINGLE FAMILY	TOTAL	MULTIFAMILY	SINGLE FAMILY	TOTAL	MULTIFAMILY	SINGLE FAMILY	TOTAL
Housing Trust Fund	0	242	242	0	175	175	0	175	175
HOME Program	355	958	1,313	200	1,125	1,325	200	1,125	1,325
Low-income Housing Tax Credit Program	5,550	0	5,550	8,090	0	8,090	8,100	0	8,100
Mortgage Revenue Bond Program	0	2,687	2,687	580	2,414	2,994	900	2,377	3,277
Section 8 Program	0	1,015	1,015	0	960	960	0	960	960
TOTAL	**5,905**	**4,902**	**10,807**	**8,870**	**4,674**	**13,544**	**9,200**	**4,637**	**13,837**

NOTES:
(1) Fiscal years 2016 and 2017 amounts are estimated.
(2) Information for multifamily programs shows units completed or to be completed during the fiscal year. Some units receive funding from multiple programs and may be counted more than once.
(3) Mortgage Revenue Bond Program includes the First Time Homebuyer, Mortgage Credit Certificate, Taxable Mortgage programs, and Multifamily Mortgage Revenue Bond program.
SOURCE: Texas Department of Housing and Community Affairs.

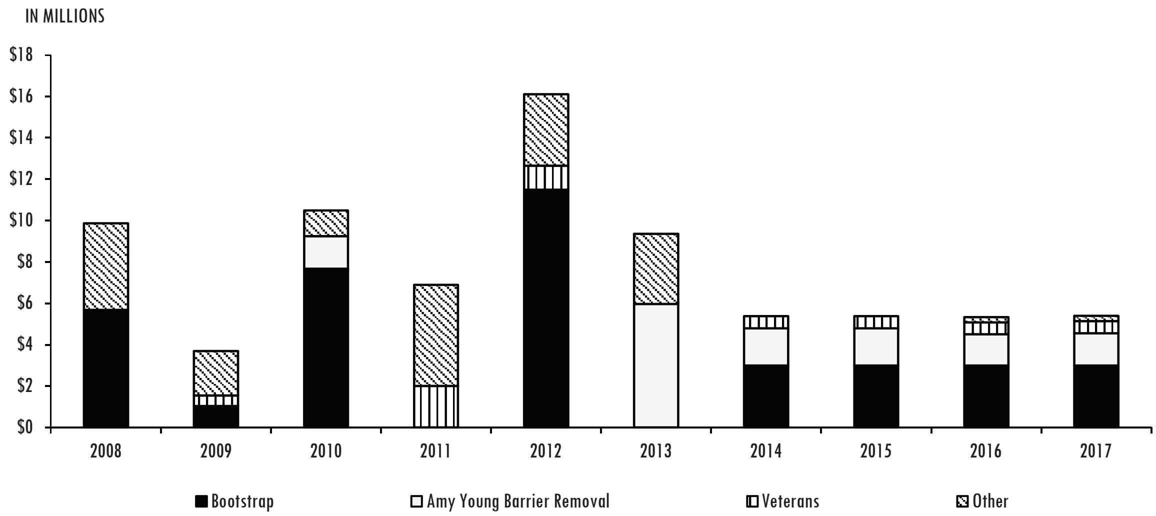
transferred each fiscal year to the Housing Trust Fund located outside the state Treasury. Additionally, 10.0 percent of appropriations are transferred to the Texas Veterans Commission in support of veterans housing. TDHCA applies $3.0 million each year to support the legislatively mandated Texas Bootstrap Loan Program, a self-help loan program that targets economically distressed communities. The majority of the remaining funds are used for the Amy Young Barrier Removal program, a program that provides onetime grants to persons with disabilities in need of modifications to increase accessibility or eliminate hazardous conditions in their home. **Figure 339** shows a history of spending for programs within the Housing Trust Fund from fiscal years 2008 to 2017. TDHCA is appropriated approximately $12.0 million for the HTF program for the 2016–17 biennium.

The federal Housing Tax Credit (HTC) Program is the primary means of financing rental housing to low-income Texans by encouraging private investment in exchange for tax credits and other incentives. In return for the tax credits, owners must set aside a minimum of 20.0 percent of units for use by extremely low- and very low-income tenants; however, most owners set aside 100.0 percent of units for qualified low-income families. Two types of tax credits apply: competitive and noncompetitive. The HTC program is open to nonprofit and for-profit developers and is available statewide. Appropriations for the HTC program reflect only the administrative costs of this program and total $3.7 million for the 2016–17 biennium.

TDHCA also administers the First Time Homebuyer, Mortgage Credit Certificate (MCC), and Taxable Mortgage programs (also referred to as the My First Texas Home), which are primarily operated with funding from the issuance of single-family mortgage revenue bonds (SFMRB) and other mortgage brokerage models administered outside of the Treasury. Appropriations for the First-Time Homebuyer, MCC, and Taxable Mortgage Program reflect only the administrative costs of the programs. The First-Time Homebuyer and Taxable Mortgage programs offer competitive interest rates on home loans and provide down payment assistance for eligible participants. The MCC program offers homeowners a tax credit for a portion of their mortgage interest paid per year. The First-Time Homebuyer, MCC, and Taxable Mortgage programs are appropriated $3.0 million for the 2016–17 biennium.

The Multifamily Mortgage Revenue Bond program is operated primarily with funding through the issuance of multifamily mortgage revenue bonds (MFMRB) administered outside of the Treasury. Appropriations for the MFMRB program reflect only the administrative costs of this program. The MFMRB program issues taxable and tax-exempt mortgage revenue bonds to developers and uses the bond proceeds to finance the construction, acquisition, or rehabilitation of affordable rental properties. The MFMRB program is appropriated $1.0 million for the 2016–17 biennium.

FIGURE 339
HOUSING TRUST FUND EXPENDITURES, FISCAL YEARS 2008 TO 2017



NOTES:
(1) Other includes: Gap Financing Federal Disaster Funds, Foreclosure Prevention, Single Family Development, Rural Housing/Grow Home Pilot, Homeownership SuperNOFA, Multifamily Rental Development, Capacity Building, USDA Capacity Building Grant, Affordable Housing Match Program, Homebuyers Assistance, Rural Housing Expansion Program Contract for Deed Conversion Assistance Pilot, Homeless and Housing Services Program.
(2) Fiscal years 2016 and 2017 amounts are estimated.
(3) Expenditures do not include funding reserved for the administration of the Texas Bootstrap Loan and Amy Young Barrier Removal programs.
SOURCE: Texas Department of Housing and Community Affairs.

The bond proceeds from these single-family and multifamily mortgage revenue bonds are held by trustees outside the state Treasury and are not included in the General Appropriations Act. At the end of fiscal year 2015, TDHCA had approximately $567.7 million in SFMRBs outstanding and $965.4 million in MFMRBs outstanding. The agency estimates that it will issue $175.0 million in SFMRBs and $80.0 million in MFMRBs during the 2016–17 biennium. Factors such as the bond and housing markets will determine the amount of bonds actually issued each year. TDHCA also estimates that it will utilize $375.0 million in private activity bond authority each year of the biennium to issue MCCs. In addition, TDHCA expects to facilitate access to an estimated $200.0 million per year in privately financed, market-rate mortgage loans utilizing down payment assistance funded through its single-family bond indentures.

COMPLIANCE AND ADMINISTRATION

The Compliance and Administration program area includes four programs: (1) Central Administration; (2) Compliance and Monitoring; (3) Information Resource Technologies; and (4) Operations and Support Services.

Central Administration, Information Resource Technologies, and Operations and Support Services provide agencywide services and monitoring of contract, grant, and housing requirements. These programs also assist with human resources, software development, and financial administration of TDHCA. These three programs are appropriated $16.1 million for the 2016–17 biennium.

The Compliance and Monitoring program ensures that TDHCA-supported rental developments adhere to commitments made at the time of funding, including serving low-income households, charging restricted rents, and maintaining the physical condition of the property. To ensure compliance, TDHCA conducts onsite monitoring visits to review documentation and physically inspect the properties. TDHCA also monitors to ensure promised benefits in accordance with contracts established with subrecipients, such as home repair and energy assistance, are being delivered to target populations and that federal and state requirements are being met. The Compliance and Monitoring program is appropriated $7.6 million for the 2016–17 biennium.

MANUFACTURED HOUSING

TDHCA's Manufactured Housing Division, which is governed by a separate board and executive director, is funded primarily through Appropriated Receipts (Other Funds) associated with title, inspection, and licensing fees to support the manufactured housing industry. Three programs are included in Manufactured Housing: (1) Inspections; (2) Licensing; and (3) Enforcement. The funding is provided for the purpose of providing statements of ownership and location and registration service; conducting inspections of manufactured homes; protecting the general public and consumers; and providing processing of occupational licenses, registrations, or permit fees. The Manufactured Housing Division also provides inspection oversight as a State Administrative Agency for the U.S. Department of Housing and Urban Development. The Manufactured Housing Division appropriations include $3.8 million for the inspection program; $3.7 million for the licensing program; and $3.4 million for the enforcement program in the 2016–17 biennium.

INFORMATION SERVICES

TDHCA has four programs to provide information and technical assistance for extremely low-, very low-, and low-income households. These programs include: (1) Housing Resource Center; (2) Housing and Health Services Coordination Council; (3) Office of Colonia Initiatives and Colonia Self-Help Centers; and (4) National Foreclosure Mitigation Counseling Program.

The agency provides information through the legislatively mandated Housing Resource Center (Housing Center), which serves as a clearinghouse of information about housing and community services programs statewide. The Housing Center provides information and technical assistance on the state's housing needs, community services, and affordable housing programs to consumers, developers, researchers, and the general public. The Housing Center is also responsible for developing legislatively required planning documents such as the State Low-Income Housing Plan. The Housing Center program is appropriated $1.4 million for the 2016–17 biennium.

The Housing and Health Services Coordination Council coordinates and increases state efforts to offer service-enriched housing for persons with disabilities or older Texans. The Housing and Health Services Coordination Council is appropriated $0.7 million for the 2016–17 biennium. Through the Office of Colonia Initiatives, colonia residents and communities along the Texas–Mexico border receive technical assistance, education, and self-help programs through TDHCA field offices and Colonia Self-Help Centers. The Office of Colonia Initiatives and Colonia Self-Help Centers program is appropriated $0.7 million for the 2016–17 biennium. Lastly, the National Foreclosure Mitigation Counseling Program seeks to assist Texas homeowners in or near a foreclosure to develop a repayment plan or other modification to their mortgage loan. The program aids clients in foreclosure prevention by analyzing the client's finances, researching the value of the client's home, and reviewing options available to the client. The National Foreclosure Mitigation Counseling Program is appropriated $0.2 million in the 2016–17 biennium.

SIGNIFICANT LEGISLATION

House Bill 679 – A study on homeless youth. The legislation directs TDHCA, in conjunction with the Texas Council for the Homeless, to conduct a study of homeless youth statewide. The study requires TDHCA to collect a variety of data, including the number of homeless youth in the state, the needs of the homeless youth, and potential funding sources to provide services to homeless youth.

Senate Bill 1580 – A study on homeless veterans. The legislation directs TDHCA, in conjunction with the Texas Council for the Homeless, to conduct a study of homeless veterans statewide. The study requires TDHCA to collect a variety of data, including the status of homeless veteran populations in the state, funding sources of local entities serving homeless veteran populations, and any trends observed in the study.

House Bill 74 – Financial assistance administered by the Texas Department of Housing and Community Affairs in certain rural areas. The legislation modifies how a community may self-designate as a rural community, affecting which communities are eligible for receiving low-income housing tax credits administered by TDHCA.

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

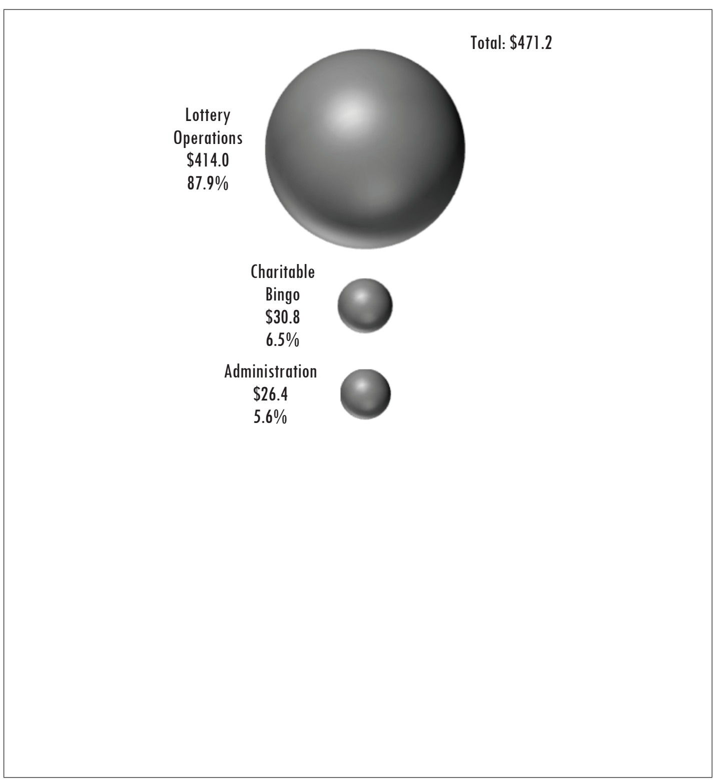
GOVERNANCE: Texas Lottery Commission—five members appointed by the Governor with the advice and consent of the Senate

FIGURE 340
TEXAS LOTTERY COMMISSION BY METHOD OF FINANCE

	IN MILLIONS			
METHOD OF FINANCE	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$33.3	$30.8	($2.5)	(7.5%)
General Revenue–Dedicated Funds	$424.9	$440.4	$15.5	3.6%
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	**$458.2**	**$471.2**	**$13.0**	**2.8%**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2016	326.5
2017	326.5

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

Appropriations include an increase of **$15.5 million related to an anticipated increase in gross lottery ticket sales**, which fund the lottery operator contract and retailer commissions.

Appropriations include a **decrease of $2.5 million** in General Revenue Funds related to **onetime funding** for the agency's Automated Charitable Bingo System redesign expended in the 2014–15 biennium.

Per legislative requirement from the Eighty-third Legislature, a joint committee of Senate and House members issued a report to the Eighty-fourth Legislature **recommending the continuation of the Texas Lottery and the Texas Lottery Commission.**

SOURCE: Legislative Budget Board.

MAJOR FUNDING

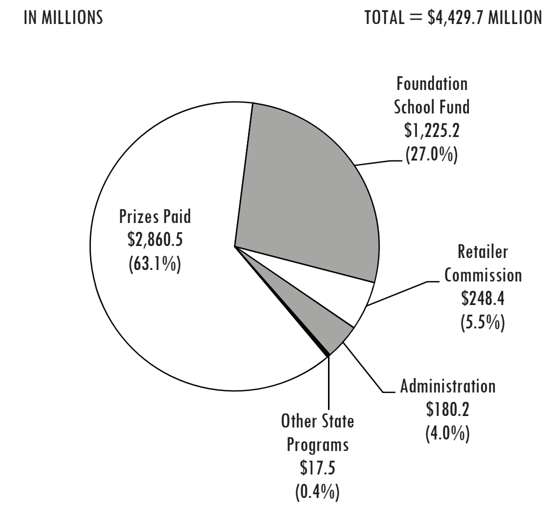
Appropriations for the Texas Lottery Commission (TLC) for the 2016–17 biennium include a decrease of $2.5 million in General Revenue Funds related to onetime funding for the agency's Automated Charitable Bingo System redesign offset by an increase of $15.5 million in General Revenue–Dedicated Funds related to an anticipated increase in gross lottery ticket sales. The increase in funding related to gross lottery ticket sales is appropriated to the Texas Lottery Commission to fund the lottery operator contract and retailer commissions, which are based on a percentage of gross lottery ticket sales. The Comptroller of Public Accounts estimates in the 2016–17 Biennial Revenue Estimate that lottery sales will be approximately $4.4 billion each fiscal year of the biennium.

Proceeds from the sale of lottery tickets is the source of revenue used to pay for all costs of operation for the Texas Lottery, including the payment of lottery prizes, retailer commissions, and other costs for operation and administration of the lottery. The Texas Government Code, Chapter 466, known as the State Lottery Act, limits the amount of these funds that may be expended for retailer commissions and agency administration to 12.0 percent of gross ticket revenues. The State Lottery Act establishes a minimum retailer commission of 5.0 percent of gross ticket sales, which leaves a maximum of 7.0 percent of gross sales that may be expended for agency administration. In practice, total appropriations for agency administration have been approximately 5.0 percent. The agency is also appropriated an additional 0.5 percent of gross ticket sales each year for the purpose of paying sales performance retailer commissions. The agency transfers any unexpended administrative funds to the state to be used for funding public education and other state programs.

From fiscal years 2004 to 2015, TLC transferred more than $1.0 billion to the state each year after deductions for prizes and administrative costs. **Figure 341** shows the distribution of lottery proceeds in fiscal year 2015, and **Figure 342** shows a comparison of net revenues, prize payouts, and gross sales among the top five lottery revenue-producing states for fiscal year 2014.

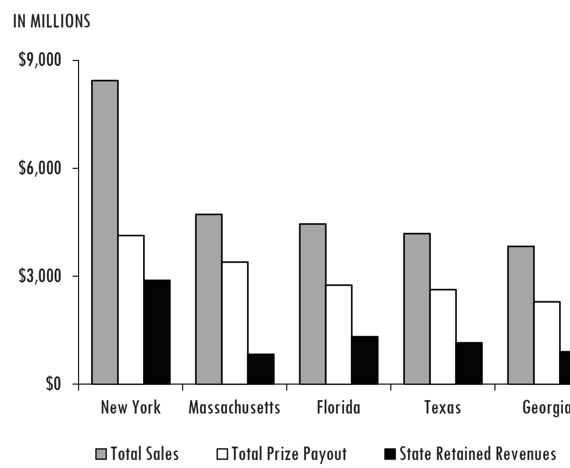
The enactment of House Bill 2197, Eighty-third Legislature, 2013, the agency's Sunset legislation, established a Legislative Review Committee to study the process of ending the state lottery and various aspects of charitable bingo. The joint committee of Senate and House members issued a report to the Eighty-fourth Legislature recommending the

FIGURE 341
WHERE TEXAS LOTTERY PROCEEDS GO
FISCAL YEAR 2015



NOTES:
(1) Other State Programs includes transfers to the General Revenue–Dedeciated Accounts for Fund for Veterans' Assistance, Texas Veterans Commission; State Owned Multicategorical Teaching Hospital, Department of State Health Services; and Lottery, unclaimed lottery prize money, Comptroller of Public Accounts.
(2) Amounts determined on an accrual basis. Amounts may not sum due to rounding.
SOURCE: Texas Lottery Commission.

FIGURE 342
LOTTERY SALES, PRIZES, AND REVENUE IN TOP FIVE STATES, FISCAL YEAR 2014



NOTE: Includes nontraditional lottery product offerings, such as keno, video lottery terminal, and raffle, in New York and Massachusetts.
SOURCE: Texas Lottery Commission.

continuation of the Texas Lottery and the Texas Lottery Commission.

PROGRAMS

The responsibility of the TLC is carried out through three main program areas: (1) Texas lottery operations; (2) charitable bingo; and (3) administration.

TEXAS LOTTERY OPERATIONS

The TLC is tasked with operating the state's lottery system so that it is self-supporting, produces revenue, and is free of criminal activity. The agency's lottery-related activities are primarily completed through the following five programs: contracting; retailer bonuses and incentives; operations; security; and marketing, promotions, and advertising.

TLC's contracting program is the largest component of Texas lottery operations. The contracting program manages all aspects of contract vendor services for instant ticket and online gaming; ticket development and manufacturing services; production of radio, television, Internet, newspaper, magazine and print advertising; broadcast and production of online game drawings; and research services. The contract for the lottery operator is the largest portion of the contracting program and is based on a percentage of gross lottery ticket sales. TLC is appropriated $317.7 million for the contracting program in the 2016–17 biennium.

As part of the contracting program, TLC operates an instant ticket lottery game benefiting the Texas Veterans Commission's Fund for Veterans' Assistance. TLC began offering the instant ticket lottery game in November 2009. The game has generated approximately $52.2 million for the Texas Veterans Commission (TVC) since its inception. **Figure 343** shows net proceeds from these instant ticket games from fiscal years 2012 to 2015.

FIGURE 343
TEXAS VETERANS COMMISSION LOTTERY REVENUE
FISCAL YEARS 2012 TO 2015

FISCAL YEAR	NET PROCEEDS (IN MILLIONS)
2012	$5.3
2013	$6.2
2014	$11.5
2015	$13.1

NOTES:
(1) Includes General Revenue–Dedicated Account transfers of unclaimed prize money from the Lottery to the Fund for Veterans' Assistance.
(2) Amounts determined on an accrual basis.
SOURCE: Texas Lottery Commission.

TLC's retailer bonus and incentive program manages activities that maximize revenue to the state by providing lottery sales agents with incentives and bonuses. The State Lottery Act establishes a minimum retailer commission of 5.0 percent of gross ticket sales. However, appropriations for TLC include an additional 0.5 percent of gross ticket sales each year for the purpose of paying commissions to retailers for sales performance. TLC also receives funding to provide additional compensation to retailers in the form of bonuses for selling high-tier prizes. TLC is appropriated $52.5 million for the retailer bonus and incentive program in the 2016–17 biennium.

TLC's lottery operations program provides operations management, technical, administrative, and customer service support to all office locations, players, and retailers. This includes the issuance of licenses to qualified lottery retailers and the enforcement of applicable state laws and agency rules. Texas will license an estimated 17,000 retailer business locations each fiscal year of the 2016–17 biennium. TLC is appropriated $19.9 million for this purpose during the 2016–17 biennium.

The agency operates a security program to ensure the quality and integrity of the lottery system and the physical security of operating sites. To enforce the State Lottery Act, the agency investigates possible criminal and regulatory violations relating to lottery games. TLC is appropriated $12.5 million for this purpose during the 2016–17 biennium.

TLC's lottery-related activities also include developing lottery products and games, advertising and promoting the lottery, and recruiting business retailers and vendors to sell lottery tickets. TLC is appropriated $11.3 million for marketing, promotions, and advertising during the 2016–17 biennium.

CHARITABLE BINGO

TLC operates the following four programs relating to charitable bingo: bingo auditing, licensing services, education and training, and bingo prize fee allocations. TLC estimates that charitable organizations will receive approximately $25.0 million each fiscal year from bingo events during the 2016–17 biennium. **Figure 344** shows charitable distributions for fiscal years 2011 through 2015.

TLC's bingo auditing program ensures licensee compliance with applicable state laws and agency rules through the use of inspections, reviews, audits, and complaint investigations. The agency estimates that 180 complaints will be completed

FIGURE 344
TEXAS BINGO DISTRIBUTIONS TO CHARITABLE ORGANIZATIONS, FISCAL YEARS 2011 TO 2015

FISCAL YEAR	NET PROCEEDS (IN MILLIONS)
2011	$26.6
2012	$27.3
2013	$27.5
2014	$27.6
2015	$29.0

SOURCE: Texas Lottery Commission.

each fiscal year of the 2016–17 biennium. TLC is appropriated $3.2 million for the bingo auditing program during the 2016–17 biennium.

TLC's licensing program includes the review of license applications and worker registrations to determine the eligibility of applicants to receive a license. The agency estimates that 9,000 licenses will be issued to individuals and organizations each fiscal year of the 2016–17 biennium. The education and training program manages the education and development of all licensed organizations that conduct charitable bingo activities. TLC is appropriated $1.6 million for the bingo licensing program and $0.4 million for education and training programs during the 2016–17 biennium.

TLC's largest program for bingo-related activities includes the allocation of bingo prize fees to counties and municipalities, as required by the Texas Occupations Code. These allocations are estimated to be $25.3 million for the 2016–17 biennium, and TLC is additionally appropriated $0.3 million to administer the allocations.

ADMINISTRATION

The final program area, administration, provides administrative and information technology support to the major programs administered by the agency. TLC is appropriated $26.4 million for this purpose.

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

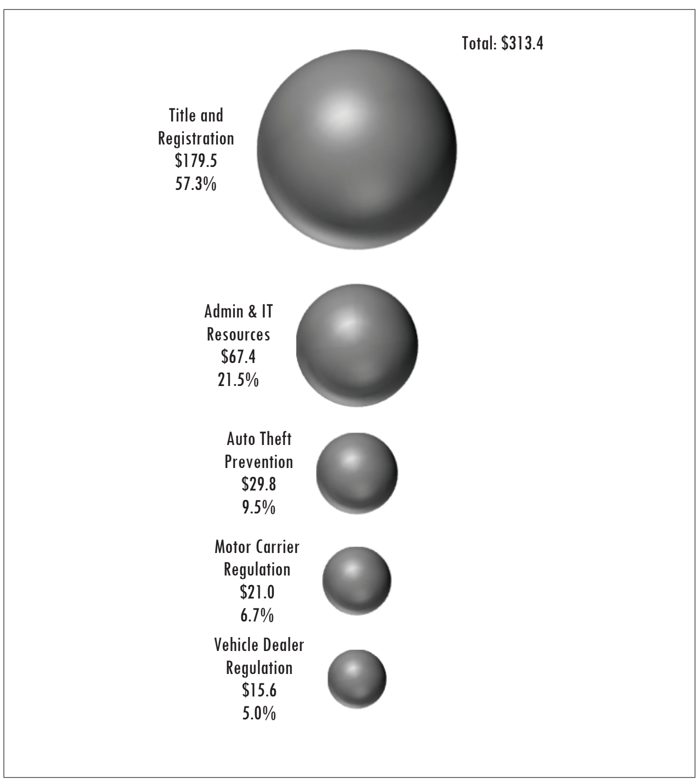
GOVERNANCE: Department of Motor Vehicles Board—nine members appointed by the Governor with advice and consent of the Senate

FIGURE 345
DEPARTMENT OF MOTOR VEHICLES BY METHOD OF FINANCE

	IN MILLIONS			
METHOD OF FINANCE	**EXPENDED/ BUDGETED 2014–15**	**APPROPRIATED 2016–17**	**BIENNIAL CHANGE**	**PERCENTAGE CHANGE**
General Revenue Funds	$218.3	$183.1	($35.2)	(16.1%)
General Revenue–Dedicated Funds	$0.0	$0.0	$0.0	N/A
Federal Funds	$1.4	$0.0	($1.4)	(100.0%)
Other Funds	$112.6	$130.3	$17.7	15.8%
Total, All Methods of Finance	**$332.2**	**$313.4**	**($18.8)**	**(5.7%)**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2016	763.0
2017	763.0

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

Appropriations for fiscal year 2017 include **$130.3 million** from the **new Texas Department of Motor Vehicles Fund** (Other Funds). **Senate Bill 1512** authorized this fund.

Appropriations from the State Highway Fund are discontinued and replaced with appropriations from **General Revenue Funds** and the new **Texas Department of Motor Vehicles Fund**.

Approximately **25.0 million vehicles will be registered** in Texas by the end of the 2016–17 biennium.

MAJOR FUNDING

Funding for the Department of Motor Vehicles (DMV) for the 2016–17 biennium includes a decrease of $30.5 million for onetime capital budget expenditures for the TxDMV Automation System project, offset by increases of $9.4 million for the separation of information resource applications and servers from Texas Department of Transportation (TxDOT) information technology infrastructure and $2.9 million for the relocation of certain DMV offices and regional service centers from TxDOT facilities to leased facilities. Appropriations from the State Highway Fund (Other Funds) are discontinued for the 2016–17 biennium and replaced with General Revenue Funds and appropriations from the new Texas Department of Motor Vehicles Fund (Other Funds).

PROGRAMS

The agency carries out its responsibilities through five major program areas: (1) vehicle titling and registration; (2) administration and information resource technology support; (3) automobile burglary and theft prevention; (4) motor carrier regulation; and (5) vehicle dealer regulation.

The agency's largest program area is vehicle titles and registration. The agency works in support of and in partnership with 254 tax assessor-collectors and their agents to administer motor vehicle titles, register vehicles, distribute license plates and registration insignia stickers, distribute parking placards for persons with disabilities, and collect the related fees. This program area also includes the maintenance and enhancement of an automated vehicle registration and titling system used by the agency and the tax-assessor collectors in each county to account for the titling and registration of vehicles, collection of related fees and taxes, and to provide access for law enforcement to vehicle ownership information. The agency projects 7.6 million titles will be issued in each fiscal year, and a total of 25.0 million vehicles will be registered in Texas by the end of the 2016–17 biennium. Appropriations for vehicle titling and registration total $179.5 million for the 2016–17 biennium.

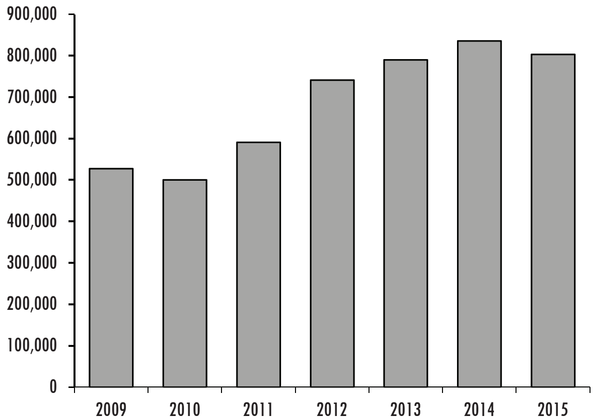
The agency's administration and information technology (IT) program area provides central administration, information resources, and other services to support the daily operations of all other DMV programs and the governing board of the DMV. The agency's central administration functions include executive administration, finance and accounting services, human resources, and legal support. The agency's information resources program provides support for the maintenance and enhancement of IT systems and equipment and management of IT projects throughout the agency. Other support services include agency facilities management, motor vehicle fleet, records retention, and mail operations. Appropriations for administration and IT support total $67.4 million for the 2016–17 biennium, including a total of $45.7 million for information resources support and IT project management.

The Automobile Burglary and Theft Prevention Authority (ABTPA) is composed of a seven-member board of directors, independent of the governing board of the DMV, appointed by the Governor with the advice and consent of the Senate. The ABTPA coordinates efforts within a network of law enforcement and judicial agencies, the insurance industry, and residents to reduce vehicle burglary and theft through grants that fund burglary and theft reduction initiatives. Appropriations for ABTPA program grants and administration total $29.8 million for the 2016–17 biennium.

The agency's motor carrier regulation program provides for motor carrier registration services, oversize/overweight vehicle permitting, and enforcement. Motor carriers operating equipment with a gross vehicle weight exceeding 26,000 pounds, passenger bus operators, and household goods carriers operating in Texas are required to obtain a motor carrier registration with DMV. Additionally, DMV is responsible for the permitting, regulation, and routing of oversize and overweight vehicles on the state's highways to ensure the safety of the traveling public and protect the integrity of highways and bridges. **Figure 346** shows the number of oversize/overweight permits issued in fiscal years 2009 to 2015. DMV reported issuing 836,258 permits in fiscal year 2014, which represents an increase of 67.1 percent from 500,522 permits issued in fiscal year 2010. The change in the number of permits issued closely correlates with economic factors, including public and private infrastructure investment, manufacturing, and energy exploration and development. Appropriations for the motor carrier regulation program total $21.0 million for the 2016–17 biennium.

The agency's motor vehicle dealer regulation program provides for the licensing and regulation of motor vehicle dealers, manufacturers, salvage vehicle dealers, and a variety of other entities engaged in the motor vehicle sales and distribution industry. The agency is also responsible for enforcing the state's motor vehicle Lemon Law, which was established to assist consumers who have purchased or leased new vehicles with substantial defects in obtaining repair,

FIGURE 346
OVERSIZE/OVERWEIGHT PERMITS ISSUED
FISCAL YEARS 2009 TO 2015



SOURCE: Department of Motor Vehicles.

replacement, or repurchase of those vehicles. Appropriations for motor vehicle dealer regulation total $15.6 million for the 2016–17 biennium.

SIGNIFICANT LEGISLATION

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

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

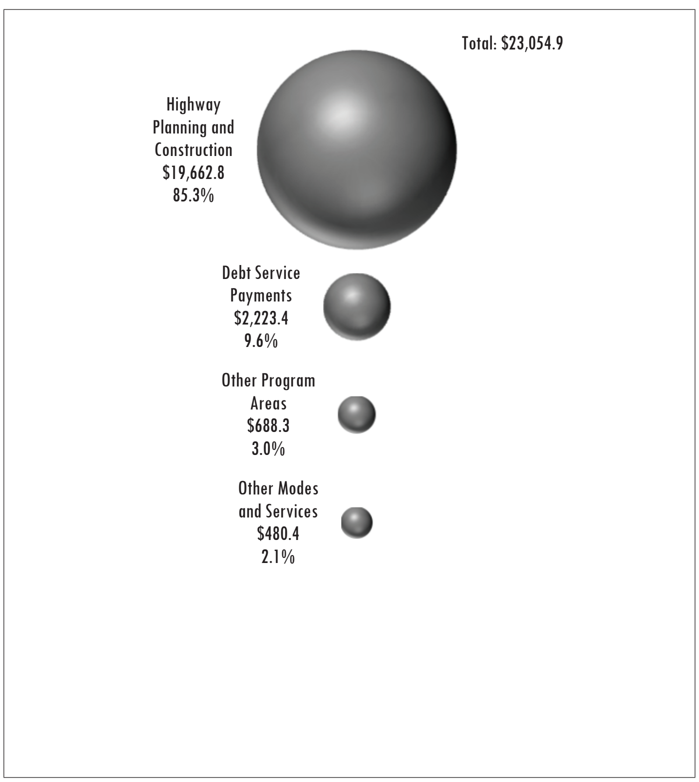
GOVERNANCE: Texas Transportation Commission—five members appointed by the Governor with advice and consent of the Senate

FIGURE 347
TEXAS DEPARTMENT OF TRANSPORTATION BY METHOD OF FINANCE

	IN MILLIONS			
METHOD OF FINANCE	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$316.2	$507.3	$191.1	60.5%
General Revenue–Dedicated Funds	$0.0	$0.0	$0.0	N/A
Federal Funds	$8,562.7	$8,367.8	($194.9)	(2.3%)
Other Funds	$14,262.2	$14,179.7	($82.5)	(0.6%)
Total, All Methods of Finance	**$23,141.1**	**$23,054.9**	**($86.3)**	**(0.4%)**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2016	11,900.0
2017	11,900.0

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

Appropriations include **$1.3 billion in State Highway Funds** (Other Funds) available from the **discontinuation of providing State Highway Fund appropriations to other agencies.**

Appropriations include an estimated **$2.4 billion** from oil and natural gas tax-related transfers to the State Highway Fund pursuant to **Proposition 1, 2014**.

Proposition 7, approved by voters in November 2015, will allocate to the **State Highway Fund** the first **$2.5 billion of state sales tax** collected in excess of $28.0 billion in a fiscal year beginning in fiscal year 2018.

Proposition 7, 2015, will allocate to the State Highway Fund **35.0 percent of the motor vehicle sales and rental taxes** collected in excess of $5.0 billion in a fiscal year beginning in fiscal year 2020.

MAJOR FUNDING

Funding for the Department of Transportation (TxDOT) for the 2016–17 biennium includes $14.2 billion in Other Funds (61.5 percent of total funding), including $1.3 billion made available from the discontinuation of State Highway Fund (SHF) appropriations to agencies other than TxDOT and $2.4 billion from oil and natural gas tax-related transfers to the SHF (Proposition 1, 2014). Other Funds appropriations represent a decrease of $86.3 million from the 2014–15 biennium, including:

- an increase of $0.5 billion from traditional SHF tax and fee revenue sources;
- an increase of $0.7 billion from oil and natural gas tax-related transfers to the SHF (Proposition 1, 2014);
- a net decrease of $1.1 billion in bond proceeds for highway planning and construction, including:
  - a decrease of $0.8 billion in Texas Mobility Fund (TMF) bond proceeds;
  - a decrease of $0.6 billion in SHF Revenue (Proposition 14) Bond Proceeds;
  - an increase of $0.3 billion in Highway Improvement General Obligation (Proposition 12) Bond Proceeds; and
  - a decrease of $11.6 million in General Obligation (GO) Bond Proceeds for border colonia access roadway projects;
- a decrease of $81.5 million in TMF for bond debt service; and
- a decrease of $127.8 million in Other Funds from other onetime funding sources.

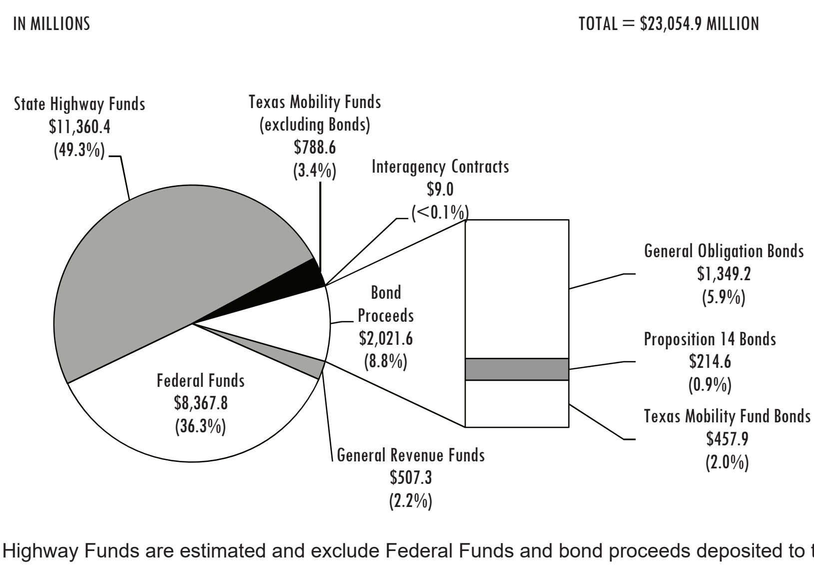
Funding of General Revenue Funds is increased by $191.1 million from the 2014–15 biennium, including an increase of $202.5 million for GO bond debt service payments offset by a decrease of $13.9 million for onetime aviation and rail transportation projects. **Figure 348** shows agency appropriations by funding source for the 2016–17 biennium.

The agency is provided $200.0 million in capital budget authority for the 2016–17 biennium for repair and rehabilitation of TxDOT buildings and facilities.

Funding includes a reduction of 187.0 full-time-equivalent (FTE) positions from the fiscal year 2015 position cap primarily related to the outsourcing of the agency's information resource technology functions.

The approval of Senate Joint Resolution 5 by voters on November 3, 2015 (Proposition 7, 2015), will result in revenue from the first $2.5 billion of state sales tax collected in excess of $28.0 billion in a fiscal year and 35.0 percent of motor vehicle sales and rental taxes collected in excess of $5.0

FIGURE 348
DEPARTMENT OF TRANSPORTATION FUNDING SOURCES, 2016–17 BIENNIUM



NOTE: State Highway Funds are estimated and exclude Federal Funds and bond proceeds deposited to the credit of the State Highway Fund.
SOURCE: Legislative Budget Board.

billion in a fiscal year to be deposited into the SHF beginning in fiscal years 2018 and 2020, respectively. Funds deposited to the SHF pursuant to these provisions may only be appropriated to construct, maintain, or acquire rights-of-way for non-tolled public roadways or to repay principal and interest on certain GO debt issued by TxDOT (see the Significant Legislation section).

PROGRAMS

The agency carries out its responsibilities through four program areas: (1) highway planning and construction; (2) other transportation modes and services; (3) other program areas, including administrative and information resources support, traffic safety, government flight services, travel and tourism, and outdoor advertising regulation; and (4) debt service payments.

HIGHWAY PLANNING AND CONSTRUCTION

The agency's largest program area is highway planning and construction. Major functions in this program area include transportation system planning and design, acquisition of rights-of-way, highway construction and preservation, routine system maintenance, and programs that provide state financial participation in the costs of developing tolled and nontolled roadway projects.

The agency's transportation planning and design function includes long-range road forecasting, preliminary road and bridge design, construction and environmental engineering, research and development, and other activities that contribute to the management and expansion of the state's transportation system. This function includes planning, design, management, and research activities carried out by agency staff and professional services performed by private contractors. Appropriations for transportation system planning and design total $1.8 billion for the 2016–17 biennium. Funding for the 2016–17 biennium includes $853.2 million and 4,157.0 FTE positions for work performed by TxDOT staff, and $953.0 million for contracted planning and design services.

The agency's right-of-way acquisition function includes the acquisition of rights-of-way and other real property interests for transportation projects, adjustment of utility facilities affected by transportation construction projects, and relocation assistance to displaced property owners and tenants of business and residential properties. Appropriations for right-of-way acquisition total $881.2 million for the 2016–17 biennium.

The agency's highway construction and preservation function supports contracts for the construction and reconstruction of roads, bridges, and other facilities on the state highway system, and work associated with highway preventive maintenance and rehabilitation. The agency contracts with private firms for all highway and bridge construction projects. Funding for highway construction and preservation provides for payments to contractors for actual construction work performed. Appropriations for highway construction and preservation total $9.7 billion for the 2016–17 biennium, including $5.0 billion for ongoing payments on construction and preservation contracts awarded before the 2016–17 biennium and $4.0 billion for payments on contracts awarded in the 2016–17 biennium. The agency estimates awarding 1,466 new highway construction contracts in the 2016–17 biennium.

The agency's routine transportation system maintenance function provides routine and preventive maintenance of roadway surfaces, bridges, highway markings, and traffic signal systems. Other routine maintenance activities include roadside mowing, litter removal, rest area maintenance, emergency repairs, and ferry facilities maintenance. While routine transportation system maintenance is the agency's largest function in terms of the number of employees involved, it includes work performed by agency staff and contractors. Appropriations for routine transportation system maintenance total $2.9 billion for the 2016–17 biennium (including $1.3 billion for contracted routine maintenance and $1.6 billion for activities to be performed by TxDOT personnel) and provides for 6,093.0 FTE positions.

Appropriations for highway planning and construction for the 2016–17 biennium include $2.4 billion from oil and natural gas tax-related transfers to the SHF, pursuant to Proposition 1, 2014. The Texas constitution specifies that these funds may be used only for constructing, maintaining, and acquiring rights-of-way for nontolled public roadways. For the 2016–17 biennium, the Legislature has directed the agency to allocate these funds for the following purposes:

- 45.0 percent for mobility and added capacity projects in urban areas to decrease congestion and improve safety;
- 25.0 percent for projects that improve regional connectivity along strategic corridors in rural areas;
- 20.0 percent for statewide maintenance and preservation projects; and

- 10.0 percent for roadway safety and maintenance projects in areas of the state affected by increased oil and gas production activity.

Appropriations for highway planning and construction also include $2.0 billion for the 2016–17 biennium for programs that provide: (1) state participation in private entities' costs of delivering transportation projects through comprehensive development agreements; (2) pass-through financing to reimburse local governments for their participation in the development of state highway improvement projects; (3) state participation in the costs of local toll projects; and (4) loans to local governments to finance eligible highway projects through the federally authorized State Infrastructure Bank.

OTHER TRANSPORTATION MODES AND SERVICES

The agency is also responsible for other transportation modes and services, including public transportation, aviation, ferry operations, rail, and maritime transportation.

The agency's public transportation program promotes public transportation projects by distributing state and federal grants and assisting small urban and rural transportation providers, communities, nonprofit organizations, and political subdivisions in the development and delivery of public transportation services. The agency distributes federal and state grants to 30 urban transit districts (serving areas of populations from 50,000 to 200,000) and 37 rural transit districts (serving areas of populations less than 50,000) to provide funding for transit operating expenses and capital projects such as transit vehicle replacement. Appropriations for public transportation total $190.3 million for the 2016–17 biennium.

The agency's aviation services program provides state and federal financial and technical assistance to Texas communities for airport development, maintenance, and capital improvement. The agency also acts as the agent of the state and each political subdivision in applying for, receiving, and disbursing federal aviation funds for the state's general aviation, reliever, and nonprimary commercial service airports. The agency anticipates approving 80 grants for airport capital improvements in each fiscal year of the 2016–17 biennium. Appropriations for aviation services total $159.3 million for the 2016–17 biennium.

The agency operates two toll-free ferry systems that connect Port Aransas to Aransas Pass and Galveston Island to the Bolivar Peninsula. The ferry services transport vehicles and passengers across these routes 24 hours a day, seven days a week. Appropriations for ferry operations total $87.0 million for the 2016–17 biennium.

The agency's rail transportation program oversees state rail planning, research, and contracts for rail facility improvements; manages the state-owned South Orient Railroad, which extends west 391 miles from Coleman County to the Texas–Mexico Border at Presidio; and conducts rail safety inspections to ensure compliance with state and federal regulations. Appropriations for rail transportation total $42.0 million for the 2016–17 biennium.

The agency's maritime program administers the state's responsibility as the nonfederal sponsor of the portion of the Gulf Intracoastal Waterway that extends 406 miles from the Sabine River to the Brownsville Ship Channel along the Texas coast. The agency provides support for navigation along the waterway by determining methods to dredge the waterway to maintain its depth and acquiring sites to dispose of dredged material. Appropriations for supporting the Gulf Intracoastal Waterway total $1.8 million for the 2016–17 biennium.

OTHER PROGRAM AREAS

Other programs and activities carried out by the agency include promoting traffic safety, providing travel and tourism information, providing government flight transportation services and maintenance for state-owned aircraft, regulating outdoor advertising, and providing administrative and information resources support for all agency programs.

The agency's traffic safety program coordinates efforts and activities to reduce the number and severity of traffic crashes, injuries, and fatalities. The program provides state and federal grant funding to state agencies, local jurisdictions, and private nonprofit organizations for projects focusing on vehicle occupant protection, selective traffic enforcement, impaired driving, and other roadway safety education and awareness efforts. The agency is also responsible for collecting and maintaining motor vehicle traffic crash information submitted by law enforcement agencies across the state. Appropriations for traffic safety total $121.0 million for the 2016–17 biennium.

The agency administers travel information programs that support and promote tourism in the state and travel on Texas roadways. The agency operates 12 travel information centers across the state that provide roadway, travel, and tourism information to the media and the public. In addition, the agency publishes the monthly *Texas Highways* magazine, an official state travel map, and other travel guides. The agency's travel information program also provides highway condition information to the public online and through a toll-free telephone service. Appropriations for travel information total $39.1 million for the 2016–17 biennium.

The agency's flight services program serves as a point of coordination for state officials and agencies for the use and maintenance of state-owned aircraft. The agency maintains and operates a fleet of aircraft to provide air travel services to state officials, employees, or sponsored contractors traveling on official state business. Additionally, the agency provides maintenance services, fuel, hangar space, and other services to support the maintenance and operation of state-owned aircraft. Appropriations for flight services total $9.0 million for the 2016–17 biennium.

The agency's outdoor advertising regulation program regulates the display of off-premise outdoor advertising signs located within 660 feet of the right-of-way of certain highways in urban areas or visible from the main traveled way of highways located outside of urban areas. The agency is required by federal and state law to control outdoor advertising along regulated highways. Before installing or maintaining a sign or billboard, an individual or company must obtain an outdoor advertising license and a sign permit from TxDOT. Appropriations for outdoor advertising regulation total $2.2 million for the 2016–17 biennium.

Other program areas include central administration, information resources, and other services to support the daily operations of all other TxDOT programs and the Texas Transportation Commission (TTC). The agency's central administration functions include executive administration, finance and accounting services, planning and policy development, government and public affairs, human resources, and legal support. The agency's information resources program provides for the planning, management, and operation of information technology systems and equipment. Other support services include purchasing and contract services, property management, vehicle fleet maintenance, document and records management, printing services, and internal mail operations. Appropriations for administrative and information resource support services total $517.0 million for the 2016–17 biennium.

DEBT SERVICE

The agency's debt service program area provides funding for debt service payments and other financing costs associated with bond obligations, short-term borrowing, and other credit agreements issued by the TTC. With TTC's authority, the agency administers three major bond programs secured by and payable from funds in the state Treasury, including TMF bonds, SHF Revenue bonds (Proposition 14), and Highway Improvement GO bonds (Proposition 12). The agency is also authorized to enter into agreements for short-term borrowing to facilitate cash management operations and address fluctuations in the cash balance of the SHF. Appropriations for debt service payments and associated financing costs total $2.2 billion for the 2016–17 biennium.

PRIMARY FUNDING SOURCES

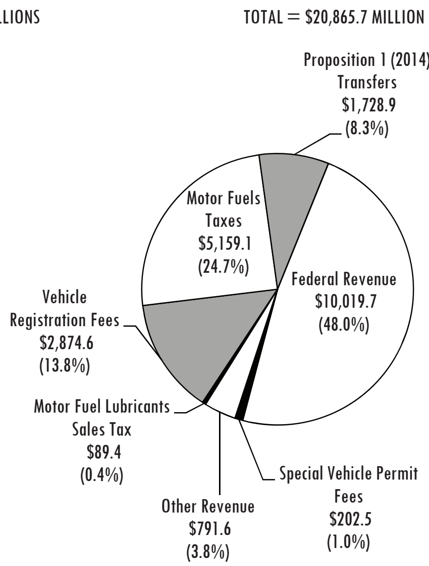
STATE HIGHWAY FUND

The SHF is the agency's primary source of appropriations and operating funds for most of the agency's programs. Appropriations from the SHF, excluding federal revenue and bond proceeds deposited to the fund, total $11.4 billion for the 2016–17 biennium (49.3 percent of total appropriations). The SHF is not established or dedicated by the Texas constitution, but certain revenue sources deposited to the fund are dedicated by the constitution for acquiring rights-of-way; constructing, maintaining, and policing public roadways; and for the administration of laws pertaining to the supervision of traffic and safety on public roadways. Money in the fund that is not required to be spent on public roadways by the constitution may be used for any function performed by TxDOT. Revenues in the SHF that are dedicated by the constitution for public roadway purposes include motor fuels taxes, vehicle registration fees, sales taxes on motor fuel lubricants, oil and natural gas tax-related transfers to the fund, and federal reimbursement receipts for highway expenditures. Other statutory fees deposited to the fund that are not dedicated by the constitution include special vehicle permit fees and various other fees associated with administrative and regulatory functions carried out by TxDOT and other agencies. **Figure 349** shows the estimated revenue to the SHF by revenue source for the 2016–17 biennium.

TEXAS MOBILITY FUND

The TMF is established by the Texas Constitution as a revolving fund to provide financing for construction, reconstruction, acquisition, and expansion of state highways, and state participation in the costs of publicly owned toll roads and other public transportation projects. The constitution authorizes the Legislature to dedicate to the fund any taxes or other revenues that are not otherwise

FIGURE 349
STATE HIGHWAY FUND REVENUE SOURCES
2016–17 BIENNIUM



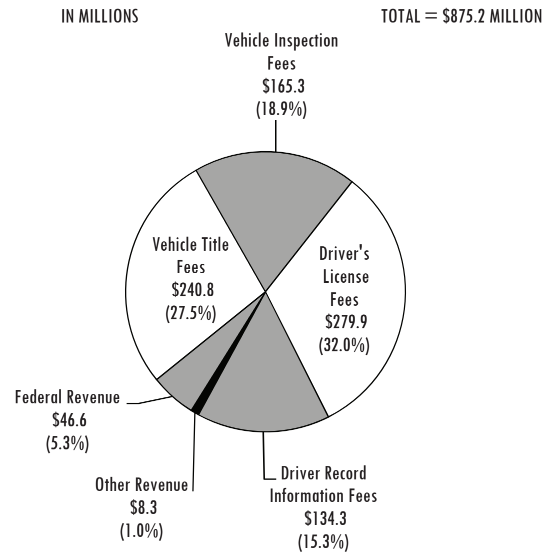
NOTES:
(1) Estimated.
(2) Proposition 1 (2014) represents estimated oil and natural gas tax-related transfers to the State Highway Fund.
SOURCES: Legislative Budget Board; Comptroller of Public Accounts.

dedicated to the SHF. Additionally, the constitution authorizes the Legislature to authorize the TTC, by general law, to issue bonds and enter into other credit agreements secured by and payable from a pledge of money in the fund. With the passage of legislation by the Eighty-fourth Legislature, 2015, the TTC is prohibited from issuing new TMF bond obligations as of January 1, 2015 (see the Significant Legislation section). Revenues dedicated to the fund include driver license fees, driver record information fees, motor vehicle inspection fees, certificate of title fees, and various other revenues related to transportation. **Figure 350** shows the estimated revenue to the TMF by revenue source for the 2016–17 biennium.

FEDERAL FUNDS

Federal Funds account for 36.3 percent of the agency's total appropriations for the 2016–17 biennium. A majority of these funds are for highway planning and construction ($7.9 billion, or 94.4 percent of Federal Funds). The remaining Federal Funds appropriations consist of funding for public transportation, general aviation, traffic safety programs, rail transportation studies and capital improvements, and debt service subsidies for bonds issued in accordance with the Build America Bonds program. Federal aid for transportation is typically distributed to states in the form of reimbursements of state expenditures for eligible projects. As work is

FIGURE 350
TEXAS MOBILITY FUND REVENUE SOURCES
2016–17 BIENNIUM



NOTE: Estimated.
SOURCES: Legislative Budget Board; Comptroller of Public Accounts.

completed and payments are made, the state is reimbursed in accordance with the federal–state participation matching ratios established for the various federal program categories, usually 80.0 percent federal match for federal aid highway projects.

BOND PROGRAMS

The Texas Constitution and state law authorize the TTC to administer bond programs. The agency administers three such major bond programs, which are used as a method of financing for transportation projects: (1) TMF bonds; (2) SHF Revenue (Proposition 14) bonds; and (3) Highway Improvement GO (Proposition 12) bonds. TMF bonds are secured by revenue deposited to the TMF and also backed by the full faith and credit of the state. Proposition 14 bonds are secured by and payable from revenue in the SHF. Proposition 12 bonds are GO bonds backed by the full faith and credit of the state and payable from General Revenue Funds. The TTC is authorized to issue debt obligations in aggregate amounts not to exceed $6.0 billion for Proposition 14 bonds and $5.0 billion for Proposition 12 bonds. The issuance of TMF bonds is not limited to a specific aggregate cap but is limited by statutory debt service coverage requirements based on the Comptroller of Public Accounts' certified estimate of revenue dedicated to the fund. **Figure 351** shows a summary of each bond program, including the dollar amounts of debt

FIGURE 351
DEPARTMENT OF TRANSPORTATION BOND PROGRAM SUMMARY, AS OF NOVEMBER 1, 2015

IN MILLIONS

PROGRAM	YEAR AUTHORIZED	TOTAL AUTHORIZATION	USED	REMAINING
Texas Mobility Fund	2001	$7,390.6	$7,390.6	$0.0
Proposition 14	2003	$6,000.0	$5,299.9	$700.1
Proposition 12	2009	$5,000.0	$3,558.0	$1,442.0

NOTE: Dollar amounts represent total authorized debt, authorization used, and authorization remaining as of November 1, 2015.
SOURCES: Legislative Budget Board; Department of Transportation.

authorized, authorization used, and authorization remaining as of November 1, 2015.

SIGNIFICANT LEGISLATION

House Bill 20 – Operations of and transportation planning by TxDOT and other planning organizations; TxDOT design-build contract authority; limitation on use of SHF. The enactment of HB 20 requires the TTC to develop and implement performance measures and metrics as part of the review of strategic planning in certain transportation planning documents, the evaluation of decision making on projects selected for funding, and the evaluation of delivery for projects in TxDOT's letting schedule. The legislation also requires the TTC to adopt and periodically review performance metrics and measures to assess the performance and operations of the transportation system, projects, and services; provide TxDOT, the Legislature, stakeholders, and the public with accessible information to support decisions; and address other issues the TTC considers necessary. The legislation requires each planning organization to develop a 10-year plan for the use of funding allocated to its region and to develop project recommendation criteria, which must consider projected improvements to traffic congestion and safety, effects on economic opportunity and the environment, available funding, and any other factors deemed appropriate by the planning organization. The legislation requires the TTC to establish a scoring system for prioritizing projects for which financial assistance is sought by planning organizations. The legislation establishes the House and Senate Select Committees on Transportation Planning, which may meet separately or jointly to review, study, and evaluate various aspects of transportation financing and budgeting, project selection, TTC policy and rule making, and performance measurement and evaluation. The legislation requires TxDOT to submit preliminary reports to provide information necessary for the select committees to carry out their charges. The legislation requires the select committees to prepare a written report of the reviewed subjects and submit the report to the Legislature not later than November 1, 2016. The legislation authorizes TxDOT to enter into a design-build contract with a construction cost estimate of $150.0 million or more, rather than the previously authorized minimum of $50.0 million. The legislation eliminates the statutory authorization for the use of State Highway Funds by the Department of Public Safety for policing the state highway system and administration of traffic and safety laws out of money in the fund that is required by to be used for public roadways by the Texas Constitution or federal law.

House Bill 122 – Limitation on issuance of TMF obligations. The enactment of HB 122 prohibits the issuance of new TMF bond obligations after January 1, 2015. The legislation authorizes the TTC to issue obligations to refund outstanding TMF obligations to provide savings to the state and to renew or replace credit agreements related to variable rate obligations. Additionally, the legislation specifies that money deposited to the TMF that is in excess of amounts required to meet bond obligations may be used for any purpose for which obligations may be issued other than for toll roads.

House Bill 2612 – Study and report on the elimination of toll roads in Texas. The enactment of HB 2612 requires TxDOT to submit to the House and Senate Transportation Committees a report that lists the amount of debt service on bonds issued for each toll project in the state, identifies bonds appropriate for accelerated or lump-sum repayment of debt service, and proposes a plan to eliminate all toll roads in Texas with the exception for toll on roads constructed, operated, or maintained only with the proceeds of bonds issued by a toll project entity other than TxDOT. The legislation specifies that the plan to eliminate toll roads could include the accelerated or complete lump-sum repayment of toll project debt or requiring a commitment by a toll project entity to eliminate tolls on projects for which TxDOT has provided financial assistance. The legislation requires

TxDOT to submit the report no later than September 1, 2016.

Senate Joint Resolution 5 – Constitutional amendment dedicating a portion of revenue from state sales tax and motor vehicle sales and rental taxes to the SHF. Senate Joint Resolution 5 proposed several amendments to Article VIII of the Texas Constitution that were approved by voters on November 3, 2015. Beginning in fiscal year 2018, the first $2.5 billion of state sales tax collected in excess of $28.0 billion in a fiscal year will be constitutionally dedicated to the SHF. Beginning in fiscal year 2020, 35.0 percent of motor vehicle sales and rental taxes collected in excess of $5.0 billion in a fiscal year will be constitutionally dedicated to the SHF. Before the constitutional amendments were passed, these amounts were deposited into the General Revenue Fund. Deposits to the SHF under the new provisions may only be appropriated to construct, maintain, or acquire rights-of-way for public roadways, other than a toll road, or to repay principal and interest on certain General Obligation debt issued by TxDOT. The Legislature may reduce these allocations to the SHF by up to 50.0 percent with a resolution approved by a two-thirds vote of the members of each house. The allocation of sales tax revenue expires at the end of fiscal year 2032, and the allocation of motor vehicle sales and rental taxes expires at the end of fiscal year 2029. The Legislature may extend, in 10-year increments, either allocation with a resolution approved by a majority vote of the members of each house.

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

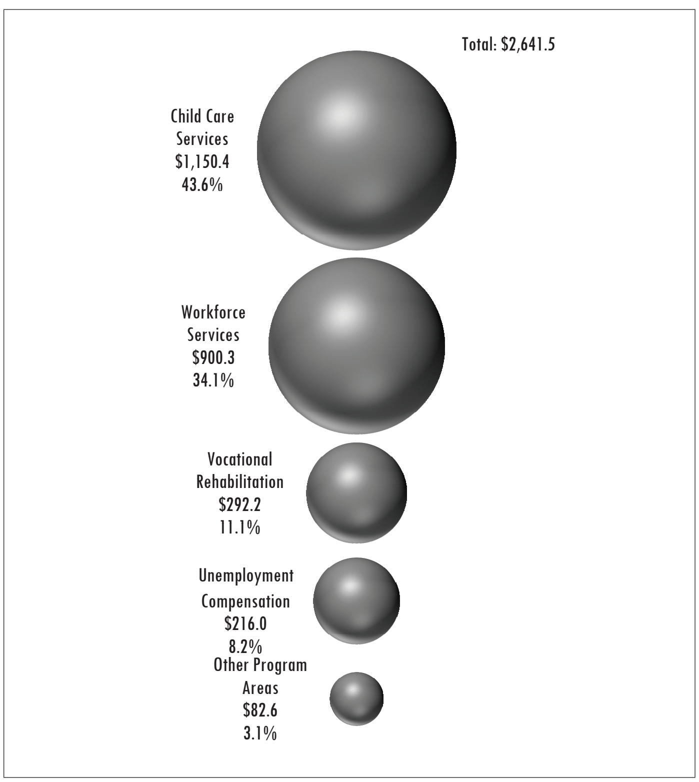
GOVERNANCE: Texas Workforce Commission—three members appointed by the Governor with advice and consent of the Senate

FIGURE 352
TEXAS WORKFORCE COMMISSION BY METHOD OF FINANCE

	IN MILLIONS			
METHOD OF FINANCE	**EXPENDED/ BUDGETED 2014–15**	**APPROPRIATED 2016–17**	**BIENNIAL CHANGE**	**PERCENTAGE CHANGE**
General Revenue Funds	$263.1	$334.6	$71.5	27.2%
General Revenue–Dedicated Funds	$14.3	$15.5	$1.2	8.1%
Federal Funds	$1,981.8	$2,179.2	$197.3	10.0%
Other Funds	$115.1	$112.3	($2.8)	(2.4%)
Total, All Methods of Finance	**$2,374.3**	**$2,641.5**	**$267.2**	**11.3%**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2016	2,885.2
2017	4,649.7

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

Certain **Vocational Rehabilitation** programs are transferred from the Department of Assistive and Rehabilitative Services to the Texas Workforce Commission (TWC) in fiscal year 2017 along with **$309.1 million** in All Funds and **1,860.9 full-time-equivalent positions** (FTE).

The **Jobs and Education for Texans (JET) Grant Program** is transferred from the Comptroller of Public Accounts to TWC in fiscal year 2016 and is provided **$10.0 million** in General Revenue Funds.

The **Apprenticeship Program** includes an additional **$3.0 million** in the 2016–17 biennium to increase the number of students served and the apprenticeship classroom training reimbursements.

Duties of the **Texas Council on Purchasing from People with Disabilities** are transferred to TWC in fiscal year 2016 along with **$0.3 million** in Appropriated Receipts.

SOURCE: Legislative Budget Board.

MAJOR FUNDING

Due to the passage of legislation by the Eighty-fourth Legislature, 2015, the Texas Workforce Commission (TWC) received programs and functions from other state entities, including the Department of Assistive and Rehabilitative Services (DARS), the Comptroller of Public Accounts (CPA), and the Texas Council on Purchasing from People with Disabilities. Additional appropriations for the transfer of vocational rehabilitation-related programs from DARS and the Jobs and Education for Texas (JET) Grant Program from CPA, along with expanded services for the agency's apprenticeship program, account for the majority of the increase in funding to TWC.

Funding for the transfer of programs from DARS totals $309.1 million in All Funds for the vocational rehabilitation, Business Enterprises of Texas (BET), and older blind independent living services programs to implement the provisions set forth in Senate Bill 208 (see the Significant Legislation section). This amount includes $56.4 million in General Revenue Funds, $1.1 million in General Revenue–Dedicated Funds, $249.1 million in Federal Funds, $2.5 million in Other Funds, and 1,860.9 full-time-equivalent (FTE) positions.

Funding for the transfer of the JET program totals $10.0 million in General Revenue Funds to TWC's Skills Development program to implement House Bill 3062 and Senate Bill 1351 (see the Significant Legislation section).

TWC is also appropriated an additional $3.0 million in General Revenue Funds for the agency's apprenticeship program to increase the total program funding to $8.9 million, the number of students served per fiscal year from 4,400 to 6,111, and the reimbursements provided for related classroom training from $2.78 to $4.00 per contact hour.

Increases in funding at TWC were offset by decreases in Federal Funds related to changes in federal grants. Federal Funds include a decrease of $17.3 million in the Unemployment Insurance program to reflect an anticipated decrease in unemployment claims, and a decrease of $20.9 million in the adult basic education program to account for a onetime transfer of an unexpended balance of federal grant funding from the Texas Education Agency to TWC in fiscal year 2014. Overall, Federal Funds account for $2,179.2 million, or 82.5 percent, of the agency's total appropriation. **Figure 353** shows the agency's appropriations of Federal Funds by program.

The functions carried out by the agency occur at both the statewide level and at 28 designated Local Workforce Development Areas (LDWA) that deliver workforce and support services at the local level. Approximately 82.0 percent of TWC All Funds appropriations take the form of block grant allocations to the LDWAs for the Local Workforce Development Boards (LWDB) for this purpose.

PROGRAMS

The work of the agency is carried out in five major program areas: (1) workforce services; (2) child care services; (3) vocational rehabilitation; (4) unemployment compensation; and (5) other program areas.

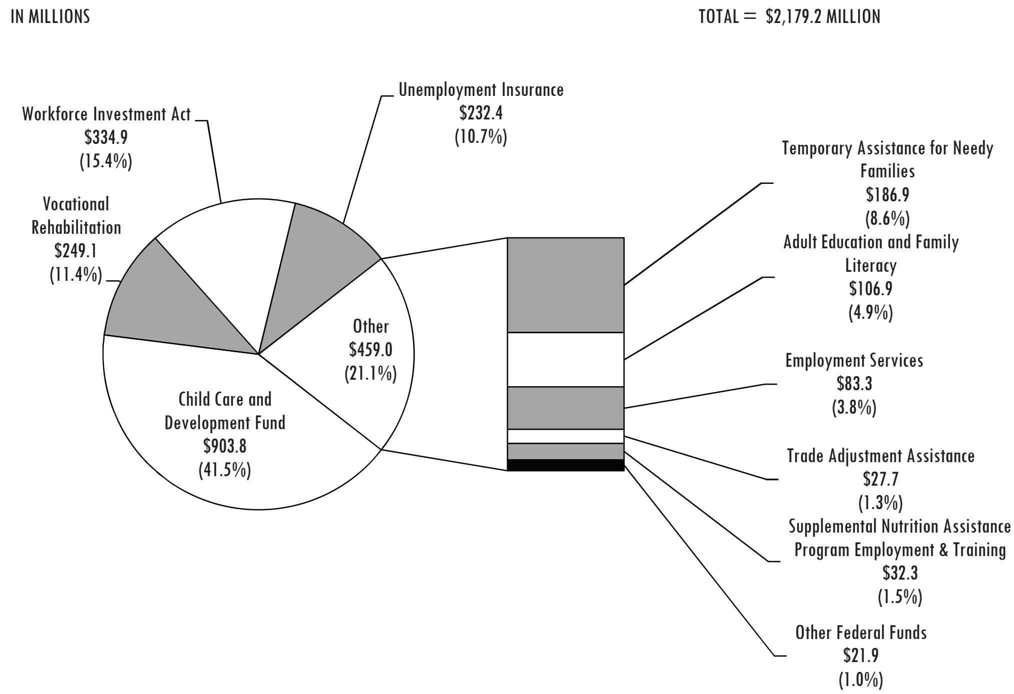
WORKFORCE SERVICES

The workforce services program area at TWC consists of 10 programs that support the workforce system established to offer employers, individuals, and communities the opportunity to achieve and sustain economic independence. These programs include: (1) Workforce Investment Act (WIA); (2) Temporary Assistance to Needy Families (TANF) Choices; (3) Supplemental Nutrition Assistance Program (SNAP) employment and training; (4) employment services; (5) trade adjustment assistance; (6) adult basic education; (7) skills development; (8) TANF self-sufficiency; (9) apprenticeship; and (10) senior community services employment program. Appropriations to workforce services total $900.3 million.

Of the workforce services programs, funding for WIA, TANF Choices, SNAP employment and training, employment services, and trade adjustment assistance programs are provided as allocations to the LWDBs. The remaining five programs, including adult basic education, skills development, TANF self-sufficiency, apprenticeship, and senior community services employment program, are funded at the state level. **Figure 354** shows biennial appropriations by program and **Figure 355** shows select performance measures related to these programs.

The goal of the WIA program is to improve the quality of the adult workforce, reduce welfare dependency, reemploy dislocated workers, enhance economic productivity and competitiveness, and to assist eligible youth in acquiring skills, training, and support needed to successfully transition to careers and productive adulthood. TWC allocates WIA funds to LDWAs, whose workforce Boards contract for training service, workforce services, and maintenance of the

FIGURE 353
TEXAS WORKFORCE COMMISSION FEDERAL FUNDS BY PROGRAM, 2016–17 BIENNIUM



Source: Texas Workforce Commission.

FIGURE 354
TEXAS WORKFORCE COMMISSION WORKFORCE SERVICES PROGRAMS, 2016–17 BIENNIUM

PROGRAM	APPROPRIATION (IN MILLIONS)	PERCENTAGE OF APPROPRIATION FEDERALLY FUNDED
Workforce Investment Act	$331.9	100%
TANF Choices	$177.5	90%
SNAP Employment and Training	$40.6	78%
Employment Services	$99.1	82%
Trade Adjustment Assistance	$26.9	100%
Adult Basic Education	$141.8	83%
Skills Development	$58.8	0%
TANF Self-Sufficiency	$5.2	100%
Apprenticeship	$8.9	29%
Senior Community Services Employment	$9.6	100%
TOTAL	**$900.3**	**85%**

Note: TANF = Temporary Assistance to Needy Families; SNAP = Supplemental Nutrition Assistance Program.
Source: Legislative Budget Board.

FIGURE 355
TEXAS WORKFORCE COMMISSION SELECTED PERFORMANCE MEASURES, FISCAL YEARS 2011 TO 2017

MEASURE	2011	2012	2013	2014	2015	2016	2017
Entered Employment Rate	66.68%	68.74%	70.07%	72.69%	76.21%	74.00%	75.00%
Employment Retention Rate	81.07%	82.31%	83.21%	83.30%	84.59%	83.00%	83.00%
Percentage of Unemployment Insurance Claimants Paid Timely	96.83%	96.62%	95.67%	96.81%	97.74%	97.00%	97.00%
Average Number of Children Served per Day, Transitional and At-risk Services	103,427	102,114	95,948	96,472	95,558	92,172	92,152
Average Number of Children Served per Day, Temporary Assistance for Needy Families Choices Services	8,352	8,458	6,851	5,533	4,668	5,438	5,546

NOTE: Fiscal years 2016 and 2017 are estimated.
SOURCE: Texas Workforce Commission.

Workforce Solutions offices. TWC estimates that 33,087 adults will participate in the WIA program each year.

LWDBs also provide job readiness and job training services through the TANF Choices and SNAP employment and training programs. TANF Choices assists applicants, recipients, and former recipients of TANF cash assistance in transitioning from welfare to work through participation in work-related activities and is expected to serve approximately 41,000 participants each year. SNAP employment and training assists SNAP recipients in working toward becoming self-sufficient and is expected to serve approximately 43,800 participants each year.

The employment services program provides a variety of employment-related services to the general public, including job search assistance, job referral, and reemployment services for unemployment benefit claimants. Although job search and recruitment assistance services are physically provided through the state's network of LWDBs, approximately 637 agency employees administer these services. Furthermore, pursuant to the federal Trade Adjustment Assistance Act, TWC provides funding to the workforce Boards to provide training, case management, job search, and related service to qualified laid-off workers who are included in trade positions certified by the U.S. Department of Labor through the trade assistance program.

At the state level, the adult basic education program assists adults in becoming literate and obtaining the knowledge and skills necessary for employment and self-sufficiency. This program was transferred to TWC in fiscal year 2014 due to the enactment of Senate Bill 307, Eighty-third Legislature, Regular Session, 2013. The program anticipates serving approximately 101,000 students per year.

Both the skills development and TANF self-sufficiency programs respond to the workforce needs of Texas employers and industries by providing grants to community colleges and technical schools to fund customized training programs tailored to new or existing jobs with local employers. The skills development program includes the newly transferred JET program from CPA (see the Significant Legislation section). The TANF self-sufficiency program requires all participating trainees to be current or potential TANF recipients.

The apprenticeship program prepares individuals for occupations in skilled trades and crafts by combining paid on-the-job training with the supervision of experienced journey workers, with related classroom instruction that typically lasts three to five years. The program will serve an anticipated 6,000 students per year. The senior services program funds public or community service jobs for economically disadvantaged citizens age 55 or older to enhance individual economic self-sufficiency.

CHILD CARE SERVICES

The second program area provides child care services to eligible recipients. These child care services enhance education and job training services provided to public assistance recipients and low-income individuals with children by enabling the participants to remain employed or to complete education and skills training.

TWC allocates a portion of total child care appropriations to each LWDA along with a performance target for number of children served. In turn, the LWDBs use these parameters to work with local child care service providers to reimburse services rendered at a rate not to exceed a maximum reimbursement rate set by the local Board. In addition, the

Department of Family and Protective Services (DFPS) reimburses TWC for child care services provided to children that are determined eligible for protective services by DFPS.

At the current level of funding, the agency estimates that child care will be provided to an average of 97,610 children per day in fiscal year 2016 and 97,698 children per day in fiscal year 2017 across the child care programs (**Figure 355**). This is the largest single program funded at TWC, and appropriations total $1,150.4 million, or 43.6 percent of the agency's funding.

VOCATIONAL REHABILITATION

The vocational rehabilitation program area consists of programs that transfer to TWC in fiscal year 2017 from DARS due to the enactment of Senate Bill 208, Eighty-fourth Legislature, 2015 (see the Significant Legislation section) including: (1) vocational rehabilitation; (2) Business Enterprises of Texas (BET); (3) BET Trust Fund; and (4) older blind independent living services. These programs are funded at DARS in fiscal year 2016.

The vocational rehabilitation program is the largest of the programs to transfer to TWC and is appropriated $287.7 million in fiscal year 2017. The program assists disabled Texans in achieving employment through individualized services and job placement assistance services. The agency anticipates serving approximately 95,000 customers in fiscal year 2017. The BET program develops and maintains business management opportunities for legally blind persons in food-service operations and vending facilities located on public and private properties, the BET Trust Fund program establishes and maintains a retirement and benefit plan for licensed managers within the BET program. The BET program is appropriated $2.5 million, and the BET Trust Fund is appropriated $0.4 million in fiscal year 2017. The older blind independent living services program assists individuals age 55 or older whose severe visual impairment makes competitive employment extremely difficult to obtain, but for whom independent living goals are feasible. This program is appropriated $1.6 million in fiscal year 2017.

UNEMPLOYMENT COMPENSATION

The agency also administers the state's Unemployment Insurance program, which collects payroll taxes from the state's employers and provides monetary assistance to persons unemployed through no fault of their own. The program promotes economic stability by preserving buying power in communities experiencing an economic downturn and includes an appellate component through which a claimant or employer may appeal a determination of benefit rights. TWC is also responsible for measuring the propriety of benefits paid, for recovering benefits that have been overpaid, and for initiating criminal or civil legal actions when fraud is detected. The unemployment compensation program area is appropriated $216.0 million.

Employer taxes are collected in the Unemployment Compensation Trust Fund, from which workers' benefits are paid. Like other employers, state agencies reimburse the Unemployment Compensation Trust Fund for benefits paid to former employees who become unemployed. TWC credits the fund for this activity through the General Revenue–Dedicated Accounts Reimbursements to the Unemployment Compensation Benefit Account. Although appropriations to the Reimbursements to the Unemployment Compensation Benefit Account reside in a separate bill pattern, the account is managed by TWC and its purpose is to provide unemployment benefits to those former employees from state agencies, hospitals, and universities.

OTHER PROGRAM AREAS

Other program areas consist of nine additional programs within the agency. These programs can be broken down by functions that promote accountability and enforcement within the agency's workforce system and programs that provide agency administrative support. Programs related to accountability and enforcement include: (1) labor law; (2) career schools and colleges; (3) civil rights; (4) foreign labor certification; (5) labor market and career information; and (6) work opportunity tax credit. Administrative support programs include: (1) central administration; (2) information resources; and (3) other support services. Appropriations to other program areas total $82.6 million.

The labor law program is appropriated $8.1 million to enforce the Texas Pay Day Law, to assist workers in obtaining payment of wages due, and the Texas Child Labor Law, to protect children from exploitation in the workplace. The agency is also appropriated $2.0 million in fee-generated General Revenue Funds to license and regulate career schools and colleges that offer vocational or continuing education. To enforce the Texas Commission on Human Rights Act and the Texas Fair Housing Act, the civil rights program at TWC is appropriated $4.6 million to investigate complaints, review policies and procedures of state agencies and institutions of higher education, report statistics, and conduct training.

The foreign labor certification program is appropriated $1.0 million to review and process temporary employment certification forms, the labor market and career information program is appropriated $8.7 million to develop and report labor market information, and the work opportunity tax credit program is appropriated $1.6 million to help provide federal tax credit to employers who hire individuals from specified target populations.

Administrative support functions include $40.8 million for central administration, $11.8 million for information services, and $3.9 million for other support services at the agency.

SIGNIFICANT LEGISLATION

Senate Bill 208 – Continues TWC and transfers programs from Department of Assistive and Rehabilitative Services. Continues the functions of TWC and extends the agency's Sunset date for another 12 years. This legislation also transfers the administration of the vocational rehabilitation, BET, older blind independent living services, and the Criss Cole Rehabilitation Center programs from DARS to TWC effective September 1, 2016. To support these programs, the Eighty-fourth Legislature, 2015, appropriated $309.1 million in All Funds and 1,860.9 FTE positions to TWC in fiscal year 2017 that had previously been appropriated to DARS. TWC's Sunset legislation also authorizes the agency to participate in the federal Treasury Offset Program beginning in fiscal year 2017 to increase collected revenue from certain unemployment compensation debt for deposit in the General Revenue–Dedicated Unemployment Compensation Special Administration Account and the Unemployment Trust Fund.

Senate Bill 212 – Transfers duties under Council on Purchasing from People with Disabilities. Abolishes the Council on Purchasing from People with Disabilities and transfers its functions related to the support of the state's competitive bidding process provisions for persons with disabilities, including determining the fair market price of all products and services provided by a participating community rehabilitation program, to TWC. Additional support for this function will be provided by a 13-member advisory committee and the CPA. TWC is appropriated $264,690 in Appropriated Receipts and 2.0 FTE positions for this function.

House Bill 3062 and Senate Bill 1351 – Transfers Jobs and Education for Texans Program. Transfers the functions of the JET program from the CPA to TWC to provide grants to public junior colleges and public technical institutes to defray start-up costs related to the development of new career and technical education programs. In addition, HB 3062 expands eligible recipients of the JET program grant funds to include public independent school districts. TWC is appropriated $10.0 million for this function.

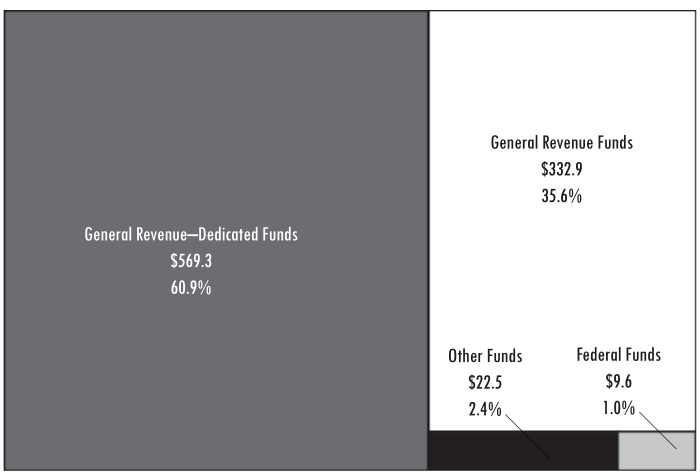
11. REGULATORY

Regulatory agencies are the 24 state agencies charged with the regulation of a wide range of industries and occupations in the state. Regulated industries include insurance, workers' compensation, health-related occupations, non-health-related occupations, telecommunications, electric utilities, securities, and pari-mutuel racing. The appropriations and indirect costs for 20 of the regulatory agencies are supported by fees generated from the industries and occupations they regulate. These agencies are subject to a special provision expressing legislative requirements that fee-generated revenues cover the cost of agency appropriations and the other direct and indirect costs appropriated elsewhere in the Eighty-fourth Legislature, General Appropriations Act, 2016–17 Biennium.

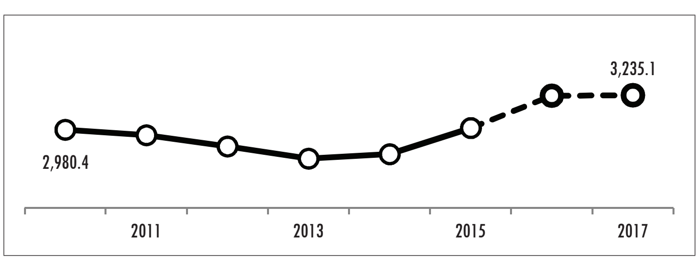
FIGURE 356
ARTICLE VIII – REGULATORY, BY METHOD OF FINANCE

	IN MILLIONS			
METHOD OF FINANCE	EXPENDED/BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$284.5	$332.9	$48.4	17.0%
General Revenue–Dedicated Funds	$789.2	$569.3	($219.9)	(27.9%)
Federal Funds	$13.2	$9.6	($3.6)	(27.2%)
Other Funds	$45.7	$22.5	($23.2)	(50.8%)
Total, All Methods of Finance	**$1,132.6**	**$934.2**	**($198.3)**	**(17.5%)**

SHARE OF FUNDING BY METHOD OF FINANCE



FULL-TIME-EQUIVALENT POSITIONS



SIGNIFICANT DEVELOPMENTS

Appropriations of General Revenue–Dedicated Account No. 5100 System Benefit Fund at the Public Utility Commission **spend down the balance of the dedicated fund** by the end of the 2016–17 biennium.

Appropriations include an **increase in General Revenue Funds of $12.6 million** to transfer the regulation of certain occupations and programs from other state agencies to three regulatory agencies.

Funding for the State Office of Administrative Hearings includes an **increase of $1.4 million** in General Revenue Funds for a new integrated case management, case filing, and timekeeping system.

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

FIGURE 357
ARTICLE VIII – REGULATORY APPROPRIATIONS BY AGENCY, ALL FUNDS

(IN MILLIONS)

FUNCTION	EXPENDED/BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE
State Office of Administrative Hearings	$18.8	$23.5	$4.6	24.7%
Board of Chiropractic Examiners	$1.6	$1.6	$0.1	4.2%
State Board of Dental Examiners	$8.4	$8.7	$0.3	3.1%
Texas Funeral Service Commission	$1.6	$1.7	$0.0	1.8%
Board of Professional Geoscientists	$1.2	$1.2	$0.0	0.8%
Health Professions Council	$2.0	$2.1	$0.2	9.0%
Office of Injured Employee Counsel	$16.7	$17.3	$0.5	3.3%
Department of Insurance	$242.3	$223.9	($18.4)	(7.6%)
Office of Public Insurance Counsel	$2.1	$2.1	$0.0	1.3%
Board of Professional Land Surveyors	$0.9	$0.9	$0.0	4.4%
Department of Licensing and Regulation	$48.8	$60.3	$11.5	23.6%
Texas Medical Board	$23.5	$27.9	$4.4	18.7%
Board of Nursing	$20.4	$23.8	$3.4	16.7%
Texas Optometry Board	$0.9	$1.0	$0.0	3.0%
State Board of Pharmacy	$13.4	$14.4	$1.1	7.9%
Executive Council of Physical and Occupational Therapy Examiners	$2.4	$2.7	$0.3	13.5%
Board of Plumbing Examiners	$5.0	$5.3	$0.3	6.3%
State Board of Podiatric Medical Examiners	$0.6	$0.6	$0.0	1.9%
Board of Examiners of Psychologists	$1.7	$1.8	$0.1	4.0%
Texas Racing Commission	$15.4	$16.7	$1.3	8.3%
Texas State Securities Board	$14.2	$14.4	$0.1	0.9%
Public Utility Commission	$584.3	$358.9	($225.4)	(38.6%)
Office of Public Utility Counsel	$4.4	$4.4	$0.0	0.9%
Board of Veterinary Medical Examiners	$2.3	$2.6	$0.3	11.8%
Subtotal, Regulatory	**$1,033.0**	**$817.8**	**($215.2)**	**(20.8%)**
Retirement and Group Insurance	$82.0	$101.1	$19.1	23.3%
Social Security and Benefits Replacement Pay	$23.7	$24.1	$0.4	1.7%
Lease Payments	$1.9	$1.0	($0.9)	(45.9%)
Subtotal, Employee Benefits and Debt Service	**$107.6**	**$126.2**	**$18.6**	**17.3%**
Less Interagency Contracts	$8.0	$9.8	$1.7	21.7%
Total, All Functions	**$1,132.6**	**$934.2**	**($198.3)**	**(17.5%)**

NOTES:
(1) Includes anticipated supplemental spending adjustments.
(2) Excludes Interagency Contracts.
(3) Biennial change and percentage change are calculated on actual amounts before rounding. Therefore, figure totals may not sum due to rounding.

SOURCE: Legislative Budget Board.

MAJOR FUNDING ISSUES

Appropriations for the regulatory agencies, excluding employee benefits and debt service appropriated elsewhere in the 2016–17 GAA, total $817.8 million in All Funds, including $781.2 million in General Revenue Funds and General Revenue–Dedicated Funds, for the 2016–17 biennium. Of the General Revenue Funds and General Revenue–Dedicated Funds amount, $742.9 million (95.1 percent) is generated by fees assessed on the regulated industries and occupations.

Twenty of the regulatory agencies are subject to a special provision expressing a legislative requirement that fee-generated revenues cover the cost of agency appropriations and other direct and indirect costs appropriated elsewhere in the GAA. Eighteen of these agencies generate revenue in excess of these direct and indirect amounts from the regulated occupations and industries. Excess revenue generated above the cost of agency appropriations and other direct and indirect costs are deposited to the state Treasury for use in funding other programs across the state. Based on information and revenue estimates submitted by the agencies in the 2016–17 Legislative Appropriations Request and estimates from the Comptroller of Public Accounts' 2016–17 Biennial Revenue Estimate, it is estimated that the regulatory agencies will generate approximately $280.0 million in revenue over appropriated amounts for the 2016–17 biennium.

The following is a summary of significant funding changes at regulatory agencies for the 2016–17 biennium compared to previous biennium spending levels:

- Appropriations for the Public Utility Commission (PUC) include $334.2 million in General Revenue–Dedicated Funds (System Benefit Fund Account No. 5100), which represents the estimated remaining balance in the fund, and provide funding for the low-income discount program ($325.5 million) and agency administration ($8.7 million). This appropriation is a decrease of $236.5 million in General Revenue–Dedicated Funds (System Benefit Fund Account No. 5100) from 2014–15 biennial spending levels. The enactment of House Bill 1101 and House Bill 7, Eighty-fourth Legislature, 2015, authorizes the PUC to set a rate or period for the low-income discount sufficient to use the remaining fund balance by the end of fiscal year 2017. The appropriation for the 2016–17 biennium, along with the provisions of House Bill 1101, completes the spend down of the General Revenue–Dedicated Funds (System Benefit Fund Account No. 5100) by the end of the 2016–17 biennium.
- Funding for the Texas Department of Insurance includes a decrease of $19.8 million in All Funds due to the closeout of the Healthy Texas Program in fiscal year 2015; a decrease of $4.1 million in Federal Funds due to the elimination of a federal Affordable Care Act Health Insurance Premium Review Grant that is not expected to continue in fiscal years 2016 and 2017; and a decrease of $1.5 million in Other Funds related to an anticipated decrease in revenue collections from regulated entities for fines, penalties, and sanctions collected as part of the Three Share Program. These decreases were offset by increases in General Revenue Funds and General Revenue–Dedicated Funds, including an increase of $4.4 million to continue contingency funding for the agency to respond in the event of a significant change in the insurance regulatory environment and $3.1 million for information resources and security.
- Funding for the State Office of Administrative Hearings includes an increase of $1.4 million in General Revenue Funds for a new integrated case management, case filing, and timekeeping system and an increase of $1.6 million in Other Funds and $0.4 million in General Revenue Funds related to anticipated workload increases in the 2016–17 biennium.
- Funding for the Department of Licensing and Regulation includes an increase of $3.3 million in General Revenue Funds for information technology security enhancements and the agency's licensing and enforcement divisions.
- Funding for the 11 health-related licensing agencies includes an increase of $3.4 million in General Revenue Funds and General Revenue–Dedicated Funds for licensing and enforcement, which will support an additional 31.0 full-time-equivalent (FTE) positions.
- Twenty-one of the 24 regulatory agencies received an increase in salary authority for exempt positions.

The enactment of legislation passed by the Eighty-fourth Legislature, 2015, resulted in the transfer of certain regulatory programs at other state agencies to the regulatory agencies. The following is a summary of the increases in funding at the regulatory agencies to provide regulatory oversight for the program transfers during the 2016–17 biennium:

- an increase of $9.5 million in General Revenue Funds, including $3.6 million for the Texas Medical Board and $5.9 million for the Department of Licensing and Regulation, related to the enactment of Senate Bill 202, Eighty-fourth Legislature, 2015, which transferred the regulation of certain occupations from the Department of State Health Services to the two agencies beginning in fiscal year 2016;
- an increase of $2.3 million in General Revenue Funds for the Department of Licensing and Regulation related to the enactment of House Bill 1786, Eighty-fourth Legislature, 2015, which transferred driver and traffic safety education from the Department of Public Safety and Texas Education Agency to the agency in fiscal year 2016; and
- an increase of $0.8 million in General Revenue Funds for the Board of Pharmacy related to the enactment of Senate Bill 195, Eighty-fourth Legislature, 2015, which transferred responsibility for the Prescription Drug Monitoring Program from the Department of Public Safety to the agency in fiscal year 2017. Agencies that license individuals or entities that prescribe controlled substances, including the Board of Pharmacy, Texas Medical Board, Optometry Board, Texas State Board of Dental Examiners, Texas Board of Nursing, Board of Veterinary Medical Examiners, and the Board of Podiatric Medical Examiners, will generate revenues sufficient to cover the appropriation to the Board of Pharmacy to operate the Prescription Drug Monitoring Program.

The Eighty-fourth Legislature, 2015, evaluated the State Office of Administrative Hearings through the Sunset review process. The agency is subject to review every 12 years; however, it is not subject to abolishment. The Eighty-third Legislature, 2013, also required the Sunset Commission to review the Self-Directed Semi-Independent (SDSI) status of state agencies with a focus on the approach to the SDSI process, including granting and revoking SDSI status, requirements to ensure adequate oversight of the SDSI agencies, and any appropriations issues related to transitioning agencies to and from SDSI status. Legislation relating to this review did not pass during the Eighty-fourth Legislative Session, and because the eight SDSI agencies were not under Sunset review specifically, the agencies will continue to operate with SDSI status.

Sixteen of the 24 regulatory agencies participate in the online Texas.gov occupational licensing system. Agencies charge fees on licensees in their regulated occupations or industries to pay for the use of the online Texas.gov system. These fees are appropriated through strategies in agency budgets that are both estimated and nontransferable. Approximately $4.9 million is appropriated in the 2016–17 GAA, Article VIII, to support the online system for the biennium.

A number of licensing agencies also conduct background and criminal history checks on individuals licensed in the state. Fees charged to licensees are subsequently appropriated through agency budgets to pay for these checks at either the Department of Public Safety or through third-party vendors. Approximately $0.6 million is appropriated for the 2016–17 biennium for this purpose.

SIGNIFICANT LEGISLATION

House Bill 7 – Certain fiscal matters affecting governmental entities; reducing or affecting the amounts or rates of certain taxes, assessments, surcharges, and fees. The legislation removes certain licensing fees collected from various occupations overseen by the regulatory agencies. This action includes the removal of a $200 fee collected from the following professions: chiropractors, dentists, optometrists, psychologists, veterinarians, accountants, engineers, architects, landscape architects, interior designers, land surveyors, real estate brokers, property tax consultants, and securities brokers. Additionally, HB 7 removes three fees related to physicians: a $200 licensing fee; a $200 fee for license reinstatement after cancellation of the license; and a $400 fee for registration permits.

Senate Bill 807 – Occupational license application and examination fees for certain military service members, military veterans, and military spouses. The legislation requires any state agency that issues a license to waive any license application fee or examination fee for a military service member or veteran whose military service, training, or education meets the requirements for the license. Additionally, the license application fee and examination fee are waived for a service member, veteran, or military spouse who holds an active license issued by another jurisdiction that has licensing requirements that are equivalent to those in Texas.

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

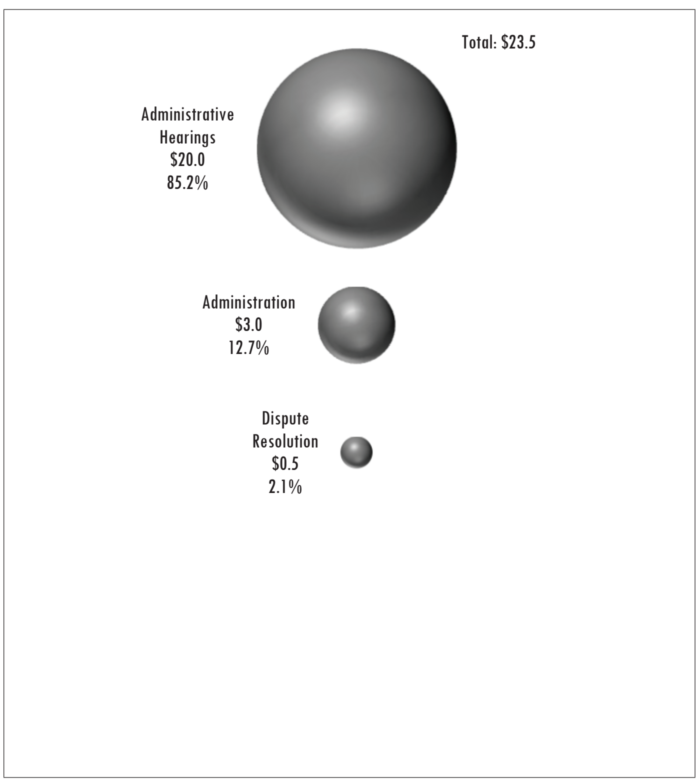
GOVERNANCE: Chief Administrative Law Judge—appointed by the Governor with advice and consent of the Senate

FIGURE 358
STATE OFFICE OF ADMINISTRATIVE HEARINGS BY METHOD OF FINANCE

	IN MILLIONS			
METHOD OF FINANCE	**EXPENDED/ BUDGETED 2014–15**	**APPROPRIATED 2016–17**	**BIENNIAL CHANGE**	**PERCENTAGE CHANGE**
General Revenue Funds	$6.8	$16.4	$9.5	139.4%
General Revenue–Dedicated Funds	$0.0	$0.0	$0.0	N/A
Federal Funds	$0.0	$0.0	$0.0	N/A
Other Funds	$12.0	$7.1	($4.9)	(40.8%)
Total, All Methods of Finance	**$18.8**	**$23.5**	**$4.6**	**24.7%**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2016	127.0
2017	124.0

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

The State Office of Administrative Hearings was reviewed through the **Sunset review** process.

Funding for the State Office of Administrative Hearings includes an **increase of $1.4 million** in General Revenue Funds for a new integrated case management, case filing, and time-keeping system.

Appropriations include an **increase of $2.0 million** related to an **anticipated workload increase** in the 2016–17 biennium.

The agency is authorized to **adjust the billing rate for administrative hearings to actual hourly costs**, but not to exceed $128 per hour of work performed.

Source: Legislative Budget Board.

MAJOR FUNDING

The State Office of Administrative Hearings (SOAH) is appropriated primarily General Revenue Funds and Interagency Contracts for the 2016–17 biennium. The General Revenue Funds appropriated to the agency are intended to provide services to certain agencies that do not receive appropriations for paying SOAH for costs related to the administrative hearings. These agencies are identified in the agency's bill pattern in the General Appropriations Act (GAA). This funding covers agencies that cross many functions and several articles in the GAA, including the following sample of agencies: the Employees Retirement System of Texas, Teacher Retirement System of Texas, Alcoholic Beverage Commission, Department of Agriculture, Department of Transportation, and the Texas Medical Board.

Additionally, prior to the 2016–17 biennium, SOAH was appropriated State Highway Funds to partner with the Department of Public Safety (DPS) for the administrative revocation of drivers' licenses of persons convicted of driving while intoxicated. During the 2016–17 biennium, State Highway Funds were removed from SOAH's funding and replaced with General Revenue Funds for this purpose.

The Interagency Contract funding consists of amounts paid to SOAH from other agencies for work relating to administrative hearings at the agency and is provided on either hourly or as a lump sum. SOAH's Interagency Contract funding is estimated so that the agency's appropriation authority automatically adjusts whenever it receives an amount other than the funding level projected in the GAA. Agencies that enter into Interagency Contracts for work completed by SOAH also cross many functions in the state and include the following sample: Comptroller of Public Accounts, Department of Family and Protective Services, Texas Juvenile Justice Department, Texas Commission on Environmental Quality, and Texas Department of Motor Vehicles.

Appropriations for SOAH include an increase of $1.4 million in General Revenue Funds for a new integrated case management, case filing, and timekeeping system. The new system will enable the agency to integrate three core functions into one system. This funding is contingent upon SOAH submitting a plan to the Legislative Budget Board (LBB) by December 1, 2015, and receiving approval for the acquisition and implementation of the new system. Appropriations for SOAH also include an increase of $2.0 million in All Funds and 8.0 full-time-equivalent (FTE) positions for anticipated workload increases in the 2016–17 biennium, and $0.4 million in General Revenue Funds for pay increases for employees whose salaries are less than 35.0 percent of the state salary schedule.

The Eighty-fourth Legislature evaluated SOAH through the Sunset review process. Although the agency is subject to review every 12 years, it is not subject to abolishment. House Bill 2154, Eighty-fourth Legislature, 2015, the agency's Sunset legislation, authorizes SOAH to adjust its billing rate for administrative hearings to actual hourly costs beginning in the 2018–19 biennium (see the Significant Legislation section). The 2016–17 GAA authorizes SOAH to adjust its billing rate in the 2016–17 biennium for administrative hearings to actual hourly costs, but not to exceed $128 per hour of work performed.

PROGRAMS

The responsibility of SOAH is carried out through three main program areas: (1) conducting administrative hearings; (2) conducting alternative dispute resolution (ADR) cases; and (3) administration. **Figure 359** shows certain agency performance measures from fiscal years 2013 to 2017 relating to the key functions of the agency.

Conducting administrative hearings and preparing proposals for decisions and final orders comprise the agency's primary function. The agency provides an independent forum for the resolution of contested cases arising from the enforcement of state regulations. Additionally, SOAH conducts Administrative License Revocation (ALR) hearings by partnering with DPS, which refers cases to SOAH relating to the suspension of drivers' licenses for operating a motor vehicle while under the influence of alcohol or drugs. It is estimated that SOAH will dispose of 30,000 ALR cases each fiscal year of the 2016–17 biennium. SOAH is appropriated $20.0 million and 104.0 FTE positions for conducting administrative hearings.

SOAH's ADR function includes conducting mediated settlement conferences, arbitrations, and other alternative dispute resolution proceedings. An administrative law judge may refer cases to ADR or serve as an impartial third party for negotiated rulemaking. It is estimated that SOAH will have 110 ADR cases each fiscal year of the 2016–17 biennium requested or referred to the agency. SOAH is appropriated $0.5 million and 2.0 FTE positions for this purpose.

The final program area, administration, provides administrative support, including accounting, budgeting, billing, information resources, human resources, payroll, and

FIGURE 359
STATE OFFICE OF ADMINISTRATIVE HEARINGS PERFORMANCE MEASURES, FISCAL YEARS 2013 TO 2017

PERFORMANCE MEASURE	2013	2014	2015	2016	2017
Total Agencies Served	52	50	51	50	50
Total Cases Received	37,087	32,568	32,819	37,000	37,000
Total Cases Disposed	36,299	35,440	33,852	37,000	37,000
Total Administrative License Revocation Cases Disposed	30,022	28,605	27,883	30,000	30,000
Total Alternative Dispute Resolution Cases Requested or Referred	110	153	183	110	110

NOTES:
(1) Fiscal years 2016 and 2017 are estimated.
(2) Total Cases Received includes all cases received, except for alternative dispute resolution cases.
SOURCE: State Office of Administrative Hearings.

training for the major programs administered by the agency. SOAH is appropriated $3.0 million and 21.0 FTE positions for this purpose.

SIGNIFICANT LEGISLATION

House Bill 2154 – Functions and operation of the State Office of Administrative Hearings. SOAH's Sunset bill, HB 2154, moves the next review of the agency to 2027. SOAH is not subject to abolishment through the Sunset process. The bill authorizes SOAH to set its hourly billing rate to sufficiently cover the full cost of conducting a hearing or procedure for an agency beginning in the 2018–19 biennium. The bill requires agencies to submit to SOAH and the LBB information regarding an agency's anticipated hourly usage of SOAH's services for each fiscal year of an upcoming biennium. The bill also grants SOAH primary scheduling responsibility for ALR hearings in accordance with a memorandum of understanding with DPS beginning in fiscal year 2017.

Senate Bill 709 – Procedures for certain environmental permit applications. The legislation requires SOAH to complete certain contested case hearings referred by Texas Commission on Environmental Quality to the agency by not later than the 180th day after the date of the preliminary hearing or the date specified by the Texas Commission on Environmental Quality.

OFFICE OF INJURED EMPLOYEE COUNSEL

PURPOSE: Assist, educate, and advocate on behalf of the injured employees of Texas. By statute, the Office of Injured Employee Counsel is administratively attached to the Texas Department of Insurance, Division of Worker's Compensation.

ESTABLISHED: 2005

AUTHORIZING STATUTE: The Texas Labor Code, §404.002

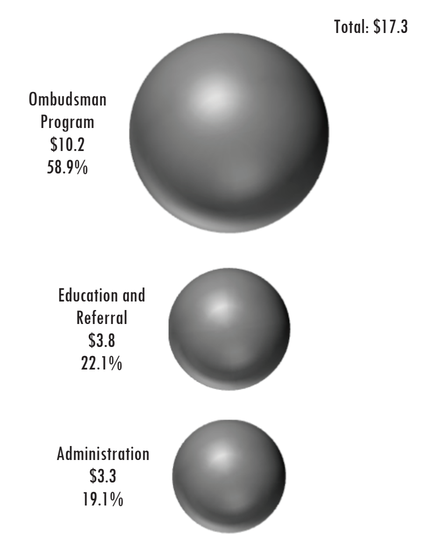
GOVERNANCE: Public Counsel—appointed by the Governor with advice and consent of the Senate

FIGURE 360
OFFICE OF INJURED EMPLOYEE COUNSEL BY METHOD OF FINANCE

	IN MILLIONS			
METHOD OF FINANCE	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$0.0	$0.0	$0.0	N/A
General Revenue–Dedicated Funds	$16.7	$17.3	$0.5	3.3%
Federal Funds	$0.0	$0.0	$0.0	N/A
Other Funds	$0.0	$0.0	$0.0	N/A
Total, All Methods of Finance	**$16.7**	**$17.3**	**$0.5**	**3.3%**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2016	175.0
2017	175.0

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

Appropriations include an **increase of $0.4 million in General Revenue–Dedicated Funds for equity pay increases** to raise employee salaries to the statewide average annual salary for each specific classification.

The agency must submit a **quarterly report on administrative expenditures** to the Legislative Budget Board (LBB) and request approval from the LBB to exceed the estimated administrative budget by more than 10.0 percent in a fiscal year.

MAJOR FUNDING

The Office of Injured Employee Counsel (OIEC) receives funding from the Texas Department of Insurance (TDI) Operating Fund and includes an increase of $0.5 million for the 2016–17 biennium. This increase is primarily due to an additional $0.4 million provided to the agency for equity pay increases to raise employee salaries to the statewide average annual salary for each specific employee classification.

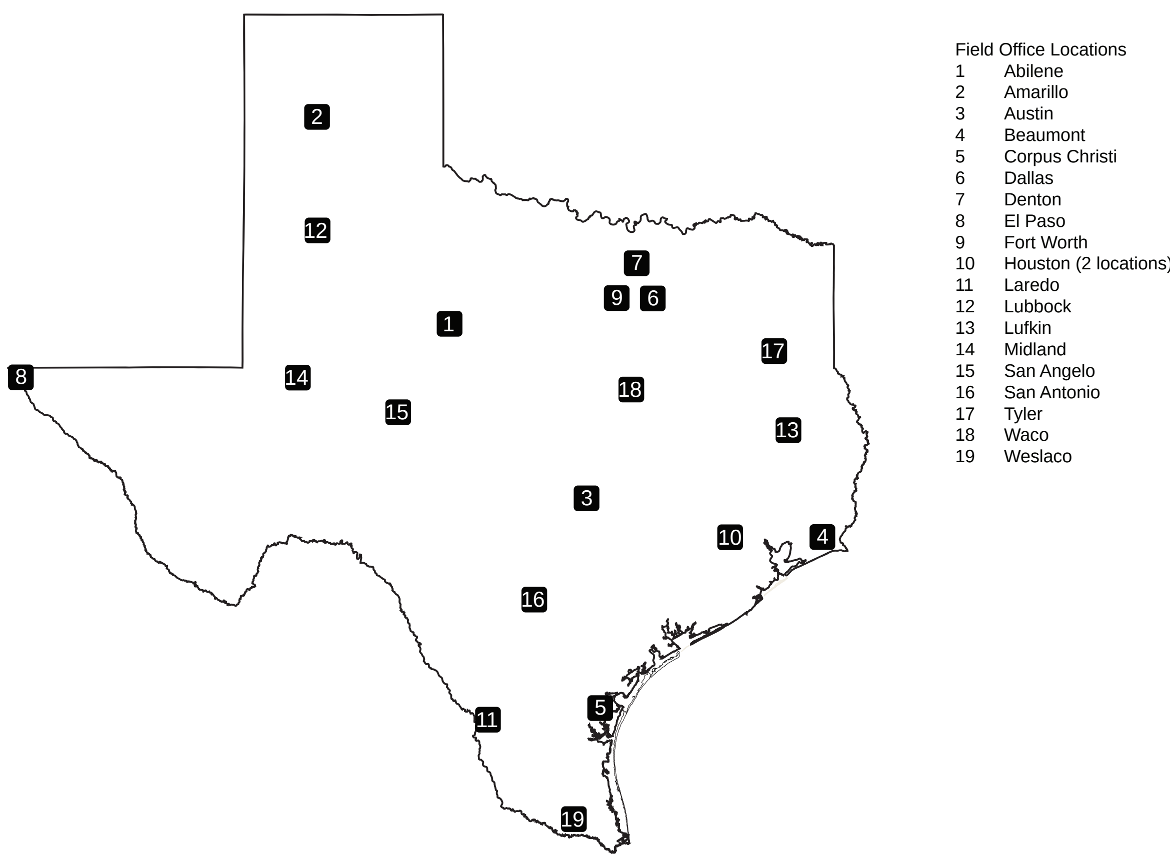
The Texas Labor Code administratively attaches the OIEC to the TDI, Division of Workers' Compensation (DWC), and directs TDI to pay for all direct and indirect administrative costs associated with operating OIEC. Included in amounts appropriated to TDI for the 2016–17 biennium is approximately $1.5 million for the costs of rental space, equipment, postage, and supplies associated with OIEC's administrative costs. The agency may not exceed expenditures of this amount by more than 10.0 percent without prior written approval from the Legislative Budget Board (LBB). Additionally, during the 2016–17 biennium, OIEC will report administrative expenditures quarterly to the LBB.

PROGRAMS

The agency carries out its responsibility to injured employees in Texas through three main program areas: (1) the Ombudsman Program; (2) education and referral; and (3) administration and operations.

OIEC uses the Ombudsman Program to assist injured employees through the administrative proceedings process. Ombudsmen are based in the agency's central office and in 20 field offices, as shown in **Figure 361**. Field offices are located in 19 cities around the state. Ombudsmen assist injured employees at benefit review conferences, contested case hearings, and appeals, and conduct preparation appointments with injured employees prior to these proceedings. The Ombudsman Program also assists in helping injured employees resolve disputes through early intervention and case development. OIEC is appropriated

FIGURE 361
OFFICE OF INJURED EMPLOYEE COUNSEL FIELD OFFICES, 2013



SOURCE: Office of Injured Employee Counsel.

$10.2 million and 107.0 full-time-equivalent (FTE) positions for this purpose.

The agency further assists injured employees and the public through education and referral activities such as providing the state rights and responsibilities notice to injured employees. This document contains an overview of injured employees' rights and their responsibilities within the Texas workers' compensation system, and the document includes OIEC contact information. The agency also refers injured employees to programs, services, and licensing boards. OIEC is appropriated $3.8 million and 49.0 FTE positions for this purpose.

The final program area, administration and operations, provides administrative and information technology support to the major programs administered by the agency. This program represents employee interests as a class when presented to various parties and individuals as may be necessary. OIEC also advocates for injured employees during TDI-DWC's rule-making process by analyzing and commenting on the formal and informal phases of DWC's rule-making efforts. OIEC is appropriated $3.3 million and 19.0 FTE positions for this purpose.

TEXAS DEPARTMENT OF INSURANCE

PURPOSE: Protect insurance consumers in Texas by regulating the insurance industry and promoting a stable and competitive market. The Department of Insurance focuses on access to affordable insurance, promoting insurer financial strength, reducing losses due to fire, and regulating the workers' compensation system.

ESTABLISHED: 1991

AUTHORIZING STATUTE: The Texas Insurance Code, §31.002

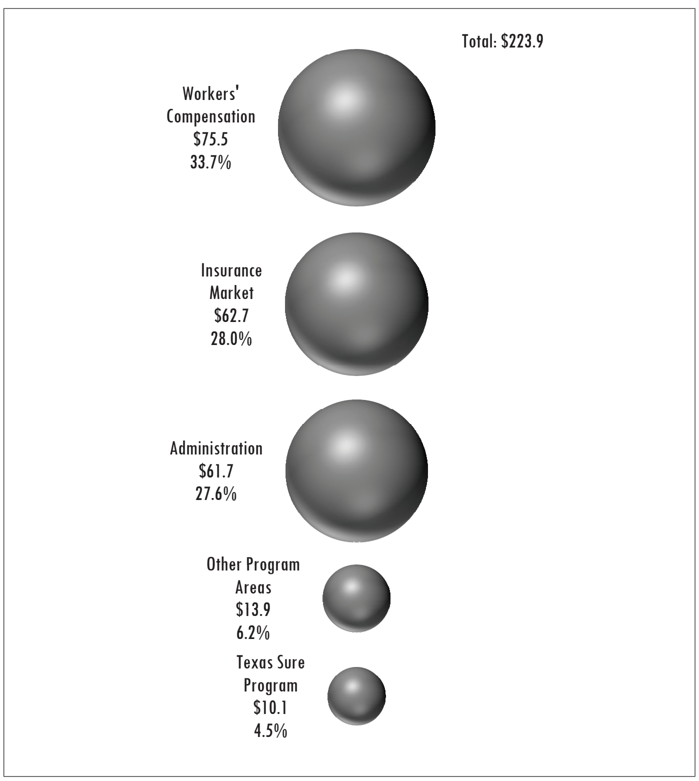
GOVERNANCE: Commissioner of Insurance—appointed by the Governor with advice and consent of the Senate

FIGURE 362
TEXAS DEPARTMENT OF INSURANCE BY METHOD OF FINANCE

	IN MILLIONS			
METHOD OF FINANCE	**EXPENDED/ BUDGETED 2014–15**	**APPROPRIATED 2016–17**	**BIENNIAL CHANGE**	**PERCENTAGE CHANGE**
General Revenue Funds	$83.6	$85.4	$1.8	2.2%
General Revenue–Dedicated Funds	$119.7	$122.4	$2.7	2.2%
Federal Funds	$8.8	$4.4	($4.4)	(50.4%)
Other Funds	$30.2	$11.7	($18.5)	(61.2%)
Total, All Methods of Finance	**$242.3**	**$223.9**	**($18.4)**	**(7.6%)**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2016	1,433.0
2017	1,433.0

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

Appropriations include an increase of **$3.1 million** for **information resources and security.**

Funding includes **$4.4 million in contingency funds** for the Texas Department of Insurance (TDI) to respond in the event of a **significant change in the insurance regulatory environment.**

TDI is appropriated $10.1 million from the **newly established TexasSure Fund** for the **TexasSure Motor Vehicle Financial Responsibility Verification Program.**

Appropriations are not provided for **the Healthy Texas Program due to the closeout of the program** in fiscal year 2015.

MAJOR FUNDING

The Commissioner of Insurance at the Texas Department of Insurance (TDI) is required by statute to raise revenues through a maintenance tax on insurer gross premiums and through fees sufficient to fund part of the agency's General Revenue Fund and General Revenue–Dedicated Fund appropriations and appropriations made to the Office of Injured Employee Counsel (OIEC), which is administratively attached to TDI. Methods of finance subject to this requirement include the Insurance Companies Maintenance Tax and Insurance Department Fees deposited in the General Revenue Fund and the Texas Department of Insurance Operating Fund (Account No. 36). **Figure 363** shows the taxable premiums and maintenance tax assessment rates by line of insurance or entity for calendar year 2014, and **Figure 364** compares assessment rates by health maintenance organization type for fiscal year 2014.

FIGURE 363
TAXABLE INSURANCE PREMIUMS AND ASSESSMENT RATES, CALENDAR YEAR 2014

INSURANCE COVERAGE/ ENTITY	GROSS PREMIUMS (IN MILLIONS)	% ASSESSMENT RATES
Fire and allied lines	$13,453.3	0.340
Casualty and fidelity	$5,863.9	0.080
Motor vehicle	$19,025.0	0.060
Workers' compensation	$3,709.1	0.066
Life, accident, and health	$38,865.6	0.040
Prepaid legal	$3.9	0.020
Title	$1,721.0	0.076
Third-party administrators	$2,187.5	0.010

Source: Texas Department of Insurance.

FIGURE 364
NUMBER OF HEALTH MAINTENANCE ORGANIZATION (HMO) ENROLLEES AND ASSESSMENT RATES FISCAL YEAR 2014

INSURANCE COVERAGE/ENTITY	ENROLLEES	ENROLLEE ASSESSMENT RATES
HMO–Multiservice	3,823,397	$0.84
HMO–Single Service	895,477	$0.28
HMO–Limited Service	706,386	$0.28

Source: Texas Department of Insurance.

Overall funding for TDI includes a decrease of $18.2 million in All Funds for the 2016–17 biennium. The majority of this decrease is due to the Healthy Texas Program ending in fiscal year 2015. The Healthy Texas Program was established in 2009 and allowed health benefit plan issuers to receive reimbursement for claims paid for individuals covered in qualifying group health plans. Due to the program not continuing in the 2016–17 biennium, funding for TDI includes a decrease of $19.8 million in All Funds.

Additionally, TDI appropriations include a decrease in Federal Funds of $4.1 million due to the elimination of a federal Affordable Care Act Health Insurance Premium Review Grant that is not expected to continue in fiscal years 2016 and 2017, and a decrease of $1.5 million in Other Funds related to an anticipated decrease in revenue collections from regulated entities for fines, penalties, and sanctions collected as part of the three-share program.

The decreases at TDI were offset by increases of $4.4 million for the agency's contingency regulatory response rider during the 2016–17 biennium and $3.1 million for information resources and security. Funding increases for TDI also include $0.3 million for staffing and vehicle needs in the State Fire Marshal's Office, $0.4 million for the agency's Adjuster Licensing Office and Consumer Protection Division, and $0.3 million for staffing in the agency's Fraud Unit. Additionally, appropriations for TDI include an increase of $0.4 million to administer and enforce the Amusement Ride Safety Inspection and Insurance Act; TDI is directed to provide a biennial report to the Legislature on efforts to bring amusement ride operators into compliance with the Act.

Prior to the 2016–17 biennium, TDI was appropriated State Highway Funds to administer the TexasSure Motor Vehicle Financial Responsibility Verification Program. During the 2016–17 biennium, State Highway Funds were removed from TDI's funding and replaced with funding from the newly established TexasSure Fund for this purpose, a fund established due to the enactment of House Bill 6, Eighty-fourth Legislature, 2015 (see the Significant Legislation section).

PROGRAMS

TDI' responsibilities are fulfilled through five main program areas: (1) workers' compensation; (2) oversight for the Texas insurance market; (3) the TexasSure Program; (4) other program areas, including the agency's regulatory response rider and the State Fire Marshal's Office; and (5) administration.

WORKERS' COMPENSATION

The Division of Workers' Compensation (DWC) at TDI is overseen by a Commissioner of Workers' Compensation. The Commissioner is appointed by the Governor, with the advice and consent of the Senate, to serve a two-year term that expires on February 1 of each odd-numbered year. The Commissioner has executive authority of the Division of Workers' Compensation functions, including rule-making authority.

DWC promotes safe and healthy workplaces in Texas and ensures the appropriate delivery of workers' compensation benefits through its 24 field offices, which provide claims services, customer services, and dispute resolution services. DWC certifies and regulates self-insured employers, monitors compliance and takes necessary enforcement action, and resolves indemnity and medical disputes. DWC offers appropriate incentives, education, consultation, and inspections related to worker safety. In addition, DWC administers the Subsequent Injury Fund (SIF). The SIF was established in 1947 to pay lifetime income benefits, and funding is provided through payments by insurance carriers from proceeds of on-the-job death claims in which no beneficiary survives the deceased employee. TDI is appropriated $64.6 million for workers' compensation, excluding enforcement, legal, and fraud actions related to workers' compensation, which is funded through the Insurance Market Oversight program area, and $10.9 million for the SIF in the 2016–17 biennium.

INSURANCE MARKET OVERSIGHT

To provide oversight of the Texas insurance market, TDI administers five programs: regulatory policy, insurance and workers' compensation compliance, financial solvency, three-share assistance, and long-term care. Together, these activities directly support promoting competition, increasing availability of coverage for the underserved, investigating and resolving complaints, and preventing insurer fraud. TDI is appropriated a total of $62.7 million for insurance market oversight during the 2016–17 biennium.

The regulatory policy program oversees life, accident, health, property, and casualty products in the insurance market and related coverage offered by insurance companies. TDI also regulates rates for the sale of automobile and residential insurance. Activities to promote competition include providing comparative rate and price information to consumers and insurers, licensing insurance agents, certifying companies to conduct insurance business in Texas, and reviewing and approving the forms used by insurance companies to contract with policyholders. **Figure 365** shows insurance agent licensing and certification data for fiscal years 2013 to 2017. To increase the availability of insurance, TDI identifies underserved markets for automobile and homeowners insurance and encourages insurers to offer policies in these markets. TDI is appropriated $21.3 million for this purpose in the 2016–17 biennium.

To ensure insurance and workers' compensation compliance, TDI investigates consumer complaints, reviews insurance advertisements, initiates enforcement actions to stop unlawful trade practices, investigates allegations of insurer fraud, and refers fraud cases to the Office of the Attorney General, the local District Attorney, or other appropriate agencies or law enforcement authorities for prosecution. It is estimated that TDI will resolve approximately 600 investigations of suspected criminal activity related to insurance fraud during each fiscal year of the 2016–17 biennium. TDI is appropriated $21.1 million to enforce insurance and workers' compensation compliance in Texas for the 2016–17 biennium.

The financial solvency program enforces solvency standards for insurance companies and related entities through an entity's life cycle, including initial formation and licensure, subsequent surveillance activities, and implementation of regulatory interventions as needed. As part of this program, TDI analyzes the financial condition of insurers operating in Texas and provides safety education programs, inspects insurance loss programs offered to policyholders, and assures compliance with filed property schedules and windstorm construction codes. When the conservation of assets is not sufficient to rehabilitate a financially weak insurance

FIGURE 365
INSURANCE LICENSES ISSUED, FISCAL YEARS 2013 TO 2017

LICENSE/CERTIFICATION	2013	2014	2015	2016	2017
Licensed Agents	380,496	400,486	428,457	458,382	490,396
Regulated Companies and Carriers	1,916	1,909	1,904	1,899	1,894

NOTE: Fiscal years 2015, 2016, and 2017 are estimated.
SOURCE: Texas Department of Insurance.

company facing insolvency, TDI may seek a court order to place the insurer into receivership, which is administered by a special deputy receiver. TDI is appropriated $19.0 million for this purpose in the 2016–17 biennium.

TDI is appropriated $0.9 million to oversee the awarding of grants for the research, planning, development, and continuation of the three-share premium assistance programs in Texas to improve access to private healthcare coverage for the uninsured. Additionally, TDI is appropriated $0.4 million for a joint effort between private insurers and the state to promote consumers' purchase of long-term care insurance.

TEXASSURE PROGRAM

The TexasSure Program supports the operation and maintenance of the TexasSure Motor Vehicle Financial Responsibility Verification Program. TexasSure is the state's vehicle insurance verification system that allows law enforcement and county tax officials to confirm whether owners of motor vehicles in Texas have established financial responsibility through required personal auto liability insurance coverage. The TexasSure vehicle insurance verification database is a joint project of TDI, Texas Department of Motor Vehicles (DMV), Texas Department of Public Safety (DPS), and Texas Department of Information Resources (DIR). TDI is appropriated $10.1 million for this purpose in the 2016–17 biennium.

OTHER PROGRAM AREAS

Other programs at TDI include funding for the agency's regulatory response rider and the State Fire Marshal's Office. TDI's appropriations includes funding contingent upon the agency needing additional resources due to a significant change in the insurance regulatory environment, demands for federal healthcare reform implementation, a weather-related disaster in Texas, a public health crisis, such as a pandemic, a fire that has been declared as a disaster situation in the Texas, and nonweather-related disasters. The agency is appropriated $4.4 million for the regulatory response rider in the 2016–17 biennium.

To support the agency's efforts to reduce the loss of life and property caused by fire, the State Fire Marshal's Office develops and promotes methods of preventing and reducing fire losses through fire investigations, building inspections, code enforcement, licensing and regulation of fire service industries, and the development and promotion of fire prevention programs. It is estimated that the State Fire Marshal's Office will initiate 600 investigations each fiscal year of the 2016–17 biennium. Additionally, the State Fire Marshal's Office oversees requirements that cigarette manufacturers certify that the cigarettes meet performance standards and are fire-standard compliant and that packaging contains markings with this certification. The agency is appropriated $9.5 million for this purpose in the 2016–17 biennium.

ADMINISTRATION

The final program area, administration, includes administrative support to TDI, DWC, and OIEC. This support includes central administration, information resources, employee ombudsman, and other support services. TDI is appropriated $61.7 million for this purpose in the 2016–17 biennium.

SIGNIFICANT LEGISLATION

Senate Bill 900 – Operation of the Texas Windstorm Insurance Association. The enactment of SB 900 amends various provisions in state law pertaining to the Texas Windstorm Insurance Association. The legislation requires TDI to conduct a biennial study on market incentives to promote participation in the voluntary windstorm and hail insurance market in the seacoast territory of Texas, amends the payment of losses, allows the commissioner to contract with a third party to perform administrative functions, and amends the board makeup.

House Bill 6 – Creation of TexasSure Fund. The enactment of HB 6 establishes the TexasSure Fund, a special fund in the state Treasury outside of the General Revenue Fund. The TexasSure Fund is funded through a portion of the $1 fee paid upon registering or renewing the registration of a motor vehicle. The amount of fees deposited to the TexasSure Fund is limited to covering appropriations at TDI for the purpose of ongoing maintenance of the TexasSure Motor Vehicle Financial Responsibility Verification Program. The remaining fees collected are deposited to the State Highway Fund.

Senate Bill 784 – Collection and use of certain information reported to and by TDI. The enactment of SB 784 amends an insurer's reporting frequency of certain consumer information reports to TDI from quarterly to annually. The legislation also repeals various other reporting requirements for insurers. The bill amends law to authorize, rather than require, the Commissioner of Insurance to conduct a public hearing each biennium to review rates to be charged for workers' compensation insurance written in the state.

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

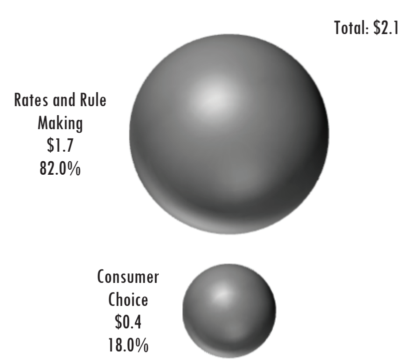
GOVERNANCE: Public Counsel—appointed by the Governor with advice and consent of the Senate

FIGURE 366
OFFICE OF PUBLIC INSURANCE COUNSEL BY METHOD OF FINANCE

	IN MILLIONS			
METHOD OF FINANCE	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$1.7	$1.7	$0.0	1.7%
General Revenue–Dedicated Funds	$0.0	$0.0	$0.0	N/A
Federal Funds	$0.0	$0.0	$0.0	N/A
Other Funds	$0.4	$0.4	$0.0	0.0%
Total, All Methods of Finance	**$2.1**	**$2.1**	**$0.0**	**1.3%**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2016	15.0
2017	15.0

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

The Office of Public Insurance Counsel received an **increase in salary authority** for the agency's exempt position, the Public Counsel.

The agency anticipates reviewing approximately **50 rate filings** and completing approximately **2,000 public presentations or communications to enhance consumer choice** during the 2016–17 biennium.

MAJOR FUNDING

The Texas Insurance Code provides funding for Office of Public Insurance Counsel (OPIC) operations through annual assessments of $0.057 on each property, casualty, title (owner and mortgage), life, health, and accident insurance policy (individual or group) in force during each calendar year. The Comptroller of Public Accounts is statutorily required to collect these assessments annually from insurers, and amounts are deposited in the state Treasury in the General Revenue Fund. OPIC is subject to a special provision expressing legislative requirements that revenues from these assessments cover the cost of appropriations to the agency and the other direct and indirect costs appropriated elsewhere in the 2016–17 General Appropriations Act for the agency. Assessments collected that are greater than these costs are available for distribution from the General Revenue Fund. Based on the Comptroller of Public Accounts' 2016–17 Biennial Revenue Estimate, it is estimated that the assessments will generate approximately $2.4 million in revenue in addition to OPIC's direct and indirect appropriations for the 2016–17 biennium.

Additionally, OPIC receives $0.4 million from an Interagency Contract with the Department of Insurance (TDI) to provide consumers with insurance information to make informed decisions. Overall appropriations for OPIC increased 1.3 percent from the 2014–15 biennial spending level, in part due to funding for a salary increase of $9,511 for the Public Counsel position over the biennium.

PROGRAMS

The responsibility of OPIC to represent insurance consumers in Texas is carried out through two main program areas: (1) participating in rate hearings and rule making; and (2) increasing consumer choice.

OPIC participates as a party in hearings conducted by TDI involving insurance rates, rules, and policy forms; in judicial proceedings; and in other proceedings where OPIC determines that insurance consumers need representation. OPIC's role in filings and proceedings is to present expert testimony, actuarial analysis, and other supporting evidence to advocate the position most favorable to consumers as a class. The agency expects to review approximately 50 rate filings during the 2014–15 biennium. In addition, OPIC may participate in judicial proceedings and recommend legislation that will positively affect consumer interests. This program area is appropriated $1.7 million and 12.0 FTEs.

OPIC's efforts to increase consumer choice entail providing information to enhance consumers' awareness of their rights and responsibilities and educating them on the operation of Texas insurance markets. OPIC staff make public presentations; deliver speeches; participate in panel discussions; prepare a consumer list of rights for each personal line of insurance regulated by the state; and produce health maintenance organization reports that are available to the public on its website. This program area is appropriated $0.4 million and 3.0 FTEs.

SIGNIFICANT LEGISLATION

Senate Bill 494 – Availability of certain property and casualty insurance forms on the Internet. The legislation allows OPIC to post an insurer's specimen policy, which is a standardized form, including an insurance policy form or endorsement, used by an insurer to write personal automobile, commercial automobile, inland marine, or residential property insurance, on OPIC's website.

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

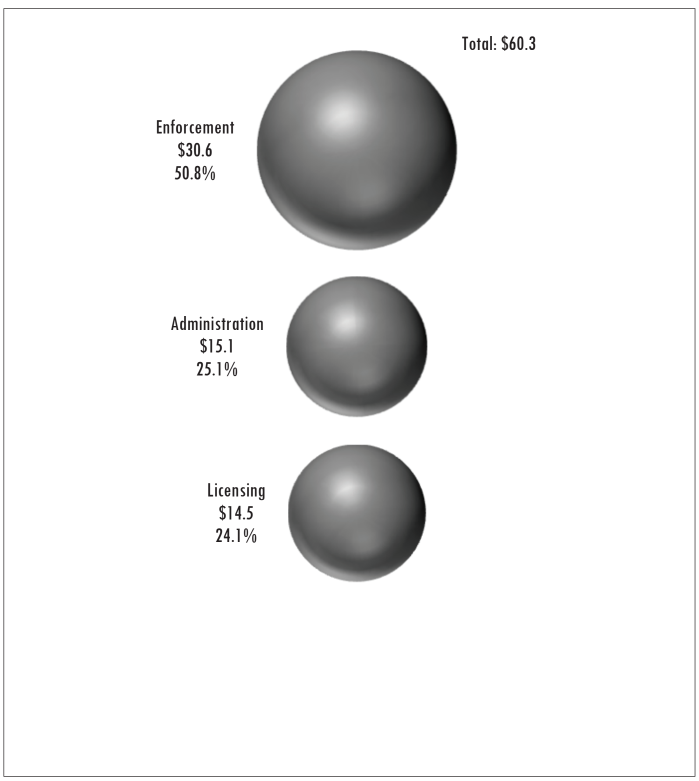
GOVERNANCE: Texas Commission of Licensing and Regulation—seven members appointed by the Governor with advice and consent of the Senate

FIGURE 367
DEPARTMENT OF LICENSING AND REGULATION BY METHOD OF FINANCE

METHOD OF FINANCE	IN MILLIONS EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$46.8	$58.3	$11.5	24.6%
General Revenue–Dedicated Funds	$0.1	$0.1	($0.0)	(0.3%)
Federal Funds	$0.0	$0.0	$0.0	N/A
Other Funds	$1.9	$1.9	$0.0	0.0%
Total, All Methods of Finance	**$48.8**	**$60.3**	**$11.5**	**23.6%**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2016	448.2
2017	448.2

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



Source: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

Appropriations include an increase in General Revenue Funds of **$5.9 million and 31.5 full-time-equivalent (FTE) positions** to transfer the regulation of certain occupations and programs from the Department of State Health Services to the agency.

Appropriations include an increase in General Revenue Funds of **$2.3 million and 19.5 FTE positions** to transfer driver and traffic safety education from the Department of Public Safety and Texas Education Agency to the agency.

Funding increases include **$1.5 million in General Revenue Funds** for information technology security enhancements.

MAJOR FUNDING

The Texas Department of Licensing and Regulation (TDLR) administers and enforces state laws relating to various industries and occupations, including the following: air conditioning and refrigeration contractors; architectural barriers; auctioneers; barbers; boiler inspections; combative sports; cosmetologists; discount health cards; electricians, including pool-related electrical maintenance technicians and contractors; elevators, escalators, and related equipment; for-profit legal service contracts; industrialized housing and buildings; licensed court interpreters; loss damage waivers; dog and cat breeders and dealers; property tax consultants and tax professionals; polygraph examiners; service contract providers; staff leasing services; employers of certain temporary common workers; tow trucks and vehicle storage facilities; identity recovery service providers; used automotive parts recyclers; vehicle booting by private entities; vehicle protection product warrantors; water-well drillers and pump installers; and weather modification businesses.

Funding for TDLR includes an increase of $11.5 million in All Funds and 71.0 full-time-equivalent (FTE) positions in the 2016–17 biennium. Significant funding changes at TDLR are primarily related to the enactment of legislation by the Eighty-fourth Legislature, 2015, that resulted in the transfer of certain regulatory programs at other state agencies to TDLR. This legislation includes Senate Bill 202, which transfers the regulation of certain health care occupational programs from the Department of State Health Services to TDLR, and House Bill 1786, which transfers driver and traffic safety education programs from the Department of Public Safety and Texas Education Agency to TDLR (see the Significant Legislation section).

To implement the provisions of the legislation and provide regulatory oversight for the program transfers during the 2016–17 biennium, TDLR received an increase of $5.9 million in General Revenue Funds and 31.5 FTE positions to oversee the occupations transferred from the Department of State Health Services and an increase of $2.3 million in General Revenue Funds and 19.5 FTE positions for the driver and traffic safety education programs.

Additionally, funding for TDLR includes an increase of $1.5 million in General Revenue Funds and 3.0 FTE positions for information technology security enhancements. Funding also includes $1.8 million in General Revenue Funds and 17.0 FTE positions to enhance the agency's licensing and enforcement divisions through customer service responsiveness, consumer protection inspections, building plan review activities, enforcement for increased construction activity, and public–private partnership administration.

PROGRAMS

TDLR enforces occupational code and practice standards for certain professions through three major program areas: (1) enforcement; (2) licensing; and (3) administration. **Figure 368** shows key performance measures related to the agency's licensing and enforcement programs and FTE positions from fiscal years 2013 to 2017.

Enforcement activities at TDLR include routine inspections of facilities, investigating consumer complaints about a licensee or quality of service, and suspending or revoking licenses of violators of the standards set by the agency. The agency also performs building plan reviews by verifying compliance with applicable laws, rules, accessibility standards, building codes, and safety codes. As part of its enforcement function, TDLR performed 120,549 routine inspections and completed approximately 13,000 complaint investigations in fiscal year 2015. It is anticipated that TDLR will perform approximately 300,000 routine inspections and complete approximately 21,000 complaint investigations during the 2016–17 biennium.

As part of its enforcement program, TDLR also administers the Architectural Barriers Program and the Auctioneer's Education Recovery Fund. The Architectural Barriers Program ensures that individuals with disabilities are not

FIGURE 368
TEXAS DEPARTMENT OF LICENSING AND REGULATION PERFORMANCE MEASURES
FISCAL YEARS 2013 TO 2017

PERFORMANCE MEASURES	2013	2014	2015	2016	2017
Licenses Issued	513,578	496,009	507,928	570,498	579,383
Complaints Resolved	10,595	11,348	13,156	10,858	10,609
Jurisdictional Complaints Received	11,559	12,169	10,511	12,321	12,143
Full-time-equivalent Positions	357.4	357.7	377.2	448.2	448.2

NOTE: Fiscal years 2016 and 2017 are estimated.
SOURCE: Texas Department of Licensing and Regulation.

denied access to new and renovated buildings and facilities. The Auctioneer's Education Recovery Fund protects consumers against financial loss caused by an auctioneer's non-payment of funds from the sale of goods and helps provide continuing education for auctioneers. Appropriations for the enforcement program at TDLR total $30.6 million for the 2016–17 biennium.

TDLR ensures licensee qualifications and practice standards for regulated professions. Licensing activities include verifying credentials of applicants and facilities, updating licensee databases, and ensuring continuing education requirements and ethical standards are met. The agency estimates that it will issue approximately 570,000 individual licenses, certifications, and registrations during each fiscal year of the 2016–17 biennium. Appropriations for the licensing program at TDLR total $14.5 million.

The final program area, administration, provides administrative and information technology support for the enforcement and licensing programs administered by the agency. Additionally, TDLR develops and distributes information about agency licensing and complaint processes and operates a toll-free telephone line to inform consumers about the agency and its operations. TDLR is appropriated $15.1 million for this purpose.

SIGNIFICANT LEGISLATION

Senate Bill 202 – Transfer of certain occupational regulatory programs and the deregulation of certain activities and occupations. The legislation authorizes the transfer of seven health care occupational programs (athletic trainers, dietitians, dyslexia therapists, hearing fitters and dispensers, midwives, orthotists and prosthetists, and speech-language pathologists and audiologists) from the Department of State Health Services to TDLR beginning in fiscal year 2016, and the transfer of an additional six occupational programs (code enforcement officers, laser hair removal professionals, massage therapists, mold assessors and remediators, offender education providers, and sanitarians) from the Department of State Health Services to TDLR beginning in fiscal year 2018.

House Bill 1786 – Transfer of driver and traffic safety education from the Texas Education Agency and the Department of Public Safety; changing the amounts of certain fees. The legislation transfers driver and traffic safety education programs from the Department of Public Safety and Texas Education Agency to the agency in fiscal year 2016. The bill also transfers the regulation of parent-taught driver education programs from the Department of Public Safety to the agency.

House Bill 2717 – Deregulation of hair braiding. The legislation eliminates the requirement for an individual to hold a barber or cosmetologist hair braiding specialty certificate to braid hair.

House Bill 2481 – Licensing and regulation of auctioneers, associate auctioneers, and auctions; requiring an occupational license; requiring a fee. The legislation requires an individual who is employed by a licensed auctioneer to sell or offer to sell property at an auction for compensation to hold an associate auctioneer license. This individual must meet applicable requirements and pay an application fee to TDLR for the license.

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

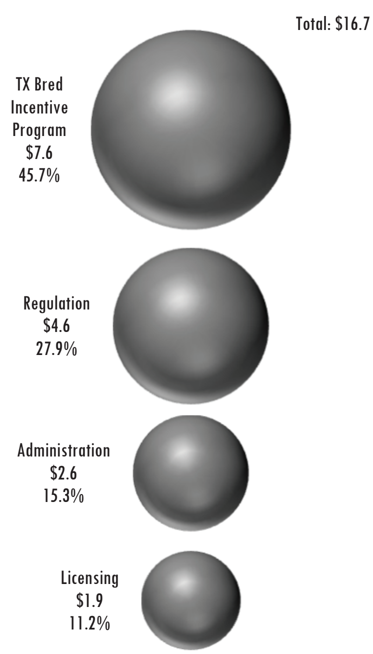
GOVERNANCE: Texas Racing Commission—seven members appointed by the Governor with advice and consent of the Senate, and two ex officio voting members set in statute

FIGURE 369
RACING COMMISSION BY METHOD OF FINANCE

	IN MILLIONS			
METHOD OF FINANCE	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$0.0	$0.0	$0.0	N/A
General Revenue–Dedicated Funds	$15.4	$16.7	$1.3	8.3%
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	**$15.4**	**$16.7**	**$1.3**	**8.3%**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2016	56.2
2017	56.2

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



Source: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

Appropriations include **$1.3 million** and **5.0 full-time-equivalent positions (FTE)** for the Texas Racing Commission contingent on the opening or reopening of a **new horse racetrack** during the 2016–17 biennium.

The Racing Commission anticipates **pari-mutuel wagering revenue will total $592.2 million** in the 2016–17 biennium.

MAJOR FUNDING AND PROGRAMS

Texas has four horse and three greyhound racetracks that conduct live racing. The oversight of the industry and implementation of the Racing Commission's responsibilities are carried out through four major program areas: (1) the Texas Bred Incentive program; (2) regulation; (3) licensing; and (4) administration. **Figure 370** shows select performance measures related to these four program areas across active Texas racetracks from 2011 to 2017.

The Texas Bred Incentive program provides an incentive award distributed as a purse supplement paid from the pari-mutuel wagering pools to breeders and owners of Texas-bred greyhounds and horses that place first, second, or third in any race. The program encourages agriculture and the horse- and greyhound-breeding industries. Appropriations for these incentives total $7.6 million.

The regulation program area incorporates oversight of both racing and wagering. Greyhound and horse racing regulation involves the agency overseeing all races conducted at racetracks in Texas, including supervising racing conduct and providing health and drug testing for horses and greyhounds. Wagering regulation includes investigations into illegal wagering, completion of compliance audits at the racetracks, and increasing the test and pass rates for the complex computer system that tallies and calculates the pari-mutuel wagers (Totalisator). Appropriations for these functions total $4.6 million.

Racetrack and occupational licensing involves licensing racetracks and its participants, renewing existing racetrack and occupational licenses, and reviewing active and inactive racetrack licenses. Occupational licenses are required for all racetrack employees who can affect pari-mutuel racing. Licensing appropriations total $1.9 million.

Administration includes the indirect administrative functions that support the agency. This program area is appropriated $2.6 million for the biennium.

The Eighty-fourth Legislature, 2015, appropriated an additional $1.3 million to the Texas Racing Commission for the 2016–17 biennium, contingent upon the opening or reopening of a new racetrack. The contingency includes $303,600 and 5.0 FTE positions for regulatory functions and $332,037 for the Texas Bred Incentive Program in each fiscal year. To receive these appropriations, the agency must collect the revenue from each new horse racetrack that begins operations during the 2016–17 biennium.

The Racing Commission's bill pattern includes a rider requiring the agency to obtain written approval from the Legislative Budget Board prior to spending any appropriated funds within Strategy D.1.1, Central Administration and Other Support Services. Appropriations for this strategy total $1.5 million for the 2016–17 biennium and are included in the administration program area.

FIGURE 370
TEXAS RACING COMMISSION SELECTED PERFORMANCE MEASURES
FISCAL YEARS 2011 TO 2017

PERFORMANCE MEASURE	2011	2012	2013	2014	2015	2016	2017
Total Racetrack Inspections	80	70	75	94	106	90	90
Total Texas-Bred Awards	11,901	10,987	10,560	9,715	9,061	7,600	6,900
Total New Occupational Licenses Issued	2,675	2,153	2,150	2,239	2,151	2,100	2,075
Total Pari-mutuel Handle (in millions)	$313.2	$320.8	$323.4	$324.1	$301.6	$297.2	$295.0
Total Take to State Treasury from Pari-mutuel Wagering on Live and Simulcast Races (in millions)	$3.0	$2.9	$3.1	$3.0	$3.0	$2.9	$2.9
Total Occupational Licensees Suspended or Revoked	114	93	95	114	117	115	115
Total Investigations Completed	208	137	120	119	139	120	120

NOTE: Fiscal years 2016 and 2017 amounts are estimated.
SOURCE: Texas Racing Commission.

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

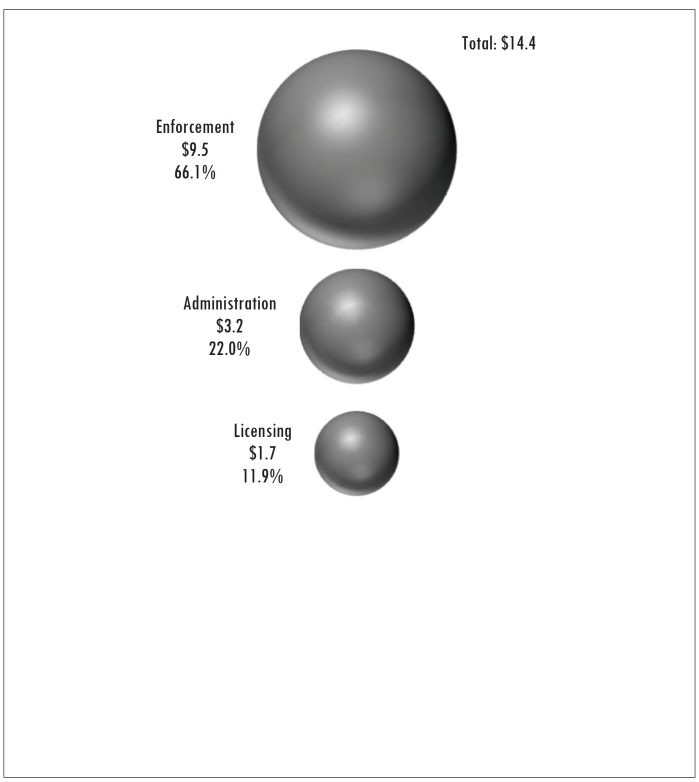
GOVERNANCE: State Securities Board—five members appointed by the Governor with advice and consent of the Senate

FIGURE 371
STATE SECURITIES BOARD BY METHOD OF FINANCE

	IN MILLIONS			
METHOD OF FINANCE	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$14.2	$14.4	$0.1	0.9%
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	**$14.2**	**$14.4**	**$0.1**	**0.9%**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2016	104.0
2017	104.0

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



Source: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

Revenue includes **$254.5 million** deposited to the state Treasury related to **securities and dealer/ agent applications** is estimated for the 2016–17 biennium.

The State Securities Board anticipates licensing approximately **120,000 securities** and **810,000 dealers and agents** during the 2016–17 biennium.

MAJOR FUNDING AND PROGRAMS

The work of the agency is carried out in three major program areas: (1) enforcement; (2) licensing; and (3) administration. Enforcement involves the investigation of suspected violations of the Texas Securities Act and, if appropriate, initiation of administrative proceedings or referral of matters for criminal prosecution or civil action. Agency staff collects and summarizes evidence for cases adjudicated by State Office of Administrative Hearings administrative law judges and cases referred to the Office of the Attorney General in civil injunction actions. The agency also verifies continuing compliance with the Texas Securities Act through periodic inspections of registered firms. The enforcement program area is appropriated $9.5 million and 70.7 full-time-equivalent (FTE) positions.

In the licensing program, the agency reviews all securities applications registered for sale in Texas to ensure investor access to full and fair disclosure of all relevant investment information. The agency ensures that offering terms are in compliance with the Texas Securities Act and Securities Board rules. All securities dealers, their sales agents, and investment advisers in Texas must be registered with the Securities Board, unless the Texas Securities Act exempts them from registering, or they are preempted by federal law. The agency examines these applications and maintains an ongoing review process by examining amendments and renewals submitted by registrants. **Figure 372** shows the number of securities applications and securities agents, dealers, advisers, and adviser representatives registered by the agency from 2006 to 2017, and the agency's projection of revenues deposited to the state Treasury from securities and dealer/agent applications during the same period. During the 2016–17 biennium, the agency projects a decrease in securities revenue based on industry trends of declining mutual fund offerings and a decrease in dealer/agent revenue due to a reduction in agency-set fees and the removal of a $200 professional fee through the enactment of House Bill 7, Eighty-fourth Legislature, 2015. The total appropriation to the licensing program area is $1.7 million and 14.0 FTE positions.

The final program area, administration, provides administrative and information technology support to the major programs administered by the agency. The State Securities Board is appropriated $3.2 million and 19.3 FTE positions for this purpose.

FIGURE 372
STATE SECURITIES BOARD, SELECTED PERFORMANCE MEASURES, FISCAL YEARS 2006 TO 2017

FISCAL YEAR	SECURITIES APPLICATIONS	STATE TREASURY SECURITIES REVENUE (IN MILLIONS)	REGISTERED DEALERS/ AGENTS	STATE TREASURY DEALER REVENUES (IN MILLIONS)
2006	44,292	$94.7	191,949	$54.3
2007	51,796	$109.9	209,494	$59.3
2008	50,252	$115.9	212,904	$61.5
2009	46,477	$87.4	214,029	$61.3
2010	46,953	$94.9	211,302	$69.8
2011	50,420	$110.4	229,482	$73.7
2012	50,420	$94.0	345,253	$73.7
2013	54,463	$113.51	356,628	$77.5
2014	57,117	$115.4	371,688	$79.3
2015	61,865	$142.3	389,614	$83.4
2016	59,401	$120.0	401,302	$7.2
2017	59,401	$120.0	413,342	$7.3

Note: Fiscal years 2016 and 2017 are estimated.
Source: State Securities Board.

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

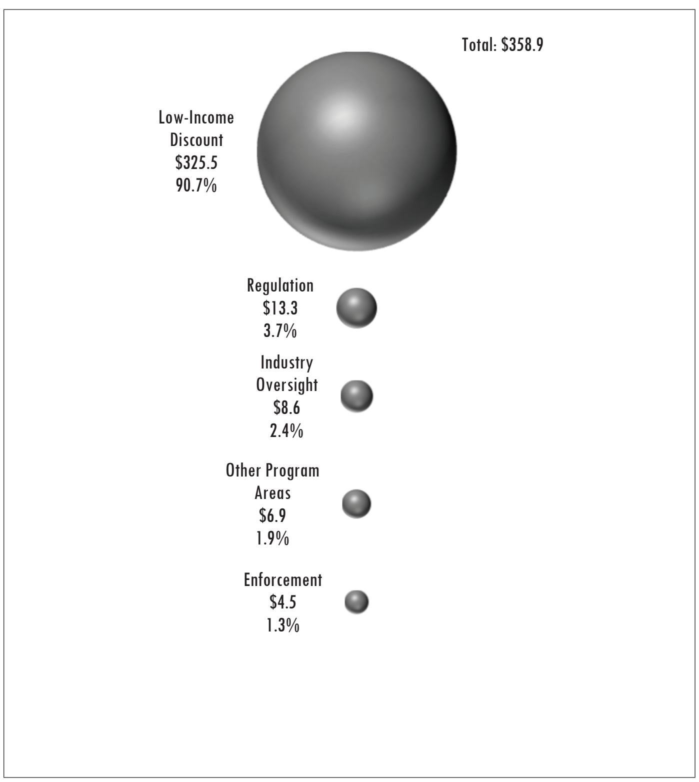
GOVERNANCE: Utility Commission—three members appointed by the Governor with the advice and consent of the Senate

FIGURE 373
PUBLIC UTILITY COMMISSION OF TEXAS BY METHOD OF FINANCE

	IN MILLIONS			
METHOD OF FINANCE	**EXPENDED/ BUDGETED 2014–15**	**APPROPRIATED 2016–17**	**BIENNIAL CHANGE**	**PERCENTAGE CHANGE**
General Revenue Funds	$9.5	$18.4	$8.8	92.6%
General Revenue–Dedicated Funds	$573.8	$339.5	($234.2)	(40.8%)
Federal Funds	$0.0	$0.0	$0.0	N/A
Other Funds	$1.0	$1.0	$0.0	0.0%
Total, All Methods of Finance	**$584.3**	**$358.9**	**($225.4)**	**(38.6%)**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2016	217.0
2017	217.0

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



Source: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

Appropriations of General Revenue–Dedicated Account No. 5100, System Benefit Fund, **spend down the balance of the dedicated fund** by the end of the 2016–17 biennium.

Appropriations to the **Low-Income Discount Program** total **$325.5 million**. The program is set to expire at the end of fiscal year 2017.

Due to the expiration of the **System Benefit Fund** (SBF), **$8.7 million** of General Revenue Funds is appropriated in fiscal year 2017 to cover administrative functions previously funded through the SBF.

Appropriations to the **Water and Wastewater Regulation Program** include an increase of **$2.2 million** and **16.0 full-time-equivalent positions** to support the enhancement of the water utility rate-setting function that was transferred to the agency in fiscal year 2015.

MAJOR FUNDING

The Public Utility Commission (PUC) is appropriated $334.2 million in General Revenue–Dedicated Funds System Benefit Fund (Account No. 5100) for the 2016–17 biennium. The fund was established in 1999 to support the agency's Low-Income Discount program through fees on megawatt hour usage of retail electric customers in deregulated areas of the state. The funds account for 93.1 percent of the total appropriation to the agency. Revenue from the fees grew at a faster rate than expenditures from the Low-Income Discount program, and to address the growing balance in the System Benefit Fund, the Eighty-third Legislature passed House Bill 7 in fiscal year 2013 to eliminate the fee, to set the expiration of the fund to the end of fiscal year 2016, and to provide an additional $500.0 million in appropriations to spend down the projected balance of the fund by that time.

Before the Eighty-fourth Legislature convened, the PUC projected that a balance would remain in the System Benefit Fund pursuant to the provisions set by HB 7, 2013. In response, the Eighty-fourth Legislature, 2015, passed House Bill 1101 to authorize the PUC to set a rate or period for the low-income discount would be sufficient to use the remaining fund balance by the end of fiscal year 2017 (see the Significant Legislation section). The appropriation of the System Benefit Fund for the 2016–17 biennium, along with the provisions of HB 1101, completes the spend down of the System Benefit Fund by the end of the 2016–17 biennium. In addition, $8.7 million in General Revenue Funds is provided in fiscal year 2017 for administrative functions previously funded through the System Benefit Fund.

PUC is appropriated $5.3 million in General Revenue–Dedicated Funds (Water Resource Management Fund No. 153) for the regulation of water and wastewater services for the 2016–17 biennium. This function was transferred to the agency in fiscal year 2015 from the Texas Commission on Environmental Quality with the enactment of House Bill 1600, Eighty-third Legislature, Regular Session, 2013. Funding includes a $2.2 million increase from the 2014–15 biennial spending levels for an additional 16.0 full-time-equivalent positions to support enhanced rate-setting functions implemented by the agency.

PROGRAMS

The work of the agency to regulate the state's electric, telecommunication, and water and wastewater utility industries is carried out in five major program areas: (1) Low-Income Discount; (2) regulation; (3) industry oversight; (4) enforcement; and (5) other program areas.

The Low-Income Discount program reduces electricity bills for eligible low-income customers who live in areas of the state open to retail electric competition. The program is the largest recipient of appropriations from the System Benefit Fund, receiving $325.5 million of the total $334.2 biennial appropriation. This amount includes an additional $227.0 million that was contingent upon the enactment of legislation that would allow PUC to spend down the projected balance in the System Benefit Fund during the 2016–17 biennium (see the Significant Legislation section). The program is set to expire at the end of fiscal year 2017.

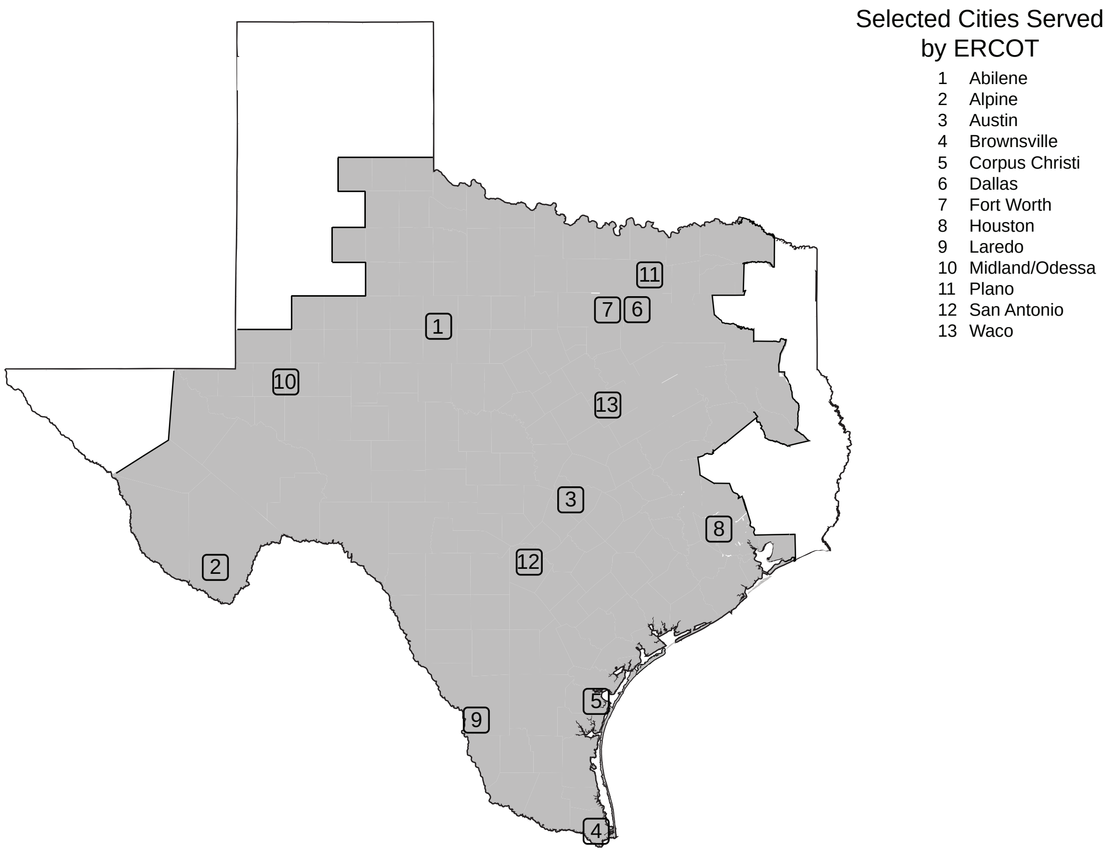
The regulation program oversees rates and services in the electric, telecommunication, and water and wastewater services utility industries. Regulation is the only program that crosses all three of the utility industries overseen by the agency and focuses primarily on providing rate regulation services to ensure that customers receive just and reasonable rates for their utilities. Of the total $13.3 million in appropriations to this program area, $7.4 million is for electric utilities, $5.3 million is for water and wastewater utilities, and $0.6 million is for telecommunication utilities.

Industry oversight promotes awareness about changes and standards in the electric and telecommunication industries. The program encompasses both electric and telecommunication utilities, with the majority of the resources dedicated to the oversight of the competitive electric market. Within the electric market, oversight consists of wholesale competition and retail competition for all customers of investor-owned utilities in the Electric Reliability Council of Texas (ERCOT), whose boundaries are shown in **Figure 374**. Similarly, **Figure 375** shows the 20 most populous cities in Texas and the availability of retail competition in those cities. Overall, electric market oversight is allocated $7.9 million of the total $8.6 million appropriated to this program area, with the remaining $0.7 million dedicated to telecommunication market oversight.

Enforcement deals with the investigation and resolution of potential noncompliance with the Texas Utilities Code of electric and telecommunication utilities. This program area includes the agency's work related to audit and review, investigations, and notice of violations and administrative penalties, and is appropriated a total of $4.5 million.

Other program areas include electric and telecommunication industry awareness, customer dispute resolution, and agency

FIGURE 374
ELECTRIC RELIABILITY COUNCIL OF TEXAS BOUNDARIES, FISCAL YEAR 2015



SOURCE: Electric Reliability Council of Texas (ERCOT).

administration programs. Within other program areas, $3.1 million is appropriated to promote consumer understanding of electric and telecommunication markets through the industry awareness program, $1.9 million is appropriated to assist customers in resolving disputes with electric and telecommunication utilities through the consumer dispute resolution program, and $1.9 million is appropriated to help support the administrative functions of the agency.

SIGNIFICANT LEGISLATION

House Bill 7 and House Bill 1101 – Extending the period over which the balance of the System Benefit Fund is to be eliminated. Both bills provide identical language to remove the time constraint of the Low-Income Discount program discount in fiscal year 2016, authorizing the agency to provide a discount in any calendar month, and the specific discount set in statute for fiscal year 2016, authorizing the commission to set a rate necessary to exhaust the balance in the System Benefit Fund by the end of the 2016–17 biennium. In addition, HB 1101 pushes the expiration date of the System Benefit Fund from the end of fiscal year 2016 to the end of fiscal year 2017, and authorizes the agency to continue the Low-Income Discount program into fiscal year 2017 if any money remains in the fund at that time.

FIGURE 375
AVAILABILITY OF RESIDENTIAL ELECTRIC CHOICE IN MOST POPULOUS TEXAS CITIES AS OF SEPTEMBER 1, 2015

CITY	POPULATION	COMPETITION
Houston	2,239,558	Yes
San Antonio	1,436,697	No
Dallas	1,281,047	Yes
Austin	912,791	No
Fort Worth	812,238	Yes
El Paso	679,036	No
Arlington	383,204	Yes
Corpus Christi	320,434	Yes
Plano	278,480	Yes
Laredo	252,309	Yes
Lubbock	243,839	No
Garland	235,501	Yes
Irving	232,406	Yes
Amarillo	197,254	No
Grand Prairie	185,453	Yes
Brownsville	183,046	No
Pasadena	156,767	Yes
Mesquite	153,887	Yes
McKinney	145,035	Yes
McAllen	144,416	Yes

NOTE: Population based upon U.S. Census Bureau 2014 estimates.
SOURCE: Public Utility Commission of Texas.

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 conductd 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

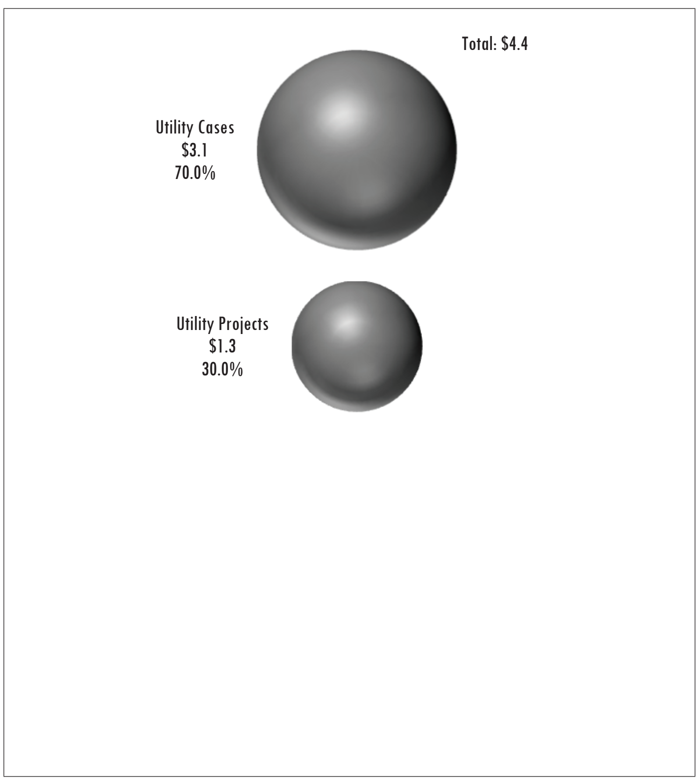
GOVERNANCE: Public Counsel—appointed by the Governor with the advice and consent of the Senate

FIGURE 376
OFFICE OF PUBLIC UTILITY COUNSEL BY METHOD OF FINANCE

	IN MILLIONS			
METHOD OF FINANCE	EXPENDED/ BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$3.4	$3.4	$0.0	0.9%
General Revenue–Dedicated Funds	$1.0	$1.0	$0.0	0.7%
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	**$4.4**	**$4.4**	**$0.0**	**0.9%**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2016	25.5
2017	25.5

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

The Office of Public Utility Counsel has a **new budget and performance measure structure** to better align with the agency's organizational structure.

The Office of Public Utility Counsel anticipates completing **60 cases** and **52 projects** during the 2016–17 biennium.

MAJOR FUNDING AND PROGRAMS

The responsibility of the Office of Public Utility Counsel (OPUC) to represent residential and small-business utility customers is carried out in two main program areas: (1) utility cases; and (2) utility projects. The agency represents customers of electric and telecommunication utilities and of water and wastewater service utilities due to the enactment of House Bill 1600, Eighty-third Legislature, Regular Session, 2013.

Participation in utility cases consists of providing representation for consumers in major utility cases for judicial proceedings, law suits, and other litigation. The agency completed 34 cases in fiscal year 2015 and anticipates completing 30 cases in each fiscal year of the 2016–17 biennium. This program area is appropriated $3.1 million and 17.9 FTEs. Participation in projects consists of the agency's non-legal representation work in rule-making proceedings in which utility regulators adopt rules or regulations for competitive issues, consumer safeguards, rate-making, and new or advanced technologies and services. The agency completed 27 projects in fiscal year 2015 and anticipates completing 26 projects in each fiscal year of the 2016–17 biennium. This program area is appropriated $1.3 million and 7.6 FTEs.

Overall appropriations for OPUC increased 0.9 percent from the 2014–15 biennial spending level, in part due to a biennial salary increase of $4,740 for the Public Counsel position.

HEALTH-RELATED LICENSING AGENCIES

PURPOSE: Health-related licensing boards and commissions regulate certain occupations and industries within the State of Texas. Agencies ensure licensee qualifications and standards are met and that quality of care is maintained through licensing and enforcement programs.

ESTABLISHED: Varies; 1907–1995

AUTHORIZING STATUTE: Varies; The Texas Occupations Code, Chapters 101, 152, 201, 202, 252, 301, 351, 452, 501, 552, 651, 801

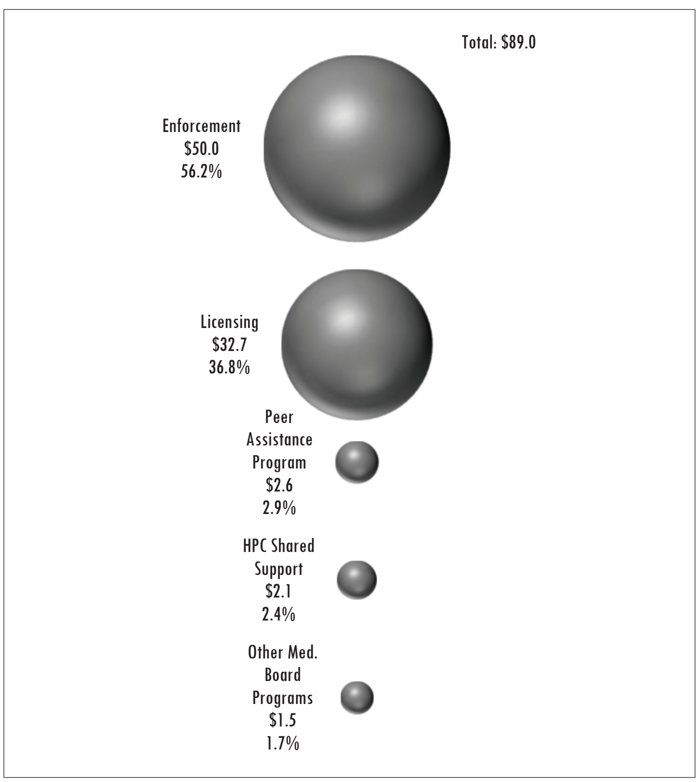
GOVERNANCE: Varies; generally appointed by the Governor with advice and consent of the Senate

FIGURE 377
HEALTH-RELATED LICENSING AGENCIES BY METHOD OF FINANCE

	IN MILLIONS			
METHOD OF FINANCE	**EXPENDED/ BUDGETED 2014–15**	**APPROPRIATED 2016–17**	**BIENNIAL CHANGE**	**PERCENTAGE CHANGE**
General Revenue Funds	$66.9	$74.3	$7.4	11.1%
General Revenue–Dedicated Funds	$4.2	$4.6	$0.4	8.6%
Federal Funds	$0.0	$0.0	$0.0	N/A
Other Funds	$7.8	$10.1	$2.3	29.8%
Total, All Methods of Finance	**$78.9**	**$89.0**	**$10.1**	**12.8%**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2016	583.7
2017	590.7

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

Appropriations include an **increase in General Revenue Funds of $3.6 million and 29.0 full-time-equivalent (FTE) positions** to transfer the regulation of certain occupations from the Department of State Health Services to the Texas Medical Board.

Appropriations include an **increase in General Revenue Funds of $0.8 million and 7.0 FTE positions** to transfer the Prescription Drug Monitoring Program from the Department of Public Safety to the Board of Pharmacy.

Appropriations include an **increase in General Revenue and General Revenue–Dedicated Funds of $3.4 million and 31.0 FTE positions** to support licensing and regulation of occupations at multiple agencies.

MAJOR FUNDING

Health-related licensing agencies include the following: the Board of Chiropractic Examiners, the Texas State Board of Dental Examiners, the Funeral Service Commission, the Texas Medical Board, the Texas Board of Nursing, the Optometry Board, the Board of Pharmacy, the Board of Podiatric Medical Examiners, the Board of Examiners of Psychologists, the Executive Council of Physical Therapy and Occupational Therapy Examiners, and the Board of Veterinary Medical Examiners. Additionally, funding for the Health Professions Council (HPC), which coordinates regulatory efforts with the 11 health-related licensing agencies and three nonhealth-related licensing agencies, is included in this section.

The 11 health-related licensing agencies are subject to a special provision expressing a legislative requirement that fee-generated revenues cover the cost of agency appropriations and other direct and indirect costs appropriated elsewhere in the General Appropriations Act. These agencies generate revenue from the regulated occupations and industries in addition to these direct and indirect amounts, and the excess revenue is deposited to the state Treasury for use in funding other programs across the state.

All Funds appropriations for these agencies for the 2016–17 biennium increased by $10.1 million and 67.0 full-time-equivalent (FTE) positions. Significant funding changes at health-related licensing agencies are primarily related to the enactment of legislation by the Eighty-fourth Legislature, 2015, that resulted in the transfer of certain regulatory programs at other state agencies to the regulatory agencies. Legislation includes Senate Bill 202, which transferred four regulatory programs from the Department of State Health Services to the Texas Medical Board, and Senate Bill 195, which transferred the Prescription Drug Monitoring Program from the Department of Public Safety to the Board of Pharmacy (see the Significant Legislation section).

To implement the provisions of the legislation and provide regulatory oversight for the program transfers during the 2016–17 biennium, the Texas Medical Board received an increase of $3.6 million in General Revenue Funds and 29.0 FTE positions and the Board of Pharmacy received an increase of $0.8 million in General Revenue Funds and 7.0 FTE positions. In addition to funding increases due to the transfer of programs, the General Revenue Funds and General Revenue–Dedicated Funds appropriations to the health-related licensing agencies include an increase of $3.4 million and 31.0 FTE positions to support licensing and enforcement activities across the agencies.

PROGRAMS

Health-related licensing agencies enforce occupational code and practice standards for certain professions through five major program areas: (1) enforcement; (2) licensing; (3) peer assistance programs; (4) Health Professions Council shared services; and (5) other Texas Medical Board programs, such as the Texas Physician Health Program and public education. **Figure 378** shows certain agency performance measures, FTE positions, and funding from fiscal years 2013 to 2017 for each of the health-related licensing agencies.

Enforcement activities include routine inspections of facilities, investigating patient complaints about a licensee or quality of care, and suspending or revoking licenses of violators of the practices standards set by the agency. Appropriations for enforcement programs at the health-related licensing agencies total $50.0 million for the 2016–17 biennium.

Health-related licensing agencies ensure licensee qualifications and practice standards for the regulated professions. Licensing activities include verifying credentials of applicants and facilities, updating licensee databases, and ensuring continuing education requirements and ethical standards are met. Appropriations for licensing programs at the health-related licensing agencies total $32.7 million for the 2016–17 biennium.

Certain health-related licensing agencies participate in peer assistance programs for licensees with impairments, such as chemical abuse or dependency and certain mental health diagnoses, to receive treatment and monitoring before returning to work. Agencies that participate in the peer assistance programs include: the Texas Board of Nursing, Board of Pharmacy, Optometry Board, Texas State Board of Dental Examiners, and the Board of Veterinary Medical Examiners. Appropriations for peer assistance programs total $2.6 million for the 2016–17 biennium and are subject to a provision in the 2016–17 General Appropriations Act requiring state agencies with behavioral health appropriations to develop a joint strategic plan to coordinate behavioral health programs and funding across the state.

The HPC provides shared support for participating agencies, including information technology support, accounting, and training. Appropriations for HPC shared support services total $2.1 million for the 2016–17 biennium and are funded

FIGURE 378
HEALTH-RELATED LICENSING AGENCIES ACTIVITIES AND FUNDING, FISCAL YEARS 2013 TO 2017

	2013 EXPENDED	2014 ESTIMATED	2015 BUDGETED	2016 APPROPRIATED	2017 APPROPRIATED
Board of Chiropractic Examiners					
Licenses Issued	9,965	10,180	10,356	10,650	10,650
Complaints Resolved	338	332	315	350	350
All Funds Total	$623,110	$794,512	$770,701	$816,666	$814,260
Full-time-equivalent Positions	10.6	11.8	14.0	14.0	14.0
Texas State Board of Dental Examiners					
Licenses Issued	73,112	74,608	78,977	71,625	72,275
Complaints Resolved	861	1,157	976	1,100	1,100
All Funds Total	$2,417,740	$4,263,298	$4,149,369	$4,336,061	$4,335,451
Full-time-equivalent Positions	33.8	46.6	55.0	58.0	58.0
Funeral Service Commission					
Licenses Issued	3,832	4,245	4,242	4,310	4,310
Complaints Resolved	172	200	203	190	190
All Funds Total	$749,588	$818,623	$827,496	$837,631	$837,580
Full-time-equivalent Positions	11.0	11.3	12.0	12.0	12.0
Texas Medical Board					
Licenses Issued	48,373	48,707	53,214	56,486	58,119
Complaints Resolved	1,952	1,911	1,849	2,098	2,098
All Funds Total	$11,006,731	$11,743,400	$11,787,479	$14,205,065	$13,727,249
Full-time-equivalent Positions	155.4	159.9	172.5	210.5	210.5
Texas Board of Nursing					
Licenses Issued	188,822	199,190	206,946	197,250	202,250
Complaints Resolved	19,436	19,086	18,166	17,000	17,000
All Funds Total	$11,398,239	$11,212,630	$9,187,114	$11,903,097	$11,903,097
Full-time-equivalent Positions	103.5	107.0	109.7	124.7	124.7
Optometry Board					
Licenses Issued	4,217	4,322	4,471	4,399	4,449
Complaints Resolved	145	134	124	140	140
All Funds Total	$437,293	$466,963	$465,702	$480,516	$480,483
Full-time-equivalent Positions	6.6	6.0	7.0	7.0	7.0
Board of Pharmacy					
Licenses Issued	24,852	25,049	25,779	24,447	24,447
Complaints Resolved	6,504	5,582	5,922	5,420	5,420
All Funds Total	$5,191,321	$6,899,109	$6,491,917	$6,810,931	$7,636,972
Full-time-equivalent Positions	74.6	78.3	92.0	92.0	99.0
Executive Council of Physical Therapy and Occupational Therapy Examiners					
Licenses Issued	21,276	22,449	23,821	22,500	22,900
Complaints Resolved	623	519	659	670	670
All Funds Total	$1,152,087	$1,208,927	$1,210,712	$1,355,342	$1,391,991
Full-time-equivalent Positions	17.8	18.5	19.0	21.0	21.0

FIGURE 378 (CONTINUED)
HEALTH-RELATED LICENSING AGENCIES ACTIVITIES AND FUNDING, FISCAL YEARS 2013 TO 2017

	2013 EXPENDED	2014 ESTIMATED	2015 BUDGETED	2016 APPROPRIATED	2017 APPROPRIATED
Board of Podiatric Medical Examiners					
Licenses Issued	1,527	1,559	1,613	1,545	1,545
Complaints Resolved	32	68	88	92	92
All Funds Total	$254,338	$286,297	$280,082	$290,880	$286,119
Full-time-equivalent Positions	3.0	3.8	4.0	4.0	4.0
Board of Examiners of Psychologists					
Licenses Issued	8,973	9,278	9,114	8,945	8,945
Complaints Resolved	261	251	279	250	250
All Funds Total	$827,939	$861,171	$865,810	$898,408	$898,335
Full-time-equivalent Positions	12.5	12.9	13.5	13.5	13.5
Board of Veterinary Medical Examiners					
Licenses Issued	8,093	8,704	10,844	9,085	9,190
Complaints Resolved	498	364	566	500	500
All Funds Total	$975,008	$1,170,831	$1,136,516	$1,289,810	$1,289,812
Full-time-equivalent Positions	15.9	17.3	18.0	20.0	20.0

SOURCES: Legislative Budget Board; Board of Chiropractic Examiners; Texas State Board of Dental Examiners; Funeral Service Commission; Texas Medical Board; Texas Board of Nursing; Optometry Board; Board of Pharmacy; Executive Council of Physical Therapy and Occupational Therapy Examiners; Board of Podiatric Medical Examiners; Board of Examiners of Psychologists; Board of Veterinary Medical Examiners.

through interagency contracts with the participating health-related and nonhealth-related licensing agencies.

The Texas Medical Board also oversees other programs, including public education and the Texas Physician Health Program. Public education assists in establishing continuing education standards and educating the public on medical malpractice; the Texas Physician Health Program assists in treating health conditions that have the potential to compromise a physician's ability to practice, including mental health issues, substance abuse, and addiction issues. Appropriations for other Texas Medical Board programs total $1.5 million for the 2016–17 biennium.

SIGNIFICANT LEGISLATION

Senate Bill 202 – Transfer of certain occupational regulatory programs and the deregulation of certain activities and occupations. The legislation authorizes the transfer of four regulatory programs (radiologic technology, medical physicists, respiratory care providers, and perfusionists) from the Department of State Health Services to the Texas Medical Board beginning in fiscal year 2016.

Senate Bill 195 – Prescriptions for certain controlled substances, access to information about those prescriptions, and the duties of prescribers and other entities registered with the Federal Drug Enforcement Administration; authorizing fees. The legislation authorizes the transfer of the Prescription Drug Monitoring Program from the Department of Public Safety to the Board of Pharmacy in fiscal year 2017. Agencies that license individuals or entities that prescribe controlled substances, including the Board of Pharmacy, Texas Medical Board, Optometry Board, Texas State Board of Dental Examiners, Texas Board of Nursing, Board of Veterinary Medical Examiners, and the Board of Podiatric Medical Examiners, will generate revenues sufficient to cover the appropriation to the Board of Pharmacy to operate the program.

Senate Bill 622 – Physician assistant board. The legislation amends the composition of the Physician Assistant Board by adding four additional positions for physician assistant members. The Physician Assistant Board will consist of 13 members, appointed by the Governor with the consent and advice of the Senate, and be structured with seven, rather than three, physician assistant members, three physician members, and three public members. Additionally, the legislation requires that the presiding officer of the board be a physician assistant.

House Bill 1924 – Authority of a psychologist to delegate certain care to an intern. The legislation allows a psychologist to delegate to a person enrolled in a formal internship program to the extent provided by rules adopted by the Texas State Board of Examiners of Psychologists.

OTHER REGULATORY AGENCIES

PURPOSE: Other regulatory agencies consist of the Board of Plumbing Examiners, the Board of Professional Land Surveying, and the Board of Professional Geoscientists, who oversee the regulation of certain occupations within Texas. Agencies ensure licensee qualifications and standards are maintained through licensing and enforcement programs.

ESTABLISHED: Plumbing—1947, Land Surveying—1979, Geoscientists—2001

AUTHORIZING STATUTE: The Texas Occupations Code, §§1301.001, 1071.001, and 1002.001

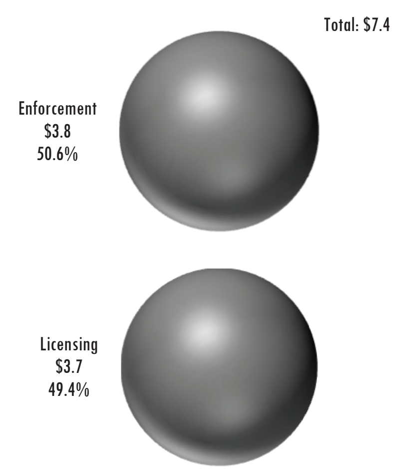
GOVERNANCE: Nine-member boards, typically appointed by the Governor with advice and consent of the Senate

FIGURE 379
OTHER REGULATORY AGENCIES BY METHOD OF FINANCE

	IN MILLIONS			
METHOD OF FINANCE	**EXPENDED/ BUDGETED 2014–15**	**APPROPRIATED 2016–17**	**BIENNIAL CHANGE**	**PERCENTAGE CHANGE**
General Revenue Funds	$7.0	$7.3	$0.4	5.6%
General Revenue–Dedicated Funds	$0.0	$0.0	$0.0	N/A
Federal Funds	$0.0	$0.0	$0.0	N/A
Other Funds	$0.1	$0.1	($0.0)	(22.3%)
Total, All Methods of Finance	**$7.1**	**$7.4**	**$0.4**	**5.2%**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2016	46.5
2017	46.5

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

Appropriations include an **increase of $0.3 million and 2.0 full-time-equivalent (FTE) positions** to support licensing and regulation of occupations at the Board of Plumbing Examiners.

Appropriations include an **increase of $0.1 million and 0.5 FTE positions** for a part-time investigator at the Board of Professional Land Surveying.

The Board of Plumbing Examiners, the Board of Professional Land Surveying, and the Board of Professional Geoscientists received an **increase in salary authority for exempt positions**.

SOURCE: Legislative Budget Board.

MAJOR FUNDING

Other regulatory agencies include the Board of Professional Geoscientists, the Board of Professional Land Surveying, and the Board of Plumbing Examiners. The Board of Plumbing Examiners and the Board of Professional Land Surveying participate in shared services through the Health Professions Council. All Funds appropriations for these agencies for the 2016–17 biennium increased by $0.4 million and 2.5 full-time-equivalent (FTE) positions. This increase includes $0.3 million and 2.0 FTE positions at the Board of Plumbing Examiners for licensing and enforcement staff and $0.1 million and 0.5 FTE positions at the Board of Professional Land Surveyors for a part-time investigator.

These three regulatory agencies are subject to a special provision expressing a legislative requirement that fee-generated revenues cover the cost of agency appropriations and other direct and indirect costs appropriated elsewhere in the General Appropriations Act. These agencies generate revenue from the regulated occupations and industries in addition to these direct and indirect amounts, and the excess revenue is deposited to the state Treasury for use in funding other programs across the state.

PROGRAMS

These three regulatory agencies enforce occupational code and practice standards for certain professions through two major program areas: (1) enforcement; and (2) licensing. **Figure 380** shows total appropriations and full-time-equivalent positions for each agency and certain performance measures related to the agency's licensing and enforcement programs.

Enforcement activities include routine inspections of facilities, investigating consumer complaints about a licensee or quality of service, and suspending or revoking licenses of violators of the standards set by the agency. Appropriations for enforcement programs at these agencies total $3.8 million for the 2016–17 biennium.

The regulatory agencies ensure licensee qualifications and practice standards for certain professions. Licensing activities include verifying credentials of applicants and facilities, updating licensee databases, and ensuring continuing education requirements and ethical standards are met. Appropriations for licensing programs at these three regulatory agencies total $3.7 million for the 2016–17 biennium.

FIGURE 380
NON-HEALTH-RELATED LICENSING AGENCIES ACTIVITIES AND FUNDING, FISCAL YEARS 2013 TO 2017

	2013 EXPENDED	2014 ESTIMATED	2015 BUDGETED	2016 APPROPRIATED	2017 APPROPRIATED
Board of Professional Geoscientists					
Licenses Issued	4,802	4,589	4,407	4,700	4,700
Complaints Resolved	37	33	44	40	40
All Funds Total	$579,652	$586,042	$584,471	$592,244	$587,339
Full-time-equivalent Positions	8.0	8.0	8.0	8.0	8.0
Board of Professional Land Surveying					
Licenses Issued	2,963	2,912	2,899	3,056	3,056
Complaints Resolved	12	12	21	25	25
All Funds Total	$392,800	$430,554	$459,498	$464,839	$464,804
Full-time-equivalent Positions	4.5	5.0	5.0	5.5	5.5
Board of Plumbing Examiners					
Licenses Issued	48,334	50,057	50,775	52,750	54,500
Complaints Resolved	988	1,118	1,070	1,250	1,260
All Funds Total	$2,250,236	$2,561,224	$2,439,642	$2,665,502	$2,652,200
Full-time-equivalent Positions	26.2	28.0	31.0	33.0	33.0

SOURCES: Legislative Budget Board; Board of Professional Geoscientists; Board of Professional Land Surveying; Board of Plumbing Examiners.

SIGNIFICANT LEGISLATION

House Bill 2464 – Transfer of a plumber's license on the retirement or death of the plumber. The legislation allows individuals licensed by the Board of Plumbing Examiners to transfer a license number to immediate family members upon death or retirement.

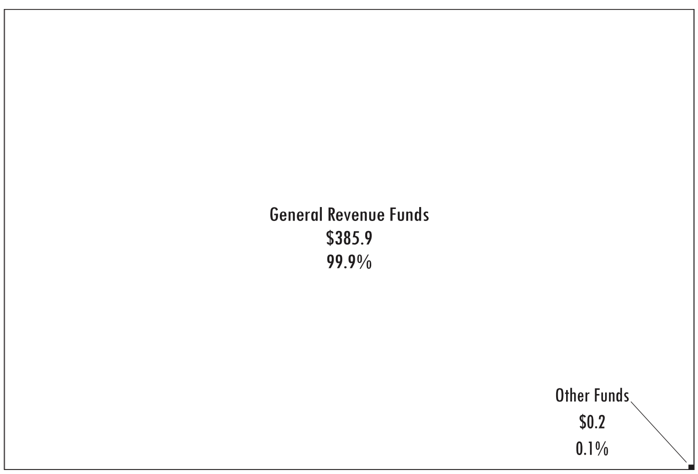
12. LEGISLATURE

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.

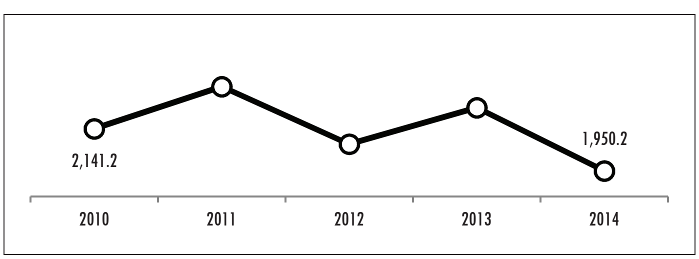
FIGURE 381
ARTICLE X – LEGISLATURE, BY METHOD OF FINANCE

	IN MILLIONS			
METHOD OF FINANCE	EXPENDED/BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$373.9	$385.9	$12.0	3.2%
General Revenue–Dedicated Funds	0.0	0.0	0.0	N/A
Federal Funds	0.0	0.0	0.0	N/A
Other Funds	0.1	0.2	0.1	0.6%
Total, All Methods of Finance	**$374.0**	**$386.1**	**$12.0**	**3.2%**

SHARE OF FUNDING BY METHOD OF FINANCE (IN MILLIONS)



FULL-TIME-EQUIVALENT POSITIONS



SIGNIFICANT DEVELOPMENTS

The Legislature passed 1,323 of 6,276 filed **bills** and **7 of 200 joint resolutions (JR)** during the Eighty-fourth Regular Session. In addition, **100 of 174 concurrent resolutions** and **4,653 of 4,706 resolutions were passed.** The Legislative Council drafted **9,313 bills and JR**s requested by the Legislature.

The Legislative Budget Board completed **7,811 Fiscal Notes, 613 Impact Statements,** and **49 Government Effectiveness and Efficiency Reports,** including **106 recommendations** to improve state government.

The **Sunset Advisory Commission's** enacted recommendations are expected to generate **$34.0 million** in the 2016–17 biennium. In addition, **the agency** will conduct **24 reviews,** including **four Texas river authorities,** due to the enactment of **Senate Bill 523**.

The State Auditor's Office Audit and Review Team **completed 46 audits of and other projects** related to state agencies, higher education institutions, and other entities **in fiscal year 2015.**

NOTES: Excludes Interagency Contracts. Full-time-equivalent positions show actual positions for fiscal years 2010 to 2014.
SOURCES: Legislative Budget Board; State Auditor's Office.

FIGURE 382
ARTICLE X – LEGISLATURE, ALL FUNDS

(IN MILLIONS)

FUNCTION	EXPENDED/BUDGETED 2014–15	APPROPRIATED 2016–17	BIENNIAL CHANGE	PERCENTAGE CHANGE
Senate	$68.9	$71.0	$2.2	3.2%
House of Representatives	$81.0	$83.5	$2.5	3.1%
Legislative Budget Board	$22.8	$23.0	$0.2	1.0%
Legislative Council	$72.6	$73.1	$0.5	0.7%
Commission on Uniform State Laws	$0.3	$0.3	$0.0	0.0%
State Auditor's Office	$47.1	$43.4	($3.7)	(7.9%)
Legislative Reference Library	$3.2	$3.2	$0.0	0.9%
Subtotal, Legislature	**$295.9**	**$297.6**	**$1.8**	**0.6%**
Retirement and Group Insurance	$57.8	$70.6	$12.8	22.1%
Social Security and Benefits Replacement Pay	$16.4	$16.6	$0.2	1.1%
Lease Payments	$17.4	$10.6	($6.8)	(39.2%)
Subtotal, Employee Benefits and Debt Service	**$91.6**	**$97.8**	**$6.1**	**6.7%**
Less Interagency Contracts	$13.5	$9.4	($4.1)	(30.7%)
Total, All Functions	**$374.0**	**$386.1**	**$12.0**	**3.2%**

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.

MAJOR FUNDING

Appropriations made to the Legislature total $386.1 million in All Funds for the 2016–17 biennium, an increase of $12.0 million, or 3.2 percent, from the 2014–15 biennial spending level. These appropriation changes primarily include the following:

- an increase of $12.8 million in General Revenue Funds for higher retirement and group health insurance costs;
- an increase of $1.8 million in General Revenue Funds to annualize salaries at the 2014–15 biennial level for all Legislative agencies;
- an increase of $4.0 million in General Revenue Funds for both the Senate and the House of Representatives ($2.0 million each) for additional operating costs and, as authorized by the Texas Ethics Commission, legislative per diem increases from $150 to $190 paid to each member of the Legislature and the Lieutenant Governor for each day during the regular session and any special sessions;
- a decrease of $4.0 million in interagency contract funding due to a projected decrease in the amount of reimbursed financial statement and federal compliance audit work for entities in the 2016–17 biennium as compared to the 2014–15 biennium; and
- a decrease of $6.8 million in reduced lease payments.

SENATE

The Senate consists of 31 senators elected to staggered four-year terms of office. Its primary duties include legislating all Texas laws and resolutions, approving the state budget, submitting all constitutional amendments to Texas voters, confirming most gubernatorial appointees, and electing a President pro tempore from its members. This person performs the duties of the Lieutenant Governor in his or her absence or incapacitation at the beginning and ending of each legislative session. The Lieutenant Governor, the presiding officer (President) of the Senate, is elected statewide and serves a four-year term. The Secretary of the Senate, elected by Senate members, is the chief executive administrator and is in charge of central Senate operations. Appropriations to fund Senate operations for the 2016–17 biennium total $71.0 million in General Revenue Funds, an increase of $2.2 million from the 2014–15 biennial expenditure level. The increase is for annualizing salaries at the 2014–15 biennial level, increased operating costs, and legislative per diem cost increases. Beginning in fiscal year 2015, legislative per diem paid to each member of the Legislature and the Lieutenant Governor for each day during the regular session and any special sessions was increased with the approval of the Texas Ethics Commission from $150 to $190.

The Lieutenant Governor appoints all committee chairs and members of Senate standing and select committees, and refers bills to the committees. Approximately 19 standing, select, interim, and joint committees study selected topics, or charges, assigned by the Lieutenant Governor between legislative sessions and receive bills for hearing and referral back to the full Senate for consideration during the session. **Figure 383** shows the number of bills and resolutions filed, passed, and vetoed for the Eighty-fourth Legislature, 2015. The Senate passed 509 bills and joint resolutions, or 23.8 percent of the 2,136 bills and joint resolutions filed by the Senate. These amounts exclude 1,104 resolutions, which were passed in honor or acknowledgement of individuals and entities. Nine bills originating in the Senate were vetoed by the Governor.

HOUSE OF REPRESENTATIVES

The House of Representatives consists of 150 representatives elected in even-numbered years to two-year terms of office. At the beginning of each regular legislative session, the House elects the Speaker of the House (the Speaker) from its members to serve as the presiding officer. Primary duties of the House of Representatives include legislating all Texas laws and resolutions, submitting all constitutional amendments for voter approval, and approving the state budget. In addition, all legislation increasing state taxation must originate in the House. Appropriations to fund the operations of the House of Representatives for the 2016–17 biennium total $83.5 million in General Revenue Funds, an increase of $2.5 million from the 2014–15 biennial expenditure level. The increase is for annualizing salaries at the 2014–15 biennial level, additional operating costs, and legislative per diem cost increases. As previously noted, beginning in fiscal year 2015, legislative per diem paid to each member of the Legislature for each day during the regular session and any special sessions was increased with the approval of the Texas Ethics Commission from $150 to $190.

The Speaker appoints all chairs and members of House standing and select committees and refers all bills to the committees for consideration. House committees, including 46 standing, select, and joint committees, study selected topics, or charges, assigned by the Speaker between legislative sessions and receive bills for hearing and referral back to the full House for consideration during the legislative session. **Figure 383** shows the number of bills and resolutions filed, passed, and vetoed for the Eighty-fourth Legislature, 2015. The House passed 821 bills and joint resolutions, or 18.9 percent of the 4,340 bills and joint resolutions filed by the House**.** These amounts exclude 3,649 resolutions, which are passed in honor or acknowledgement of individuals and entities. Thirty-four bills originating in the House were vetoed by the Governor.

FIGURE 383
LEGISLATION FILED, PASSED, AND VETOED FOR THE LEGISLATIVE SESSIONS, 2011 TO 2015

	82ND LEGISLATURE			83RD LEGISLATURE			84TH LEGISLATURE			CHANGE FROM 83RD TO 84TH LEGISLATURES		
	FILED	PASSED	VETOED	FILED	PASSED	VETOED	FILED	PASSED	VETOED	FILED	PASSED	VETOED
Senate												
Bills	1,969	588	7	2,025	709	11	2,069	504	9	44	(205)	(2)
Concurrent Resolutions	66	45	0	55	38	0	52	32	0	(3)	(6)	0
Joint Resolutions	56	8	0	85	5	0	67	5	0	(18)	0	0
Resolutions	1,412	1,404	0	1,358	1,357	0	1,074	1,072	0	(284)	(285)	0
Senate Total	**3,503**	**2,045**	**7**	**3,523**	**2,109**	**11**	**3,262**	**1,613**	**9**	**(261)**	**(496)**	**(2)**
House												
Bills	3,941	799	18	4,117	734	15	4,207	819	34	90	85	19
Concurrent Resolutions	190	111	0	237	173	0	122	68	1	(115)	(105)	1
Joint Resolutions	158	3	0	154	6	0	133	2	0	(21)	(4)	0
Resolutions	3,097	3,017	0	3,685	3,638	0	3,632	3,581	0	(53)	(57)	0
House Total	**7,386**	**3,930**	**18**	**8,193**	**4,551**	**15**	**8,094**	**4,470**	**35**	**(99)**	**(81)**	**20**
Senate and House												
Bills	5,910	1,387	25	6,142	1,443	26	6,276	1,323	43	134	(120)	17
Concurrent Resolutions	256	156	0	292	211	0	174	100	1	(118)	(111)	1
Joint Resolutions	214	11	0	239	11	0	200	7	0	(39)	(4)	0
Resolutions	4,509	4,421	0	5,043	4,995	0	4,706	4,653	0	(337)	(342)	0
TOTAL	**10,889**	**5,975**	**25**	**11,716**	**6,660**	**26**	**11,356**	**6,083**	**44**	**(360)**	**(577)**	**18**

NOTE: Includes all Regular and Called Sessions.
SOURCE: Legislative Reference Library.

LEGISLATIVE BUDGET BOARD

The Legislative Budget Board (LBB) is a permanent joint committee made up of 10 members including the Lieutenant Governor (joint chair), the Speaker of the House of Representatives (joint chair), the chair of the House Committee on Appropriations, the chair of the House Committee on Ways and Means, the chair of the Senate Finance Committee, three members of the Senate appointed by the Lieutenant Governor, and two members of the House of Representatives appointed by the Speaker. The board is assisted by the LBB Director and staff.

The LBB serves the analysis and fiscal policy needs of the Texas Legislature through a range of responsibilities required in general law, directed by the General Appropriations Act, and designated by the Board and its staff. The LBB also provides a range of services and informative documents to serve and keep the Legislature informed about significant budget and performance developments among state agencies.

Funding for the LBB is provided through General Revenue Funds appropriated to the Texas Senate and House of Representatives that are transferred to a special operating account each fiscal year. Transfers for the 2016–17 biennium total $8.1 million. In addition, the agency receives a direct appropriation of $23.0 million in General Revenue Funds, for a total biennial budget of $31.1 million. This appropriation reflects an increase of $0.2 million from the 2014–15 biennial expenditures for annualizing salaries at the 2014–15 biennial level.

AGENCY RESPONSIBILITIES

Significant statutory responsibilities for the LBB established in various sections of the Texas Government Code include:

- the adoption of a constitutional spending limit;
- preparing a General Appropriations Bill draft;
- preparing a budget estimates document;
- preparing fiscal notes and impact statements;
- preparing a performance report;
- guiding, reviewing, and finalizing agency strategic plans; and
- taking necessary budget execution actions.

ADOPTION OF A CONSTITUTIONAL SPENDING LIMIT

At the beginning of a session, the LBB must determine the amount of appropriations that can be made from state tax revenue not dedicated by the constitution that is within the limit established by the estimated rate of growth of the state's economy. The Texas Government Code, Chapter 316, requires that the rate of growth of appropriations in a biennium from state tax revenue not dedicated by the constitution may not exceed the estimated growth of the state's economy. Before adopting the limit on the rate of growth of appropriations (the spending limit), the LBB must determine the estimated rate of growth of the state's economy for the current biennium to the next biennium through a calculation method approved by law. It also must determine the level of appropriations for the current biennium from state tax revenues not dedicated by the constitution. The Legislature can override the adopted spending limit, but only through a majority vote of both houses adopting a concurrent resolution authorizing that the spending limit be exceeded.

GENERAL APPROPRIATIONS BILL DRAFT AND LEGISLATIVE BUDGET ESTIMATES

The LBB Director provides copies of the board's recommended General Appropriations Bill (GAB) draft and Legislative Budget Estimates (LBE) to all members of the Legislature and the Governor at the beginning of each regular legislative session and during special sessions as required. The GAB draft and LBE are products of both a strategic planning process and a review process that includes a public hearing on each agency's budget request and an LBB staff analysis of each agency's expenditures, performance results, and budget drivers such as population changes within entitlement programs and other metrics. The LBE provides both historical expenditures and proposed appropriations for each state agency and institution of higher education.

When the GAB is enacted, it is referred to as the General Appropriations Act (GAA). The GAA allocates each agency's appropriations by goals and strategies and establishes key performance targets for each strategy. Agencies are required to report actual performance data each quarter so LBB staff can monitor progress toward achieving established performance targets. The LBB also provides additional program detail for items of appropriation in the GAA on its website that includes specific programs funded, the source of the funding, and related statutory authority.

FISCAL NOTES AND IMPACT STATEMENTS

Fiscal notes are written estimates that identify probable costs, savings, revenue gains, or revenue losses of each bill or resolution that is proposed by the Legislature across five or more years. These estimates serve as a tool to help legislators better understand how a bill might affect the state budget, individual agencies, taxpayers, and in some instances, local governments. A new fiscal note is prepared for each version of a bill, unless no changes are made from one version to the next. A fiscal note representing the most recent version of the bill must remain with the bill or resolution throughout the legislative process, including the point at which it is submitted to the Governor. During the Eighty-fourth Legislature, 2015, LBB staff completed 7,811 fiscal notes.

In addition to fiscal notes, LBB staff prepare impact statements that provide the Legislature with analysis and information about certain bills being considered for passage. The LBB provides eight types of impact statements: (1) criminal justice policy impact statements, (2) equalized education funding impact statements, (3) tax equity notes, (4) actuarial impact statements, (5) open-government impact statements, (6) water development policy impact statements, (7) higher education impact statements, and (8) dynamic economic impact statements. **Figure 384** shows the impact statements prepared and completed by the LBB since the Eighty-second Legislature, Regular Session, 2011. **Figure 385** shows a comparison of the number of filed legislation requiring a fiscal note with the number of fiscal notes and impact statements completed by the LBB during the same period. Fluctuations in the number of fiscal notes and impact statements may reflect the policy focus of a given legislature and the overall rate by which bills are referred to committees.

PERFORMANCE REVIEWS

The LBB is authorized to conduct performance reviews and evaluations of state agencies, public junior colleges, general academic teaching institutions, and school districts. The findings and recommendations resulting from reviews and related policy analyses are reported to the Legislature in the publication *Texas State Government Effectiveness and Efficiency Report* (GEER), published at the beginning of each regular legislative session, and in other LBB publications published throughout the biennium. For the Eighty-fourth Legislature, 2015, the GEER contained 49 unique reports, 34 of which included recommendations for statutory or budgetary changes. Collectively, 106 recommendations for improving state government were included in these reports. The Legislature acted upon 20 of the 34 reports that included recommendations, enacting legislation to implement 44 unique recommendations (in whole or modified). The LBB also conducts comprehensive and targeted reviews of school districts' educational, financial, and operational services and programs, resulting in reports that identify accomplishments, findings, and recommendations based upon the analysis of data and onsite study of the district's operations. The recommendations from the reviews may be implemented locally by the school district board members, administrators, and the community. From April 2014 to March 2016, the School Performance Review team has conducted 17 reviews containing almost 500 recommendations for improving school performance, including eight comprehensive and nine targeted reviews.

BUDGET EXECUTION AUTHORITY

The Texas Government Code, Chapter 317, provides the LBB with budget execution authority, which authorizes state expenditure decisions to be altered when a full Legislature is not convened. This process begins when the Governor or the LBB proposes that funds appropriated to an agency be prohibited from expenditure, transferred from one agency to another, or retained by an agency to be used for a purpose other than originally intended. A budget execution order takes effect only if both the Governor and the LBB concur.

CONTRACTS OVERSIGHT

The LBB has a long-standing responsibility to receive notices for certain contracts and to make contract information available to the public. The Contracts Database is the single point of data entry for all contract information that state entities are required to report to the LBB. The Eighty-fourth Legislature, 2015, established additional reporting requirements and responsibilities for contract reporting and oversight in the general provisions of the 2016–17 General Appropriations Act, including in-depth analysis of certain contracts with a goal of working with state entities to help mitigate or remediate issues identified through its review and analysis. LBB staff does not approve contracts but are required to notify the LBB, Governor, and Comptroller of Public Accounts (CPA) about any unmitigated risks. Staff may also make budget or policy recommendations to improve the framework and requirements related to procurement or to individual agencies' processes for administration and oversight.

FIGURE 384
LEGISLATIVE BUDGET BOARD COMPLETED IMPACT STATEMENTS, EIGHTY-SECOND TO EIGHTY-FOURTH LEGISLATIVE SESSIONS

		LEGISLATURE				
IMPACT STATEMENT	DESCRIPTION	82ND, 2011	83RD, 2013	84TH, 2015	83RD TO 84TH CHANGE	83RD TO 84TH PERCENTAGE CHANGE
Criminal Justice	Identifies the probable impact of the bill on the state's juvenile and adult correctional populations.	545	431	273	(158)	(36.7%)
Equalized Education Funding	Analyzes the equity implications associated with a proposed legislative change in state aid to school districts through the Foundation School Program.	8	1	2	1	100.0 %
Tax/Fee Equity Note	Analyzes how a proposed increase or decrease in taxes/fees affects taxpayers in the state. Both initial impact and final impact are calculated.	340	364	127	(237)	(65.1%)
Actuarial	Provides estimates of the impact of proposed legislative changes in public pension funds.	57	75	64	(11)	(14.7%)
Open Government	Estimates the impact of proposed policy changes on public access to government information or to the transaction of public business.	9	5	28	23	460.0 %
Water Development Policy	Provides estimates of changes resulting from establishment of water districts pursuant to the Texas Constitution, Article XVI, §59.	97	10	112	102	1,020.0 %
Higher Education	Provides an estimate of the implications resulting from establishing or changing the classification, mission, or governance of an institution of higher education.	1	3	3	0	0.0 %
Dynamic Economic	Provides the number of state employees to be affected and the estimated impact on employment by the private sector and local governments in Texas as a result of any change in state expenditures made by the bill compared to the previous biennium.	8	6	4	(2)	(33.3%)
TOTAL		**1,065**	**895**	**613**	**(282)**	**(31.5%)**

NOTE: Includes all Regular and Called Sessions.
SOURCE: Legislative Budget Board.

FIGURE 385
LEGISLATION REQUIRING A FISCAL NOTE COMPARED TO FISCAL NOTES AND COMPLETED IMPACT STATEMENTS EIGHTY-SECOND TO EIGHTY-FOURTH LEGISLATIVE SESSIONS

	LEGISLATURE				
	82ND, 2011	83RD, 2013	84TH, 2015	83RD TO 84TH CHANGE	83RD TO 84TH PERCENTAGE CHANGE
Filed Legislation Requiring a Fiscal Note	6,124	6,381	6,476	95	1.4 %
Fiscal Notes (FN)	8,412	7,959	7,811	(148)	(1.9%)
Completed Impact Statements (CIS)	1,065	895	613	(282)	(31.5%)
FN AND CIS TOTALS	**9,477**	**8,854**	**8,424**	**(430)**	**(4.9%)**

NOTE: Includes all Regular and Called Sessions.
SOURCES: Legislative Budget Board; Legislative Reference Library.

OTHER RESPONSIBILITIES

The LBB supports the legislative appropriations process during legislative sessions by providing staff resources for the House Appropriations Committee, the Senate Finance Committee, and the Conference Committee on Appropriations. To a great extent, staff support takes the form of testifying before the committees, tracking committee decisions, answering inquiries from committee members, and performing analyses. The LBB staff records committee funding decisions in order to produce bill texts and summaries for each step of the appropriations process.

In addition to the budgetary, performance review and contracts oversight duties noted above, the LBB is responsible for monitoring, analysis and reporting in a number of other areas, including health and human services and criminal justice data analysis, public school finance modeling, federal funds analysis and information resources.

During the interim, the LBB provides assistance to standing and special committees, as requested. In addition, LBB staff provide a variety of policy reports, primers, issue briefs, infographics and online interactive graphics to serve and keep the Legislature informed about significant budget and policy issues affecting the state. .

SIGNIFICANT LEGISLATION

House Bill 3750 – Interim studies on real property owned by the state. The legislation requires the LBB to provide information to the State Office of Risk Management to conduct an interim study on insurable assets for the purpose of developing a statewide strategy to ensure that all real property owned by the state is adequately insured.

Senate Bill 20 – Management and oversight of state contracts. The legislation requires the CPA to provide necessary information and state agency contract data contained in the centralized accounting and payroll systems to the LBB in addition to other agencies with oversight duties.

SUNSET ADVISORY COMMISSION

The Texas Legislature established the Sunset Advisory Commission (SAC) in 1977 to enhance the accountability of state government by periodically evaluating the ongoing need for, and efficiency of, state agencies. The 12-member commission consists of five members of the Senate and one public member appointed by the Lieutenant Governor, and five members of the House of Representatives and one public member appointed by the Speaker. The chairmanship rotates between the Senate and the House every two years.

Funds for operating the SAC are provided through appropriations of General Revenue Funds to the Senate and House of Representatives and are transferred to a special operating account each fiscal year. Appropriations to be transferred for the 2016–17 biennium total $4.7 million in General Revenue Funds, which includes an increase of $39,340 from the 2014–15 biennial expenditures for annualizing salaries at the 2014–15 level.

Typically, state agencies undergo Sunset review once every 12 years. Approximately 130 state agencies are subject to the Texas Sunset Act. Some agencies are not subject to abolishment or are considered to be subject to special-purpose review by the Legislature. SAC evaluates the operations of about 20 to 30 agencies every two years, in the interim before the legislative session in which the agency is set to terminate. SAC will conduct 24 reviews during the interim for consideration by the Eighty-fifth Legislature, 2017, as shown in **Figure 386**. The Sunset staff reports findings and recommendations to the commission, incorporates recommendations adopted by the commission into a Sunset bill on each agency and supports the Sunset bills throughout the legislative session.

SAC has conducted nearly 500 reviews since 1977. As a result of this process, the Legislature abolished 37 agencies and programs and consolidated 46 agencies and programs whose functions were transferred to an existing or newly established agency. Changes enacted through the Sunset process to eliminate or improve state services have resulted in an overall positive fiscal impact of $980.0 million. Overall, approximately 80.0 percent of SAC's recommendations typically become law.

During the Eighty-fourth Legislature, 2015, 18 bills were considered affecting 20 entities reviewed by SAC during the 2014–15 biennium. Of this amount, 14 Sunset bills were enacted containing 134, or 72.0 percent, of SAC's statutory changes in addition to 138 management directives to

FIGURE 386
SUNSET REVIEW SCHEDULE, 2016–17 BIENNIUM

General Government	
	Employees Retirement System of Texas, Board of Trustees
Health and Human Services	
	Texas State Board of Examiners of Professional Counselors
	Texas State Board of Examiners of Marriage and Family Therapists
	Texas State Board of Social Worker Examiners
Natural Resources	
	Railroad Commission of Texas
Business and Economic Development	
	Department of Transportation
Regulatory	
	Texas Board of Chiropractic Examiners
	State Board of Dental Examiners
	Texas Medical Board
	Texas Board of Nursing
	Board of Occupational Therapy Examiners
	Texas Optometry Board
	Texas State Board of Pharmacy
	Executive Council of Physical Therapy and Occupational Therapy Examiners
	Texas Board of Physical Therapy Examiners
	Texas State Board of Podiatric Medical Examiners
	Texas State Board of Examiners of Psychologists
	State Board of Veterinary Medical Examiners
Other	
	State Bar of Texas
	Board of Law Examiners
	Central Colorado River Authority
	Upper Colorado River Authority
	Palo Duro River Authority of Texas
	Sulphur River Basin Authority

SOURCE: Sunset Advisory Commission.

agencies. Changes enacted through Sunset bills in fiscal year 2015 are projected to result in savings and revenue gains in excess of $34.0 million during the 2016–17 biennium.

Four Sunset bills were not enacted by the Legislature. Although the Sunset bill for the Texas Education Agency (TEA) was not enacted for the second session in a row, TEA was continued for 10 years in a separate bill. The Sunset bill for the Department of Aging and Disability Services (DADS) also was not enacted; however, DADS was abolished and its functions were transferred to the Health and Human Services Commission (HHSC) in the HHSC Sunset bill. The Sunset bills for the University Interscholastic League and that would establish criteria for becoming a self-directed semi-independent agency were also not enacted.

The Legislature took actions to continue the following entities for 12 years: (1) State Office of Administrative Hearings; (2) Texas Council for Developmental Disabilities; (3) Governor's Committee on People with Disabilities; (4) Texas Workforce Commission (TWC); (5) Texas Workforce Investment Council; and (6) HHSC with a limited-scope Sunset review in 2023. In addition to DADS, the Department of Assistive and Rehabilitative Services was also abolished and its functions were transferred to the HHSC. The Legislature also abolished the Texas Council on Purchasing from People with Disabilities and transferred the State Use Program to TWC. The Department of Family and Protective Services and the Department of State Health Services were continued for eight years; the Office of the Inspector General within HHSC will be subject to a special-purpose review in six years; and the Texas Facilities Commission was continued for six years. The Legislature also transferred the Driver and Traffic Safety Education Program from the TEA to the Texas Department of Licensing and Regulation.

SIGNIFICANT LEGISLATION

House Bill 3123 – Scheduled Sunset reviews. The legislation determines the agencies and governmental entities required to undergo Sunset review during the 2016–17 biennium.

Senate Bill 523 – Sunset review of river authorities. The legislation makes 18 Texas river authorities subject to review by SAC, but not abolishment, from fiscal years 2017 to 2023, and every 12 years thereafter. The bill establishes a schedule for reviewing all of the authorities during the next four biennia; requires each river authority to pay the cost of the review as determined by SAC; and requires SAC to review each authority's governance, management, operating structure, and compliance with legislative requirements.

TEXAS LEGISLATIVE COUNCIL

The Texas Legislative Council was established by statute in 1949 and began operations in 1950. The council is a 14-member board consisting of the Lieutenant Governor and the Speaker of the House of Representatives (who serve as joint chairs), six members of the Senate appointed by the Lieutenant Governor, the Chair of the House Administration Committee, and five members of the House of Representatives appointed by the Speaker. Appropriations for the 2016–17 biennium total $73.1 million in General Revenue Funds, which includes an increase of $0.5 million from the 2014–15 biennial expenditures for annualizing salaries at the 2014–15 biennial level.

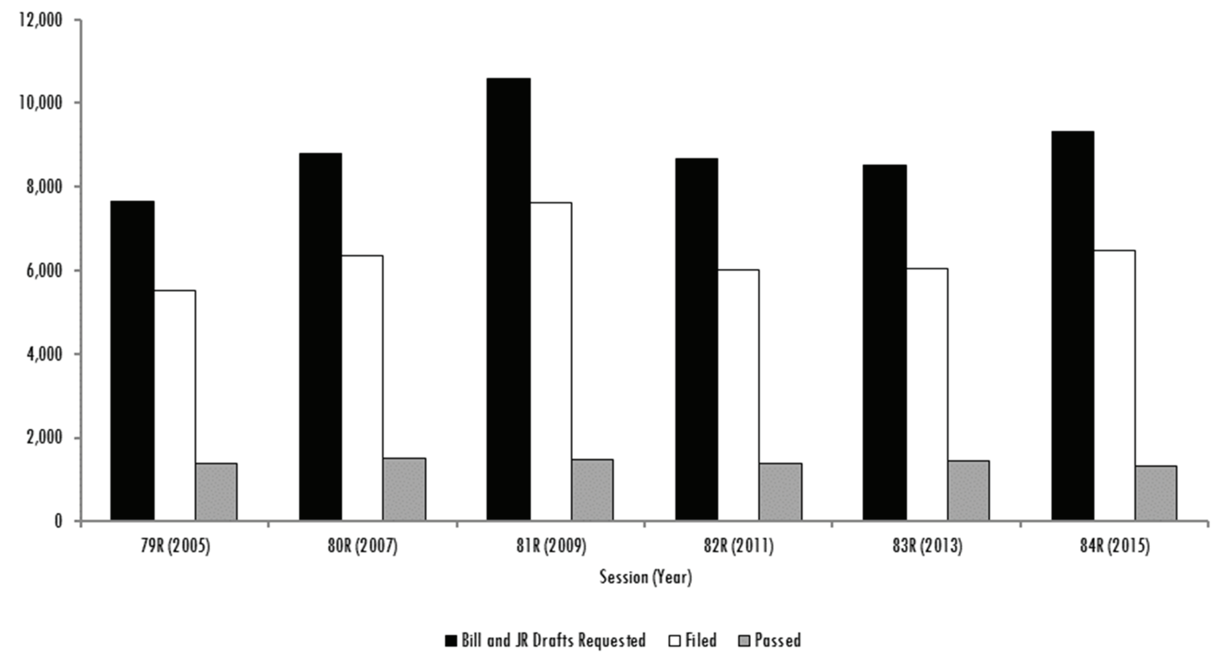
The agency's Executive Director is responsible for employing professional and clerical staff and supervising their performance. The agency is responsible for the following statutorily defined duties:

- assisting the Legislature in drafting proposed legislation;
- providing data-processing services to aid the members and committees of the Legislature in accomplishing their duties;
- gathering and disseminating information for the Legislature;
- conducting other investigations, studies, and reports as may be deemed useful to the legislative branch of state government; and
- investigating departments, agencies, and officers and studying their functions and problems.

The agency also develops and implements plans for the continuing revision of state statutes, including simplifying classification, improving numbering, and clarifying the statutes without substantively changing them.

During legislative sessions, council staff drafts bills, resolutions, amendments, committee substitutes, and conference committee reports for both the Senate and the House. **Figure 387** shows the amount of bills and joint resolutions (JR) requested, filed, and passed by the Legislature each biennium since 2005. The agency drafted 9,313 bills and JRs requested by the Eighty-fourth Legislature. In addition, staff members engross and enroll House documents, and distribute House bills. The agency also assists the Legislature with infrequent or unusual responsibilities, such as redistricting and election contests.

FIGURE 387
BILLS AND JOINT RESOLUTIONS REQUESTED, FILED, AND PASSED
SEVENTY-NINTH TO EIGHTY-FOURTH LEGISLATIVE SESSIONS



NOTE: JR = Joint resolution.
SOURCE: Texas Legislative Council.

The Texas Legislature is responsible for redistricting state senate, state house, U.S. congressional, and the State Board of Education districts during the first regular session following publication of each U.S. decennial census, and for making changes to state judicial districts. Redistricting is the revision or replacement of existing districts, resulting in new districts with different geographical boundaries to equalize population in state and congressional districts. The Texas Legislative Council has several responsibilities relating to the redistricting process:

- prepares publications about the redistricting process, data, and law to assist those involved or interested in the redistricting process;
- provides technical and legal support to the Legislature, including development and support of district modeling computer systems and development of web information resources; and
- prepares and distributes maps to the Legislature of redistricting plans and current districts of the Texas House of Representatives, Texas Senate, Texas delegation to the U.S. House of Representatives, and the State Board of Education.

Between sessions, the agency assists standing and special legislative committees with research. The legal staff devotes the majority of its interim efforts to statutory revision projects that, when completed, are presented to the next regular session of the Legislature for consideration.

The Legislative Information Systems Division makes data-processing equipment and techniques available to the legislative branch, providing IT support to the House, Senate, and other entities. This division develops and operates automated systems that support the legislative process. It processes the text of draft documents, bills, resolutions, and House and Senate Journals and reports on bill status and legislative committee activity. It also supports automated budget analysis and the production of appropriations bills. In addition, the division provides programming support for the fiscal notes system, tracks membership of boards and commissions. The division also designs accounting, payroll, and personnel systems for use by the Legislature and legislative branch agencies.

COMMISSION ON UNIFORM STATE LAWS

The Commission on Uniform State Laws was established in 1951 to promote uniformity in state laws in subject areas in which uniformity is desirable and practicable. The agency also promotes uniform judicial interpretation of all uniform state laws, advises the Legislature on adoption of uniform state laws, and sends staff to national conferences on uniform state laws.

The Commission on Uniform State Laws consists of nine Governor-appointed members, the Executive Director of the Texas Legislative Council, and other members who qualify by service with the Commission or the National Conference of Commissioners on Uniform State Laws. The commission receives accounting, clerical, and other support services from the Texas Legislative Council. Appropriations to the Commission on Uniform State Laws for the 2016–17 biennium total $0.3 million in General Revenue Funds, which is equivalent to the agency's 2014–15 biennial expenditures.

STATE AUDITOR'S OFFICE

The State Auditor's Office (SAO) was established in 1943 and functions as the independent auditor for Texas state government. The SAO is authorized to perform audits, investigations, and other services to ensure that state agencies, higher education institutions, and other governmental entities follow state and federal laws and regulations.

The State Auditor is appointed by the Legislative Audit Committee, a permanent standing joint committee of the Legislature. The six-member committee consists of the Lieutenant Governor (joint chair), the Speaker of the House of Representatives (joint chair), the chair of the Senate Finance Committee, one member of the Senate appointed by the Lieutenant Governor, the chair of the House Appropriations Committee, and the chair of the House Ways and Means Committee. In addition to appointing the State Auditor, the Legislative Audit Committee approves the SAO's annual audit plan and budget.

The State Auditor is statutorily required to recommend an audit plan for the state to the Legislative Audit Committee for approval each year. The plan identifies all the audits, reviews, investigations, and other activities that the State Auditor may initiate during the state fiscal year. It includes both statutorily required and discretionary projects, which are developed based on a standardized risk assessment process.

Appropriations for the SAO for the 2016–17 biennium total $43.4 million in All Funds. This amount includes $33.8 million, or 78.0 percent, in General Revenue Funds. The remaining $9.6 million in Other Funds includes Appropriated Receipts and Interagency Contract funds. The All Funds appropriation represents a decrease of approximately $3.7 million, or 7.9 percent, from the 2014–15 biennial expenditure level. General Revenue Funds increases of $0.3 million for annualizing salaries at the 2014–15 biennial level were offset by decreases of $4.0 million in interagency contract funding due to a projected reduction in the amount of reimbursed financial statement and federal compliance audit work for entities in the 2016–17 biennium compared to the 2014–15 biennium.

AUDITS AND INVESTIGATIONS

Audits are performed in accordance with generally accepted government auditing standards, which include standards issued by the American Institute of Certified Public Accountants. The SAO is authorized to perform four types of audits:

- economy and efficiency audits, which determine whether entities are managing and using their resources in an economical and efficient manner;
- effectiveness audits, which evaluate whether the objectives and intended benefits of a program are being achieved and whether the program is duplicative;
- financial audits, which evaluate whether accounting controls are adequate and whether the records, books, and accounts of state agencies, including institutions of higher education, and the financial statements for the state as a whole accurately reflect their financial and fiscal operations; and
- compliance audits, which determine whether funds have been spent in accordance with the purpose for which the funds were appropriated and authorized by law. (Note: Performance measure audits, a type of compliance audit, are used to certify the accuracy of state agencies' and institutions' performance measures.)

The SAO's Audit and Review Team completed 46 audits and other projects related to state agencies, higher education institutions, and other entities in fiscal year 2015. **Figure 388** reflects the amount of audits and other projects completed annually by the SAO since fiscal year 2011.

FIGURE 388
AUDITS AND OTHER PROJECTS COMPLETED
FISCAL YEARS 2011 TO 2015

YEAR	TOTAL AUDITS AND OTHER PROJECTS
2011	50
2012	50
2013	47
2014	42
2015	46

SOURCE: Legislative Budget Board.

The SAO also investigates specific acts or allegations of impropriety and abuse of state funds and resources. All state agencies and higher education institutions are required to report suspected fraud or unlawful conduct to SAO.

STATE CLASSIFICATION OFFICE

The Position Classification Act of 1961 established the State Classification Office (SCO) within the State Auditor's Office. The State Classification Office is responsible for maintaining and updating the State's Position Classification Plan. The plan for the 2016–17 biennium, provided in September 2014, included 26 occupational categories, 266 job classification series, and 947 classification titles covering approximately 149,879 full-time classified employees at state agencies. During the biennial budget process, the SCO recommends the addition and deletion of job classification titles and the reallocation of salary groups assigned to specific classifications. The classification index in the GAA includes three salary schedules: Schedule A is for clerical and technical positions, Schedule B is for professional positions, and Schedule C is for law enforcement positions.

The SCO produces reports and guides on compensation, classification, and workforce issues that are available online on the agency's website. For example, agencies and institutions of higher education are able to access a uniform interpretation of statutory provisions related to vacation, sick leave, and miscellaneous leave for state employees. A current reference guide summarizing all state human resources management statutes that apply to Texas state employees is also provided along with eight other guides and resources that address issues related to workforce planning, sick leave, military pay differential, job descriptions, full-time-equivalent position reporting, and necessary payroll actions agencies must make before the start of each biennium. Other significant reports available include: (1) Benefits as a Percent of Total Compensation; (2) Classification Compliance Reviews and Audits; (3) Biennial Report on the State's Position Classification Plan; (4) Biennial Report on the State's Law Enforcement Salary Schedule (Salary Schedule C); (5) Classification Study of Exempt Positions; (6) Employee Turnover; (7) Full-time Equivalent (FTE) State Employees; and (8) Legislative Workforce Summaries.

SIGNIFICANT LEGISLATION

Senate Bill 20 – Management and oversight of state contracts. The legislation requires the SAO to consider the performance of audits on contracts entered into by the Health and Human Services Commission (HHSC) that exceed $100.0 million in annual value, including a contract between HHSC and a managed care organization.

Senate Bill 389 – Military occupational codes for state employment notices. The legislation requires the classification officer to research and identify the military occupational specialty codes for each branch of the armed forces that correspond to each position in the State's Position Classification Plan.

Senate Bill 523 – Review of river authorities. The legislation makes the Lower Colorado River Authority subject to audit by SAO with an expiration of the audit provision in January 2017.

LEGISLATIVE REFERENCE LIBRARY

The Legislative Reference Library (LRL) was established by the Sixty-first Legislature, 1969, as an independent agency. The LRL is governed by the Legislative Library Board, a six-member board consisting of the Lieutenant Governor, the Speaker of the House of Representatives, the chair of the House Appropriations Committee, two members of the Senate appointed by the Lieutenant Governor, and one member of the House of Representatives appointed by the Speaker. Appropriations for the 2016–17 biennium total $3.2 million in All Funds, primarily consisting of General Revenue Funds, which is equivalent to the agency's 2014–15 biennial expenditures.

The LRL contains Texas legal and public affairs materials and the statutes of all 50 states. It also houses the original legislative bill files dating from 1973. In addition, it has a large collection of Texas state documents and a unique collection of Texas periodicals. The LRL collects from a variety of source materials on state government and issues affecting the Texas Legislature.

The LRL generates and manages data in the Texas Legislative Information System—the Legislature's online bill-status system—and operates a statewide telephone service for obtaining legislative information during legislative sessions. Also, the library developed a number of in-house databases accessible through the Legislature's computer network. The databases contain specialized information on Texas state government, including state boards and commissions, facts and statistics on the Texas Legislature, an online card catalog, and newspaper articles included in the legislative clipping service. Additional in-house databases provide access to the legislative bill files and indexes on how legislation affects statutes.

APPENDIX A – AGENCIES BY ARTICLE

ARTICLE I — GENERAL GOVERNMENT

Commission on the Arts
Office of the Attorney General
Bond Review Board
Cancer Prevention and Research Institute of Texas
Comptroller of Public Accounts
Fiscal Programs within the Office of the Comptroller of Public Accounts
Commission on State Emergency Communications
Texas Emergency Services Retirement System
Employees Retirement System
Texas Ethics Commission
Facilities Commission
Public Finance Authority
Office of the Governor
  Trusteed Programs within the Office of the Governor
Historical Commission
Department of Information Resources
Library and Archives Commission
Pension Review Board
Preservation Board
State Office of Risk Management
Secretary of State
Veterans Commission

ARTICLE II — HEALTH AND HUMAN SERVICES

Department of Aging and Disability Services
Department of Assistive and Rehabilitative Services
Department of Family and Protective Services
Department of State Health Services
Health and Human Services Commission

ARTICLE III — AGENCIES OF EDUCATION

Public Education

Texas Education Agency
School for the Blind and Visually Impaired
School for the Deaf

ARTICLE III — AGENCIES OF EDUCATION *(CONTINUED)*

Teacher Retirement System
Optional Retirement Program

Higher Education

Higher Education Coordinating Board
Higher Education Employees Group Insurance

General Academic Institutions

The University of Texas System Administration
The University of Texas at Arlington
The University of Texas at Austin
The University of Texas at Dallas
The University of Texas at El Paso
The University of Texas Rio Grande Valley
The University of Texas of the Permian Basin
The University of Texas at San Antonio
The University of Texas at Tyler
Texas A&M University System Administrative and General Offices
Texas A&M University
Texas A&M University at Galveston
Prairie View A&M University
Tarleton State University
Texas A&M University – Central Texas
Texas A&M University – Corpus Christi
Texas A&M University – Kingsville
Texas A&M University – San Antonio
Texas A&M International University
West Texas A&M University
Texas A&M University – Commerce
Texas A&M University – Texarkana
University of Houston System Administration
University of Houston
University of Houston – Clear Lake
University of Houston – Downtown
University of Houston – Victoria

ARTICLE III — AGENCIES OF EDUCATION *(CONTINUED)*

Midwestern State University

University of North Texas System Administration

University of North Texas

University of North Texas at Dallas

Stephen F. Austin State University

Texas Southern University

Texas Tech University System Administration

Texas Tech University

Angelo State University

Texas Woman's University

Lamar University

Sam Houston State University

Texas State University

Texas State University System Office

Sul Ross State University

Sul Ross State University Rio Grande College

Two-year Institutions

Lamar Institute of Technology

Lamar State College – Orange

Lamar State College – Port Arthur

Texas State Technical College System Administration

Texas State Technical College – Harlingen

Texas State Technical College – West Texas

Texas State Technical College – Marshall

Texas State Technical College – Waco

Texas State Technical College – North Texas

Public Community/Junior Colleges

Health-related Institutions

The University of Texas Southwestern Medical Center

The University of Texas Medical Branch at Galveston

The University of Texas Health Science Center at Houston

The University of Texas Health Science Center at San Antonio

The University of Texas M.D. Anderson Cancer Center

The University of Texas Health Center at Tyler

The University of Texas Rio Grande Valley School of Medicine

ARTICLE III — AGENCIES OF EDUCATION *(CONTINUED)*

Texas A&M University System Health Science Center

University of North Texas Health Science Center

Texas Tech University Health Sciences Center

Texas Tech University Health Sciences Center at El Paso

A&M University Services

Texas A&M AgriLife Research

Texas A&M AgriLife Extension Service

Texas A&M Engineering Experiment Station

Texas A&M Transportation Institute

Texas A&M Engineering Extension Service

Texas A&M Forest Service

Texas A&M Veterinary Medical Diagnostic Laboratory

Investment Funds

Higher Education Fund

Available University Fund

Available National Research University Fund

Permanent Fund Supporting Military and Veterans Exemptions

ARTICLE IV — THE JUDICIARY

Supreme Court of Texas

Court of Criminal Appeals

First Court of Appeals District, Houston

Second Court of Appeals District, Fort Worth

Third Court of Appeals District, Austin

Fourth Court of Appeals District, San Antonio

Fifth Court of Appeals District, Dallas

Sixth Court of Appeals District, Texarkana

Seventh Court of Appeals District, Amarillo

Eighth Court of Appeals District, El Paso

Ninth Court of Appeals District, Beaumont

Tenth Court of Appeals District, Waco

Eleventh Court of Appeals District, Eastland

Twelfth Court of Appeals District, Tyler

Thirteenth Court of Appeals District, Corpus Christi-Edinburg

Fourteenth Court of Appeals District, Houston

Office of Court Administration, Texas Judicial Council

ARTICLE IV — THE JUDICIARY (CONTINUED)

Office of Capital and Forensic Writs

Office of the State Prosecuting Attorney

State Law Library

State Commission on Judicial Conduct

Judiciary Section, Comptroller's Department

ARTICLE V — PUBLIC SAFETY AND CRIMINAL JUSTICE

Alcoholic Beverage Commission

Department of Criminal Justice

Commission on Fire Protection

Commission on Jail Standards

Juvenile Justice Department

Commission on Law Enforcement

Texas Military Department

Department of Public Safety

ARTICLE VI — NATURAL RESOURCES

Department of Agriculture

Animal Health Commission

Commission on Environmental Quality

General Land Office and Veterans' Land Board

Low-level Radioactive Waste Disposal Compact Commission

Parks and Wildlife Department

Railroad Commission

Soil and Water Conservation Board

Water Development Board

ARTICLE VII — BUSINESS AND ECONOMIC DEVELOPMENT

Department of Housing and Community Affairs

Texas Lottery Commission

Department of Motor Vehicles

Department of Transportation

Texas Workforce Commission

ARTICLE VIII — REGULATORY

State Office of Administrative Hearings

Board of Chiropractic Examiners

Texas State Board of Dental Examiners

Funeral Service Commission

Board of Professional Geoscientists

Health Professions Council

Office of Injured Employee Counsel

Department of Insurance

Office of Public Insurance Counsel

Board of Professional Land Surveying

Department of Licensing and Regulation

Texas Medical Board

Texas Board of Nursing

Optometry Board

Board of Pharmacy

Executive Council of Physical Therapy and Occupational Therapy Examiners

Board of Plumbing Examiners

Board of Podiatric Medical Examiners

Board of Examiners of Psychologists

Racing Commission

Securities Board

Public Utility Commission of Texas

Office of Public Utility Counsel

Board of Veterinary Medical Examiners

ARTICLE X — THE LEGISLATURE

Senate

House of Representatives

Legislative Budget Board

Sunset Advisory Commission

Legislative Council

Commission on Uniform State Laws

State Auditor's Office

Legislative Reference Library

APPENDIX B – SUMMARY OF STATE BUDGET BY FISCAL YEAR

The following applies to all methods of finance in this Appendix:

1. *Appropriations made by House Bill 2 are subject to the appropriation life stated therein and are not shortened by inclusion in Senate Bill 1, Eighty-third Legislature, Regular Session, 2013, or extended by inclusion in House Bill 1, Eighty-fourth Legislature, 2015.*

2. *Unless expressly provided in House Bill 2, House Bill 6, and House Bill 7, by the Eighty-fourth Legislature, 2015, or other appropriating legislation, such appropriations are not subject to General Provisions contained in Article IX of Senate Bill 1, Eighty-third Legislature, Regular Session, 2013, or of Article IX of House Bill 1, Eighty-fourth Legislature, 2015.*

An interactive version of these tables can be found at www.lbb.state.tx.us/InteractiveGraphics.aspx.

ALL FUNDS

FIGURE B1
ALL FUNDS – STATEWIDE SUMMARY

FUNCTION	EXPENDED 2014	BUDGETED 2015	APPROPRIATED 2016	APPROPRIATED 2017
Article I – General Government	$2,555,129,915	$2,766,322,782	$3,743,217,334	$2,509,339,351
Article II – Health and Human Services	$36,337,667,357	$38,413,833,360	$38,437,515,861	$38,762,257,884
Article III – Agencies of Education	$36,491,252,869	$38,233,205,397	$39,587,448,809	$38,982,674,307
Public Education	*$27,236,975,110*	*$28,934,903,655*	*$29,758,305,327*	*$28,797,891,771*
Higher Education	*$9,254,277,759*	*$9,298,301,742*	*$9,829,143,482*	*$10,184,782,536*
Article IV – Judiciary	$389,881,456	$374,616,357	$409,792,949	$397,957,159
Article V – Public Safety and Criminal Justice	$6,028,679,487	$5,840,278,779	$6,233,335,453	$6,199,287,399
Article VI – Natural Resources	$4,497,873,032	$2,435,673,568	$2,436,029,487	$1,931,510,598
Article VII – Business and Economic Development	$12,925,746,070	$14,503,801,602	$14,191,167,307	$13,571,007,290
Article VIII – Regulatory	$739,422,376	$393,136,752	$630,659,379	$303,570,962
Article IX – General Provisions	$0	$0	$195,101,743	$195,101,743
Article X – Legislature	$179,700,952	$194,315,946	$188,663,085	$197,403,224
TOTAL, ALL FUNCTIONS	**$100,145,353,514**	**$103,155,184,543**	**$106,052,931,407**	**$103,050,109,917**

NOTES:
(1) Budgeted 2015 incorporates certain appropriation adjustments relating to House Bill 2, Eighty-fourth Legislature, 2015; technical and/or reconciling adjustments; and the Governor's vetoes.
(2) Appropriated 2016 and 2017 incorporate certain appropriation adjustments relating to article-specific special provisions, and Article IX of House Bill 1 (Conference Committee Report), Eighty-fourth Legislature, 2015; House Bill 6 and House Bill 7, Eighty-fourth Legislature, 2015; other legislation passed by the Eighty-fourth Legislature, 2015, that affects appropriations; technical and/or reconciling adjustments; and the Governor's vetoes.
(3) Article totals exclude Interagency Contracts.
SOURCE: Legislative Budget Board.

FIGURE B1 (CONTINUED)
ALL FUNDS – GENERAL GOVERNMENT

ARTICLE I – GENERAL GOVERNMENT	EXPENDED 2014	BUDGETED 2015	APPROPRIATED 2016	APPROPRIATED 2017
Commission on the Arts	$6,593,894	$6,665,602	$11,669,614	$5,999,613
Office of the Attorney General	$560,205,144	$567,926,143	$599,482,348	$554,070,742
Bond Review Board	$1,029,521	$879,151	$784,160	$815,161
Cancer Prevention and Research Institute of Texas	$299,091,297	$297,101,446	$300,055,000	$300,055,000
Comptroller of Public Accounts	$251,547,114	$270,610,749	$297,702,717	$290,743,417
Fiscal Programs within the Office of the Comptroller of Public Accounts	$458,963,243	$550,834,252	$488,504,151	$475,654,050
Commission on State Emergency Communications	$77,565,850	$68,286,300	$78,654,034	$71,626,292
Texas Emergency Services Retirement System	$2,150,754	$2,262,156	$2,334,493	$2,334,853
Employees Retirement System	$9,770,000	$9,770,000	$9,770,000	$9,770,000
Texas Ethics Commission	$3,282,286	$4,217,806	$2,996,141	$3,042,865
Facilities Commission	$97,179,106	$111,694,461	$1,082,117,862	$56,966,686
Public Finance Authority	$745,466	$1,785,145	$1,319,012	$1,320,717
Office of the Governor	$12,169,649	$12,339,877	$10,639,883	$10,639,882
Trusteed Programs within the Office of the Governor	$445,878,304	$432,103,437	$366,123,528	$211,955,800
Historical Commission	$34,487,373	$28,273,597	$32,577,219	$31,728,798
Department of Information Resources	$292,338,372	$289,847,980	$360,658,520	$373,421,533
Library and Archives Commission	$24,723,229	$29,665,894	$32,787,054	$31,375,486
Pension Review Board	$886,621	$848,657	$933,658	$933,657
Preservation Board	$15,372,669	$16,907,919	$24,053,609	$19,215,820
State Office of Risk Management	$49,099,445	$53,119,334	$50,937,260	$50,991,804
Secretary of State	$38,715,840	$30,905,708	$41,618,752	$18,874,246
Veterans Commission	$29,151,688	$34,905,699	$51,312,642	$50,094,046
Subtotal, General Government	**$2,710,946,865**	**$2,820,951,313**	**$3,847,031,657**	**$2,571,630,468**
Retirement and Group Insurance	$116,096,056	$125,427,327	$145,416,760	$154,659,537
Social Security and Benefit Replacement Pay	$37,054,141	$38,080,818	$38,630,403	$38,667,376
Subtotal, Employee Benefits	**$153,150,197**	**$163,508,145**	**$184,047,163**	**$193,326,913**
Bond Debt Service Payments	$58,061,417	$145,338,147	$121,379,468	$151,053,790
Lease Payments	$10,480,964	$2,556,179	$4,544,671	$11,682,592
Subtotal, Debt Service	**$68,542,381**	**$147,894,326**	**$125,924,139**	**$162,736,382**
Less Interagency Contracts	$377,509,528	$366,031,002	$413,785,625	$418,354,412
TOTAL, ARTICLE I – GENERAL GOVERNMENT	**$2,555,129,915**	**$2,766,322,782**	**$3,743,217,334**	**$2,509,339,351**

NOTES:
(1) Budgeted 2015 incorporates certain appropriation adjustments relating to House Bill 2, Eighty-fourth Legislature, 2015; technical and/or reconciling adjustments; and the Governor's vetoes.
(2) Appropriated 2016 and 2017 incorporate certain appropriation adjustments relating to article-specific special provisions, and Article IX of House Bill 1 (Conference Committee Report), Eighty-fourth Legislature, 2015; House Bill 6 and House Bill 7, Eighty-fourth Legislature, 2015; other legislation passed by the Eighty-fourth Legislature, 2015, that affects appropriations; technical and/or reconciling adjustments; and the Governor's vetoes.
(3) Article totals exclude Interagency Contracts.
SOURCE: Legislative Budget Board.

FIGURE B1 (CONTINUED)
ALL FUNDS – HEALTH AND HUMAN SERVICES

ARTICLE II – HEALTH AND HUMAN SERVICES	EXPENDED 2014	BUDGETED 2015	APPROPRIATED 2016	APPROPRIATED 2017
Department of Aging and Disability Services	$6,386,207,265	$5,245,342,672	$4,335,517,477	$4,497,662,846
Department of Assistive and Rehabilitative Services	$602,525,957	$615,148,901	$626,663,790	$331,346,236
Department of Family and Protective Services	$1,507,084,167	$1,583,717,444	$1,741,519,091	$1,745,667,131
Department of State Health Services	$3,314,717,771	$3,182,542,156	$3,252,695,313	$3,199,231,164
Health and Human Services Commission	$24,274,596,442	$27,442,338,638	$28,052,180,828	$28,538,040,073
Subtotal, Health and Human Services	**$36,085,131,602**	**$38,069,089,811**	**$38,008,576,499**	**$38,311,947,450**
Retirement and Group Insurance	$653,731,051	$709,528,859	$815,285,925	$839,336,448
Social Security and Benefit Replacement Pay	$169,821,394	$175,080,589	$176,847,310	$170,315,757
Subtotal, Employee Benefits	**$823,552,445**	**$884,609,448**	**$992,133,235**	**$1,009,652,205**
Bond Debt Service Payments	$24,229,980	$28,433,824	$31,696,932	$29,900,997
Lease Payments	$6,206,356	$2,483,243	$1,921,555	$2,115,338
Subtotal, Debt Service	**$30,436,336**	**$30,917,067**	**$33,618,487**	**$32,016,335**
Less Interagency Contracts	$601,453,026	$570,782,966	$596,812,360	$591,358,106
TOTAL, ARTICLE II – HEALTH AND HUMAN SERVICES	**$36,337,667,357**	**$38,413,833,360**	**$38,437,515,861**	**$38,762,257,884**

NOTES:
(1) Budgeted 2015 incorporates certain appropriation adjustments relating to House Bill 2, Eighty-fourth Legislature, 2015; technical and/or reconciling adjustments; and the Governor's vetoes.
(2) Appropriated 2016 and 2017 incorporate certain appropriation adjustments relating to article-specific special provisions, and Article IX of House Bill 1 (Conference Committee Report), Eighty-fourth Legislature, 2015; House Bill 6 and House Bill 7, Eighty-fourth Legislature, 2015; other legislation passed by the Eighty-fourth Legislature, 2015, that affects appropriations; technical and/or reconciling adjustments; and the Governor's vetoes.
(3) Article totals exclude Interagency Contracts.
SOURCE: Legislative Budget Board.

FIGURE B1 (CONTINUED)
ALL FUNDS – AGENCIES OF EDUCATION

ARTICLE III – AGENCIES OF EDUCATION	EXPENDED 2014	BUDGETED 2015	APPROPRIATED 2016	APPROPRIATED 2017
Public Education				
Texas Education Agency	$25,314,642,452	$26,193,867,923	$27,732,858,771	$26,770,218,901
School for the Blind and Visually Impaired	$26,555,466	$23,866,852	$23,916,845	$23,716,845
School for the Deaf	$27,847,659	$28,089,417	$27,622,043	$27,562,043
Subtotal, Public Education	**$25,369,045,577**	**$26,245,824,192**	**$27,784,397,659**	**$26,821,497,789**
Public Higher Education				
Two-Year Institutions				
Public Community/Junior Colleges	$897,512,231	$893,287,231	$892,785,312	$885,793,094
Lamar State Colleges				
Lamar Institute of Technology	$11,349,745	$11,577,791	$11,877,293	$11,898,299
Lamar State College – Orange	$9,997,207	$10,574,598	$9,970,144	$9,981,421
Lamar State College – Port Arthur	$12,386,678	$12,107,699	$10,848,240	$10,851,732
Subtotal, Lamar State Colleges	**$33,733,630**	**$34,260,088**	**$32,695,677**	**$32,731,452**
Texas State Technical Colleges				
Texas State Technical College System Administration	$4,835,724	$5,103,658	$11,347,035	$11,347,784
Texas State Technical College – Harlingen	$25,720,394	$25,683,022	$26,058,067	$26,298,539
Texas State Technical College – West Texas	$13,282,396	$13,748,709	$13,791,132	$13,818,392
Texas State Technical College – Marshall	$8,500,104	$8,887,411	$6,606,662	$6,634,464
Texas State Technical College – Waco	$35,445,749	$35,399,444	$35,514,615	$36,085,169
Subtotal, Texas State Technical Colleges	**$87,784,367**	**$88,822,244**	**$93,317,511**	**$94,184,348**
Subtotal, Two-Year Institutions	**$1,019,030,228**	**$1,016,369,563**	**$1,018,798,500**	**$1,012,708,894**
General Academic Institutions				
The University of Texas System Administration	$18,282,426	$9,079,325	$10,232,063	$10,231,463
The University of Texas at Arlington	$156,677,721	$159,707,915	$170,347,512	$170,956,840
The University of Texas at Austin	$374,354,297	$378,170,113	$412,702,346	$398,015,039
The University of Texas at Dallas	$137,936,176	$147,995,590	$147,740,639	$148,226,420
The University of Texas at El Paso	$103,180,341	$103,396,221	$111,022,865	$111,367,207
The University of Texas Rio Grande Valley	$122,503,491	$124,171,999	$162,946,451	$163,362,781
The University of Texas of the Permian Basin	$31,185,188	$31,349,617	$36,305,069	$36,359,672
The University of Texas at San Antonio	$141,763,347	$139,728,210	$141,904,260	$142,428,307
The University of Texas at Tyler	$37,757,722	$37,942,886	$41,657,725	$41,762,135
Texas A&M University System Administrative and General Offices	$2,236,934	$2,236,934	$855,586	$855,586
Texas A&M University	$359,548,992	$362,588,507	$407,862,869	$404,669,085
Texas A&M University at Galveston	$20,265,523	$20,898,624	$22,505,157	$22,544,329
Prairie View A&M University	$58,470,818	$60,773,124	$64,149,281	$64,302,080
Tarleton State University	$48,992,388	$50,199,270	$53,379,453	$53,517,369
Texas A&M University – Central Texas	$16,759,144	$16,378,174	$17,507,423	$17,529,685
Texas A&M University – Corpus Christi	$58,876,438	$58,744,958	$62,287,235	$61,390,049
Texas A&M University – Kingsville	$47,252,842	$47,739,482	$54,227,701	$53,856,642
Texas A&M University – San Antonio	$21,912,485	$22,955,071	$29,744,840	$29,773,787
Texas A&M International University	$37,987,091	$37,581,143	$39,640,894	$39,736,693
West Texas A&M University	$37,413,612	$39,298,064	$44,001,473	$43,744,763
Texas A&M University – Commerce	$51,875,002	$52,311,029	$54,972,163	$55,173,354
Texas A&M University – Texarkana	$17,656,961	$19,084,497	$20,454,360	$20,353,296

FIGURE B1 (CONTINUED)
ALL FUNDS – AGENCIES OF EDUCATION

ARTICLE III – AGENCIES OF EDUCATION	EXPENDED 2014	BUDGETED 2015	APPROPRIATED 2016	APPROPRIATED 2017
University of Houston System Administration	$24,597,031	$24,610,656	$24,503,538	$24,519,153
University of Houston	$243,217,204	$254,397,408	$233,790,960	$234,632,094
University of Houston – Clear Lake	$36,733,297	$38,398,961	$44,986,581	$45,143,443
University of Houston – Downtown	$38,513,063	$38,936,339	$41,164,178	$41,308,339
University of Houston – Victoria	$21,575,402	$21,835,262	$21,390,642	$21,441,629
Midwestern State University	$24,649,381	$24,560,930	$25,304,171	$25,418,941
University of North Texas System Administration	$3,366,113	$4,492,841	$6,554,243	$7,306,722
University of North Texas	$154,520,593	$154,837,684	$159,294,666	$159,911,662
University of North Texas at Dallas	$15,464,025	$15,476,158	$16,800,148	$16,810,765
Stephen F. Austin State University	$57,208,074	$57,644,368	$56,304,022	$56,521,061
Texas Southern University	$74,120,205	$71,879,544	$75,770,396	$75,601,547
Texas Tech University System Administration	$1,425,000	$1,425,000	$1,425,000	$1,425,000
Texas Tech University	$196,458,705	$204,221,431	$210,958,531	$211,544,442
Angelo State University	$34,439,555	$34,222,422	$34,550,301	$34,669,514
Texas Woman’s University	$71,340,927	$70,913,761	$72,410,961	$72,645,826
Texas State University System	$1,425,000	$1,425,000	$1,425,000	$1,425,000
Lamar University	$55,319,453	$55,569,745	$66,095,210	$66,549,343
Sam Houston State University	$75,645,386	$79,019,960	$86,614,524	$85,493,273
Texas State University	$137,869,696	$139,771,339	$149,774,970	$150,343,981
Sul Ross State University	$16,141,612	$16,172,715	$14,891,340	$14,921,093
Sul Ross State University Rio Grande College	$4,880,572	$4,876,921	$5,952,006	$5,955,794
Subtotal, General Academic Institutions	**$3,191,799,233**	**$3,237,019,198**	**$3,456,408,753**	**$3,443,745,204**
Health Related Institutions				
The University of Texas Southwestern Medical Center	$152,007,981	$154,208,419	$166,199,212	$166,254,188
The University of Texas Medical Branch at Galveston	$275,036,774	$286,659,392	$279,578,994	$279,721,956
The University of Texas Health Science Center at Houston	$188,575,024	$189,650,565	$192,071,918	$192,320,093
The University of Texas Health Science Center at San Antonio	$156,626,791	$174,268,074	$154,177,201	$154,265,148
The University of Texas M.D. Anderson Cancer Center	$184,371,042	$182,350,287	$194,359,338	$194,365,000
The University of Texas Health Science Center at Tyler	$40,197,247	$40,265,561	$49,055,298	$49,057,176
Texas A&M University System Health Science Center	$137,560,907	$137,795,305	$149,626,157	$149,418,672
University of North Texas Health Science Center	$84,107,282	$84,415,384	$95,770,527	$95,540,108
Texas Tech University Health Sciences Center	$197,864,343	$200,172,281	$137,347,258	$137,441,668
Texas Tech University Health Sciences Center at El Paso	$0	$0	$67,898,736	$67,910,015
Subtotal, Health Related Institutions	**$1,416,347,391**	**$1,449,785,268**	**$1,486,084,639**	**$1,486,294,024**
Texas A&M University Services				
Texas A&M AgriLife Research	$69,930,339	$70,552,505	$73,268,702	$73,268,702
Texas A&M AgriLife Extension Service	$66,163,624	$67,058,658	$67,818,342	$67,818,345
Texas A&M Engineering Experiment Station	$119,553,452	$119,803,503	$118,695,158	$123,695,159
Texas A&M Transportation Institute	$58,378,954	$59,951,131	$60,047,016	$61,554,747

FIGURE B1 (CONTINUED)
ALL FUNDS – AGENCIES OF EDUCATION

ARTICLE III – AGENCIES OF EDUCATION	EXPENDED 2014	BUDGETED 2015	APPROPRIATED 2016	APPROPRIATED 2017
Texas A&M Engineering Extension Service	$76,716,578	$77,619,948	$75,957,895	$75,957,897
Texas A&M Forest Service	$57,262,196	$57,810,373	$68,682,430	$68,682,428
Texas A&M Veterinary Medical Diagnostic Laboratory	$19,343,417	$18,734,734	$18,792,841	$18,792,843
Subtotal, Texas A&M University Services	**467,348,560**	**471,530,852**	**483,262,384**	**489,770,121**
Other Higher Education				
Higher Education Coordinating Board	$760,127,026	$775,280,119	$960,568,429	$1,046,720,209
Higher Education Fund	$262,500,000	$262,500,000	$262,500,000	$393,750,000
Available University Fund	$909,332,751	$792,857,645	$801,099,786	$889,399,222
Available National Research University Fund	$27,426,955	$28,408,280	$29,819,162	$31,248,988
Permanent Fund Supporting Military and Veterans Exemptions	$0	$11,374,590	$11,646,519	$11,857,694
Subtotal, Other Higher Education	**1,959,386,732**	**1,870,420,634**	**2,065,633,896**	**2,372,976,113**
Subtotal, Public Higher Education	**$8,053,912,144**	**$8,045,125,515**	**$8,510,188,172**	**$8,805,494,356**
Employee Benefits				
Teacher Retirement System, Public Education	$1,834,963,507	$2,652,069,811	$1,933,757,951	$1,934,674,685
Teacher Retirement System, Higher Education	$218,259,014	$228,891,292	$237,921,973	$240,407,880
Optional Retirement Program	$167,283,937	$166,142,884	$163,759,847	$162,499,596
Higher Education Employees Group Insurance Contributions	$574,374,654	$616,453,536	$665,110,413	$712,776,657
Retirement and Group Insurance	$33,615,791	$36,336,614	$41,632,932	$44,875,153
Social Security and Benefit Replacement Pay	$275,907,750	$276,073,716	$286,440,623	$297,487,376
Subtotal, Employee Benefits	**$3,104,404,653**	**$3,975,967,853**	**$3,328,623,739**	**$3,392,721,347**
Debt Service				
Bond Debt Service Payments	$10,429,496	$12,262,084	$11,797,845	$11,273,712
Lease Payments	$2,463,527	$2,595,069	$2,271,245	$2,271,028
Subtotal, Debt Service	**$12,893,023**	**$14,857,153**	**$14,069,090**	**$13,544,740**
Less Interagency Contracts	$49,002,528	$48,569,316	$49,829,851	$50,583,925
TOTAL, ARTICLE III – AGENCIES OF EDUCATION	**$36,491,252,869**	**$38,233,205,397**	**$39,587,448,809**	**$38,982,674,307**

NOTES:
(1) Budgeted 2015 incorporates certain appropriation adjustments relating to House Bill 2, Eighty-fourth Legislature, 2015; technical and/or reconciling adjustments; and the Governor's vetoes.
(2) Appropriated 2016 and 2017 incorporate certain appropriation adjustments relating to article-specific special provisions, and Article IX of House Bill 1 (Conference Committee Report), Eighty-fourth Legislature, 2015; House Bill 6 and House Bill 7, Eighty-fourth Legislature, 2015; other legislation passed by the Eighty-fourth Legislature, 2015, that affects appropriations; technical and/or reconciling adjustments; and the Governor's vetoes.
(3) Article totals exclude Interagency Contracts.
(4) Appropriated fiscal years 2016 and 2017 for The University of Texas Rio Grande Valley includes amounts for the institution's school of medicine. These amounts are reflected in the totals for the health related institutions in Section 6, Education, rather than the general academic institutions.

SOURCE: Legislative Budget Board.

FIGURE B1 (CONTINUED)
ALL FUNDS – JUDICIARY

ARTICLE IV – JUDICIARY	EXPENDED 2014	BUDGETED 2015	APPROPRIATED 2016	APPROPRIATED 2017
Supreme Court of Texas	$37,121,288	$32,539,276	$44,409,825	$34,297,926
Court of Criminal Appeals	$14,122,202	$14,893,251	$16,220,794	$16,215,980
First Court of Appeals District, Houston	$4,207,346	$4,349,628	$4,644,748	$4,644,748
Second Court of Appeals District, Fort Worth	$3,276,804	$3,273,454	$3,588,594	$3,588,593
Third Court of Appeals District, Austin	$2,798,748	$2,801,564	$3,016,352	$3,016,352
Fourth Court of Appeals District, San Antonio	$3,213,816	$3,356,831	$3,578,043	$3,578,043
Fifth Court of Appeals District, Dallas	$5,825,069	$5,832,068	$6,338,749	$6,338,749
Sixth Court of Appeals District, Texarkana	$1,520,839	$1,516,038	$1,638,120	$1,638,119
Seventh Court of Appeals District, Amarillo	$1,834,191	$1,944,643	$2,048,818	$2,048,818
Eighth Court of Appeals District, El Paso	$1,521,358	$1,573,491	$1,667,119	$1,667,120
Ninth Court of Appeals District, Beaumont	$1,885,054	$1,885,053	$2,046,580	$2,046,579
Tenth Court of Appeals District, Waco	$1,514,743	$1,519,531	$1,742,120	$1,642,120
Eleventh Court of Appeals District, Eastland	$1,519,225	$1,522,223	$1,644,819	$1,644,819
Twelfth Court of Appeals District, Tyler	$1,531,896	$1,527,095	$1,641,134	$1,641,133
Thirteenth Court of Appeals District, Corpus Christi-Edinburg	$2,802,502	$2,802,501	$3,013,562	$3,013,561
Fourteenth Court of Appeals District, Houston	$4,326,015	$4,478,039	$4,766,018	$4,766,018
Office of Court Administration, Texas Judicial Council	$81,418,985	$69,111,481	$81,479,562	$78,371,005
Office of Capital and Forensic Writs	$1,001,255	$1,105,724	$1,423,146	$1,328,863
Office of the State Prosecuting Attorney	$399,250	$404,761	$418,646	$419,407
State Law Library	$986,530	$1,078,170	$1,042,427	$1,042,426
State Commission on Judicial Conduct	$933,227	$982,006	$1,112,436	$1,109,936
Judiciary Section, Comptroller's Department	$151,796,874	$152,945,234	$156,810,378	$156,891,832
Subtotal, Judiciary	**$325,557,217**	**$311,442,062**	**$344,291,990**	**$330,952,147**
Retirement and Group Insurance	$60,515,549	$61,427,865	$64,114,310	$65,486,590
Social Security and Benefit Replacement Pay	$11,295,927	$11,489,403	$11,516,142	$11,545,935
Subtotal, Employee Benefits	**$71,811,476**	**$72,917,268**	**$75,630,452**	**$77,032,525**
Lease Payments	$2,290,175	$0	$82	$0
Subtotal, Debt Service	**$2,290,175**	**$0**	**$82**	**$0**
Article IV, Special Provisions	$0	$0	$0	$0
Less Interagency Contracts	$9,777,412	$9,742,973	$10,129,575	$10,027,513
TOTAL, ARTICLE IV – JUDICIARY	**$389,881,456**	**$374,616,357**	**$409,792,949**	**$397,957,159**

NOTES:
(1) Budgeted 2015 incorporates certain appropriation adjustments relating to House Bill 2, Eighty-fourth Legislature, 2015; technical and/or reconciling adjustments; and the Governor's vetoes.
(2) Appropriated 2016 and 2017 incorporate certain appropriation adjustments relating to article-specific special provisions, and Article IX of House Bill 1 (Conference Committee Report), Eighty-fourth Legislature, 2015; House Bill 6 and House Bill 7, Eighty-fourth Legislature, 2015; other legislation passed by the Eighty-fourth Legislature, 2015, that affects appropriations; technical and/or reconciling adjustments; and the Governor's vetoes.
(3) Article totals exclude Interagency Contracts.
SOURCE: Legislative Budget Board.

FIGURE B1 (CONTINUED)
ALL FUNDS – PUBLIC SAFETY AND CRIMINAL JUSTICE

ARTICLE V – PUBLIC SAFETY AND CRIMINAL JUSTICE	EXPENDED 2014	BUDGETED 2015	APPROPRIATED 2016	APPROPRIATED 2017
Alcoholic Beverage Commission	$46,290,926	$46,954,682	$50,041,386	$50,104,014
Department of Criminal Justice	$3,189,724,716	$3,218,089,052	$3,358,161,887	$3,387,271,127
Commission on Fire Protection	$1,963,457	$1,992,692	$1,997,692	$2,002,692
Commission on Jail Standards	$916,040	$925,733	$959,452	$959,452
Juvenile Justice Department	$323,103,916	$326,117,333	$314,856,698	$320,004,521
Commission on Law Enforcement	$3,199,626	$3,467,256	$3,613,073	$3,912,121
Texas Military Department	$103,325,540	$97,467,268	$98,478,858	$98,086,104
Department of Public Safety	$1,472,056,423	$1,200,513,858	$1,356,418,303	$1,275,013,614
Subtotal, Public Safety and Criminal Justice	**$5,140,580,644**	**$4,895,527,874**	**$5,184,527,349**	**$5,137,353,645**
Retirement and Group Insurance	$633,842,644	$675,840,124	$789,765,280	$847,901,055
Social Security and Benefit Replacement Pay	$169,285,259	$171,942,562	$183,571,173	$186,126,845
Subtotal, Employee Benefits	**$803,127,903**	**$847,782,686**	**$973,336,453**	**$1,034,027,900**
Bond Debt Service Payments	$162,016,784	$162,237,982	$142,210,091	$94,355,109
Lease Payments	$1,918,938	$211,430	$243,891	$223,373
Subtotal, Debt Service	**$163,935,722**	**$162,449,412**	**$142,453,982**	**$94,578,482**
Less Interagency Contracts	$78,964,782	$65,481,193	$66,982,331	$66,672,628
TOTAL, ARTICLE V – PUBLIC SAFETY AND CRIMINAL JUSTICE	**$6,028,679,487**	**$5,840,278,779**	**$6,233,335,453**	**$6,199,287,399**

NOTES:
(1) Budgeted 2015 incorporates certain appropriation adjustments relating to House Bill 2, Eighty-fourth Legislature, 2015; technical and/or reconciling adjustments; and the Governor's vetoes.
(2) Appropriated 2016 and 2017 incorporate certain appropriation adjustments relating to article-specific special provisions, and Article IX of House Bill 1 (Conference Committee Report), Eighty-fourth Legislature, 2015; House Bill 6 and House Bill 7, Eighty-fourth Legislature, 2015; other legislation passed by the Eighty-fourth Legislature, 2015, that affects appropriations; technical and/or reconciling adjustments; and the Governor's vetoes.
(3) Article totals exclude Interagency Contracts.
SOURCE: Legislative Budget Board.

FIGURE B1 (CONTINUED)
ALL FUNDS – NATURAL RESOURCES

ARTICLE VI – NATURAL RESOURCES	EXPENDED 2014	BUDGETED 2015	APPROPRIATED 2016	APPROPRIATED 2017
Department of Agriculture	$549,836,931	$560,715,554	$558,811,361	$550,607,573
Animal Health Commission	$10,822,432	$11,544,152	$13,640,554	$12,827,910
Commission on Environmental Quality	$315,434,739	$443,877,031	$465,164,507	$447,195,067
General Land Office and Veterans' Land Board	$809,901,226	$693,607,435	$551,640,890	$137,266,070
Low-level Radioactive Waste Disposal Compact Commission	$242,626	$242,626	$583,289	$583,289
Parks and Wildlife Department	$391,851,758	$324,586,429	$382,347,992	$317,946,017
Railroad Commission	$89,565,890	$88,619,457	$87,134,434	$87,395,096
Soil and Water Conservation Board	$27,022,305	$28,369,807	$35,869,807	$29,893,532
Water Development Board	$2,155,678,993	$136,787,893	$147,573,085	$143,944,171
Subtotal, Natural Resources	**$4,350,356,900**	**$2,288,350,384**	**$2,242,765,919**	**$1,727,658,725**
Retirement and Group Insurance	$117,501,508	$125,876,863	$144,934,567	$154,852,895
Social Security and Benefit Replacement Pay	$34,390,033	$34,890,154	$35,094,286	$35,188,651
Subtotal, Employee Benefits	**$151,891,541**	**$160,767,017**	**$180,028,853**	**$190,041,546**
Bond Debt Service Payments	$10,969,705	$14,814,792	$19,143,895	$18,840,112
Lease Payments	$3,101,408	$2,917,477	$2,261,632	$2,240,817
Subtotal, Debt Service	**$14,071,113**	**$17,732,269**	**$21,405,527**	**$21,080,929**
Less Interagency Contracts	$18,446,522	$31,176,102	$8,170,812	$7,270,602
TOTAL, ARTICLE VI – NATURAL RESOURCES	**$4,497,873,032**	**$2,435,673,568**	**$2,436,029,487**	**$1,931,510,598**

NOTES:
(1) Budgeted 2015 incorporates certain appropriation adjustments relating to House Bill 2, Eighty-fourth Legislature, 2015; technical and/or reconciling adjustments; and the Governor's vetoes.
(2) Appropriated 2016 and 2017 incorporate certain appropriation adjustments relating to article-specific special provisions, and Article IX of House Bill 1 (Conference Committee Report), Eighty-fourth Legislature, 2015; House Bill 6 and House Bill 7, Eighty-fourth Legislature, 2015; other legislation passed by the Eighty-fourth Legislature, 2015, that affects appropriations; technical and/or reconciling adjustments; and the Governor's vetoes.
(3) Article totals exclude Interagency Contracts.
SOURCE: Legislative Budget Board.

FIGURE B1 (CONTINUED)
ALL FUNDS – BUSINESS AND ECONOMIC DEVELOPMENT

ARTICLE VII – BUSINESS AND ECONOMIC DEVELOPMENT	EXPENDED 2014	BUDGETED 2015	APPROPRIATED 2016	APPROPRIATED 2017
Department of Housing and Community Affairs	$266,358,953	$241,547,938	$243,176,268	$243,535,847
Texas Lottery Commission	$234,166,744	$224,050,980	$235,590,753	$235,604,630
Department of Motor Vehicles	$165,992,922	$166,190,540	$168,180,219	$145,228,701
Department of Transportation	$10,781,531,898	$12,359,581,403	$12,008,332,798	$11,046,520,070
Texas Workforce Commission	$1,181,862,878	$1,192,465,452	$1,170,858,121	$1,470,661,428
Reimbursements to the Unemployment Compensation Benefit Account	$25,261,097	$22,167,411	$19,911,588	$18,848,216
Subtotal, Business and Economic Development	**$12,655,174,492**	**$14,206,003,724**	**$13,846,049,747**	**$13,160,398,892**
Retirement and Group Insurance	$271,678,728	$293,455,262	$334,634,941	$393,684,761
Social Security and Benefit Replacement Pay	$65,434,574	$66,311,145	$66,021,028	$72,976,035
Subtotal, Employee Benefits	**$337,113,302**	**$359,766,407**	**$400,655,969**	**$466,660,796**
Bond Debt Service Payments	$11,914,948	$13,915,912	$15,649,829	$15,135,995
Lease Payments	$942,413	$725,852	$1,193,723	$1,466,457
Subtotal, Debt Service	**$12,857,361**	**$14,641,764**	**$16,843,552**	**$16,602,452**
Less Interagency Contracts	$79,399,085	$76,610,293	$72,381,961	$72,654,850
TOTAL, ARTICLE VII – BUSINESS AND ECONOMIC DEVELOPMENT	**$12,925,746,070**	**$14,503,801,602**	**$14,191,167,307**	**$13,571,007,290**

NOTES:
(1) Budgeted 2015 incorporates certain appropriation adjustments relating to House Bill 2, Eighty-fourth Legislature, 2015; technical and/or reconciling adjustments; and the Governor's vetoes.
(2) Appropriated 2016 and 2017 incorporate certain appropriation adjustments relating to article-specific special provisions, and Article IX of House Bill 1 (Conference Committee Report), Eighty-fourth Legislature, 2015; House Bill 6 and House Bill 7, Eighty-fourth Legislature, 2015; other legislation passed by the Eighty-fourth Legislature, 2015, that affects appropriations; technical and/or reconciling adjustments; and the Governor's vetoes.
(3) Article totals exclude Interagency Contracts.
SOURCE: Legislative Budget Board.

FIGURE B1 (CONTINUED)
ALL FUNDS – REGULATORY

ARTICLE VIII – REGULATORY	EXPENDED 2014	BUDGETED 2015	APPROPRIATED 2016	APPROPRIATED 2017
State Office of Administrative Hearings	$9,229,047	$9,601,658	$12,337,672	$11,138,510
Board of Chiropractic Examiners	$794,512	$770,701	$816,666	$814,260
Texas State Board of Dental Examiners	$4,263,298	$4,149,369	$4,336,061	$4,335,451
Funeral Service Commission	$818,623	$827,496	$837,631	$837,580
Board of Professional Geoscientists	$586,042	$584,471	$592,244	$587,339
Health Professions Council	$998,147	$974,004	$1,076,161	$1,073,213
Office of Injured Employee Counsel	$8,226,698	$8,516,933	$8,645,239	$8,645,239
Department of Insurance	$122,656,094	$119,687,847	$112,895,702	$111,003,127
Office of Public Insurance Counsel	$1,041,755	$1,054,041	$1,062,038	$1,062,038
Board of Professional Land Surveying	$430,554	$459,498	$464,839	$464,804
Department of Licensing and Regulation	$24,283,146	$24,484,151	$31,170,925	$29,105,048
Texas Medical Board	$11,743,400	$11,787,479	$14,205,065	$13,727,249
Texas Board of Nursing	$11,212,630	$9,187,114	$11,903,097	$11,903,097
Optometry Board	$466,963	$465,702	$480,516	$480,483
Board of Pharmacy	$6,899,109	$6,491,917	$6,810,931	$7,636,972
Executive Council of Physical Therapy and Occupational Therapy Examiners	$1,208,927	$1,210,712	$1,355,342	$1,391,991
Board of Plumbing Examiners	$2,561,224	$2,439,642	$2,665,502	$2,652,200
Board of Podiatric Medical Examiners	$286,297	$280,082	$290,880	$286,119
Board of Examiners of Psychologists	$861,171	$865,810	$898,408	$898,335
Racing Commission	$7,662,629	$7,729,803	$8,316,837	$8,358,384
Securities Board	$7,052,284	$7,182,337	$7,182,560	$7,182,561
Public Utility Commission of Texas	$464,524,931	$119,757,517	$342,200,783	$16,679,533
Office of Public Utility Counsel	$1,900,197	$2,464,256	$2,201,622	$2,201,622
Board of Veterinary Medical Examiners	$1,170,831	$1,136,516	$1,289,810	$1,289,812
Subtotal, Regulatory	**$690,878,509**	**$342,109,056**	**$574,036,531**	**$243,754,967**
Retirement and Group Insurance	$39,623,244	$42,397,659	$48,950,688	$52,148,980
Social Security and Benefit Replacement Pay	$11,773,591	$11,943,648	$12,051,168	$12,059,548
Subtotal, Employee Benefits	**$51,396,835**	**$54,341,307**	**$61,001,856**	**$64,208,528**
Lease Payments	$1,109,646	$768,002	$516,371	$499,898
Subtotal, Debt Service	**$1,109,646**	**$768,002**	**$516,371**	**$499,898**
Less Interagency Contracts	$3,962,614	$4,081,613	$4,895,379	$4,892,431
TOTAL, ARTICLE VIII – REGULATORY	**$739,422,376**	**$393,136,752**	**$630,659,379**	**$303,570,962**

NOTES:
(1) Budgeted 2015 incorporates certain appropriation adjustments relating to House Bill 2, Eighty-fourth Legislature, 2015; technical and/or reconciling adjustments; and the Governor's vetoes.
(2) Appropriated 2016 and 2017 incorporate certain appropriation adjustments relating to article-specific special provisions, and Article IX of House Bill 1 (Conference Committee Report), Eighty-fourth Legislature, 2015; House Bill 6 and House Bill 7, Eighty-fourth Legislature, 2015; other legislation passed by the Eighty-fourth Legislature, 2015, that affects appropriations; technical and/or reconciling adjustments; and the Governor's vetoes.
(3) Article totals exclude Interagency Contracts.
SOURCE: Legislative Budget Board.

FIGURE B1 (CONTINUED)
ALL FUNDS – GENERAL PROVISIONS

ARTICLE IX – GENERAL PROVISIONS	EXPENDED 2014	BUDGETED 2015	APPROPRIATED 2016	APPROPRIATED 2017
Appropriation for a Salary Increase	$0	$0	$195,101,743	$195,101,743
TOTAL, ARTICLE IX – GENERAL PROVISIONS	**$0**	**$0**	**$195,101,743**	**$195,101,743**

NOTES:
(1) Budgeted 2015 incorporates certain appropriation adjustments relating to House Bill 2, Eighty-fourth Legislature, 2015; technical and/or reconciling adjustments; and the Governor's vetoes.
(2) Appropriated 2016 and 2017 incorporate certain appropriation adjustments relating to article-specific special provisions, and Article IX of House Bill 1 (Conference Committee Report), Eighty-fourth Legislature, 2015; House Bill 6 and House Bill 7, Eighty-fourth Legislature, 2015; other legislation passed by the Eighty-fourth Legislature, 2015, that affects appropriations; technical and/or reconciling adjustments; and the Governor's vetoes.
(3) Article totals exclude Interagency Contracts.
SOURCE: Legislative Budget Board.

FIGURE B1 (CONTINUED)
ALL FUNDS – LEGISLATURE

ARTICLE X – LEGISLATURE	EXPENDED 2014	BUDGETED 2015	APPROPRIATED 2016	APPROPRIATED 2017
Senate	$29,271,731	$33,436,478	$30,983,582	$33,647,631
House of Representatives	$35,866,163	$38,961,585	$36,213,755	$40,892,793
Legislative Budget Board	$14,901,653	$16,051,133	$15,590,093	$15,590,092
Legislative Council	$34,959,126	$37,654,214	$35,108,903	$38,034,645
Commission on Uniform State Laws	$150,000	$150,000	$150,000	$150,000
Sunset Advisory Commission	$2,214,823	$2,407,589	$2,330,876	$2,330,876
State Auditor's Office	$23,121,086	$23,994,129	$21,695,296	$21,695,296
Legislative Reference Library	$1,556,580	$1,649,992	$1,586,659	$1,648,917
Subtotal, Legislature	**$141,900,199**	**$153,971,391**	**$143,659,164**	**$153,990,250**
Retirement and Group Insurance	$27,909,663	$29,894,270	$34,147,192	$36,428,572
Social Security and Benefit Replacement Pay	$8,139,445	$8,274,043	$8,289,520	$8,307,533
Subtotal, Employee Benefits	**$36,049,108**	**$38,168,313**	**$42,436,712**	**$44,736,105**
Lease Payments	$8,428,047	$8,993,042	$7,243,209	$3,352,869
Subtotal, Debt Service	**$8,428,047**	**$8,993,042**	**$7,243,209**	**$3,352,869**
Less Interagency Contracts	$6,676,402	$6,816,800	$4,676,000	$4,676,000
TOTAL, ARTICLE X – LEGISLATURE	**$179,700,952**	**$194,315,946**	**$188,663,085**	**$197,403,224**

NOTES:
(1) Budgeted 2015 incorporates certain appropriation adjustments relating to House Bill 2, Eighty-fourth Legislature, 2015; technical and/or reconciling adjustments; and the Governor's vetoes.
(2) Appropriated 2016 and 2017 incorporate certain appropriation adjustments relating to article-specific special provisions, and Article IX of House Bill 1 (Conference Committee Report), Eighty-fourth Legislature, 2015; House Bill 6 and House Bill 7, Eighty-fourth Legislature, 2015; other legislation passed by the Eighty-fourth Legislature, 2015, that affects appropriations; technical and/or reconciling adjustments; and the Governor's vetoes.
(3) Article totals exclude Interagency Contracts.
SOURCE: Legislative Budget Board.

APPENDIX B – SUMMARY OF STATE BUDGET BY FISCAL YEAR

GENERAL REVENUE FUNDS

FIGURE B2
GENERAL REVENUE FUNDS – STATEWIDE SUMMARY

FUNCTION	EXPENDED 2014	BUDGETED 2015	APPROPRIATED 2016	APPROPRIATED 2017
Article I – General Government	$1,340,913,680	$1,493,397,490	$1,506,996,802	$1,411,844,667
Article II – Health and Human Services	$14,542,334,889	$15,208,842,523	$15,928,986,805	$16,272,016,581
Article III – Agencies of Education	$25,088,897,229	$26,368,370,541	$28,526,089,093	$27,475,488,687
Public Education	*$18,472,852,281*	*$19,716,939,720*	*$21,361,625,765*	*$19,961,420,157*
Higher Education	*$6,616,044,948*	*$6,651,430,821*	*$7,164,463,328*	*$7,514,068,530*
Article IV – Judiciary	$226,240,689	$221,103,017	$241,739,731	$239,904,432
Article V – Public Safety and Criminal Justice	$4,478,065,334	$4,813,939,209	$5,698,760,430	$5,710,262,366
Article VI – Natural Resources	$352,930,546	$364,352,884	$443,121,750	$388,947,271
Article VII – Business and Economic Development	$417,959,583	$496,904,038	$594,258,888	$574,140,083
Article VIII – Regulatory	$137,418,106	$147,032,512	$162,890,643	$169,980,934
Article IX – General Provisions	$0	$0	$138,100,078	$138,100,078
Article X – Legislature	$179,680,064	$194,213,446	$188,561,660	$197,301,799
TOTAL, ALL FUNCTIONS	**$46,764,440,120**	**$49,308,155,660**	**$53,429,505,880**	**$52,577,986,898**

NOTES:
(1) Budgeted 2015 incorporates certain appropriation adjustments relating to House Bill 2, Eighty-fourth Legislature, 2015; technical and/or reconciling adjustments; and the Governor's vetoes.
(2) Appropriated 2016 and 2017 incorporate certain appropriation adjustments relating to article-specific special provisions, and Article IX of House Bill 1 (Conference Committee Report), Eighty-fourth Legislature, 2015; House Bill 6 and House Bill 7, Eighty-fourth Legislature, 2015; other legislation passed by the Eighty-fourth Legislature, 2015, that affects appropriations; technical and/or reconciling adjustments; and the Governor's vetoes.

SOURCE: Legislative Budget Board.

FIGURE B2 (CONTINUED)
GENERAL REVENUE FUNDS – GENERAL GOVERNMENT

ARTICLE I – GENERAL GOVERNMENT	EXPENDED 2014	BUDGETED 2015	APPROPRIATED 2016	APPROPRIATED 2017
Commission on the Arts	$5,239,794	$5,440,702	$9,902,153	$4,383,339
Office of the Attorney General	$219,161,402	$226,347,954	$228,833,576	$216,613,223
Bond Review Board	$1,029,521	$879,151	$784,160	$815,161
Cancer Prevention and Research Institute of Texas	$0	$0	$0	$0
Comptroller of Public Accounts	$232,660,960	$240,292,160	$281,483,878	$274,774,578
Fiscal Programs within the Office of the Comptroller of Public Accounts	$413,348,703	$501,090,054	$449,794,835	$436,974,734
Commission on State Emergency Communications	$0	$0	$0	$0
Texas Emergency Services Retirement System	$2,150,754	$2,262,156	$750,668	$751,028
Employees Retirement System	$9,770,000	$9,770,000	$9,770,000	$9,770,000
Texas Ethics Commission	$3,264,096	$4,209,616	$2,987,951	$3,034,675
Facilities Commission	$49,435,579	$61,116,869	$71,643,136	$35,333,451
Public Finance Authority	$741,967	$1,785,145	$1,319,012	$1,320,717
Office of the Governor	$11,899,649	$12,069,877	$10,369,883	$10,369,882
Trusteed Programs within the Office of the Governor	$154,915,174	$197,696,447	$120,262,021	$112,595,562
Historical Commission	$17,487,112	$14,924,583	$30,146,798	$29,622,635
Department of Information Resources	$0	$0	$0	$0
Library and Archives Commission	$11,555,336	$12,160,471	$15,728,509	$15,728,507
Pension Review Board	$886,621	$848,657	$923,658	$923,657
Preservation Board	$15,143,686	$16,792,155	$24,032,233	$19,194,444
State Office of Risk Management	$0	$0	$0	$0
Secretary of State	$27,660,006	$11,771,733	$32,294,780	$10,572,964
Veterans Commission	$10,121,704	$10,264,455	$27,520,389	$27,471,793
Subtotal, General Government	**$1,186,472,064**	**$1,329,722,185**	**$1,318,547,640**	**$1,210,250,350**
Retirement and Group Insurance	$91,204,752	$98,621,177	$114,203,054	$121,378,777
Social Security and Benefit Replacement Pay	$29,655,866	$30,512,430	$30,995,017	$31,025,982
Subtotal, Employee Benefits	**$120,860,618**	**$129,133,607**	**$145,198,071**	**$152,404,759**
Bond Debt Service Payments	$23,100,034	$31,985,519	$38,706,420	$37,506,966
Lease Payments	$10,480,964	$2,556,179	$4,544,671	$11,682,592
Subtotal, Debt Service	**$33,580,998**	**$34,541,698**	**$43,251,091**	**$49,189,558**
TOTAL, ARTICLE I – GENERAL GOVERNMENT	**$1,340,913,680**	**$1,493,397,490**	**$1,506,996,802**	**$1,411,844,667**

NOTES:
(1) Budgeted 2015 incorporates certain appropriation adjustments relating to House Bill 2, Eighty-fourth Legislature, 2015; technical and/or reconciling adjustments; and the Governor's vetoes.
(2) Appropriated 2016 and 2017 incorporate certain appropriation adjustments relating to article-specific special provisions, and Article IX of House Bill 1 (Conference Committee Report), Eighty-fourth Legislature, 2015; House Bill 6 and House Bill 7, Eighty-fourth Legislature, 2015; other legislation passed by the Eighty-fourth Legislature, 2015, that affects appropriations; technical and/or reconciling adjustments; and the Governor's vetoes.
SOURCE: Legislative Budget Board.

FIGURE B2 (CONTINUED)
GENERAL REVENUE FUNDS – HEALTH AND HUMAN SERVICES

ARTICLE II – HEALTH AND HUMAN SERVICES	EXPENDED 2014	BUDGETED 2015	APPROPRIATED 2016	APPROPRIATED 2017
Department of Aging and Disability Services	$2,520,203,376	$2,085,047,777	$1,743,879,262	$1,827,603,420
Department of Assistive and Rehabilitative Services	$113,379,750	$104,812,841	$119,448,317	$57,717,750
Department of Family and Protective Services	$736,504,756	$719,119,798	$926,774,637	$931,243,061
Department of State Health Services	$1,304,166,216	$1,282,277,212	$1,351,219,530	$1,350,265,594
Health and Human Services Commission	$9,331,979,292	$10,446,369,709	$11,133,122,938	$11,416,759,391
Subtotal, Health and Human Services	**$14,006,233,390**	**$14,637,627,337**	**$15,274,444,684**	**$15,583,589,216**
Retirement and Group Insurance	$407,987,705	$440,029,980	$514,904,517	$550,254,815
Social Security and Benefit Replacement Pay	$102,949,326	$105,621,003	$109,970,235	$110,107,333
Subtotal, Employee Benefits	**$510,937,031**	**$545,650,983**	**$624,874,752**	**$660,362,148**
Bond Debt Service Payments	$18,958,112	$23,080,960	$27,745,814	$25,949,879
Lease Payments	$6,206,356	$2,483,243	$1,921,555	$2,115,338
Subtotal, Debt Service	**$25,164,468**	**$25,564,203**	**$29,667,369**	**$28,065,217**
TOTAL, ARTICLE II – HEALTH AND HUMAN SERVICES	**$14,542,334,889**	**$15,208,842,523**	**$15,928,986,805**	**$16,272,016,581**

NOTES:
(1) Budgeted 2015 incorporates certain appropriation adjustments relating to House Bill 2, Eighty-fourth Legislature, 2015; technical and/or reconciling adjustments; and the Governor's vetoes.
(2) Appropriated 2016 and 2017 incorporate certain appropriation adjustments relating to article-specific special provisions, and Article IX of House Bill 1 (Conference Committee Report), Eighty-fourth Legislature, 2015; House Bill 6 and House Bill 7, Eighty-fourth Legislature, 2015; other legislation passed by the Eighty-fourth Legislature, 2015, that affects appropriations; technical and/or reconciling adjustments; and the Governor's vetoes.
SOURCE: Legislative Budget Board.

FIGURE B2 (CONTINUED)
GENERAL REVENUE FUNDS – AGENCIES OF EDUCATION

ARTICLE III – AGENCIES OF EDUCATION	EXPENDED 2014	BUDGETED 2015	APPROPRIATED 2016	APPROPRIATED 2017
Public Education				
Texas Education Agency	$16,645,837,709	$17,083,131,882	$19,458,585,012	$18,020,962,862
School for the Blind and Visually Impaired	$14,614,106	$14,563,978	$14,613,971	$14,413,971
School for the Deaf	$17,924,342	$18,067,911	$17,550,537	$17,490,537
Subtotal, Public Education	**$16,678,376,157**	**$17,115,763,771**	**$19,490,749,520**	**$18,052,867,370**
Public Higher Education				
Two-Year Institutions				
Public Community/Junior Colleges	$897,512,231	$893,287,231	$892,785,312	$885,793,094
Lamar State Colleges				
Lamar Institute of Technology	$8,659,411	$8,661,927	$8,817,280	$8,822,651
Lamar State College – Orange	$6,908,459	$7,986,241	$7,817,147	$7,816,888
Lamar State College – Port Arthur	$10,400,827	$10,400,801	$9,559,247	$9,559,762
Subtotal, Lamar State Colleges	**$25,968,697**	**$27,048,969**	**$26,193,674**	**$26,199,301**
Texas State Technical Colleges				
Texas State Technical College System Administration	$4,500,302	$4,774,858	$10,801,722	$10,801,722
Texas State Technical College – Harlingen	$15,793,949	$15,536,576	$16,650,560	$16,638,509
Texas State Technical College – West Texas	$10,094,602	$10,131,727	$11,226,624	$11,226,107
Texas State Technical College – Marshall	$6,533,560	$6,477,663	$4,937,823	$4,935,646
Texas State Technical College – Waco	$25,096,048	$25,076,033	$25,466,973	$25,417,038
Subtotal, Texas State Technical Colleges	**$62,018,461**	**$61,996,857**	**$69,083,702**	**$69,019,022**
Subtotal, Two–Year Institutions	**$985,499,389**	**$982,333,057**	**$988,062,688**	**$981,011,417**
General Academic Institutions				
The University of Texas System Administration	$17,093,338	$7,865,600	$9,038,063	$9,037,463
The University of Texas at Arlington	$93,846,448	$93,855,983	$105,032,456	$105,438,634
The University of Texas at Austin	$262,252,581	$267,715,107	$295,412,040	$283,010,519
The University of Texas at Dallas	$82,018,238	$87,007,865	$86,393,413	$85,886,928
The University of Texas at El Paso	$73,082,883	$72,887,435	$80,551,320	$80,715,707
The University of Texas Rio Grande Valley	$87,114,221	$87,242,412	$125,938,293	$126,268,985
The University of Texas of the Permian Basin	$25,679,383	$25,689,247	$30,034,131	$30,035,102
The University of Texas at San Antonio	$95,996,945	$96,259,105	$94,416,333	$94,507,580
The University of Texas at Tyler	$29,097,063	$29,134,605	$32,329,219	$32,360,483
Texas A&M University System Administrative and General Offices	$2,236,934	$2,236,934	$855,586	$855,586
Texas A&M University	$252,631,564	$252,061,763	$283,577,112	$283,610,307
Texas A&M University at Galveston	$16,439,327	$16,432,295	$18,226,547	$18,232,517
Prairie View A&M University	$41,417,413	$43,165,002	$47,199,035	$47,212,929
Tarleton State University	$34,372,889	$34,428,007	$38,059,655	$38,150,293
Texas A&M University – Central Texas	$13,709,655	$13,687,425	$14,869,946	$14,874,224
Texas A&M University – Corpus Christi	$43,888,091	$43,338,581	$47,091,960	$46,079,130
Texas A&M University – Kingsville	$32,131,377	$32,111,555	$38,046,193	$37,422,943
Texas A&M University – San Antonio	$17,893,994	$17,917,378	$25,134,820	$25,158,008
Texas A&M International University	$29,729,302	$29,117,525	$31,330,800	$31,404,554
West Texas A&M University	$26,870,459	$26,792,032	$31,314,973	$30,981,453
Texas A&M University – Commerce	$35,569,422	$35,673,644	$37,990,228	$38,095,122

FIGURE B2 (CONTINUED)
GENERAL REVENUE FUNDS – AGENCIES OF EDUCATION

ARTICLE III – AGENCIES OF EDUCATION	EXPENDED 2014	BUDGETED 2015	APPROPRIATED 2016	APPROPRIATED 2017
Texas A&M University – Texarkana	$16,183,477	$16,161,929	$18,118,195	$17,970,330
University of Houston System Administration	$24,597,031	$24,610,656	$24,492,300	$24,507,915
University of Houston	$140,115,107	$146,676,370	$155,572,273	$155,655,428
University of Houston – Clear Lake	$24,451,405	$24,403,504	$29,037,109	$28,977,616
University of Houston – Downtown	$21,783,611	$21,798,868	$23,988,982	$24,025,035
University of Houston – Victoria	$14,987,994	$15,002,253	$15,363,462	$15,381,525
Midwestern State University	$17,041,686	$17,012,175	$18,462,224	$18,522,721
University of North Texas System Administration	$3,366,113	$3,366,113	$5,350,223	$6,101,854
University of North Texas	$100,961,048	$101,159,973	$108,978,512	$109,227,429
University of North Texas at Dallas	$13,435,560	$13,435,318	$14,422,415	$14,423,886
Stephen F. Austin State University	$39,014,676	$39,361,903	$39,613,693	$39,732,191
Texas Southern University	$50,049,739	$49,504,935	$51,965,959	$51,603,046
Texas Tech University System Administration	$1,425,000	$1,425,000	$1,425,000	$1,425,000
Texas Tech University	$143,596,406	$146,965,293	$153,681,025	$153,823,380
Angelo State University	$26,625,960	$25,444,988	$25,646,766	$25,675,052
Texas Woman's University	$49,474,653	$49,542,474	$48,544,875	$48,675,751
Texas State University System	$1,425,000	$1,425,000	$1,425,000	$1,425,000
Lamar University	$38,499,153	$38,486,987	$48,617,011	$49,063,811
Sam Houston State University	$43,504,925	$43,564,016	$52,437,410	$53,615,930
Texas State University	$89,335,550	$91,430,168	$101,500,959	$102,051,793
Sul Ross State University	$14,031,046	$13,833,594	$12,631,270	$12,652,740
Sul Ross State University Rio Grande College	$4,003,603	$4,006,996	$5,024,888	$5,027,041
Subtotal, General Academic Institutions	**$2,190,980,270**	**$2,203,238,013**	**$2,429,141,674**	**$2,418,902,941**
Health Related Institutions				
The University of Texas Southwestern Medical Center	$139,357,272	$139,411,638	$153,084,715	$153,139,690
The University of Texas Medical Branch at Galveston	$253,345,445	$261,594,799	$258,399,846	$258,542,809
The University of Texas Health Science Center at Houston	$163,203,081	$163,505,508	$166,678,689	$166,926,864
The University of Texas Health Science Center at San Antonio	$137,641,589	$147,148,391	$131,422,183	$131,510,128
The University of Texas M.D. Anderson Cancer Center	$171,688,168	$171,679,513	$185,159,472	$185,165,133
The University of Texas Health Science Center at Tyler	$36,981,360	$36,985,935	$45,882,979	$45,884,857
Texas A&M University System Health Science Center	$119,269,646	$119,369,360	$132,456,608	$132,249,123
University of North Texas Health Science Center	$70,320,139	$70,416,490	$83,282,949	$83,052,531
Texas Tech University Health Sciences Center	$169,519,287	$169,473,359	$121,146,107	$121,240,517
Texas Tech University Health Sciences Center at El Paso	$0	$0	$63,086,161	$63,097,439
Subtotal, Health Related Institutions	**$1,261,325,987**	**$1,279,584,993**	**$1,340,599,709**	**$1,340,809,091**
Texas A&M University Services				
Texas A&M AgriLife Research	$53,162,630	$53,956,482	$56,672,679	$56,672,679
Texas A&M AgriLife Extension Service	$42,862,302	$43,757,556	$44,521,407	$44,521,410

FIGURE B2 (CONTINUED)
GENERAL REVENUE FUNDS – AGENCIES OF EDUCATION

ARTICLE III – AGENCIES OF EDUCATION	EXPENDED 2014	BUDGETED 2015	APPROPRIATED 2016	APPROPRIATED 2017
Texas A&M Engineering Experiment Station	$16,790,527	$17,034,033	$16,274,273	$21,274,274
Texas A&M Transportation Institute	$2,143,905	$2,166,942	$9,363,410	$9,363,409
Texas A&M Engineering Extension Service	$7,791,949	$7,847,884	$7,897,670	$7,897,672
Texas A&M Forest Service	$33,017,669	$33,276,938	$33,197,745	$33,197,743
Texas A&M Veterinary Medical Diagnostic Laboratory	$8,846,813	$8,916,313	$8,974,420	$8,974,422
Subtotal, Texas A&M University Services	**164,615,795**	**166,956,148**	**176,901,604**	**181,901,609**
Other Higher Education				
Higher Education Coordinating Board	$655,640,555	$614,261,677	$764,001,834	$932,360,501
Higher Education Fund	$262,500,000	$262,500,000	$262,500,000	$393,750,000
Available University Fund	$0	$0	$0	$0
Available National Research University Fund	$0	$0	$0	$0
Permanent Fund Supporting Military and Veterans Exemptions	$0	$0	$0	$0
Subtotal, Other Higher Education	**$918,140,555**	**$876,761,677**	**$1,026,501,834**	**$1,326,110,501**
Subtotal, Public Higher Education	**$5,520,561,996**	**$5,508,873,888**	**$5,961,207,509**	**$6,248,735,559**
Employee Benefits				
Teacher Retirement System, Public Education	$1,758,526,244	$2,561,797,523	$1,829,570,704	$1,866,162,119
Teacher Retirement System, Higher Education	$162,076,248,	$168,559,298	$173,358,334	$180,292,667
Optional Retirement Program	$136,691,271	$134,326,512	$130,670,819	$128,087,008
Higher Education Employees Group Insurance Contributions	$573,591,812	$615,613,431	$665,110,413	$712,776,657
Retirement and Group Insurance	$27,442,926	$29,774,546	$33,854,450	$36,624,622
Social Security and Benefit Replacement Pay	$218,880,987	$218,963,661	$227,653,811	$236,553,502
Subtotal, Employee Benefits	**$2,877,209,488**	**$3,729,034,971**	**$3,060,218,531**	**$3,160,496,575**
Debt Service				
Bond Debt Service Payments	$10,286,061	$12,102,842	$11,642,288	$11,118,155
Lease Payments	$2,463,527	$2,595,069	$2,271,245	$2,271,028
Subtotal, Debt Service	**$12,749,588**	**$14,697,911**	**$13,913,533**	**$13,389,183**
TOTAL, ARTICLE III – AGENCIES OF EDUCATION	**$25,088,897,229**	**$26,368,370,541**	**$28,526,089,093**	**$27,475,488,687**

NOTES:
(1) Budgeted 2015 incorporates certain appropriation adjustments relating to House Bill 2, Eighty-fourth Legislature, 2015; technical and/or reconciling adjustments; and the Governor’s vetoes.
(2) Appropriated 2016 and 2017 incorporate certain appropriation adjustments relating to article-specific special provisions, and Article IX of House Bill 1 (Conference Committee Report), Eighty-fourth Legislature, 2015; House Bill 6 and House Bill 7, Eighty-fourth Legislature, 2015; other legislation passed by the Eighty-fourth Legislature, 2015, that affects appropriations; technical and/or reconciling adjustments; and the Governor’s vetoes.
(3) Appropriated fiscal years 2016 and 2017 for The University of Texas Rio Grande Valley includes amounts for the institution’s school of medicine. These amounts are reflected in the totals for the health related institutions in Section 6, Education, rather than the general academic institutions.

SOURCE: Legislative Budget Board.

FIGURE B2 (CONTINUED)
GENERAL REVENUE FUNDS – JUDICIARY

ARTICLE IV – JUDICIARY	EXPENDED 2014	BUDGETED 2015	APPROPRIATED 2016	APPROPRIATED 2017
Supreme Court of Texas	$14,150,366	$14,186,417	$16,059,967	$15,948,068
Court of Criminal Appeals	$5,094,066	$5,175,617	$5,949,513	$5,945,974
First Court of Appeals District, Houston	$3,863,060	$4,025,078	$4,320,198	$4,320,198
Second Court of Appeals District, Fort Worth	$2,994,640	$2,996,404	$3,313,544	$3,313,543
Third Court of Appeals District, Austin	$2,563,848	$2,566,664	$2,781,452	$2,781,452
Fourth Court of Appeals District, San Antonio	$2,939,940	$3,090,781	$3,311,993	$3,311,993
Fifth Court of Appeals District, Dallas	$5,406,119	$5,406,118	$5,912,799	$5,912,799
Sixth Court of Appeals District, Texarkana	$1,419,589	$1,419,588	$1,541,670	$1,541,669
Seventh Court of Appeals District, Amarillo	$1,702,405	$1,814,043	$1,918,218	$1,918,218
Eighth Court of Appeals District, El Paso	$1,391,641	$1,448,041	$1,541,669	$1,541,670
Ninth Court of Appeals District, Beaumont	$1,754,454	$1,754,453	$1,915,980	$1,915,979
Tenth Court of Appeals District, Waco	$1,413,693	$1,419,081	$1,641,670	$1,541,670
Eleventh Court of Appeals District, Eastland	$1,418,775	$1,421,773	$1,544,369	$1,544,369
Twelfth Court of Appeals District, Tyler	$1,431,146	$1,431,145	$1,541,684	$1,541,683
Thirteenth Court of Appeals District, Corpus Christi-Edinburg	$2,565,602	$2,565,601	$2,776,662	$2,776,661
Fourteenth Court of Appeals District, Houston	$3,870,776	$4,033,948	$4,321,927	$4,321,927
Office of Court Administration, Texas Judicial Council	$13,360,178	$12,846,837	$21,433,215	$18,352,030
Office of Capital and Forensic Writs	$0	$0	$0	$0
Office of the State Prosecuting Attorney	$376,750	$382,261	$396,146	$396,907
State Law Library	$967,280	$1,058,920	$1,023,177	$1,023,176
State Commission on Judicial Conduct	$933,227	$982,006	$1,112,436	$1,109,936
Judiciary Section, Comptroller's Department	$89,296,225	$84,978,716	$88,607,522	$88,688,356
Subtotal, Judiciary	**$158,913,780**	**$155,003,492**	**$172,965,811**	**$169,748,278**
Retirement and Group Insurance	$55,623,678	$56,526,158	$59,177,626	$60,536,445
Social Security and Benefit Replacement Pay	$9,413,056	$9,573,367	$9,596,212	$9,619,709
Subtotal, Employee Benefits	**$65,036,734**	**$66,099,525**	**$68,773,838**	**$70,156,154**
Lease Payments	$2,290,175	$0	$82	$0
Subtotal, Debt Service	**$2,290,175**	**$0**	**$82**	**$0**
TOTAL, ARTICLE IV – JUDICIARY	**$226,240,689**	**$221,103,017**	**$241,739,731**	**$239,904,432**

NOTES:
(1) Budgeted 2015 incorporates certain appropriation adjustments relating to House Bill 2, Eighty-fourth Legislature, 2015; technical and/or reconciling adjustments; and the Governor's vetoes.
(2) Appropriated 2016 and 2017 incorporate certain appropriation adjustments relating to article-specific special provisions, and Article IX of House Bill 1 (Conference Committee Report), Eighty-fourth Legislature, 2015; House Bill 6 and House Bill 7, Eighty-fourth Legislature, 2015; other legislation passed by the Eighty-fourth Legislature, 2015, that affects appropriations; technical and/or reconciling adjustments; and the Governor's vetoes.
SOURCE: Legislative Budget Board.

FIGURE B2 (CONTINUED)
GENERAL REVENUE FUNDS – PUBLIC SAFETY AND CRIMINAL JUSTICE

ARTICLE V – PUBLIC SAFETY AND CRIMINAL JUSTICE	EXPENDED 2014	BUDGETED 2015	APPROPRIATED 2016	APPROPRIATED 2017
Alcoholic Beverage Commission	$45,713,344	$46,934,682	$49,706,386	$49,769,014
Department of Criminal Justice	$3,063,270,819	$3,116,977,633	$3,247,027,796	$3,289,137,038
Commission on Fire Protection	$1,900,957	$1,930,192	$1,930,192	$1,930,192
Commission on Jail Standards	$913,790	$923,483	$957,202	$957,202
Juvenile Justice Department	$295,376,082	$294,832,084	$292,747,953	$298,212,074
Commission on Law Enforcement	$47,600	$48,452	$0	$0
Texas Military Department	$16,351,533	$42,291,850	$17,299,113	$16,906,358
Department of Public Safety	$228,809,581	$448,682,811	$995,045,833	$946,955,744
Subtotal, Public Safety and Criminal Justice	**$3,652,383,706**	**$3,952,621,187**	**$4,604,714,475**	**$4,603,867,622**
Retirement and Group Insurance	$526,236,034	$561,216,862	$772,907,774	$830,516,940
Social Security and Benefit Replacement Pay	$137,001,039	$139,235,647	$180,119,950	$182,735,073
Subtotal, Employee Benefits	**$663,237,073**	**$700,452,509**	**$953,027,724**	**$1,013,252,013**
Bond Debt Service Payments	$160,525,617	$160,654,083	$140,774,340	$92,919,358
Lease Payments	$1,918,938	$211,430	$243,891	$223,373
Subtotal, Debt Service	**$162,444,555**	**$160,865,513**	**$141,018,231**	**$93,142,731**
TOTAL, ARTICLE V – PUBLIC SAFETY AND CRIMINAL JUSTICE	**$4,478,065,334**	**$4,813,939,209**	**$5,698,760,430**	**$5,710,262,366**

NOTES:
(1) Budgeted 2015 incorporates certain appropriation adjustments relating to House Bill 2, Eighty-fourth Legislature, 2015; technical and/or reconciling adjustments; and the Governor's vetoes.
(2) Appropriated 2016 and 2017 incorporate certain appropriation adjustments relating to article-specific special provisions, and Article IX of House Bill 1 (Conference Committee Report), Eighty-fourth Legislature, 2015; House Bill 6 and House Bill 7, Eighty-fourth Legislature, 2015; other legislation passed by the Eighty-fourth Legislature, 2015, that affects appropriations; technical and/or reconciling adjustments; and the Governor's vetoes.

SOURCE: Legislative Budget Board.

FIGURE B2 (CONTINUED)
GENERAL REVENUE FUNDS – NATURAL RESOURCES

ARTICLE VI – NATURAL RESOURCES	EXPENDED 2014	BUDGETED 2015	APPROPRIATED 2016	APPROPRIATED 2017
Department of Agriculture	$48,241,642	$46,869,578	$54,532,023	$46,777,147
Animal Health Commission	$8,560,451	$9,467,368	$11,428,186	$10,575,542
Commission on Environmental Quality	$8,718,128	$9,475,795	$14,095,560	$8,886,731
General Land Office and Veterans' Land Board	$3,721,794	$3,228,302	$47,109,438	$17,645,086
Low-level Radioactive Waste Disposal Compact Commission	$0	$0	$0	$0
Parks and Wildlife Department	$89,606,519	$107,816,202	$106,046,805	$94,845,889
Railroad Commission	$13,414,156	$13,056,727	$11,050,547	$11,059,503
Soil and Water Conservation Board	$20,305,087	$20,369,807	$21,369,807	$21,369,807
Water Development Board	$82,171,341	$67,996,999	$77,813,161	$73,303,131
Subtotal, Natural Resources	**$274,739,118**	**$278,280,778**	**$343,445,527**	**$284,462,836**
Retirement and Group Insurance	$58,450,900	$62,584,289	$72,304,852	$77,363,623
Social Security and Benefit Replacement Pay	$6,500,188	$6,595,945	$6,810,440	$6,884,354
Subtotal, Employee Benefits	**$64,951,088**	**$69,180,234**	**$79,115,292**	**$84,247,977**
Bond Debt Service Payments	$10,138,932	$13,974,395	$18,299,299	$17,995,641
Lease Payments	$3,101,408	$2,917,477	$2,261,632	$2,240,817
Subtotal, Debt Service	**$13,240,340**	**$16,891,872**	**$20,560,931**	**$20,236,458**
TOTAL, ARTICLE VI – NATURAL RESOURCES	**$352,930,546**	**$364,352,884**	**$443,121,750**	**$388,947,271**

NOTES:
(1) Budgeted 2015 incorporates certain appropriation adjustments relating to House Bill 2, Eighty-fourth Legislature, 2015; technical and/or reconciling adjustments; and the Governor's vetoes.
(2) Appropriated 2016 and 2017 incorporate certain appropriation adjustments relating to article-specific special provisions, and Article IX of House Bill 1 (Conference Committee Report), Eighty-fourth Legislature, 2015; House Bill 6 and House Bill 7, Eighty-fourth Legislature, 2015; other legislation passed by the Eighty-fourth Legislature, 2015, that affects appropriations; technical and/or reconciling adjustments; and the Governor's vetoes.
SOURCE: Legislative Budget Board.

FIGURE B2 (CONTINUED)
GENERAL REVENUE FUNDS – BUSINESS AND ECONOMIC DEVELOPMENT

ARTICLE VII – BUSINESS AND ECONOMIC DEVELOPMENT	EXPENDED 2014	BUDGETED 2015	APPROPRIATED 2016	APPROPRIATED 2017
Department of Housing and Community Affairs	$13,192,923	$13,253,415	$13,209,997	$13,270,489
Texas Lottery Commission	$16,646,804	$16,658,445	$15,408,445	$15,408,445
Department of Motor Vehicles	$107,964,251	$110,294,594	$168,180,219	$14,912,006
Department of Transportation	$122,291,582	$193,901,501	$219,566,313	$287,773,889
Texas Workforce Commission	$130,496,722	$132,595,138	$139,093,480	$195,464,859
Reimbursements to the Unemployment Compensation Benefit Account	$0	$0	$0	$0
Subtotal, Business and Economic Development	**$390,592,282**	**$466,703,093**	**$555,458,454**	**$526,829,688**
Retirement and Group Insurance	$11,630,271	$12,668,437	$18,305,181	$25,760,102
Social Security and Benefit Replacement Pay	$3,178,437	$3,222,810	$3,976,082	$5,272,222
Subtotal, Employee Benefits	**$14,808,708**	**$15,891,247**	**$22,281,263**	**$31,032,324**
Bond Debt Service Payments	$11,616,180	$13,583,846	$15,325,448	$14,811,614
Lease Payments	$942,413	$725,852	$1,193,723	$1,466,457
Subtotal, Debt Service	**$12,558,593**	**$14,309,698**	**$16,519,171**	**$16,278,071**
TOTAL, ARTICLE VII – BUSINESS AND ECONOMIC DEVELOPMENT	**$417,959,583**	**$496,904,038**	**$594,258,888**	**$574,140,083**

NOTES:
(1) Budgeted 2015 incorporates certain appropriation adjustments relating to House Bill 2, Eighty-fourth Legislature, 2015; technical and/or reconciling adjustments; and the Governor's vetoes.
(2) Appropriated 2016 and 2017 incorporate certain appropriation adjustments relating to article-specific special provisions, and Article IX of House Bill 1 (Conference Committee Report), Eighty-fourth Legislature, 2015; House Bill 6 and House Bill 7, Eighty-fourth Legislature, 2015; other legislation passed by the Eighty-fourth Legislature, 2015, that affects appropriations; technical and/or reconciling adjustments; and the Governor's vetoes.

SOURCE: Legislative Budget Board.

FIGURE B2 (CONTINUED)
GENERAL REVENUE FUNDS – REGULATORY

ARTICLE VIII – REGULATORY	EXPENDED 2014	BUDGETED 2015	APPROPRIATED 2016	APPROPRIATED 2017
State Office of Administrative Hearings	$3,362,071	$3,476,181	$8,786,105	$7,586,943
Board of Chiropractic Examiners	$747,012	$723,201	$769,166	$766,760
Texas State Board of Dental Examiners	$3,967,498	$3,890,869	$4,077,561	$4,076,951
Funeral Service Commission	$745,123	$753,996	$764,131	$764,080
Board of Professional Geoscientists	$586,042	$584,471	$592,244	$587,339
Health Professions Council	$0	$0	$0	$0
Office of Injured Employee Counsel	$0	$0	$0	$0
Department of Insurance	$37,889,141	$45,662,879	$42,660,216	$42,723,927
Office of Public Insurance Counsel	$850,085	$862,371	$870,368	$870,368
Board of Professional Land Surveying	$408,404	$444,098	$459,439	$459,404
Department of Licensing and Regulation	$23,292,099	$23,493,269	$30,180,043	$28,114,166
Texas Medical Board	$9,566,468	$9,610,548	$11,840,193	$11,372,258
Texas Board of Nursing	$7,905,166	$8,019,116	$8,595,633	$8,595,633
Optometry Board	$421,642	$420,381	$435,195	$435,162
Board of Pharmacy	$6,891,379	$6,484,187	$6,803,201	$7,629,242
Executive Council of Physical Therapy and Occupational Therapy Examiners	$1,153,250	$1,153,256	$1,299,342	$1,335,991
Board of Plumbing Examiners	$2,526,042	$2,405,542	$2,629,402	$2,616,100
Board of Podiatric Medical Examiners	$278,002	$276,882	$287,680	$282,919
Board of Examiners of Psychologists	$782,133	$786,772	$801,010	$800,937
Racing Commission	$0	$0	$0	$0
Securities Board	$7,052,284	$7,182,337	$7,182,560	$7,182,561
Public Utility Commission of Texas	$4,374,883	$5,168,555	$4,828,720	$13,555,763
Office of Public Utility Counsel	$1,528,614	$1,825,018	$1,692,568	$1,692,568
Board of Veterinary Medical Examiners	$1,168,947	$1,134,632	$1,285,510	$1,285,512
Subtotal, Regulatory	**$115,496,285**	**$124,358,561**	**$136,840,287**	**$142,734,584**
Retirement and Group Insurance	$16,326,985	$17,393,689	$20,070,786	$21,274,712
Social Security and Benefit Replacement Pay	$4,761,786	$4,839,744	$5,628,265	$5,639,274
Subtotal, Employee Benefits	**$21,088,771**	**$22,233,433**	**$25,699,051**	**$26,913,986**
Lease Payments	$833,050	$440,518	$351,305	$332,364
Subtotal, Debt Service	**$833,050**	**$440,518**	**$351,305**	**$332,364**
TOTAL, ARTICLE VIII – REGULATORY	**$137,418,106**	**$147,032,512**	**$162,890,643**	**$169,980,934**

NOTES:
(1) Budgeted 2015 incorporates certain appropriation adjustments relating to House Bill 2, Eighty-fourth Legislature, 2015; technical and/or reconciling adjustments; and the Governor's vetoes.
(2) Appropriated 2016 and 2017 incorporate certain appropriation adjustments relating to article-specific special provisions, and Article IX of House Bill 1 (Conference Committee Report), Eighty-fourth Legislature, 2015; House Bill 6 and House Bill 7, Eighty-fourth Legislature, 2015; other legislation passed by the Eighty-fourth Legislature, 2015, that affects appropriations; technical and/or reconciling adjustments; and the Governor's vetoes.
SOURCE: Legislative Budget Board.

FIGURE B2 (CONTINUED)
GENERAL REVENUE FUNDS – GENERAL PROVISIONS

ARTICLE IX – GENERAL PROVISIONS	EXPENDED 2014	BUDGETED 2015	APPROPRIATED 2016	APPROPRIATED 2017
Appropriation for a Salary Increase	$0	$0	$138,100,078	$138,100,078
TOTAL, ARTICLE IX – GENERAL PROVISIONS	**$0**	**$0**	**$138,100,078**	**$138,100,078**

NOTES:
(1) Budgeted 2015 incorporates certain appropriation adjustments relating to House Bill 2, Eighty-fourth Legislature, 2015; technical and/or reconciling adjustments; and the Governor's vetoes.
(2) Appropriated 2016 and 2017 incorporate certain appropriation adjustments relating to article-specific special provisions, and Article IX of House Bill 1 (Conference Committee Report), Eighty-fourth Legislature, 2015; House Bill 6 and House Bill 7, Eighty-fourth Legislature, 2015; other legislation passed by the Eighty-fourth Legislature, 2015, that affects appropriations; technical and/or reconciling adjustments; and the Governor's vetoes.
SOURCE: Legislative Budget Board.

FIGURE B2 (CONTINUED)
GENERAL REVENUE FUNDS – LEGISLATURE

ARTICLE X – LEGISLATURE	EXPENDED 2014	BUDGETED 2015	APPROPRIATED 2016	APPROPRIATED 2017
Senate	$29,271,731	$33,436,478	$30,983,582	$33,647,631
House of Representatives	$35,866,163	$38,961,585	$36,213,755	$40,892,793
Legislative Budget Board	$14,901,653	$16,051,133	$15,590,093	$15,590,092
Legislative Council	$34,959,126	$37,654,214	$35,108,903	$38,034,645
Commission on Uniform State Laws	$150,000	$150,000	$150,000	$150,000
Sunset Advisory Commission	$2,214,823	$2,407,589	$2,330,876	$2,330,876
State Auditor's Office	$16,425,146	$17,078,329	$16,920,296	$16,920,296
Legislative Reference Library	$1,555,230	$1,646,492	$1,584,234	$1,646,492
Subtotal, Legislature	**$135,202,909**	**$147,052,091**	**$138,881,739**	**$149,212,825**
Retirement and Group Insurance	$27,909,663	$29,894,270	$34,147,192	$36,428,572
Social Security and Benefit Replacement Pay	$8,139,445	$8,274,043	$8,289,520	$8,307,533
Subtotal, Employee Benefits	**$36,049,108**	**$38,168,313**	**$42,436,712**	**$44,736,105**
Lease Payments	$8,428,047	$8,993,042	$7,243,209	$3,352,869
Subtotal, Debt Service	**$8,428,047**	**$8,993,042**	**$7,243,209**	**$3,352,869**
TOTAL, ARTICLE X – LEGISLATURE	**$179,680,064**	**$194,213,446**	**$188,561,660**	**$197,301,799**

NOTES:
(1) Budgeted 2015 incorporates certain appropriation adjustments relating to House Bill 2, Eighty-fourth Legislature, 2015; technical and/or reconciling adjustments; and the Governor's vetoes.
(2) Appropriated 2016 and 2017 incorporate certain appropriation adjustments relating to article-specific special provisions, and Article IX of House Bill 1 (Conference Committee Report), Eighty-fourth Legislature, 2015; House Bill 6 and House Bill 7, Eighty-fourth Legislature, 2015; other legislation passed by the Eighty-fourth Legislature, 2015, that affects appropriations; technical and/or reconciling adjustments; and the Governor's vetoes.
SOURCE: Legislative Budget Board.

APPENDIX B – SUMMARY OF STATE BUDGET BY FISCAL YEAR

GENERAL REVENUE–DEDICATED FUNDS

FIGURE B3
GENERAL REVENUE–DEDICATED FUNDS – STATEWIDE SUMMARY

FUNCTION	EXPENDED 2014	BUDGETED 2015	APPROPRIATED 2016	APPROPRIATED 2017
Article I – General Government	$418,392,303	$447,294,207	$668,487,527	$321,732,232
Article II – Health And Human Services	$608,455,805	$583,003,240	$592,624,879	$591,252,667
Article III– Agencies Of Education	$1,296,076,935	$1,380,067,998	$1,433,659,150	$1,355,064,934
Public Education	*$31,906*	*$33,496*	*$0*	*$0*
Higher Education	*$1,296,045,029*	*$1,380,034,502*	*$1,433,659,150*	*$1,355,064,934*
Article IV – Judiciary	$72,322,597	$61,143,846	$76,160,060	$66,161,038
Article V – Public Safety and Criminal Justice	$43,860,590	$12,671,449	$64,628,683	$65,074,717
Article VI – Natural Resources	$541,424,645	$668,644,878	$773,901,437	$731,781,678
Article VII – Business and Economic Development	$236,977,384	$226,387,598	$239,209,753	$240,596,674
Article VIII – Regulatory	$564,548,671	$224,682,597	$451,813,613	$117,491,678
Article IX – General Provisions	$0	$0	$9,390,764	$9,390,764
Article X – Legislature	$0	$0	$0	$0
TOTAL, ALL FUNCTIONS	**$3,782,058,930**	**$3,603,895,813**	**$4,309,875,866**	**$3,498,546,382**

NOTES:
(1) Budgeted 2015 incorporates certain appropriation adjustments relating to House Bill 2, Eighty-fourth Legislature, 2015; technical and/or reconciling adjustments; and the Governor's vetoes.
(2) Appropriated 2016 and 2017 incorporate certain appropriation adjustments relating to article-specific special provisions, and Article IX of House Bill 1 (Conference Committee Report), Eighty-fourth Legislature, 2015; House Bill 6 and House Bill 7, Eighty-fourth Legislature, 2015; other legislation passed by the Eighty-fourth Legislature, 2015, that affects appropriations; technical and/or reconciling adjustments; and the Governor's vetoes.
SOURCE: Legislative Budget Board.

FIGURE B3 (CONTINUED)
GENERAL REVENUE–DEDICATED FUNDS – GENERAL GOVERNMENT

ARTICLE I – GENERAL GOVERNMENT	EXPENDED 2014	BUDGETED 2015	APPROPRIATED 2016	APPROPRIATED 2017
Commission on the Arts	$0	$0	$453,561	$302,374
Office of the Attorney General	$74,567,760	$75,240,802	$82,587,952	$72,627,066
Bond Review Board	$0	$0	$0	$0
Cancer Prevention and Research Institute of Texas	$0	$0	$0	$0
Comptroller of Public Accounts	$0	$0	$250,000	$0
Fiscal Programs within the Office of the Comptroller of Public Accounts	$33,283,601	$33,285,369	$17,551,983	$17,521,983
Commission on State Emergency Communications	$77,565,850	$68,286,300	$78,654,034	$71,626,292
Texas Emergency Services Retirement System	$0	$0	$1,583,825	$1,583,825
Employees Retirement System	$0	$0	$0	$0
Texas Ethics Commission	$0	$0	$0	$0
Facilities Commission	$2,797,714	$2,777,152	$221,351,125	$2,978,755
Public Finance Authority	$0	$0	$0	$0
Office of the Governor	$0	$0	$0	$0
Trusteed Programs within the Office of the Governor	$192,523,957	$150,803,490	$179,664,507	$37,663,238
Historical Commission	$0	$530,000	$265,000	$265,000
Department of Information Resources	$0	$0	$0	$0
Library and Archives Commission	$0	$0	$0	$0
Pension Review Board	$0	$0	$0	$0
Preservation Board	$0	$0	$0	$0
State Office of Risk Management	$0	$0	$0	$0
Secretary of State	$14,444	$7,222	$7,222	$3,140
Veterans Commission	$0	$0	$0	$0
Subtotal, General Government	**$380,753,326**	**$330,930,335**	**$582,369,209**	**$204,571,673**
Retirement and Group Insurance	$2,382,788	$2,576,719	$2,972,811	$3,139,429
Social Security and Benefit Replacement Pay	$834,592	$865,032	$875,870	$877,717
Subtotal, Employee Benefits	**$3,217,380**	**$3,441,751**	**$3,848,681**	**$4,017,146**
Bond Debt Service Payments	$34,421,597	$112,922,121	$82,269,637	$113,143,413
Subtotal, Debt Service	**$34,421,597**	**$112,922,121**	**$82,269,637**	**$113,143,413**
TOTAL, ARTICLE I – GENERAL GOVERNMENT	**$418,392,303**	**$447,294,207**	**$668,487,527**	**$321,732,232**

NOTES:
(1) Budgeted 2015 incorporates certain appropriation adjustments relating to House Bill 2, Eighty-fourth Legislature, 2015; technical and/or reconciling adjustments; and the Governor's vetoes.
(2) Appropriated 2016 and 2017 incorporate certain appropriation adjustments relating to article-specific special provisions, and Article IX of House Bill 1 (Conference Committee Report), Eighty-fourth Legislature, 2015; House Bill 6 and House Bill 7, Eighty-fourth Legislature, 2015; other legislation passed by the Eighty-fourth Legislature, 2015, that affects appropriations; technical and/or reconciling adjustments; and the Governor's vetoes.
SOURCE: Legislative Budget Board.

FIGURE B3 (CONTINUED)
GENERAL REVENUE–DEDICATED FUNDS – HEALTH AND HUMAN SERVICES

ARTICLE II – HEALTH AND HUMAN SERVICES	EXPENDED 2014	BUDGETED 2015	APPROPRIATED 2016	APPROPRIATED 2017
Department of Aging and Disability Services	$65,694,702	$65,694,701	$97,194,701	$97,194,702
Department of Assistive and Rehabilitative Services	$15,645,926	$19,272,351	$18,717,079	$17,548,000
Department of Family and Protective Services	$5,685,702	$5,685,701	$5,685,702	$5,685,701
Department of State Health Services	$508,495,099	$478,529,531	$445,394,861	$444,558,145
Health and Human Services Commission	$0	$0	$10,229,843	$10,229,843
Subtotal, Health and Human Services	**$595,521,429**	**$569,182,284**	**$577,222,186**	**$575,216,391**
Retirement and Group Insurance	$10,294,765	$11,123,226	$12,703,851	$13,385,756
Social Security and Benefit Replacement Pay	$2,639,611	$2,697,730	$2,698,842	$2,650,520
Subtotal, Employee Benefits	**$12,934,376**	**$13,820,956**	**$15,402,693**	**$16,036,276**
TOTAL, ARTICLE II – HEALTH AND HUMAN SERVICES	**$608,455,805**	**$583,003,240**	**$592,624,879**	**$591,252,667**

NOTES:
(1) Budgeted 2015 incorporates certain appropriation adjustments relating to House Bill 2, Eighty-fourth Legislature, 2015; technical and/or reconciling adjustments; and the Governor’s vetoes.
(2) Appropriated 2016 and 2017 incorporate certain appropriation adjustments relating to article-specific special provisions, and Article IX of House Bill 1 (Conference Committee Report), Eighty-fourth Legislature, 2015; House Bill 6 and House Bill 7, Eighty-fourth Legislature, 2015; other legislation passed by the Eighty-fourth Legislature, 2015, that affects appropriations; technical and/or reconciling adjustments; and the Governor’s vetoes.
SOURCE: Legislative Budget Board.

FIGURE B3 (CONTINUED)
GENERAL REVENUE–DEDICATED FUNDS – AGENCIES OF EDUCATION

ARTICLE III – AGENCIES OF EDUCATION	EXPENDED 2014	BUDGETED 2015	APPROPRIATED 2016	APPROPRIATED 2017
Public Education				
Texas Education Agency	$31,906	$33,496	$0	$0
School for the Blind and Visually Impaired	$0	$0	$0	$0
School for the Deaf	$0	$0	$0	$0
Subtotal, Public Education	**$31,906**	**$33,496**	**$0**	**$0**
Public Higher Education				
Two–Year Institutions				
Public Community/Junior Colleges	$0	$0	$0	$0
Lamar State Colleges				
Lamar Institute of Technology	$2,690,334	$2,915,864	$3,060,013	$3,075,648
Lamar State College – Orange	$3,088,748	$2,588,357	$2,152,997	$2,164,533
Lamar State College – Port Arthur	$1,985,851	$1,706,898	$1,288,993	$1,291,970
Subtotal, Lamar State Colleges	**$7,764,933**	**$7,211,119**	**$6,502,003**	**$6,532,151**
Texas State Technical Colleges				
Texas State Technical College System Administration	$335,422	$328,800	$545,313	$546,062
Texas State Technical College – Harlingen	$9,926,445	$10,146,446	$9,407,507	$9,660,030
Texas State Technical College – West Texas	$3,187,794	$3,616,982	$2,564,508	$2,592,285
Texas State Technical College – Marshall	$1,966,544	$2,409,748	$1,668,839	$1,698,818
Texas State Technical College – Waco	$10,349,701	$10,323,411	$10,047,642	$10,668,131
Subtotal, Texas State Technical Colleges	**$25,765,906**	**$26,825,387**	**$24,233,809**	**$25,165,326**
Subtotal, Two–Year Institutions	**$33,530,839**	**$34,036,506**	**$30,735,812**	**$31,697,477**
General Academic Institutions				
The University of Texas System Administration	$0	$0	$0	$0
The University of Texas at Arlington	$62,831,273	$65,851,932	$65,312,693	$65,515,843
The University of Texas at Austin	$112,101,716	$110,455,006	$117,181,597	$114,895,811
The University of Texas at Dallas	$55,917,938	$60,987,725	$61,347,226	$62,339,492
The University of Texas at El Paso	$28,634,958	$29,016,286	$28,975,512	$29,155,467
The University of Texas Rio Grande Valley	$35,160,557	$36,700,874	$35,560,570	$35,646,208
The University of Texas of the Permian Basin	$5,505,805	$5,660,370	$6,270,938	$6,324,570
The University of Texas at San Antonio	$45,766,402	$43,469,105	$47,487,883	$47,920,683
The University of Texas at Tyler	$8,660,659	$8,808,281	$9,328,506	$9,401,652
Texas A&M University System Administrative and General Offices	$0	$0	$0	$0
Texas A&M University	$103,482,154	$105,289,194	$119,023,719	$115,829,456
Texas A&M University at Galveston	$3,826,196	$4,466,329	$4,278,610	$4,311,812
Prairie View A&M University	$17,053,405	$17,608,122	$16,940,136	$17,079,041
Tarleton State University	$14,619,499	$15,771,263	$15,319,743	$15,367,021
Texas A&M University – Central Texas	$3,049,489	$2,690,749	$2,637,477	$2,655,461
Texas A&M University – Corpus Christi	$14,988,347	$15,406,377	$15,195,275	$15,310,919
Texas A&M University – Kingsville	$15,118,465	$15,624,927	$16,178,508	$16,430,699
Texas A&M University – San Antonio	$4,018,491	$5,037,693	$4,610,020	$4,615,779
Texas A&M International University	$8,119,902	$8,325,731	$8,172,207	$8,194,252
West Texas A&M University	$10,543,153	$12,506,032	$12,684,375	$12,761,185
Texas A&M University – Commerce	$16,305,580	$16,637,385	$16,980,738	$17,077,035

FIGURE B3 (CONTINUED)
GENERAL REVENUE–DEDICATED FUNDS – AGENCIES OF EDUCATION

ARTICLE III – AGENCIES OF EDUCATION	EXPENDED 2014	BUDGETED 2015	APPROPRIATED 2016	APPROPRIATED 2017
Texas A&M University – Texarkana	$1,473,484	$2,922,568	$2,336,165	$2,382,966
University of Houston System Administration	$0	$0	$0	$0
University of Houston	$103,102,097	$107,721,038	$78,215,338	$78,973,317
University of Houston – Clear Lake	$12,281,892	$13,995,457	$15,946,955	$16,163,310
University of Houston – Downtown	$16,729,452	$17,137,471	$17,167,010	$17,275,118
University of Houston – Victoria	$6,587,408	$6,833,009	$6,026,281	$6,059,205
Midwestern State University	$7,607,695	$7,548,755	$6,841,947	$6,896,220
University of North Texas System Administration	$0	$1,126,728	$1,204,020	$1,204,868
University of North Texas	$53,559,545	$53,677,711	$50,308,333	$50,676,412
University of North Texas at Dallas	$2,028,465	$2,040,840	$2,377,733	$2,386,879
Stephen F. Austin State University	$18,193,398	$18,282,465	$16,682,383	$16,780,924
Texas Southern University	$24,070,466	$22,374,609	$23,800,901	$23,994,965
Texas Tech University System Administration	$0	$0	$0	$0
Texas Tech University	$52,791,127	$57,184,966	$57,206,334	$57,649,890
Angelo State University	$7,813,595	$8,777,434	$8,903,535	$8,994,462
Texas Woman's University	$21,866,274	$21,371,287	$23,866,086	$23,970,075
Texas State University System	$0	$0	$0	$0
Lamar University	$16,820,300	$17,082,758	$17,478,199	$17,485,532
Sam Houston State University	$32,140,461	$35,455,944	$34,173,359	$31,873,588
Texas State University	$48,534,146	$48,341,171	$48,266,065	$48,284,242
Sul Ross State University	$2,110,566	$2,339,121	$2,252,124	$2,260,407
Sul Ross State University Rio Grande College	$876,969	$869,925	$927,118	$928,753
Subtotal, General Academic Institutions	**$994,291,329**	**$1,025,396,638**	**$1,017,465,619**	**$1,015,073,519**
Health Related Institutions				
The University of Texas Southwestern Medical Center	$7,334,078	$7,763,899	$7,453,078	$7,453,079
The University of Texas Medical Branch at Galveston	$12,936,945	$14,084,518	$12,883,508	$12,883,508
The University of Texas Health Science Center at Houston	$21,845,411	$22,546,186	$21,905,165	$21,905,165
The University of Texas Health Science Center at San Antonio	$8,444,507	$9,070,419	$9,094,506	$9,094,508
The University of Texas M.D. Anderson Cancer Center	$833,615	$896,060	$833,795	$833,796
The University of Texas Health Science Center at Tyler	$370,777	$367,277	$370,777	$370,777
Texas A&M University System Health Science Center	$15,499,271	$15,633,955	$14,480,356	$14,480,356
University of North Texas Health Science Center	$9,492,964	$10,097,824	$9,492,965	$9,492,964
Texas Tech University Health Sciences Center	$15,348,618	$15,817,900	$13,314,682	$13,314,682
Texas Tech University Health Sciences Center at El Paso	$0	$0	$2,039,634	$2,039,635
Subtotal, Health Related Institutions	**92,106,186**	**96,278,038**	**91,868,466**	**91,868,470**
Texas A&M University Services				
Texas A&M AgriLife Research	$471,032	$474,700	$474,700	$474,700
Texas A&M AgriLife Extension Service	$0	$0	$0	$0

FIGURE B3 (CONTINUED)
GENERAL REVENUE–DEDICATED FUNDS – AGENCIES OF EDUCATION

ARTICLE III – AGENCIES OF EDUCATION	EXPENDED 2014	BUDGETED 2015	APPROPRIATED 2016	APPROPRIATED 2017
Texas A&M Engineering Experiment Station	$455,498	$462,043	$462,043	$462,043
Texas A&M Transportation Institute	$0	$0	$0	$0
Texas A&M Engineering Extension Service	$0	$0	$0	$0
Texas A&M Forest Service	$20,511,430	$20,576,404	$31,527,654	$31,527,654
Texas A&M Veterinary Medical Diagnostic Laboratory	$0	$0	$0	$0
Subtotal, Texas A&M University Services	**$21,437,960**	**$21,513,147**	**$32,464,397**	**$32,464,397**
Other Higher Education				
Higher Education Coordinating Board	$36,828,896	$82,028,895	$135,512,325	$53,324,040
Higher Education Fund	$0	$0	$0	$0
Available University Fund	$0	$0	$0	$0
Available National Research University Fund	$0	$0	$0	$0
Permanent Fund Supporting Military and Veterans Exemptions	$0	$0	$0	$0
Subtotal, Other Higher Education	**$36,828,896**	**$82,028,895**	**$135,512,325**	**$53,324,040**
Subtotal, Public Higher Education	**$1,178,195,210**	**$1,259,253,224**	**$1,308,046,619**	**$1,224,427,903**
Employee Benefits				
Teacher Retirement System, Public Education	$0	$0	$0	$0
Teacher Retirement System, Higher Education	$42,693,837	$44,401,590	$46,177,654	$48,024,760
Optional Retirement Program	$30,592,666	$31,816,372	$33,089,028	$34,412,588
Higher Education Employees Group Insurance Contributions	$0	$0	$0	$0
Retirement and Group Insurance	$0	$0	$0	$0
Social Security and Benefit Replacement Pay	$44,563,316	$44,563,316	$46,345,849	$48,199,683
Subtotal, Employee Benefits	**$117,849,819**	**$120,781,278**	**$125,612,531**	**$130,637,031**
TOTAL, ARTICLE III – AGENCIES OF EDUCATION	**$1,296,076,935**	**$1,380,067,998**	**$1,433,659,150**	**$1,355,064,934**

NOTES:
(1) Budgeted 2015 incorporates certain appropriation adjustments relating to House Bill 2, Eighty-fourth Legislature, 2015; technical and/or reconciling adjustments; and the Governor's vetoes.
(2) Appropriated 2016 and 2017 incorporate certain appropriation adjustments relating to article-specific special provisions, and Article IX of House Bill 1 (Conference Committee Report), Eighty-fourth Legislature, 2015; House Bill 6 and House Bill 7, Eighty-fourth Legislature, 2015; other legislation passed by the Eighty-fourth Legislature, 2015, that affects appropriations; technical and/or reconciling adjustments; and the Governor's vetoes.

SOURCE: Legislative Budget Board.

FIGURE B3 (CONTINUED)
GENERAL REVENUE–DEDICATED FUNDS – JUDICIARY

ARTICLE IV – JUDICIARY	EXPENDED 2014	BUDGETED 2015	APPROPRIATED 2016	APPROPRIATED 2017
Supreme Court of Texas	$0	$0	$10,000,000	$0
Court of Criminal Appeals	$8,449,056	$8,649,555	$9,781,030	$9,779,755
First Court of Appeals District, Houston	$0	$0	$0	$0
Second Court of Appeals District, Fort Worth	$0	$0	$0	$0
Third Court of Appeals District, Austin	$0	$0	$0	$0
Fourth Court of Appeals District, San Antonio	$0	$0	$0	$0
Fifth Court of Appeals District, Dallas	$0	$0	$0	$0
Sixth Court of Appeals District, Texarkana	$0	$0	$0	$0
Seventh Court of Appeals District, Amarillo	$0	$0	$0	$0
Eighth Court of Appeals District, El Paso	$0	$0	$0	$0
Ninth Court of Appeals District, Beaumont	$0	$0	$0	$0
Tenth Court of Appeals District, Waco	$0	$0	$0	$0
Eleventh Court of Appeals District, Eastland	$0	$0	$0	$0
Twelfth Court of Appeals District, Tyler	$0	$0	$0	$0
Thirteenth Court of Appeals District, Corpus Christi-Edinburg	$0	$0	$0	$0
Fourteenth Court of Appeals District, Houston	$0	$0	$0	$0
Office of Court Administration, Texas Judicial Council	$62,509,919	$51,010,508	$54,533,927	$54,615,730
Office of Capital and Forensic Writs	$1,001,255	$1,105,724	$1,423,146	$1,328,863
Office of the State Prosecuting Attorney	$0	$0	$0	$0
State Law Library	$0	$0	$0	$0
State Commission on Judicial Conduct	$0	$0	$0	$0
Judiciary Section, Comptroller's Department	$0	$0	$0	$0
Subtotal, Judiciary	**$71,960,230**	**$60,765,787**	**$75,738,103**	**$65,724,348**
Retirement and Group Insurance	$248,761	$262,350	$305,856	$320,177
Social Security and Benefit Replacement Pay	$113,606	$115,709	$116,101	$116,513
Subtotal, Employee Benefits	**$362,367**	**$378,059**	**$421,957**	**$436,690**
TOTAL, ARTICLE IV – JUDICIARY	**$72,322,597**	**$61,143,846**	**$76,160,060**	**$66,161,038**

NOTES:
(1) Budgeted 2015 incorporates certain appropriation adjustments relating to House Bill 2, Eighty-fourth Legislature, 2015; technical and/or reconciling adjustments; and the Governor's vetoes.
(2) Appropriated 2016 and 2017 incorporate certain appropriation adjustments relating to article-specific special provisions, and Article IX of House Bill 1 (Conference Committee Report), Eighty-fourth Legislature, 2015; House Bill 6 and House Bill 7, Eighty-fourth Legislature, 2015; other legislation passed by the Eighty-fourth Legislature, 2015, that affects appropriations; technical and/or reconciling adjustments; and the Governor's vetoes.
SOURCE: Legislative Budget Board.

FIGURE B3 (CONTINUED)
GENERAL REVENUE–DEDICATED FUNDS – PUBLIC SAFETY AND CRIMINAL JUSTICE

ARTICLE V – PUBLIC SAFETY AND CRIMINAL JUSTICE	EXPENDED 2014	BUDGETED 2015	APPROPRIATED 2016	APPROPRIATED 2017
Alcoholic Beverage Commission	$0	$0	$0	$0
Department of Criminal Justice	$293,550	$293,634	$30,293,635	$30,293,634
Commission on Fire Protection	$17,500	$17,500	$0	$0
Commission on Jail Standards	$0	$0	$0	$0
Juvenile Justice Department	$0	$0	$0	$0
Commission on Law Enforcement	$2,617,726	$2,655,502	$3,051,073	$3,434,121
Texas Military Department	$32,500,000	$0	$9,781,250	$9,781,250
Department of Public Safety	$5,500,000	$7,000,000	$17,194,174	$17,194,174
Subtotal, Public Safety and Criminal Justice	**$40,928,776**	**$9,966,636**	**$60,320,132**	**$60,703,179**
Retirement and Group Insurance	$2,765,080	$2,534,971	$4,138,115	$4,200,482
Social Security and Benefit Replacement Pay	$166,734	$169,842	$170,436	$171,056
Subtotal, Employee Benefits	**$2,931,814**	**$2,704,813**	**$4,308,551**	**$4,371,538**
TOTAL, ARTICLE V – PUBLIC SAFETY AND CRIMINAL JUSTICE	**$43,860,590**	**$12,671,449**	**$64,628,683**	**$65,074,717**

NOTES:
(1) Budgeted 2015 incorporates certain appropriation adjustments relating to House Bill 2, Eighty-fourth Legislature, 2015; technical and/or reconciling adjustments; and the Governor’s vetoes.
(2) Appropriated 2016 and 2017 incorporate certain appropriation adjustments relating to article-specific special provisions, and Article IX of House Bill 1 (Conference Committee Report), Eighty-fourth Legislature, 2015; House Bill 6 and House Bill 7, Eighty-fourth Legislature, 2015; other legislation passed by the Eighty-fourth Legislature, 2015, that affects appropriations; technical and/or reconciling adjustments; and the Governor’s vetoes.

SOURCE: Legislative Budget Board.

FIGURE B3 (CONTINUED)
GENERAL REVENUE–DEDICATED FUNDS – NATURAL RESOURCES

ARTICLE VI – NATURAL RESOURCES	EXPENDED 2014	BUDGETED 2015	APPROPRIATED 2016	APPROPRIATED 2017
Department of Agriculture	$3,093,176	$2,603,922	$2,718,433	$2,603,549
Animal Health Commission	$0	$0	$0	$0
Commission on Environmental Quality	$248,750,022	$374,117,318	$404,740,451	$393,539,967
General Land Office and Veterans' Land Board	$14,926,024	$15,761,507	$10,905,352	$10,896,352
Low-level Radioactive Waste Disposal Compact Commission	$242,626	$242,626	$583,289	$583,289
Parks and Wildlife Department	$145,978,779	$145,006,712	$217,432,132	$182,637,024
Railroad Commission	$66,648,161	$66,521,568	$66,535,674	$66,891,659
Soil and Water Conservation Board	$0	$0	$0	$0
Water Development Board	$0	$0	$0	$0
Subtotal, Natural Resources	**$479,638,788**	**$604,253,653**	**$702,915,331**	**$657,151,840**
Retirement and Group Insurance	$41,321,634	$43,777,108	$50,304,372	$53,905,678
Social Security and Benefit Replacement Pay	$20,464,223	$20,614,117	$20,681,734	$20,724,160
Subtotal, Employee Benefits	**$61,785,857**	**$64,391,225**	**$70,986,106**	**$74,629,838**
TOTAL, ARTICLE VI – NATURAL RESOURCES	**$541,424,645**	**$668,644,878**	**$773,901,437**	**$731,781,678**

NOTES:
(1) Budgeted 2015 incorporates certain appropriation adjustments relating to House Bill 2, Eighty-fourth Legislature, 2015; technical and/or reconciling adjustments; and the Governor's vetoes.
(2) Appropriated 2016 and 2017 incorporate certain appropriation adjustments relating to article-specific special provisions, and Article IX of House Bill 1 (Conference Committee Report), Eighty-fourth Legislature, 2015; House Bill 6 and House Bill 7, Eighty-fourth Legislature, 2015; other legislation passed by the Eighty-fourth Legislature, 2015, that affects appropriations; technical and/or reconciling adjustments; and the Governor's vetoes.
SOURCE: Legislative Budget Board.

FIGURE B3 (CONTINUED)
GENERAL REVENUE–DEDICATED FUNDS – BUSINESS AND ECONOMIC DEVELOPMENT

ARTICLE VII – BUSINESS AND ECONOMIC DEVELOPMENT	EXPENDED 2014	BUDGETED 2015	APPROPRIATED 2016	APPROPRIATED 2017
Department of Housing and Community Affairs	$0	$0	$0	$0
Texas Lottery Commission	$217,519,940	$207,392,535	$220,182,308	$220,196,185
Department of Motor Vehicles	$0	$0	$0	$0
Department of Transportation	$0	$0	$0	$0
Texas Workforce Commission	$7,113,866	$7,188,686	$7,187,864	$8,267,943
Reimbursements to the Unemployment Compensation Benefit Account	$6,820,496	$5,985,201	$5,376,129	$5,089,018
Subtotal, Business and Economic Development	**$231,454,302**	**$220,566,422**	**$232,746,301**	**$233,553,146**
Retirement and Group Insurance	$3,951,516	$4,226,738	$4,875,434	$5,412,401
Social Security and Benefit Replacement Pay	$1,571,566	$1,594,438	$1,588,018	$1,631,127
Subtotal, Employee Benefits	**$5,523,082**	**$5,821,176**	**$6,463,452**	**$7,043,528**
TOTAL, ARTICLE VII – BUSINESS AND ECONOMIC DEVELOPMENT	**$236,977,384**	**$226,387,598**	**$239,209,753**	**$240,596,674**

NOTES:
(1) Budgeted 2015 incorporates certain appropriation adjustments relating to House Bill 2, Eighty-fourth Legislature, 2015; technical and/or reconciling adjustments; and the Governor's vetoes.
(2) Appropriated 2016 and 2017 incorporate certain appropriation adjustments relating to article-specific special provisions, and Article IX of House Bill 1 (Conference Committee Report), Eighty-fourth Legislature, 2015; House Bill 6 and House Bill 7, Eighty-fourth Legislature, 2015; other legislation passed by the Eighty-fourth Legislature, 2015, that affects appropriations; technical and/or reconciling adjustments; and the Governor's vetoes.

SOURCE: Legislative Budget Board.

FIGURE B3 (CONTINUED)
GENERAL REVENUE–DEDICATED FUNDS – REGULATORY

ARTICLE VIII – REGULATORY	EXPENDED 2014	BUDGETED 2015	APPROPRIATED 2016	APPROPRIATED 2017
State Office of Administrative Hearings	$0	$0	$0	$0
Board of Chiropractic Examiners	$0	$0	$0	$0
Texas State Board of Dental Examiners	$0	$0	$0	$0
Funeral Service Commission	$0	$0	$0	$0
Board of Professional Geoscientists	$0	$0	$0	$0
Health Professions Council	$0	$0	$0	$0
Office of Injured Employee Counsel	$8,226,698	$8,516,933	$8,645,239	$8,645,239
Department of Insurance	$58,189,518	$61,538,651	$62,176,064	$60,219,779
Office of Public Insurance Counsel	$0	$0	$0	$0
Board of Professional Land Surveying	$0	$0	$0	$0
Department of Licensing and Regulation	$25,165	$25,000	$25,000	$25,000
Texas Medical Board	$2,117,514	$2,117,513	$2,305,454	$2,295,573
Texas Board of Nursing	$0	$0	$0	$0
Optometry Board	$0	$0	$0	$0
Board of Pharmacy	$0	$0	$0	$0
Executive Council of Physical Therapy and Occupational Therapy Examiners	$0	$0	$0	$0
Board of Plumbing Examiners	$0	$0	$0	$0
Board of Podiatric Medical Examiners	$0	$0	$0	$0
Board of Examiners of Psychologists	$0	$0	$0	$0
Racing Commission	$7,662,629	$7,729,803	$8,316,837	$8,358,384
Securities Board	$0	$0	$0	$0
Public Utility Commission of Texas	$459,675,048	$114,113,962	$336,897,063	$2,648,770
Office of Public Utility Counsel	$371,583	$639,238	$509,054	$509,054
Board of Veterinary Medical Examiners	$0	$0	$0	$0
Subtotal, Regulatory	**$536,268,155**	**$194,681,100**	**$418,874,711**	**$82,701,799**
Retirement and Group Insurance	$21,642,438	$23,229,089	$26,802,570	$28,653,515
Social Security and Benefit Replacement Pay	$6,361,482	$6,444,924	$5,971,266	$5,968,830
Subtotal, Employee Benefits	**$28,003,920**	**$29,674,013**	**$32,773,836**	**$34,622,345**
Lease Payments	$276,596	$327,484	$165,066	$167,534
Subtotal, Debt Service	**$276,596**	**$327,484**	**$165,066**	**$167,534**
TOTAL, ARTICLE VIII – REGULATORY	**$564,548,671**	**$224,682,597**	**$451,813,613**	**$117,491,678**

NOTES:
(1) Budgeted 2015 incorporates certain appropriation adjustments relating to House Bill 2, Eighty-fourth Legislature, 2015; technical and/or reconciling adjustments; and the Governor's vetoes.
(2) Appropriated 2016 and 2017 incorporate certain appropriation adjustments relating to article-specific special provisions, and Article IX of House Bill 1 (Conference Committee Report), Eighty-fourth Legislature, 2015; House Bill 6 and House Bill 7, Eighty-fourth Legislature, 2015; other legislation passed by the Eighty-fourth Legislature, 2015, that affects appropriations; technical and/or reconciling adjustments; and the Governor's vetoes.

SOURCE: Legislative Budget Board.

FIGURE B3 (CONTINUED)
GENERAL REVENUE–DEDICATED FUNDS – GENERAL PROVISIONS

ARTICLE IX – GENERAL PROVISIONS	EXPENDED 2014	BUDGETED 2015	APPROPRIATED 2016	APPROPRIATED 2017
Appropriation for a Salary Increase	$0	$0	$9,390,764	$9,390,764
TOTAL, ARTICLE IX – GENERAL PROVISIONS	**$0**	**$0**	**$9,390,764**	**$9,390,764**

NOTES:
(1) Budgeted 2015 incorporates certain appropriation adjustments relating to House Bill 2, Eighty-fourth Legislature, 2015; technical and/or reconciling adjustments; and the Governor's vetoes.
(2) Appropriated 2016 and 2017 incorporate certain appropriation adjustments relating to article-specific special provisions, and Article IX of House Bill 1 (Conference Committee Report), Eighty-fourth Legislature, 2015; House Bill 6 and House Bill 7, Eighty-fourth Legislature, 2015; other legislation passed by the Eighty-fourth Legislature, 2015, that affects appropriations; technical and/or reconciling adjustments; and the Governor's vetoes.
SOURCE: Legislative Budget Board.

FIGURE B3 (CONTINUED)
GENERAL REVENUE–DEDICATED FUNDS – LEGISLATURE

ARTICLE X – LEGISLATURE	EXPENDED 2014	BUDGETED 2015	APPROPRIATED 2016	APPROPRIATED 2017
Senate	$0	$0	$0	$0
House of Representatives	$0	$0	$0	$0
Legislative Budget Board	$0	$0	$0	$0
Legislative Council	$0	$0	$0	$0
Commission on Uniform State Laws	$0	$0	$0	$0
Sunset Advisory Commission	$0	$0	$0	$0
State Auditor's Office	$0	$0	$0	$0
Legislative Reference Library	$0	$0	$0	$0
Subtotal, Legislature	**$0**	**$0**	**$0**	**$0**
Retirement and Group Insurance	$0	$0	$0	$0
Social Security and Benefit Replacement Pay	$0	$0	$0	$0
Subtotal, Employee Benefits	**$0**	**$0**	**$0**	**$0**
TOTAL, ARTICLE X – LEGISLATURE	**$0**	**$0**	**$0**	**$0**

NOTES:
(1) Budgeted 2015 incorporates certain appropriation adjustments relating to House Bill 2, Eighty-fourth Legislature, 2015; technical and/or reconciling adjustments; and the Governor's vetoes.
(2) Appropriated 2016 and 2017 incorporate certain appropriation adjustments relating to article-specific special provisions, and Article IX of House Bill 1 (Conference Committee Report), Eighty-fourth Legislature, 2015; House Bill 6 and House Bill 7, Eighty-fourth Legislature, 2015; other legislation passed by the Eighty-fourth Legislature, 2015, that affects appropriations; technical and/or reconciling adjustments; and the Governor's vetoes.
SOURCE: Legislative Budget Board.

APPENDIX B – SUMMARY OF STATE BUDGET BY FISCAL YEAR

FEDERAL FUNDS

FIGURE B4
FEDERAL FUNDS – STATEWIDE SUMMARY

FUNCTION	EXPENDED 2014	BUDGETED 2015	APPROPRIATED 2016	APPROPRIATED 2017
Article I – General Government	$324,340,410	$338,454,994	$371,644,496	$343,851,097
Article II – Health and Human Services	$20,855,791,033	$22,278,878,714	$21,585,933,577	$21,570,321,306
Article III – Agencies of Education	$4,935,541,674	$5,098,582,201	$5,178,207,478	$5,264,617,270
Public Education	*$4,799,608,136*	*$4,959,540,675*	*$5,043,358,748*	*$5,129,446,756*
Higher Education	*$135,933,538*	*$139,041,526*	*$134,848,730*	*$135,170,514*
Article IV – Judiciary	$2,062,975	$1,723,211	$1,727,154	$1,719,469
Article V – Public Safety and Criminal Justice	$728,288,736	$392,394,553	$375,028,705	$366,297,541
Article VI – Natural Resources	$1,428,170,152	$1,228,019,445	$1,069,234,073	$675,466,327
Article VIIi – Business and Economic Development	$5,597,210,366	$5,505,043,499	$5,612,204,270	$5,519,958,582
Article VIII – Regulatory	$5,235,442	$7,922,198	$4,719,228	$4,862,456
Article IX – General Provisions	$0	$0	$27,848,678	$27,848,678
Article X – Legislature	$0	$0	$0	$0
TOTAL, ALL FUNCTIONS	**$33,876,640,788**	**$34,851,018,815**	**$34,226,547,659**	**$33,774,942,726**

NOTES:
(1) Budgeted 2015 incorporates certain appropriation adjustments relating to House Bill 2, Eighty-fourth Legislature, 2015; technical and/or reconciling adjustments; and the Governor's vetoes.
(2) Appropriated 2016 and 2017 incorporate certain appropriation adjustments relating to article-specific special provisions, and Article IX of House Bill 1 (Conference Committee Report), Eighty-fourth Legislature, 2015; House Bill 6 and House Bill 7, Eighty-fourth Legislature, 2015; other legislation passed by the Eighty-fourth Legislature, 2015, that affects appropriations; technical and/or reconciling adjustments; and the Governor's vetoes.

SOURCE: Legislative Budget Board.

FIGURE B4 (CONTINUED)
FEDERAL FUNDS – GENERAL GOVERNMENT

ARTICLE I – GENERAL GOVERNMENT	EXPENDED 2014	BUDGETED 2015	APPROPRIATED 2016	APPROPRIATED 2017
Commission on the Arts	$869,100	$911,900	$911,900	$911,900
Office of the Attorney General	$200,403,635	$206,061,024	$233,945,635	$211,005,118
Bond Review Board	$0	$0	$0	$0
Cancer Prevention and Research Institute of Texas	$0	$0	$0	$0
Comptroller of Public Accounts	$0	$0	$0	$0
Fiscal Programs within the Office of the Comptroller of Public Accounts	$4,506,223	$9,158,829	$13,857,333	$13,857,333
Commission on State Emergency Communications	$0	$0	$0	$0
Texas Emergency Services Retirement System	$0	$0	$0	$0
Employees Retirement System	$0	$0	$0	$0
Texas Ethics Commission	$0	$0	$0	$0
Facilities Commission	$0	$0	$0	$0
Public Finance Authority	$0	$0	$0	$0
Office of the Governor	$0	$0	$0	$0
Trusteed Programs within the Office of the Governor	$64,550,000	$60,050,000	$64,550,000	$60,050,000
Historical Commission	$1,090,271	$1,113,279	$1,090,235	$1,090,235
Department of Information Resources	$0	$0	$0	$0
Library and Archives Commission	$9,645,878	$10,217,135	$10,390,817	$9,686,985
Pension Review Board	$0	$0	$0	$0
Preservation Board	$0	$0	$0	$0
State Office of Risk Management	$0	$0	$0	$0
Secretary of State	$5,898,104	$10,725,507	$2,979,484	$1,510,876
Veterans Commission	$9,937,524	$11,004,597	$10,927,946	$10,927,946
Subtotal, General Government	**$296,900,735**	**$309,242,271**	**$338,653,350**	**$309,040,393**
Retirement and Group Insurance	$21,231,932	$22,853,432	$26,634,141	$28,452,317
Social Security and Benefit Replacement Pay	$5,813,376	$5,928,784	$5,953,594	$5,954,976
Subtotal, Employee Benefits	**$27,045,308**	**$28,782,216**	**$32,587,735**	**$34,407,293**
Bond Debt Service Payments	$394,367	$430,507	$403,411	$403,411
Lease Payments	$0	$0	$0	$0
Subtotal, Debt Service	**$394,367**	**$430,507**	**$403,411**	**$403,411**
TOTAL, ARTICLE I – GENERAL GOVERNMENT	**$324,340,410**	**$338,454,994**	**$371,644,496**	**$343,851,097**

NOTES:
(1) Budgeted 2015 incorporates certain appropriation adjustments relating to House Bill 2, Eighty-fourth Legislature, 2015; technical and/or reconciling adjustments; and the Governor's vetoes.
(2) Appropriated 2016 and 2017 incorporate certain appropriation adjustments relating to article-specific special provisions, and Article IX of House Bill 1 (Conference Committee Report), Eighty-fourth Legislature, 2015; House Bill 6 and House Bill 7, Eighty-fourth Legislature, 2015; other legislation passed by the Eighty-fourth Legislature, 2015, that affects appropriations; technical and/or reconciling adjustments; and the Governor's vetoes.

SOURCE: Legislative Budget Board.

FIGURE B4 (CONTINUED)
FEDERAL FUNDS – HEALTH AND HUMAN SERVICES

ARTICLE II – HEALTH AND HUMAN SERVICES	EXPENDED 2014	BUDGETED 2015	APPROPRIATED 2016	APPROPRIATED 2017
Department of Aging and Disability Services	$3,771,403,511	$3,052,629,810	$2,471,919,195	$2,550,467,462
Department of Assistive and Rehabilitative Services	$453,034,854	$470,690,343	$467,505,245	$228,589,558
Department of Family and Protective Services	$755,510,052	$849,692,566	$799,357,530	$798,992,382
Department of State Health Services	$1,220,447,202	$1,151,770,029	$1,178,057,106	$1,137,488,790
Health and Human Services Commission	$14,352,964,751	$16,426,165,090	$16,314,592,610	$16,518,922,101
Subtotal, Health and Human Services	**$20,553,360,370**	**$21,950,947,838**	**$21,231,431,686**	**$21,234,460,293**
Retirement and Group Insurance	$235,003,612	$257,894,790	$287,127,215	$275,106,573
Social Security and Benefit Replacement Pay	$64,104,018	$66,630,814	$64,047,361	$57,427,125
Subtotal, Employee Benefits	**$299,107,630**	**$324,525,604**	**$351,174,576**	**$332,533,698**
Bond Debt Service Payments	$3,323,033	$3,405,272	$3,327,315	$3,327,315
Lease Payments	$0	$0	$0	$0
Subtotal, Debt Service	**$3,323,033**	**$3,405,272**	**$3,327,315**	**$3,327,315**
TOTAL, ARTICLE II – HEALTH AND HUMAN SERVICES	**$20,855,791,033**	**$22,278,878,714**	**$21,585,933,577**	**$21,570,321,306**

NOTES:
(1) Budgeted 2015 incorporates certain appropriation adjustments relating to House Bill 2, Eighty-fourth Legislature, 2015; technical and/or reconciling adjustments; and the Governor’s vetoes.
(2) Appropriated 2016 and 2017 incorporate certain appropriation adjustments relating to article-specific special provisions, and Article IX of House Bill 1 (Conference Committee Report), Eighty-fourth Legislature, 2015; House Bill 6 and House Bill 7, Eighty-fourth Legislature, 2015; other legislation passed by the Eighty-fourth Legislature, 2015, that affects appropriations; technical and/or reconciling adjustments; and the Governor’s vetoes.

SOURCE: Legislative Budget Board.

FIGURE B4 (CONTINUED)
FEDERAL FUNDS – AGENCIES OF EDUCATION

ARTICLE III – AGENCIES OF EDUCATION	EXPENDED 2014	BUDGETED 2015	APPROPRIATED 2016	APPROPRIATED 2017
Public Education				
Texas Education Agency	$4,786,124,071	$4,945,640,558	$5,028,581,142	$5,114,263,422
School for the Blind and Visually Impaired	$4,744,604	$4,789,974	$4,789,974	$4,789,974
School for the Deaf	$2,077,782	$2,061,866	$1,957,075	$1,957,075
Subtotal, Public Education	**$4,792,946,457**	**$4,952,492,398**	**$5,035,328,191**	**$5,121,010,471**
Public Higher Education				
Two–Year Institutions				
Public Community/Junior Colleges	$0	$0	$0	$0
Lamar State Colleges				
Lamar Institute of Technology	$0	$0	$0	$0
Lamar State College – Orange	$0	$0	$0	$0
Lamar State College – Port Arthur	$0	$0	$0	$0
Subtotal, Lamar State Colleges	**0**	**0**	**0**	**0**
Texas State Technical Colleges				
Texas State Technical College System Administration	$0	$0	$0	$0
Texas State Technical College – Harlingen	$0	$0	$0	$0
Texas State Technical College – West Texas	$0	$0	$0	$0
Texas State Technical College – Marshall	$0	$0	$0	$0
Texas State Technical College – Waco	$0	$0	$0	$0
Subtotal, Texas State Technical Colleges	**0**	**0**	**0**	**0**
Subtotal, Two–Year Institutions	**0**	**0**	**0**	**0**
General Academic Institutions				
The University of Texas System Administration	$0	$0	$0	$0
The University of Texas at Arlington	$0	$0	$0	$0
The University of Texas at Austin	$0	$0	$0	$0
The University of Texas at Dallas	$0	$0	$0	$0
The University of Texas at El Paso	$0	$0	$0	$0
The University of Texas Rio Grande Valley	$0	$0	$0	$0
The University of Texas of the Permian Basin	$0	$0	$0	$0
The University of Texas at San Antonio	$0	$0	$0	$0
The University of Texas at Tyler	$0	$0	$0	$0
Texas A&M University System Administrative and General Offices	$0	$0	$0	$0
Texas A&M University	$0	$0	$0	$0
Texas A&M University at Galveston	$0	$0	$0	$0
Prairie View A&M University	$0	$0	$0	$0
Tarleton State University	$0	$0	$0	$0
Texas A&M University – Central Texas	$0	$0	$0	$0
Texas A&M University – Corpus Christi	$0	$0	$0	$0
Texas A&M University – Kingsville	$0	$0	$0	$0
Texas A&M University – San Antonio	$0	$0	$0	$0
Texas A&M International University	$0	$0	$0	$0
West Texas A&M University	$0	$0	$0	$0
Texas A&M University – Commerce	$0	$0	$0	$0

FIGURE B4 (CONTINUED)
FEDERAL FUNDS – AGENCIES OF EDUCATION

ARTICLE III – AGENCIES OF EDUCATION	EXPENDED 2014	BUDGETED 2015	APPROPRIATED 2016	APPROPRIATED 2017
Texas A&M University – Texarkana	$0	$0	$0	$0
University of Houston System Administration	$0	$0	$0	$0
University of Houston	$0	$0	$0	$0
University of Houston – Clear Lake	$0	$0	$0	$0
University of Houston – Downtown	$0	$0	$0	$0
University of Houston – Victoria	$0	$0	$0	$0
Midwestern State University	$0	$0	$0	$0
University of North Texas System Administration	$0	$0	$0	$0
University of North Texas	$0	$0	$0	$0
University of North Texas at Dallas	$0	$0	$0	$0
Stephen F. Austin State University	$0	$0	$0	$0
Texas Southern University	$0	$0	$0	$0
Texas Tech University System Administration	$0	$0	$0	$0
Texas Tech University	$0	$0	$0	$0
Angelo State University	$0	$0	$0	$0
Texas Woman's University	$0	$0	$0	$0
Texas State University System	$0	$0	$0	$0
Lamar University	$0	$0	$0	$0
Sam Houston State University	$0	$0	$0	$0
Texas State University	$0	$0	$0	$0
Sul Ross State University	$0	$0	$0	$0
Sul Ross State University Rio Grande College	$0	$0	$0	$0
Subtotal, General Academic Institutions	**$0**	**$0**	**$0**	**$0**
Health Related Institutions				
The University of Texas Southwestern Medical Center	$0	$0	$0	$0
The University of Texas Medical Branch at Galveston	$0	$0	$0	$0
The University of Texas Health Science Center at Houston	$0	$0	$0	$0
The University of Texas Health Science Center at San Antonio	$0	$0	$0	$0
The University of Texas M.D. Anderson Cancer Center	$0	$0	$0	$0
The University of Texas Health Science Center at Tyler	$0	$0	$0	$0
Texas A&M University System Health Science Center	$0	$0	$0	$0
University of North Texas Health Science Center	$0	$0	$0	$0
Texas Tech University Health Sciences Center	$0	$0	$0	$0
Texas Tech University Health Sciences Center at El Paso	$0	$0	$0	$0
SUBTOTAL, HEALTH RELATED INSTITUTIONS	**$0**	**$0**	**$0**	**$0**
TEXAS A&M UNIVERSITY SERVICES				
Texas A&M AgriLife Research	$9,245,070	$9,245,070	$9,245,070	$9,245,070
Texas A&M AgriLife Extension Service	$13,274,914	$13,274,914	$13,274,914	$13,274,914

FIGURE B4 (CONTINUED)
FEDERAL FUNDS – AGENCIES OF EDUCATION

ARTICLE III – AGENCIES OF EDUCATION	EXPENDED 2014	BUDGETED 2015	APPROPRIATED 2016	APPROPRIATED 2017
Texas A&M Engineering Experiment Station	$49,233,916	$49,233,916	$44,977,328	$44,977,328
Texas A&M Transportation Institute	$11,652,421	$11,943,731	$12,257,325	$12,577,652
Texas A&M Engineering Extension Service	$18,711,207	$18,709,000	$18,710,106	$18,710,106
Texas A&M Forest Service	$3,183,755	$3,359,161	$3,359,161	$3,359,161
Texas A&M Veterinary Medical Diagnostic Laboratory	$182,000	$202,000	$202,000	$202,000
Subtotal, Texas A&M University Services	**105,483,283**	**105,967,792**	**102,025,904**	**102,346,231**
Other Higher Education				
Higher Education Coordinating Board	$30,228,096	$32,876,346	$32,613,346	$32,613,346
Higher Education Fund	$0	$0	$0	$0
Available University Fund	$0	$0	$0	$0
Available National Research University Fund	$0	$0	$0	$0
Permanent Fund Supporting Military and Veterans Exemptions	$0	$0	$0	$0
Subtotal, Other Higher Education	**$30,228,096**	**$32,876,346**	**$32,613,346**	**$32,613,346**
Subtotal, Public Higher Education	**$135,711,379**	**$138,844,138**	**$134,639,250**	**$134,959,577**
Employee Benefits				
Teacher Retirement System, Public Education	$0	$0	$0	$0
Teacher Retirement System, Higher Education	$0	$0	$0	$0
Optional Retirement Program	$0	$0	$0	$0
Higher Education Employees Group Insurance Contributions	$0	$0	$0	$0
Retirement and Group Insurance	$5,001,228	$5,324,539	$6,318,002	$6,720,100
Social Security and Benefit Replacement Pay	$1,739,538	$1,761,884	$1,766,478	$1,771,565
Subtotal, Employee Benefits	**$6,740,766**	**$7,086,423**	**$8,084,480**	**$8,491,665**
Debt Service				
Bond Debt Service Payments	$143,072	$159,242	$155,557	$155,557
Lease Payments	$0	$0	$0	$0
Subtotal, Debt Service	**$143,072**	**$159,242**	**$155,557**	**$155,557**
TOTAL, ARTICLE III – AGENCIES OF EDUCATION	**$4,935,541,674**	**$5,098,582,201**	**$5,178,207,478**	**$5,264,617,270**

NOTES:
(1) Budgeted 2015 incorporates certain appropriation adjustments relating to House Bill 2, Eighty-fourth Legislature, 2015; technical and/or reconciling adjustments; and the Governor’s vetoes.
(2) Appropriated 2016 and 2017 incorporate certain appropriation adjustments relating to article-specific special provisions, and Article IX of House Bill 1 (Conference Committee Report), Eighty-fourth Legislature, 2015; House Bill 6 and House Bill 7, Eighty-fourth Legislature, 2015; other legislation passed by the Eighty-fourth Legislature, 2015, that affects appropriations; technical and/or reconciling adjustments; and the Governor’s vetoes.

SOURCE: Legislative Budget Board.

FIGURE B4 (CONTINUED)
FEDERAL FUNDS – JUDICIARY

ARTICLE IV – JUDICIARY	EXPENDED 2014	BUDGETED 2015	APPROPRIATED 2016	APPROPRIATED 2017
Supreme Court of Texas	$1,698,903	$1,596,969	$1,596,969	$1,596,969
Court of Criminal Appeals	$211,329	$32,828	$122,500	$122,500
First Court of Appeals District, Houston	$0	$0	$0	$0
Second Court of Appeals District, Fort Worth	$0	$0	$0	$0
Third Court of Appeals District, Austin	$0	$0	$0	$0
Fourth Court of Appeals District, San Antonio	$0	$0	$0	$0
Fifth Court of Appeals District, Dallas	$0	$0	$0	$0
Sixth Court of Appeals District, Texarkana	$0	$0	$0	$0
Seventh Court of Appeals District, Amarillo	$0	$0	$0	$0
Eighth Court of Appeals District, El Paso	$0	$0	$0	$0
Ninth Court of Appeals District, Beaumont	$0	$0	$0	$0
Tenth Court of Appeals District, Waco	$0	$0	$0	$0
Eleventh Court of Appeals District, Eastland	$0	$0	$0	$0
Twelfth Court of Appeals District, Tyler	$0	$0	$0	$0
Thirteenth Court of Appeals District, Corpus Christi-Edinburg	$0	$0	$0	$0
Fourteenth Court of Appeals District, Houston	$0	$0	$0	$0
Office of Court Administration, Texas Judicial Council	$136,018	$81,600	$6,634	$0
Office of Capital and Forensic Writs	$0	$0	$0	$0
Office of the State Prosecuting Attorney	$0	$0	$0	$0
State Law Library	$0	$0	$0	$0
State Commission on Judicial Conduct	$0	$0	$0	$0
Judiciary Section, Comptroller's Department	$0	$0	$0	$0
Subtotal, Judiciary	**$2,046,250**	**$1,711,397**	**$1,726,103**	**$1,719,469**
Retirement and Group Insurance	$13,142	$9,389	$860	$0
Social Security and Benefit Replacement Pay	$3,583	$2,425	$191	$0
Subtotal, Employee Benefits	**$16,725**	**$11,814**	**$1,051**	**$0**
TOTAL, ARTICLE IV – JUDICIARY	**$2,062,975**	**$1,723,211**	**$1,727,154**	**$1,719,469**

NOTES:
(1) Budgeted 2015 incorporates certain appropriation adjustments relating to House Bill 2, Eighty-fourth Legislature, 2015; technical and/or reconciling adjustments; and the Governor's vetoes.
(2) Appropriated 2016 and 2017 incorporate certain appropriation adjustments relating to article-specific special provisions, and Article IX of House Bill 1 (Conference Committee Report), Eighty-fourth Legislature, 2015; House Bill 6 and House Bill 7, Eighty-fourth Legislature, 2015; other legislation passed by the Eighty-fourth Legislature, 2015, that affects appropriations; technical and/or reconciling adjustments; and the Governor's vetoes.
SOURCE: Legislative Budget Board.

FIGURE B4 (CONTINUED)
FEDERAL FUNDS – PUBLIC SAFETY AND CRIMINAL JUSTICE

ARTICLE V – PUBLIC SAFETY AND CRIMINAL JUSTICE	EXPENDED 2014	BUDGETED 2015	APPROPRIATED 2016	APPROPRIATED 2017
Alcoholic Beverage Commission	$470,488	$0	$300,000	$300,000
Department of Criminal Justice	$12,075,264	$11,653,881	$7,949,178	$7,949,178
Commission on Fire Protection	$0	$0	$0	$0
Commission on Jail Standards	$0	$0	$0	$0
Juvenile Justice Department	$11,881,503	$10,863,409	$9,594,137	$9,587,541
Commission on Law Enforcement	$0	$0	$0	$0
Texas Military Department	$49,700,443	$49,742,418	$65,790,495	$65,790,496
Department of Public Safety	$639,101,090	$304,591,095	$274,062,353	$264,934,130
Subtotal, Public Safety and Criminal Justice	**$713,228,788**	**$376,850,803**	**$357,696,163**	**$348,561,345**
Retirement and Group Insurance	$10,436,935	$10,836,393	$12,719,391	$13,183,633
Social Security and Benefit Replacement Pay	$3,150,655	$3,123,458	$3,177,400	$3,116,812
Subtotal, Employee Benefits	**$13,587,590**	**$13,959,851**	**$15,896,791**	**$16,300,445**
Bond Debt Service Payments	$1,472,358	$1,583,899	$1,435,751	$1,435,751
Lease Payments	$0	$0	$0	$0
Subtotal, Debt Service	**$1,472,358**	**$1,583,899**	**$1,435,751**	**$1,435,751**
TOTAL, ARTICLE V – PUBLIC SAFETY AND CRIMINAL JUSTICE	**$728,288,736**	**$392,394,553**	**$375,028,705**	**$366,297,541**

NOTES:
(1) Budgeted 2015 incorporates certain appropriation adjustments relating to House Bill 2, Eighty-fourth Legislature, 2015; technical and/or reconciling adjustments; and the Governor's vetoes.
(2) Appropriated 2016 and 2017 incorporate certain appropriation adjustments relating to article-specific special provisions, and Article IX of House Bill 1 (Conference Committee Report), Eighty-fourth Legislature, 2015; House Bill 6 and House Bill 7, Eighty-fourth Legislature, 2015; other legislation passed by the Eighty-fourth Legislature, 2015, that affects appropriations; technical and/or reconciling adjustments; and the Governor's vetoes.

SOURCE: Legislative Budget Board.

FIGURE B4 (CONTINUED)
FEDERAL FUNDS – NATURAL RESOURCES

ARTICLE VI – NATURAL RESOURCES	EXPENDED 2014	BUDGETED 2015	APPROPRIATED 2016	APPROPRIATED 2017
Department of Agriculture	$493,083,441	$496,879,913	$490,964,095	$490,464,095
Animal Health Commission	$2,261,406	$2,076,784	$2,212,368	$2,252,368
Commission on Environmental Quality	$44,727,050	$41,203,436	$38,253,250	$37,593,333
General Land Office and Veterans' Land Board	$747,275,131	$605,763,201	$450,329,491	$64,928,023
Low-level Radioactive Waste Disposal Compact Commission	$0	$0	$0	$0
Parks and Wildlife Department	$102,403,564	$41,122,314	$37,908,196	$35,961,359
Railroad Commission	$7,100,263	$6,634,705	$7,141,756	$7,037,477
Soil and Water Conservation Board	$6,701,853	$8,000,000	$14,500,000	$8,523,725
Water Development Board	$7,940,445	$8,047,792	$8,047,792	$8,047,792
Subtotal, Natural Resources	**$1,411,493,153**	**$1,209,728,145**	**$1,049,356,948**	**$654,808,172**
Retirement and Group Insurance	$11,596,464	$12,983,163	$14,673,341	$15,479,986
Social Security and Benefit Replacement Pay	$4,982,609	$5,199,143	$5,097,313	$5,071,698
Subtotal, Employee Benefits	**$16,579,073**	**$18,182,306**	**$19,770,654**	**$20,551,684**
Bond Debt Service Payments	$97,926	$108,994	$106,471	$106,471
Lease Payments	$0	$0	$0	$0
Subtotal, Debt Service	**$97,926**	**$108,994**	**$106,471**	**$106,471**
TOTAL, ARTICLE VI – NATURAL RESOURCES	**$1,428,170,152**	**$1,228,019,445**	**$1,069,234,073**	**$675,466,327**

NOTES:
(1) Budgeted 2015 incorporates certain appropriation adjustments relating to House Bill 2, Eighty-fourth Legislature, 2015; technical and/or reconciling adjustments; and the Governor's vetoes.
(2) Appropriated 2016 and 2017 incorporate certain appropriation adjustments relating to article-specific special provisions, and Article IX of House Bill 1 (Conference Committee Report), Eighty-fourth Legislature, 2015; House Bill 6 and House Bill 7, Eighty-fourth Legislature, 2015; other legislation passed by the Eighty-fourth Legislature, 2015, that affects appropriations; technical and/or reconciling adjustments; and the Governor's vetoes.
SOURCE: Legislative Budget Board.

FIGURE B4 (CONTINUED)
FEDERAL FUNDS – BUSINESS AND ECONOMIC DEVELOPMENT

ARTICLE VII – BUSINESS AND ECONOMIC DEVELOPMENT	EXPENDED 2014	BUDGETED 2015	APPROPRIATED 2016	APPROPRIATED 2017
Department of Housing and Community Affairs	$235,199,375	$209,817,125	$210,452,351	$210,452,351
Texas Lottery Commission	$0	$0	$0	$0
Department of Motor Vehicles	$1,237,157	$114,027	$0	$0
Department of Transportation	$4,320,631,908	$4,242,106,196	$4,368,081,949	$3,999,744,107
Texas Workforce Commission	$986,314,419	$995,527,042	$969,899,862	$1,209,284,305
Reimbursements to the Unemployment Compensation Benefit Account	$0	$0	$0	$0
Subtotal, Business and Economic Development	**$5,543,382,859**	**$5,447,564,390**	**$5,548,434,162**	**$5,419,480,763**
Retirement and Group Insurance	$43,822,915	$47,307,111	$53,843,987	$84,927,240
Social Security and Benefit Replacement Pay	$9,706,245	$9,839,932	$9,601,740	$15,226,198
Subtotal, Employee Benefits	**$53,529,160**	**$57,147,043**	**$63,445,727**	**$100,153,438**
Bond Debt Service Payments	$298,347	$332,066	$324,381	$324,381
Lease Payments	$0	$0	$0	$0
Subtotal, Debt Service	**$298,347**	**$332,066**	**$324,381**	**$324,381**
TOTAL, ARTICLE VII – BUSINESS AND ECONOMIC DEVELOPMENT	**$5,597,210,366**	**$5,505,043,499**	**$5,612,204,270**	**$5,519,958,582**

NOTES:
(1) Budgeted 2015 incorporates certain appropriation adjustments relating to House Bill 2, Eighty-fourth Legislature, 2015; technical and/or reconciling adjustments; and the Governor's vetoes.
(2) Appropriated 2016 and 2017 incorporate certain appropriation adjustments relating to article-specific special provisions, and Article IX of House Bill 1 (Conference Committee Report), Eighty-fourth Legislature, 2015; House Bill 6 and House Bill 7, Eighty-fourth Legislature, 2015; other legislation passed by the Eighty-fourth Legislature, 2015, that affects appropriations; technical and/or reconciling adjustments; and the Governor's vetoes.

SOURCE: Legislative Budget Board.

FIGURE B4 (CONTINUED)
FEDERAL FUNDS – REGULATORY

ARTICLE VIII – REGULATORY	EXPENDED 2014	BUDGETED 2015	APPROPRIATED 2016	APPROPRIATED 2017
State Office of Administrative Hearings	$0	$0	$0	$0
Board of Chiropractic Examiners	$0	$0	$0	$0
Texas State Board of Dental Examiners	$0	$0	$0	$0
Funeral Service Commission	$0	$0	$0	$0
Board of Professional Geoscientists	$0	$0	$0	$0
Health Professions Council	$0	$0	$0	$0
Office of Injured Employee Counsel	$0	$0	$0	$0
Department of Insurance	$3,135,273	$5,695,233	$2,190,259	$2,190,259
Office of Public Insurance Counsel	$0	$0	$0	$0
Board of Professional Land Surveying	$0	$0	$0	$0
Department of Licensing and Regulation	$0	$0	$0	$0
Texas Medical Board	$0	$0	$0	$0
Texas Board of Nursing	$0	$0	$0	$0
Optometry Board	$0	$0	$0	$0
Board of Pharmacy	$0	$0	$0	$0
Executive Council of Physical Therapy and Occupational Therapy Examiners	$0	$0	$0	$0
Board of Plumbing Examiners	$0	$0	$0	$0
Board of Podiatric Medical Examiners	$0	$0	$0	$0
Board of Examiners of Psychologists	$0	$0	$0	$0
Racing Commission	$0	$0	$0	$0
Securities Board	$0	$0	$0	$0
Public Utility Commission of Texas	$0	$0	$0	$0
Office of Public Utility Counsel	$0	$0	$0	$0
Board of Veterinary Medical Examiners	$0	$0	$0	$0
Subtotal, Regulatory	**$3,135,273**	**$5,695,233**	**$2,190,259**	**$2,190,259**
Retirement and Group Insurance	$1,653,821	$1,774,881	$2,077,332	$2,220,753
Social Security and Benefit Replacement Pay	$446,348	$452,084	$451,637	$451,444
Subtotal, Employee Benefits	**$2,100,169**	**$2,226,965**	**$2,528,969**	**$2,672,197**
TOTAL, ARTICLE VIII – REGULATORY	**$5,235,442**	**$7,922,198**	**$4,719,228**	**$4,862,456**

NOTES:
(1) Budgeted 2015 incorporates certain appropriation adjustments relating to House Bill 2, Eighty-fourth Legislature, 2015; technical and/or reconciling adjustments; and the Governor's vetoes.
(2) Appropriated 2016 and 2017 incorporate certain appropriation adjustments relating to article-specific special provisions, and Article IX of House Bill 1 (Conference Committee Report), Eighty-fourth Legislature, 2015; House Bill 6 and House Bill 7, Eighty-fourth Legislature, 2015; other legislation passed by the Eighty-fourth Legislature, 2015, that affects appropriations; technical and/or reconciling adjustments; and the Governor's vetoes.
SOURCE: Legislative Budget Board.

FIGURE B4 (CONTINUED)
FEDERAL FUNDS – GENERAL PROVISIONS

ARTICLE IX – GENERAL PROVISIONS	EXPENDED 2014	BUDGETED 2015	APPROPRIATED 2016	APPROPRIATED 2017
Appropriation for a Salary Increase	$0	$0	$27,848,678	$27,848,678
TOTAL, ARTICLE IX – GENERAL PROVISIONS	**$0**	**$0**	**$27,848,678**	**$27,848,678**

NOTES:
(1) Budgeted 2015 incorporates certain appropriation adjustments relating to House Bill 2, Eighty-fourth Legislature, 2015; technical and/or reconciling adjustments; and the Governor's vetoes.
(2) Appropriated 2016 and 2017 incorporate certain appropriation adjustments relating to article-specific special provisions, and Article IX of House Bill 1 (Conference Committee Report), Eighty-fourth Legislature, 2015; House Bill 6 and House Bill 7, Eighty-fourth Legislature, 2015; other legislation passed by the Eighty-fourth Legislature, 2015, that affects appropriations; technical and/or reconciling adjustments; and the Governor's vetoes.
SOURCE: Legislative Budget Board.

FIGURE B4 (CONTINUED)
FEDERAL FUNDS – LEGISLATURE

ARTICLE X – LEGISLATURE	EXPENDED 2014	BUDGETED 2015	APPROPRIATED 2016	APPROPRIATED 2017
Senate	$0	$0	$0	$0
House of Representatives	$0	$0	$0	$0
Legislative Budget Board	$0	$0	$0	$0
Legislative Council	$0	$0	$0	$0
Commission on Uniform State Laws	$0	$0	$0	$0
Sunset Advisory Commission	$0	$0	$0	$0
State Auditor's Office	$0	$0	$0	$0
Legislative Reference Library	$0	$0	$0	$0
Subtotal, Legislature	**$0**	**$0**	**$0**	**$0**
Retirement and Group Insurance	$0	$0	$0	$0
Social Security and Benefit Replacement Pay	$0	$0	$0	$0
Subtotal, Employee Benefits	**$0**	**$0**	**$0**	**$0**
TOTAL, ARTICLE X – LEGISLATURE	**$0**	**$0**	**$0**	**$0**

NOTES:
(1) Budgeted 2015 incorporates certain appropriation adjustments relating to House Bill 2, Eighty-fourth Legislature, 2015; technical and/or reconciling adjustments; and the Governor's vetoes.
(2) Appropriated 2016 and 2017 incorporate certain appropriation adjustments relating to article-specific special provisions, and Article IX of House Bill 1 (Conference Committee Report), Eighty-fourth Legislature, 2015; House Bill 6 and House Bill 7, Eighty-fourth Legislature, 2015; other legislation passed by the Eighty-fourth Legislature, 2015, that affects appropriations; technical and/or reconciling adjustments; and the Governor's vetoes.
SOURCE: Legislative Budget Board.

APPENDIX B – SUMMARY OF STATE BUDGET BY FISCAL YEAR

OTHER FUNDS

FIGURE B5
OTHER FUNDS – STATEWIDE SUMMARY

FUNCTION	EXPENDED 2014	BUDGETED 2015	APPROPRIATED 2016	APPROPRIATED 2017
Article I – General Government	$471,483,522	$487,176,091	$1,196,088,509	$431,911,355
Article II – Health and Human Services	$331,085,630	$343,108,883	$329,970,600	$328,667,330
Article III – Agencies of Education	$5,170,737,031	$5,386,184,657	$4,449,493,088	$4,887,503,416
Public Education	*$3,964,482,787*	*$4,258,389,764*	*$3,353,320,814*	*$3,707,024,858*
Higher Education	*$1,206,254,244*	*$1,127,794,893*	*$1,096,172,274*	*$1,180,478,558*
Article IV – Judiciary	$89,255,195	$90,646,283	$90,166,004	$90,172,220
Article V – Public Safety and Criminal Justice	$778,464,827	$621,273,568	$94,917,635	$57,652,775
Article VI – Natural Resources	$2,175,347,689	$174,656,361	$149,772,227	$135,315,322
Article VII – Business and Economic Development	$6,673,598,737	$8,275,466,467	$7,745,494,396	$7,236,311,951
Article VIII – Regulatory	$32,220,157	$13,499,445	$11,235,895	$11,235,894
Article IX – General Provisions	$0	$0	$19,762,223	$19,762,223
Article X – Legislature	$20,888	$102,500	$101,425	$101,425
TOTAL, ALL FUNCTIONS	**$15,722,213,676**	**$15,392,114,255**	**$14,087,002,002**	**$13,198,633,911**

NOTES:
(1) Budgeted 2015 incorporates certain appropriation adjustments relating to House Bill 2, Eighty-fourth Legislature, 2015; technical and/or reconciling adjustments; and the Governor's vetoes.
(2) Appropriated 2016 and 2017 incorporate certain appropriation adjustments relating to article-specific special provisions, and Article IX of House Bill 1 (Conference Committee Report), Eighty-fourth Legislature, 2015; House Bill 6 and House Bill 7, Eighty-fourth Legislature, 2015; other legislation passed by the Eighty-fourth Legislature, 2015, that affects appropriations; technical and/or reconciling adjustments; and the Governor's vetoes.
(3) Article totals exclude Interagency Contracts.
SOURCE: Legislative Budget Board.

FIGURE B5 (CONTINUED)
OTHER FUNDS – GENERAL GOVERNMENT

ARTICLE I – GENERAL GOVERNMENT	EXPENDED 2014	BUDGETED 2015	APPROPRIATED 2016	APPROPRIATED 2017
Commission on the Arts	$485,000	$313,000	$402,000	$402,000
Office of the Attorney General	$66,072,347	$60,276,363	$54,115,185	$53,825,335
Bond Review Board	$0	$0	$0	$0
Cancer Prevention and Research Institute of Texas	$299,091,297	$297,101,446	$300,055,000	$300,055,000
Comptroller of Public Accounts	$18,886,154	$30,318,589	$15,968,839	$15,968,839
Fiscal Programs within the Office of the Comptroller of Public Accounts	$7,824,716	$7,300,000	$7,300,000	$7,300,000
Commission on State Emergency Communications	$0	$0	$0	$0
Texas Emergency Services Retirement System	$0	$0	$0	$0
Employees Retirement System	$0	$0	$0	$0
Texas Ethics Commission	$18,190	$8,190	$8,190	$8,190
Facilities Commission	$44,945,813	$47,800,440	$789,123,601	$18,654,480
Public Finance Authority	$3,499	$0	$0	$0
Office of the Governor	$270,000	$270,000	$270,000	$270,000
Trusteed Programs within the Office of the Governor	$33,889,173	$23,553,500	$1,647,000	$1,647,000
Historical Commission	$15,909,990	$11,705,735	$1,075,186	$750,928
Department of Information Resources	$292,338,372	$289,847,980	$360,658,520	$373,421,533
Library and Archives Commission	$3,522,015	$7,288,288	$6,667,728	$5,959,994
Pension Review Board	$0	$0	$10,000	$10,000
Preservation Board	$228,983	$115,764	$21,376	$21,376
State Office of Risk Management	$49,099,445	$53,119,334	$50,937,260	$50,991,804
Secretary of State	$5,143,286	$8,401,246	$6,337,266	$6,787,266
Veterans Commission	$9,092,460	$13,636,647	$12,864,307	$11,694,307
Subtotal, General Government	**$846,820,740**	**$851,056,522**	**$1,607,461,458**	**$847,768,052**
Retirement and Group Insurance	$1,276,584	$1,375,999	$1,606,754	$1,689,014
Social Security and Benefit Replacement Pay	$750,307	$774,572	$805,922	$808,701
Subtotal, Employee Benefits	**$2,026,891**	**$2,150,571**	**$2,412,676**	**$2,497,715**
Bond Debt Service Payments	$145,419	$0	$0	$0
Lease Payments	$0	$0	$0	$0
Subtotal, Debt Service	**$145,419**	**$0**	**$0**	**$0**
Less Interagency Contracts	$377,509,528	$366,031,002	$413,785,625	$418,354,412
TOTAL, ARTICLE I – GENERAL GOVERNMENT	**$471,483,522**	**$487,176,091**	**$1,196,088,509**	**$431,911,355**

NOTES:
(1) Budgeted 2015 incorporates certain appropriation adjustments relating to House Bill 2, Eighty-fourth Legislature, 2015; technical and/or reconciling adjustments; and the Governor's vetoes.
(2) Appropriated 2016 and 2017 incorporate certain appropriation adjustments relating to article-specific special provisions, and Article IX of House Bill 1 (Conference Committee Report), Eighty-fourth Legislature, 2015; House Bill 6 and House Bill 7, Eighty-fourth Legislature, 2015; other legislation passed by the Eighty-fourth Legislature, 2015, that affects appropriations; technical and/or reconciling adjustments; and the Governor's vetoes.
(3) Article totals exclude Interagency Contracts.
SOURCE: Legislative Budget Board.

FIGURE B5 (CONTINUED)
OTHER FUNDS – HEALTH AND HUMAN SERVICES

ARTICLE II – HEALTH AND HUMAN SERVICES	EXPENDED 2014	BUDGETED 2015	APPROPRIATED 2016	APPROPRIATED 2017
Department of Aging and Disability Services	$28,905,676	$41,970,384	$22,524,319	$22,397,262
Department of Assistive and Rehabilitative Services	$20,465,427	$20,373,366	$20,993,149	$27,490,928
Department of Family and Protective Services	$9,383,657	$9,219,379	$9,701,222	$9,745,987
Department of State Health Services	$281,609,254	$269,965,384	$278,023,816	$266,918,635
Health and Human Services Commission	$589,652,399	$569,803,839	$594,235,437	$592,128,738
Subtotal, Health and Human Services	**$930,016,413**	**$911,332,352**	**$925,477,943**	**$918,681,550**
Retirement and Group Insurance	$444,969	$480,863	$550,342	$589,304
Social Security and Benefit Replacement Pay	$128,439	$131,042	$130,872	$130,779
Subtotal, Employee Benefits	**$573,408**	**$611,905**	**$681,214**	**$720,083**
Bond Debt Service Payments	$1,948,835	$1,947,592	$623,803	$623,803
Lease Payments	$0	$0	$0	$0
Subtotal, Debt Service	**$1,948,835**	**$1,947,592**	**$623,803**	**$623,803**
Less Interagency Contracts	$601,453,026	$570,782,966	$596,812,360	$591,358,106
TOTAL, ARTICLE II – HEALTH AND HUMAN SERVICES	**$331,085,630**	**$343,108,883**	**$329,970,600**	**$328,667,330**

NOTES:
(1) Budgeted 2015 incorporates certain appropriation adjustments relating to House Bill 2, Eighty-fourth Legislature, 2015; technical and/or reconciling adjustments; and the Governor's vetoes.
(2) Appropriated 2016 and 2017 incorporate certain appropriation adjustments relating to article-specific special provisions, and Article IX of House Bill 1 (Conference Committee Report), Eighty-fourth Legislature, 2015; House Bill 6 and House Bill 7, Eighty-fourth Legislature, 2015; other legislation passed by the Eighty-fourth Legislature, 2015, that affects appropriations; technical and/or reconciling adjustments; and the Governor's vetoes.
(3) Article totals exclude Interagency Contracts.
SOURCE: Legislative Budget Board.

FIGURE B5 (CONTINUED)
OTHER FUNDS – AGENCIES OF EDUCATION

ARTICLE III – AGENCIES OF EDUCATION	EXPENDED 2014	BUDGETED 2015	APPROPRIATED 2016	APPROPRIATED 2017
Public Education				
Texas Education Agency	$3,882,648,766	$4,165,061,987	$3,245,692,617	$3,634,992,617
School for the Blind and Visually Impaired	$7,196,756	$4,512,900	$4,512,900	$4,512,900
School for the Deaf	$7,845,535	$7,959,640	$8,114,431	$8,114,431
Subtotal, Public Education	**$3,897,691,057**	**$4,177,534,527**	**$3,258,319,948**	**$3,647,619,948**
Public Higher Education				
Two–Year Institutions				
Public Community/Junior Colleges	$0	$0	$0	$0
Lamar State Colleges				
Lamar Institute of Technology	$0	$0	$0	$0
Lamar State College – Orange	$0	$0	$0	$0
Lamar State College – Port Arthur	$0	$0	$0	$0
Subtotal, Lamar State Colleges	**$0**	**$0**	**$0**	**$0**
Texas State Technical Colleges				
Texas State Technical College System Administration	$0	$0	$0	$0
Texas State Technical College – Harlingen	$0	$0	$0	$0
Texas State Technical College – West Texas	$0	$0	$0	$0
Texas State Technical College – Marshall	$0	$0	$0	$0
Texas State Technical College – Waco	$0	$0	$0	$0
Subtotal, Texas State Technical Colleges	**$0**	**$0**	**$0**	**$0**
Subtotal, Two–Year Institutions	**$0**	**$0**	**$0**	**$0**
General Academic Institutions				
The University of Texas System Administration	$1,189,088	$1,213,725	$1,194,000	$1,194,000
The University of Texas at Arlington	$0	$0	$2,363	$2,363
The University of Texas at Austin	$0	$0	$108,709	$108,709
The University of Texas at Dallas	$0	$0	$0	$0
The University of Texas at El Paso	$1,462,500	$1,492,500	$1,496,033	$1,496,033
The University of Texas Rio Grande Valley	$228,713	$228,713	$1,447,588	$1,447,588
The University of Texas of the Permian Basin	$0	$0	$0	$0
The University of Texas at San Antonio	$0	$0	$44	$44
The University of Texas at Tyler	$0	$0	$0	$0
Texas A&M University System Administrative and General Offices	$0	$0	$0	$0
Texas A&M University	$3,435,274	$5,237,550	$5,262,038	$5,229,322
Texas A&M University at Galveston	$0	$0	$0	$0
Prairie View A&M University	$0	$0	$10,110	$10,110
Tarleton State University	$0	$0	$55	$55
Texas A&M University – Central Texas	$0	$0	$0	$0
Texas A&M University – Corpus Christi	$0	$0	$0	$0
Texas A&M University – Kingsville	$3,000	$3,000	$3,000	$3,000
Texas A&M University – San Antonio	$0	$0	$0	$0
Texas A&M International University	$137,887	$137,887	$137,887	$137,887
West Texas A&M University	$0	$0	$2,125	$2,125
Texas A&M University – Commerce	$0	$0	$1,197	$1,197

FIGURE B5 (CONTINUED)
OTHER FUNDS – AGENCIES OF EDUCATION

ARTICLE III – AGENCIES OF EDUCATION	EXPENDED 2014	BUDGETED 2015	APPROPRIATED 2016	APPROPRIATED 2017
Texas A&M University – Texarkana	$0	$0	$0	$0
University of Houston System Administration	$0	$0	$11,238	$11,238
University of Houston	$0	$0	$3,349	$3,349
University of Houston – Clear Lake	$0	$0	$2,517	$2,517
University of Houston – Downtown	$0	$0	$8,186	$8,186
University of Houston – Victoria	$0	$0	$899	$899
Midwestern State University	$0	$0	$0	$0
University of North Texas System Administration	$0	$0	$0	$0
University of North Texas	$0	$0	$7,821	$7,821
University of North Texas at Dallas	$0	$0	$0	$0
Stephen F. Austin State University	$0	$0	$7,946	$7,946
Texas Southern University	$0	$0	$3,536	$3,536
Texas Tech University System Administration	$0	$0	$0	$0
Texas Tech University	$71,172	$71,172	$71,172	$71,172
Angelo State University	$0	$0	$0	$0
Texas Woman's University	$0	$0	$0	$0
Texas State University System	$0	$0	$0	$0
Lamar University	$0	$0	$0	$0
Sam Houston State University	$0	$0	$3,755	$3,755
Texas State University	$0	$0	$7,946	$7,946
Sul Ross State University	$0	$0	$7,946	$7,946
Sul Ross State University Rio Grande College	$0	$0	$0	$0
Subtotal, General Academic Institutions	**$6,527,634**	**$8,384,547**	**$9,801,460**	**$9,768,744**
Health Related Institutions				
The University of Texas Southwestern Medical Center	$5,316,631	$7,032,882	$5,661,419	$5,661,419
The University of Texas Medical Branch at Galveston	$8,754,384	$10,980,075	$8,295,640	$8,295,639
The University of Texas Health Science Center at Houston	$3,526,532	$3,598,871	$3,488,064	$3,488,064
The University of Texas Health Science Center at San Antonio	$10,540,695	$18,049,264	$13,660,512	$13,660,512
The University of Texas M.D. Anderson Cancer Center	$11,849,259	$9,774,714	$8,366,071	$8,366,071
The University of Texas Health Science Center at Tyler	$2,845,110	$2,912,349	$2,801,542	$2,801,542
Texas A&M University System Health Science Center	$2,791,990	$2,791,990	$2,689,193	$2,689,193
University of North Texas Health Science Center	$4,294,179	$3,901,070	$2,994,613	$2,994,613
Texas Tech University Health Sciences Center	$12,996,438	$14,881,022	$2,886,469	$2,886,469
Texas Tech University Health Sciences Center at El Paso	$0	$0	$2,772,941	$2,772,941
Subtotal, Health Related Institutions	**$62,915,218**	**$73,922,237**	**$53,616,464**	**$53,616,463**
Texas A&M University Services				
Texas A&M AgriLife Research	$7,051,607	$6,876,253	$6,876,253	$6,876,253
Texas A&M AgriLife Extension Service	$10,026,408	$10,026,188	$10,022,021	$10,022,021

FIGURE B5 (CONTINUED)
OTHER FUNDS – AGENCIES OF EDUCATION

ARTICLE III – AGENCIES OF EDUCATION	EXPENDED 2014	BUDGETED 2015	APPROPRIATED 2016	APPROPRIATED 2017
Texas A&M Engineering Experiment Station	$53,073,511	$53,073,511	$56,981,514	$56,981,514
Texas A&M Transportation Institute	$44,582,628	$45,840,458	$38,426,281	$39,613,686
Texas A&M Engineering Extension Service	$50,213,422	$51,063,064	$49,350,119	$49,350,119
Texas A&M Forest Service	$549,342	$597,870	$597,870	$597,870
Texas A&M Veterinary Medical Diagnostic Laboratory	$10,314,604	$9,616,421	$9,616,421	$9,616,421
Subtotal, Texas A&M University Services	**$175,811,522**	**$177,093,765**	**$171,870,479**	**$173,057,884**
Other Higher Education				
Higher Education Coordinating Board	$37,429,479	$46,113,201	$28,440,924	$28,422,322
Higher Education Fund	$0	$0	$0	$0
Available University Fund	$909,332,751	$792,857,645	$801,099,786	$889,399,222
Available National Research University Fund	$27,426,955	$28,408,280	$29,819,162	$31,248,988
Permanent Fund Supporting Military and Veterans Exemptions	$0	$11,374,590	$11,646,519	$11,857,694
Subtotal, Other Higher Education	**$974,189,185**	**$878,753,716**	**$871,006,391**	**$960,928,226**
Subtotal, Public Higher Education	**$1,219,443,559**	**$1,138,154,265**	**$1,106,294,794**	**$1,197,371,317**
Employee Benefits				
Teacher Retirement System, Public Education	$76,437,263	$90,272,288	$104,187,247	$68,512,566
Teacher Retirement System, Higher Education	$13,488,929	$15,930,404	$18,385,985	$12,090,453
Optional Retirement Program	$0	$0	$0	$0
Higher Education Employees Group Insurance Contributions	$782,842	$840,105	$0	$0
Retirement and Group Insurance	$1,171,637	$1,237,529	$1,460,480	$1,530,431
Social Security and Benefit Replacement Pay	$10,723,909	$10,784,855	$10,674,485	$10,962,626
Subtotal, Employee Benefits	**$102,604,580**	**$119,065,181**	**$134,708,197**	**$93,096,076**
Debt Service				
Bond Debt Service Payments	$363	$0	$0	$0
Lease Payments	$0	$0	$0	$0
Subtotal, Debt Service	**$363**	**$0**	**$0**	**$0**
Less Interagency Contracts	$49,002,528	$48,569,316	$49,829,851	$50,583,925
TOTAL, ARTICLE III – AGENCIES OF EDUCATION	**$5,170,737,031**	**$5,386,184,657**	**$4,449,493,088**	**$4,887,503,416**

NOTES:
(1) Budgeted 2015 incorporates certain appropriation adjustments relating to House Bill 2, Eighty-fourth Legislature, 2015; technical and/or reconciling adjustments; and the Governor's vetoes.
(2) Appropriated 2016 and 2017 incorporate certain appropriation adjustments relating to article-specific special provisions, and Article IX of House Bill 1 (Conference Committee Report), Eighty-fourth Legislature, 2015; House Bill 6 and House Bill 7, Eighty-fourth Legislature, 2015; other legislation passed by the Eighty-fourth Legislature, 2015, that affects appropriations; technical and/or reconciling adjustments; and the Governor's vetoes.
(3) Article totals exclude Interagency Contracts.
(4) Appropriated fiscal years 2016 and 2017 for The University of Texas Rio Grande Valley includes amounts for the institution's school of medicine. These amounts are reflected in the totals for the health related institutions in Section 6, Education, rather than the general academic institutions.

SOURCE: Legislative Budget Board.

FIGURE B5 (CONTINUED)
OTHER FUNDS – JUDICIARY

ARTICLE IV – JUDICIARY	EXPENDED 2014	BUDGETED 2015	APPROPRIATED 2016	APPROPRIATED 2017
Supreme Court of Texas	$21,272,019	$16,755,890	$16,752,889	$16,752,889
Court of Criminal Appeals	$367,751	$1,035,251	$367,751	$367,751
First Court of Appeals District, Houston	$344,286	$324,550	$324,550	$324,550
Second Court of Appeals District, Fort Worth	$282,164	$277,050	$275,050	$275,050
Third Court of Appeals District, Austin	$234,900	$234,900	$234,900	$234,900
Fourth Court of Appeals District, San Antonio	$273,876	$266,050	$266,050	$266,050
Fifth Court of Appeals District, Dallas	$418,950	$425,950	$425,950	$425,950
Sixth Court of Appeals District, Texarkana	$101,250	$96,450	$96,450	$96,450
Seventh Court of Appeals District, Amarillo	$131,786	$130,600	$130,600	$130,600
Eighth Court of Appeals District, El Paso	$129,717	$125,450	$125,450	$125,450
Ninth Court of Appeals District, Beaumont	$130,600	$130,600	$130,600	$130,600
Tenth Court of Appeals District, Waco	$101,050	$100,450	$100,450	$100,450
Eleventh Court of Appeals District, Eastland	$100,450	$100,450	$100,450	$100,450
Twelfth Court of Appeals District, Tyler	$100,750	$95,950	$99,450	$99,450
Thirteenth Court of Appeals District, Corpus Christi-Edinburg	$236,900	$236,900	$236,900	$236,900
Fourteenth Court of Appeals District, Houston	$455,239	$444,091	$444,091	$444,091
Office of Court Administration, Texas Judicial Council	$5,412,870	$5,172,536	$5,505,786	$5,403,245
Office of Capital and Forensic Writs	$0	$0	$0	$0
Office of the State Prosecuting Attorney	$22,500	$22,500	$22,500	$22,500
State Law Library	$19,250	$19,250	$19,250	$19,250
State Commission on Judicial Conduct	$0	$0	$0	$0
Judiciary Section, Comptroller's Department	$62,500,649	$67,966,518	$68,202,856	$68,203,476
Subtotal, Judiciary	**$92,636,957**	**$93,961,386**	**$93,861,973**	**$93,760,052**
Retirement and Group Insurance	$4,629,968	$4,629,968	$4,629,968	$4,629,968
Social Security and Benefit Replacement Pay	$1,765,682	$1,797,902	$1,803,638	$1,809,713
Subtotal, Employee Benefits	**$6,395,650**	**$6,427,870**	**$6,433,606**	**$6,439,681**
Less Interagency Contracts	$9,777,412	$9,742,973	$10,129,575	$10,027,513
TOTAL, ARTICLE IV – JUDICIARY	**$89,255,195**	**$90,646,283**	**$90,166,004**	**$90,172,220**

NOTES:
(1) Budgeted 2015 incorporates certain appropriation adjustments relating to House Bill 2, Eighty-fourth Legislature, 2015; technical and/or reconciling adjustments; and the Governor's vetoes.
(2) Appropriated 2016 and 2017 incorporate certain appropriation adjustments relating to article-specific special provisions, and Article IX of House Bill 1 (Conference Committee Report), Eighty-fourth Legislature, 2015; House Bill 6 and House Bill 7, Eighty-fourth Legislature, 2015; other legislation passed by the Eighty-fourth Legislature, 2015, that affects appropriations; technical and/or reconciling adjustments; and the Governor's vetoes.
(3) Article totals exclude Interagency Contracts.
SOURCE: Legislative Budget Board.

FIGURE B5 (CONTINUED)
OTHER FUNDS – PUBLIC SAFETY AND CRIMINAL JUSTICE

ARTICLE V – PUBLIC SAFETY AND CRIMINAL JUSTICE	EXPENDED 2014	BUDGETED 2015	APPROPRIATED 2016	APPROPRIATED 2017
Alcoholic Beverage Commission	$107,094	$20,000	$35,000	$35,000
Department of Criminal Justice	$114,085,083	$89,163,904	$72,891,278	$59,891,277
Commission on Fire Protection	$45,000	$45,000	$67,500	$72,500
Commission on Jail Standards	$2,250	$2,250	$2,250	$2,250
Juvenile Justice Department	$15,846,331	$20,421,840	$12,514,608	$12,204,906
Commission on Law Enforcement	$534,300	$763,302	$562,000	$478,000
Texas Military Department	$4,773,564	$5,433,000	$5,608,000	$5,608,000
Department of Public Safety	$598,645,752	$440,239,952	$70,115,943	$45,929,566
Subtotal, Public Safety and Criminal Justice	**$734,039,374**	**$556,089,248**	**$161,796,579**	**$124,221,499**
Retirement and Group Insurance	$94,404,595	$101,251,898	$0	$0
Social Security and Benefit Replacement Pay	$28,966,831	$29,413,615	$103,387	$103,904
Subtotal, Employee Benefits	**$123,371,426**	**$130,665,513**	**$103,387**	**$103,904**
Bond Debt Service Payments	$18,809	$0	$0	$0
Lease Payments	$0	$0	$0	$0
Subtotal, Debt Service	**$18,809**	**$0**	**$0**	**$0**
Less Interagency Contracts	$78,964,782	$65,481,193	$66,982,331	$66,672,628
TOTAL, ARTICLE V – PUBLIC SAFETY AND CRIMINAL JUSTICE	**$778,464,827**	**$621,273,568**	**$94,917,635**	**$57,652,775**

NOTES:
(1) Budgeted 2015 incorporates certain appropriation adjustments relating to House Bill 2, Eighty-fourth Legislature, 2015; technical and/or reconciling adjustments; and the Governor's vetoes.
(2) Appropriated 2016 and 2017 incorporate certain appropriation adjustments relating to article-specific special provisions, and Article IX of House Bill 1 (Conference Committee Report), Eighty-fourth Legislature, 2015; House Bill 6 and House Bill 7, Eighty-fourth Legislature, 2015; other legislation passed by the Eighty-fourth Legislature, 2015, that affects appropriations; technical and/or reconciling adjustments; and the Governor's vetoes.
(3) Article totals exclude Interagency Contracts.
SOURCE: Legislative Budget Board.

FIGURE B5 (CONTINUED)
OTHER FUNDS – NATURAL RESOURCES

ARTICLE VI – NATURAL RESOURCES	EXPENDED 2014	BUDGETED 2015	APPROPRIATED 2016	APPROPRIATED 2017
Department of Agriculture	$5,418,672	$14,362,141	$10,596,810	$10,762,782
Animal Health Commission	$575	$0	$0	$0
Commission on Environmental Quality	$13,239,539	$19,080,482	$8,075,246	$7,175,036
General Land Office and Veterans' Land Board	$43,978,277	$68,854,425	$43,296,609	$43,796,609
Low-level Radioactive Waste Disposal Compact Commission	$0	$0	$0	$0
Parks and Wildlife Department	$53,862,896	$30,641,201	$20,960,859	$4,501,745
Railroad Commission	$2,403,310	$2,406,457	$2,406,457	$2,406,457
Soil and Water Conservation Board	$15,365	$0	$0	$0
Water Development Board	$2,065,567,207	$60,743,102	$61,712,132	$62,593,248
Subtotal, Natural Resources	**$2,184,485,841**	**$196,087,808**	**$147,048,113**	**$131,235,877**
Retirement and Group Insurance	$6,132,510	$6,532,303	$7,652,002	$8,103,608
Social Security and Benefit Replacement Pay	$2,443,013	$2,480,949	$2,504,799	$2,508,439
Subtotal, Employee Benefits	**$8,575,523**	**$9,013,252**	**$10,156,801**	**$10,612,047**
Bond Debt Service Payments	$732,847	$731,403	$738,125	$738,000
Lease Payments	$0	$0	$0	$0
Subtotal, Debt Service	**$732,847**	**$731,403**	**$738,125**	**$738,000**
Less Interagency Contracts	$18,446,522	$31,176,102	$8,170,812	$7,270,602
TOTAL, ARTICLE VI – NATURAL RESOURCES	**$2,175,347,689**	**$174,656,361**	**$149,772,227**	**$135,315,322**

NOTES:
(1) Budgeted 2015 incorporates certain appropriation adjustments relating to House Bill 2, Eighty-fourth Legislature, 2015; technical and/or reconciling adjustments; and the Governor's vetoes.
(2) Appropriated 2016 and 2017 incorporate certain appropriation adjustments relating to article-specific special provisions, and Article IX of House Bill 1 (Conference Committee Report), Eighty-fourth Legislature, 2015; House Bill 6 and House Bill 7, Eighty-fourth Legislature, 2015; other legislation passed by the Eighty-fourth Legislature, 2015, that affects appropriations; technical and/or reconciling adjustments; and the Governor's vetoes.
(3) Article totals exclude Interagency Contracts.
SOURCE: Legislative Budget Board.

FIGURE B5 (CONTINUED)
OTHER FUNDS – BUSINESS AND ECONOMIC DEVELOPMENT

ARTICLE VII – BUSINESS AND ECONOMIC DEVELOPMENT	EXPENDED 2014	BUDGETED 2015	APPROPRIATED 2016	APPROPRIATED 2017
Department of Housing and Community Affairs	$17,966,655	$18,477,398	$19,513,920	$19,813,007
Texas Lottery Commission	$0	$0	$0	$0
Department of Motor Vehicles	$56,791,514	$55,781,919	$0	$130,316,695
Department of Transportation	$6,338,608,408	$7,923,573,706	$7,420,684,536	$6,759,002,074
Texas Workforce Commission	$57,937,871	$57,154,586	$54,676,915	$57,644,321
Reimbursements to the Unemployment Compensation Benefit Account	$18,440,601	$16,182,210	$14,535,459	$13,759,198
Subtotal, Business and Economic Development	**$6,489,745,049**	**$8,071,169,819**	**$7,509,410,830**	**$6,980,535,295**
Retirement and Group Insurance	$212,274,026	$229,252,976	$257,610,339	$277,585,018
Social Security and Benefit Replacement Pay	$50,978,326	$51,653,965	$50,855,188	$50,846,488
Subtotal, Employee Benefits	**$263,252,352**	**$280,906,941**	**$308,465,527**	**$328,431,506**
Bond Debt Service Payments	$421	$0	$0	$0
Lease Payments	$0	$0	$0	$0
Subtotal, Debt Service	**$421**	**$0**	**$0**	**$0**
Less Interagency Contracts	$79,399,085	$76,610,293	$72,381,961	$72,654,850
TOTAL, ARTICLE VII – BUSINESS AND ECONOMIC DEVELOPMENT	**$6,673,598,737**	**$8,275,466,467**	**$7,745,494,396**	**$7,236,311,951**

NOTES:
(1) Budgeted 2015 incorporates certain appropriation adjustments relating to House Bill 2, Eighty-fourth Legislature, 2015; technical and/or reconciling adjustments; and the Governor's vetoes.
(2) Appropriated 2016 and 2017 incorporate certain appropriation adjustments relating to article-specific special provisions, and Article IX of House Bill 1 (Conference Committee Report), Eighty-fourth Legislature, 2015; House Bill 6 and House Bill 7, Eighty-fourth Legislature, 2015; other legislation passed by the Eighty-fourth Legislature, 2015, that affects appropriations; technical and/or reconciling adjustments; and the Governor's vetoes.
(3) Article totals exclude Interagency Contracts.
SOURCE: Legislative Budget Board.

FIGURE B5 (CONTINUED)
OTHER FUNDS – REGULATORY

ARTICLE VIII – REGULATORY	EXPENDED 2014	BUDGETED 2015	APPROPRIATED 2016	APPROPRIATED 2017
State Office of Administrative Hearings	$5,866,976	$6,125,477	$3,551,567	$3,551,567
Board of Chiropractic Examiners	$47,500	$47,500	$47,500	$47,500
Texas State Board of Dental Examiners	$295,800	$258,500	$258,500	$258,500
Funeral Service Commission	$73,500	$73,500	$73,500	$73,500
Board of Professional Geoscientists	$0	$0	$0	$0
Health Professions Council	$998,147	$974,004	$1,076,161	$1,073,213
Office of Injured Employee Counsel	$0	$0	$0	$0
Department of Insurance	$23,442,162	$6,791,084	$5,869,163	$5,869,162
Office of Public Insurance Counsel	$191,670	$191,670	$191,670	$191,670
Board of Professional Land Surveying	$22,150	$15,400	$5,400	$5,400
Department of Licensing and Regulation	$965,882	$965,882	$965,882	$965,882
Texas Medical Board	$59,418	$59,418	$59,418	$59,418
Texas Board of Nursing	$3,307,464	$1,167,998	$3,307,464	$3,307,464
Optometry Board	$45,321	$45,321	$45,321	$45,321
Board of Pharmacy	$7,730	$7,730	$7,730	$7,730
Executive Council of Physical Therapy and Occupational Therapy Examiners	$55,677	$57,456	$56,000	$56,000
Board of Plumbing Examiners	$35,182	$34,100	$36,100	$36,100
Board of Podiatric Medical Examiners	$8,295	$3,200	$3,200	$3,200
Board of Examiners of Psychologists	$79,038	$79,038	$97,398	$97,398
Racing Commission	$0	$0	$0	$0
Securities Board	$0	$0	$0	$0
Public Utility Commission of Texas	$475,000	$475,000	$475,000	$475,000
Office of Public Utility Counsel	$0	$0	$0	$0
Board of Veterinary Medical Examiners	$1,884	$1,884	$4,300	$4,300
Subtotal, Regulatory	**$35,978,796**	**$17,374,162**	**$16,131,274**	**$16,128,325**
Retirement and Group Insurance	$0	$0	$0	$0
Social Security and Benefit Replacement Pay	$203,975	$206,896	$0	$0
Subtotal, Employee Benefits	**$203,975**	**$206,896**	**$0**	**$0**
Lease Payments	$0	$0	$0	$0
Subtotal, Debt Service	**$0**	**$0**	**$0**	**$0**
Less Interagency Contracts	$3,962,614	$4,081,613	$4,895,379	$4,892,431
TOTAL, ARTICLE VIII – REGULATORY	**$32,220,157**	**$13,499,445**	**$11,235,895**	**$11,235,894**

NOTES:
(1) Budgeted 2015 incorporates certain appropriation adjustments relating to House Bill 2, Eighty-fourth Legislature, 2015; technical and/or reconciling adjustments; and the Governor's vetoes.
(2) Appropriated 2016 and 2017 incorporate certain appropriation adjustments relating to article-specific special provisions, and Article IX of House Bill 1 (Conference Committee Report), Eighty-fourth Legislature, 2015; House Bill 6 and House Bill 7, Eighty-fourth Legislature, 2015; other legislation passed by the Eighty-fourth Legislature, 2015, that affects appropriations; technical and/or reconciling adjustments; and the Governor's vetoes.
(3) Article totals exclude Interagency Contracts.
SOURCE: Legislative Budget Board.

FIGURE B5 (CONTINUED)
OTHER FUNDS – GENERAL PROVISIONS

ARTICLE IX – GENERAL PROVISIONS	EXPENDED 2014	BUDGETED 2015	APPROPRIATED 2016	APPROPRIATED 2017
Appropriation for a Salary Increase	$0	$0	$19,762,223	$19,762,223
TOTAL, ARTICLE IX – GENERAL PROVISIONS	**$0**	**$0**	**$19,762,223**	**$19,762,223**

NOTES:
(1) Budgeted 2015 incorporates certain appropriation adjustments relating to House Bill 2, Eighty-fourth Legislature, 2015; technical and/or reconciling adjustments; and the Governor's vetoes.
(2) Appropriated 2016 and 2017 incorporate certain appropriation adjustments relating to article-specific special provisions, and Article IX of House Bill 1 (Conference Committee Report), Eighty-fourth Legislature, 2015; House Bill 6 and House Bill 7, Eighty-fourth Legislature, 2015; other legislation passed by the Eighty-fourth Legislature, 2015, that affects appropriations; technical and/or reconciling adjustments; and the Governor's vetoes.
(3) Article totals exclude Interagency Contracts.
SOURCE: Legislative Budget Board.

FIGURE B5 (CONTINUED)
OTHER FUNDS – LEGISLATURE

ARTICLE X – LEGISLATURE	EXPENDED 2014	BUDGETED 2015	APPROPRIATED 2016	APPROPRIATED 2017
Senate	$0	$0	$0	$0
House of Representatives	$0	$0	$0	$0
Legislative Budget Board	$0	$0	$0	$0
Legislative Council	$0	$0	$0	$0
Commission on Uniform State Laws	$0	$0	$0	$0
Sunset Advisory Commission	$0	$0	$0	$0
State Auditor's Office	$6,695,940	$6,915,800	$4,775,000	$4,775,000
Legislative Reference Library	$1,350	$3,500	$2,425	$2,425
Subtotal, Legislature	**$6,697,290**	**$6,919,300**	**$4,777,425**	**$4,777,425**
Retirement and Group Insurance	$0	$0	$0	$0
Social Security and Benefit Replacement Pay	$0	$0	$0	$0
Subtotal, Employee Benefits	**$0**	**$0**	**$0**	**$0**
Lease Payments	$0	$0	$0	$0
Subtotal, Debt Service	**$0**	**$0**	**$0**	**$0**
Less Interagency Contracts	$6,676,402	$6,816,800	$4,676,000	$4,676,000
TOTAL, ARTICLE X – LEGISLATURE	**$20,888**	**$102,500**	**$101,425**	**$101,425**

NOTES:
(1) Budgeted 2015 incorporates certain appropriation adjustments relating to House Bill 2, Eighty-fourth Legislature, 2015; technical and/or reconciling adjustments; and the Governor's vetoes.
(2) Appropriated 2016 and 2017 incorporate certain appropriation adjustments relating to article-specific special provisions, and Article IX of House Bill 1 (Conference Committee Report), Eighty-fourth Legislature, 2015; House Bill 6 and House Bill 7, Eighty-fourth Legislature, 2015; other legislation passed by the Eighty-fourth Legislature, 2015, that affects appropriations; technical and/or reconciling adjustments; and the Governor's vetoes.
(3) Article totals exclude Interagency Contracts.
SOURCE: Legislative Budget Board.

APPENDIX C – HOUSE COMMITTEE ON APPROPRIATIONS

EIGHTY-FOURTH LEGISLATURE
2016–17 BIENNIUM

JOHN OTTO, CHAIR, Representative District 18, Dayton

SYLVESTER TURNER, VICE-CHAIR, Representative District 139, Houston

Trent Ashby, Representative District 57, Lufkin

Cecil Bell, Representative District 3, Magnolia

Greg Bonnen, Representative District 24, Friendswood

Cindy Burkett, Representative District 113, Sunnyvale

Giovanni Capriglione, Representative District 98, Southlake

Sarah Davis, Representative District 134, West University Place

Dawnna Dukes, Representative District 46, Austin

Helen Giddings, Representative District 109, Dallas

Larry Gonzales, Representative District 52, Round Rock

Donna Howard, Representative District 48, Austin

Bryan Hughes, Representative District 5, Mineola

Linda Koop, Representative District 102, Dallas

Oscar Longoria, Representative District 35, Mission

Marisa Márquez, Representative District 77, El Paso

Ruth Jones McClendon, Representative District 120, San Antonio

Boris Miles, Representative District 146, Houston

Rick Miller, Representative District 26, Sugar Land

Sergio Muñoz, Jr., Representative District 36, Palmview

Dade Phelan, Representative District 21, Port Neches

Walter “Four” Price, Representative District 87, Amarillo

John Raney, Representative District 14, Bryan

Justin Rodriguez, Representative District 125, San Antonio

J.D. Sheffield, Representative District 59, Gatesville

Gary VanDeaver, Representative District 1, New Boston

Armando Walle, Representative District 140, Houston

APPENDIX D – SENATE COMMITTEE ON FINANCE

EIGHTY-FOURTH LEGISLATURE
2016–17 BIENNIUM

JANE NELSON, CHAIR, Senatorial District 12, Flower Mound

JUAN "CHUY" HINOJOSA, VICE-CHAIR, Senatorial District 20, McAllen

Paul Bettencourt, Senatorial District 7, Houston

Kevin Eltife, Senatorial District 1, Tyler

Craig Estes, Senatorial District 30, Wichita Falls

Kelly Hancock, Senatorial District 9, North Richland Hills

Joan Huffman, Senatorial District 17, Houston

Lois Kolkhorst, Senatorial District 18, Brenham

Robert Nichols, Senatorial District 3, Jacksonville

Charles Schwertner, Senatorial District 5, Georgetown

Kel Seliger, Senatorial District 31, Amarillo

Larry Taylor, Senatorial District 11, Friendswood

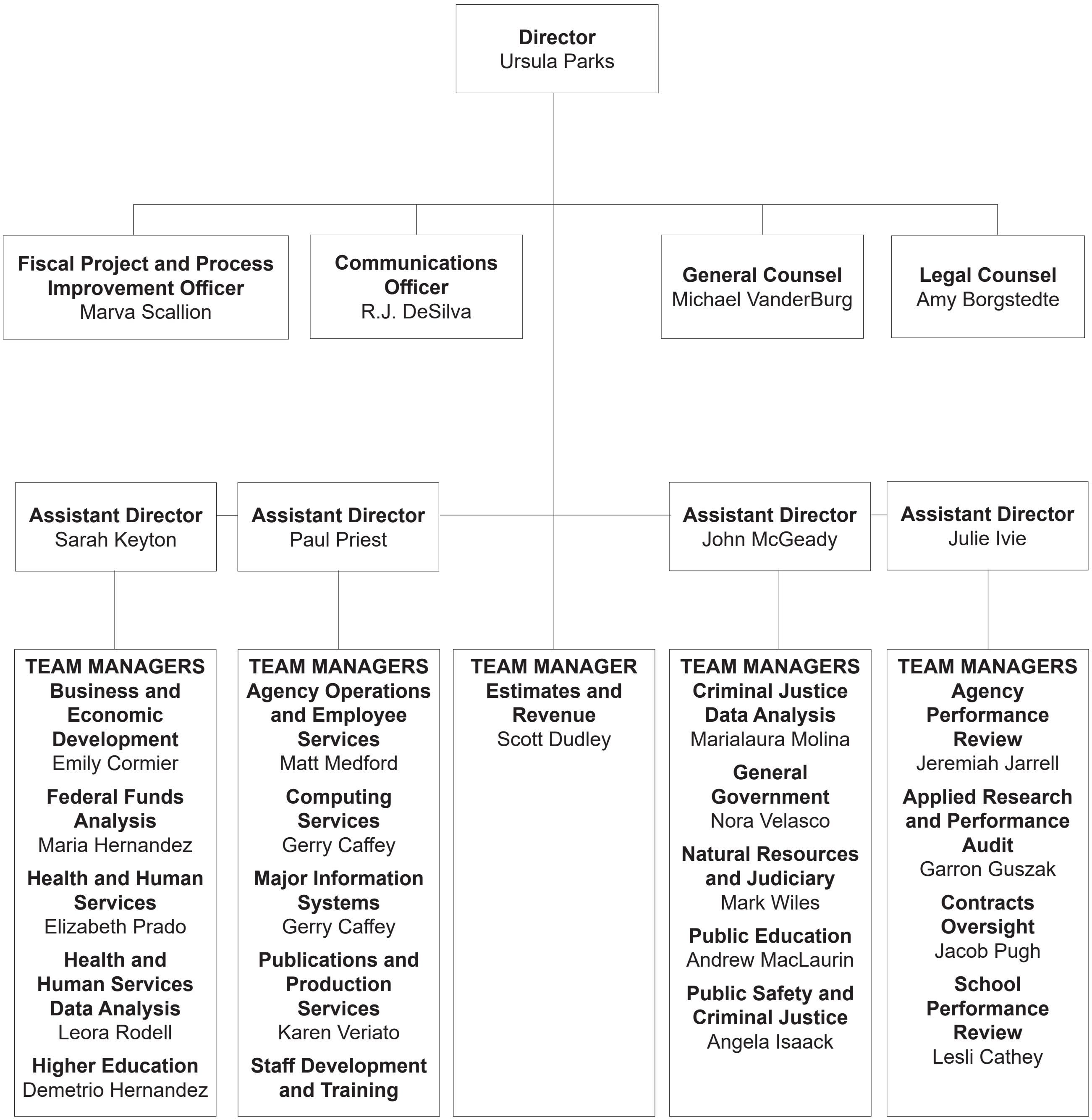
Carlos Uresti, Senatorial District 19, San Antonio

Kirk Watson, Senatorial District 14, Austin

Royce West, Senatorial District 23, Dallas

John Whitmire, Senatorial District 15, Houston

APPENDIX E – LEGISLATIVE BUDGET BOARD ORGANIZATION



APPENDIX F – ABBREVIATIONS AND ACRONYMS

AAS—Agricultural Analytical Service

ABLE—U.S. Achieving a Better Life Experience Act of 2014

ABTPA—Automobile Burglary and Theft Prevention Authority

ACA—U.S. Affordable Care Act

ADA—average daily attendance

ADP—average daily population

ADR—alternative dispute resolution

AFRED—Alternative Fuels, Research, and Education Division

AIM—Academic Innovation and Mentoring

ALR—Administrative License Revocation

ANRUF—Available National Research University Fund

APS—Adult Protective Services

ARD—Admission, Review, and Dismissal

ARRA—American Recovery and Reinvestment Act

ASATR—Additional State Aid for Tax Reduction

ASF—Available School Fund

ASL—American sign language

AUF—Available University Fund

BAT—Bachelor of Applied Technology

Bcf/d—billion cubic feet per day

BCM—Baylor College of Medicine

BEST—Blindness, Education, Screening, and Treatment Program

BET—Business Enterprises of Texas

BIP—Balancing Incentive Program

BP—formerly British Petroleum

BPP—Board of Pardons and Paroles

BRB—Bond Review Board

CAC—Children's Advocacy Center

CAPPS—Centralized Accounting and Payroll/Personnel System

CASA—Court Appointed Special Advocate

CCA—Court of Criminal Appeals

CCP—Comprehensive Care Progrsm

CCTS—Capitol Complex Telephone System

CDBG—Community Development Block Grant

CDL—constitutional debt limit

CFC—Community First Choice

CHIP—federal Children's Health Insurance Program

CIAP—Coastal Impact Assistance Program

CID—Criminal Investigations Division

CIL—Centers for Independent Living

CIS—Communities in Schools

CJAD—Community Justice Assistance Division

CJD—Criminal Justice Division

CLASS—Community Living Assistance Support Services

CMHCC—Correctional Managed Health Care Committee

CMHC—Correctional Managed Health Care

CMP—Coastal Management Program

CMS—Centers for Medicare and Medicaid Services

CNG—compressed natural gas

COGS—Councils of Government

CPA—Comptroller of Public Accounts

CPRIT—Cancer Prevention and Research Institute of Texas

CPS—Child Protective Services

CPW—Centers for Ports and Waterways

CRE—Certification Revenue Estimate

CRS—Comprehensive Rehabilitation Services

CSCD—Community Supervision and Corrections Department

CSEC—Commission on State Emergency Communications

CVC—Compensation to Victims of Crime; Capitol Visitors Center

CWA—Clean Water Act

CWF—Compact Waste Disposal Facility

CWSRF—Clean Water State Revolving Fund

CWTAP—Colonia Wastewater Treatment Assistance Program

DADS—Department of Aging and Disability Services

DAHS—Day Activity and Health Services

DARS—Department of Assistive and Rehabilitative Services

DBMB—Deaf Blind with Multiple Disabilities (program)

DCS—Data Center Services

DDS—Disability Determination Services

DFPS—Department of Family and Protective Services

DIR—Department of Information Resources

DLD—Driver License Division

DLIP—Driver License Improvement Program

DMV—Department of Motor Vehicles

DPS—Department of Public Safety

DSH—disproportionate share hospital

DSHS—Department of State Health Services

DSO—dental support organization

DWC—Division of Workers' Compensation

DWH—Deepwater Horizon offshore oil rig

DWQS—Drinking Water Quality and Standards

DWSRF—Drinking Water State Revolving Fund

ECHS—Early College High School

ECI—Early Childhood Intervention

EDA—Existing Debt Allotment

EDAP—Economically Distressed Areas Program

EFMAP—Enhanced Federal Medical Assistance Percentage

ENHANCE 911 Act—Ensuring Needed Help Arrives Near Callers Employing 911 Act

EOC—end-of-course

EPA—U.S. Environmental Protection Agency

ERS—Employees Retirement System

ESF—Economic Stabilization Fund

ESRD—end-stage renal disease

ETF—Emerging Technology Fund

FCU—Financial Crimes Unit

FDA—U.S. Food and Drug Administration

FEMA—Federal Emergency Management Agency

FMAP—Federal Medical Assistance Percentage

FPL—Federal Poverty Level

FSF—Foundation School Fund

FSP—Foundation School Program

FTE—full-time-equivalent (positions)

FTSE—full-time student equivalent

FWF—Federal Waste Disposal Facility

GAA—General Appropriations Act

GAB—General Appropriations Bill

GAI—general academic institutions

GBP—group benefits program

GCPD—Governor's Committee on People with Disabilities

GCW—Governor's Commission for Women

GDP—gross domestic product

GIS—geographic information systems

GLO—General Land Office

GME—graduate medical education

GO—General Obligation (bonds)

GSP—gross state product

GURI—Governor's University Research Initiative

HAVA—Help America Vote Act

HCS—Home and Community-based Services (waiver program)

HEF—Higher Education Fund

HEGI—Higher Education Employees Group Insurance

HHSC—Health and Human Services Commission

HHS—U.S. Department of Health and Human Services

HIP—Helping through Intervention and Prevention

HIV—Human Immunodeficiency Virus

HLP—Hazlewood Legacy Program

HMO—health maintenance organization

HOME—HOME Investment Partnerships Program

HOPES—(Project) Healthy Outcomes through Prevention and Early Support

HPC—Health Professions Council

HR—human resources

HRI—health related institutions

HRIS—human resource information system

HTC—Housing Tax Credit

HTF—housing trust fund

HUD—U.S. Department of Housing and Urban Development

I&A—instruction and administration

I&O—instruction and operations

I&S—interest and sinking

ICF/IID—Intermediate Care Facilities for Individuals with Intellectual Disability (program)

ICTD—Intelligence and Counterterrorism Division

IDD—intellectual and developmental disability

IDEA—Individuals with Disabilities Education Act

ID—intellectual disability

IFA—instructional facilities allotment

IGT—intergovernmental transfers

IL—independent living

IMA—instructional materials allotment

IMPACT—Information Management Protecting Adults and Children in Texas

IP—Internet protocol

IPTC—in-prison therapy community

ISD—independent school district

IT—information technology

ITP—individualized treatment plan

JBCC—Judicial Branch Certification Commission

JET—Jobs and Education for Texans

JJAEP—Juvenile Justice Alternative Education Program

JRS I—Judicial Retirement System Plan I

JRS II—Judicial Retirement System Plan II

LBB—Legislative Budget Board

LBE—Legislative Budget Estimates

LECOS—Law Enforcement and Custodial Officer Supplemental (Retirement Fund)

LIRAP—Low-income Vehicle Repair, Retrofit, and Accelerated Vehicle Retirement Program

LLRWDCC—Low-level Radioactive Waste Disposal Compact Commission

LNG—liquefied natural gas

LoanSTAR—Loans to Saves Taxes and Resources

LPG—liquefied petroleum gas

LRL—Legislative Reference Library

LWDA—Local Workforce Development Areas

LWDB—Local Workforce Development Boards

MCC—Mortgage Credit Certificate

Mcf—1,000 cubic feet

MCO—managed care organization

MDCP—Medically Dependent Childrens Program

MET—Minimum Education Training program

MFMRB—multifamily mortgage revenue bonds

MLPP—Master Lease Purchase Program

MM b/d—million barrels per day

MMBtu—million British thermal unit

MOU—memorandum of understanding

MPAP—minimum payment amount program

MRSA—Medicaid Rural Service Area

MVE—Military Veterans Exemptions

MVPN—Military Veteran Peer Network

NAAQS—National Ambient Air Quality Standards

NAEP—National Assessment of Educational Progress

NCLB—No Child Left Behind Act

NFIP—National Flood Insurance Program

NG911—Next Generation 911

NICUSA—formerly National Information Consortium USA, Inc.

NRUF—National Research University Fund

NSOC—Network Security Operations Center

OAG—Office of the Attorney General

OCA—Office of Court Administration

OCFW—Office of Capital and Forensic Writs

OCS—Outer Continental Shelf

OGRC—Oil and Gas Regulation and Cleanup (Account)

OIEC—Office of Injured Employee Counsel

OIG—Office of Inspector General

OIO—Office of the Independent Ombudsman

OPEC—Organization of the Petroleum Exporting Countries

OPIC—Office of Public Insurance Counsel

OPUC—Office of Public Utility Counsel

ORP—Optional Retirement Program

OSFR—Office of State-Federal Relations

OSPA—Office of the State Prosecuting Attorney

OSS II—Operation Strong Safety II

OTSC—Office of the Texas State Chemist

PAB—private activity bond

PACE—Program of All-inclusive Care for the Elderly

PCE—personal consumption expenditures

PEIMS—Public Education Information Management System

PELRP—Physician Education Loan Repayment Program

PHEF—Permanent Higher Education Fund

PO—parole officer

POSEIT—Peace Officers Standards Education Internet Training

PPECC—prescribed pediatric extended care center

PRB—Pension Review Board

PRC—public retail customer

PREA—Prison Rape Elimination Act

PSAP—public safety answering point

PSF—Permanent School Fund

PST—petroleum storage tank

PTRF—Property Tax Relief Fund

PUC—Public Utility Commission

PUF—Permanent University Fund

PVS—Property Value Study

QECB—Qualified Energy Conservation Board

QIPP—Quality Incentive Payment Program

QMB—Qualified Medicare Beneficiaries

RCRA—Resource Conservation and Recovery Act

RESFA—Real Estate Special Fund Account

RESTORE (Act)—Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States Act of 2012

RHP—Regional Healthcare Partnerships

RPC—Regional Planning Commission

RRC—Railroad Commission

RWAF—Rural Water Assistance Fund

SAAP—Special Appropriations Act Projects

SAC—Sunset Advisory Commission

SAFPF—Substance Abuse Felony Punishment Facility

SAO—State Auditor's Office

SAPT—Substance Abuse Prevention and Treatment

SBEC—State Board for Educator Certifications

SBOE—State Board of Education

SCJC—State Commission on Judicial Conduct

SCO—State Classification Office

SCOT—Supreme Court of Texas

SDSI—self-directed semi-independent (agencies)

SDU—State Disbursement Unit

SECO–State Energy Conservation Office

SFMRB—single-family mortgage revenue bonds

SFR—Strategic Fiscal Review

SGST—Sporting Goods Sales Tax

SHF—State Highway Fund

SIF—Subsequent Injury Fund

SIU—Special Investigations Unit

SLB—School Land Board

SNAP—Supplemental Nutrition Assistance Program

SOAH—State Office of Administrative Hearings

SORM—State Office of Risk Management

SOS—Secretary of State

SPI—specialists in poison information

SPP—State Participation Program

SPU—Special Prosecution Unit

SSA—Social Security Administration

SSCC—single-source continuum contractors

SSDI—Social Security Disability Insurance

SSI—Supplemental Security Income

SSLC—State Supported Living Centers

STAAR—State of Texas Assessments of Academic Readiness

STAR—State of Texas Access Reform (Program); Services to At-Risk (Youth)

STD—sexually transmitted disease

STEM—science, technology, engineering, and math

SWCD—soil and water conservation district

SWIFT—State Water Implementation Fund

SWIRFT—State Water Implementation Revenue Fund

SWP—State Water Plan

TAAS—Texas Assessment of Academic Skills

TABC—Texas Alcoholic Beverage Commission

TAES—Texas A&M AgriLife Extension Service

TAHC—Texas Animal Health Commission

TAIS—Texas Apiary Inspection Service

TAJF—Texas Access to Justice Foundation

TAKS—Texas Assessment of Knowledge and Skills

TAMU—Texas A&M University

TANF—Temporary Assistance for Needy Families

TAR—Texas A&M AgriLife Research

TCA—Texas Commission on the Arts

TCCO—Texas Civil Commitment Office

TCEQ—Texas Commission on Environmental Quality

TCFP—Texas Commission on Fire Protection

TCI—Texas Correctional Industries

TCJS—Texas Commission on Jail Standards

TCOOMMI—Texas Correctional Office on Offenders with Mental or Medical Impairments

TDA—Texas Department of Agriculture

TDCJ—Texas Department of Criminal Justice

TDEM—Texas Division of Emergency Management

TDHCA—Texas Department of Housing and Community Affairs

TDI—Texas Department of Insurance

TDLR—Texas Department of Licensing and Regulation

TEAM—TRS Enterprise Application Modernization

TEA—Texas Education Agency

TEC—Texas Ethics Commission

TEES—Texas A&M Engineering Experiment Station

TEEX—Texas A&M Engineering Extension Service

TEF—Texas Enterprise Fund

TERP—Texas Emissions Reduction Plan

TESRS—Texas Emergency Services Retirement System

TEX-AN—Texas Agency Network

TFA—Teach for America

TFC—Texas Facilities Commission; Texas Film Commission

TFID—Task Force on Indigent Defense

TFS—Texas A&M Forest Service

THC—Texas Historical Commission

THECB—Texas Higher Education Coordinating Board

THPD—Texas Highway Patrol Division

TIDC—Texas Indigent Defense Commission

TJJD—Texas Juvenile Justice Department

TLC—Texas Lottery Commission

TLOC—Transition Legislative Oversight Committee

TMD—Texas Military Department

TMDL—total maximum daily load

TMF—Texas Mobility Fund

TMFPA—Texas Medicaid Fraud Prevention Act

TMPC—Texas Military Preparedness Commission

TNRIS—Texas Natural Resources Information System

TPASS—Texas Procurement and Support Services

TPFA—Texas Public Finance Authority

TPMP—Texas Prescription Monitoring Program

TPWD—Texas Parks and Wildlife Department

TRB—Tuition Revenue Bond

TRD—Texas Ranger Division

TRS—Teacher Retirement System

TSBVI—Texas School for the Blind and Visually Impaired

TSD—Texas School for the Deaf

TSDS—Texas Student Data System

TSLAC—Texas State Library and Archives Commission

TSSWCB—Texas State Soil and Water Conservation Board

TSTC—Texas State Technical College

T-STEM—Texas Science, Technology, Engineering, and Mathematics

TTC—Texas Transportation Commission

TTI—Texas A&M Transportation Institute

TTSTC—Texas Treasury Safekeeping Trust Company

TTUHSC—Texas Tech University Health Sciences Center

TVC—Texas Veterans Commission

TVMDL—Texas A&M Veterinary Medical Diagnostic Laboratory

TWC—Texas Workforce Commission

TWIA—Texas Windstorm Insurance Association

TWPP—Texas Wildfire Protection Plan

TxDMV Fund—Texas Department of Motor Vehicles Fund

TxDOT—Texas Department of Transportation

TxHmL—Texas Home Living Program

TXMF—Texas Military Forces

TXNG—Texas National Guard

TXSG—Texas State Guard

TX-TF1—Texas Task Force 1

UAAL—unfunded actuarially accrued liability

UC—uncompensated care

UCC—Uniform Commercial Code

UIC—Underground Injection Control Program

URMFT—Unclaimed Refunds of Motorboat Fuel Tax

USAS—Uniform Statewide Accounting System

USDA—U.S. Department of Agriculture

USDW—underground sources of drinking water

USPS—Uniform Statewide Payroll/Personnel System

UTHSC—The University of Texas Health Science Center

UTMB—The University of Texas Medical Branch at Galveston

UTMDACC—The University of Texas M.D. Anderson Cancer Center

UTRGV—The University of Texas Rio Grande Valley

UTSWMC—The University of Texas Southwestern Medical Center at Dallas

UT—The University of Texas (System)

VA—Veterans Affairs

VEIMP—Vehicle Emissions Inspections and Maintenance Program

VIP—Vehicle Inspection Program

VLB—Veterans' Land Board

VR—vocational rehabilitation

WADA—weighted average daily attendance

WCS—Waste Control Specialists

WDB—Water Development Board

WIA—federal Workforce Investment Act

WIC—Women, Infants, and Children (Program)

WIF—Water Infrastructure Fund

WTI—West Texas Intermediate crude oil

APPENDIX G – READER'S GUIDE TO THE GENERAL APPROPRIATIONS ACT

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

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

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

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

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

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

C The left footer shows the version of the appropriations bill. This is the **Fiscal Size-up** version, which is the final enacted version of the appropriations bill from the Eighty-fourth Legislature, 2015.

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

A **OFFICE OF THE ATTORNEY GENERAL**

B

O

	For the Years Ending August 31, 2016	August 31, 2017
Method of Financing:		
General Revenue Fund		
General Revenue Fund[1, 2]	$ 153,793,548	$ 141,573,195
Child Support Retained Collection Account No. 787	63,407,651	63,407,651
Attorney General Debt Collection Receipts No. 788	8,300,000	8,300,000
Insurance Companies Maintenance Tax and Insurance Department Fees Fund No. 8042	3,332,377	3,332,377
Subtotal, General Revenue Fund	$ 228,833,576	$ 216,613,223
General Revenue Fund - Dedicated		
Compensation to Victims of Crime Account No. 0469[3]	66,936,655	66,975,769
Compensation to Victims of Crime Auxiliary Account No. 0494	161,349	161,349
AG Law Enforcement Account No. 5006	301,402	301,402
Sexual Assault Program Account No. 5010	15,188,546	5,188,546
Subtotal, General Revenue Fund - Dedicated	$ 82,587,952	$ 72,627,066
Federal Funds[2]	233,945,635	211,005,118
Other Funds		
Interagency Contracts - Criminal Justice Grants[2]	720,265	725,806
Appropriated Receipts	26,479,635	26,316,527
Interagency Contracts	26,886,485	26,754,202
License Plate Trust Fund Account No. 0802	28,800	28,800
Subtotal, Other Funds	$ 54,115,185	$ 53,825,335
Total, Method of Financing	$ 599,482,348	$ 554,070,742

This bill pattern represents an estimated 100% of this agency's estimated total available funds for the biennium.

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

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

G Agency **Items of Appropriation** consist of goals with multiple strategies. Each strategy has its own appropriation. Certain large agencies have sub-strategies.

H **Grand Total** amounts are the sum of all individual agency strategy appropriations. Note that Grand Total amounts exactly match the Total, Method of Financing line on the previous page, and the Total, Object-of-Expense Informational Listing.

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

OFFICE OF THE ATTORNEY GENERAL
(Continued)

E **Number of Full-Time-Equivalents (FTE):** [3] 4,195.4 4,195.4

F **Schedule of Exempt Positions:**[4]

Attorney General, Group 6	$153,750	$153,750

G **Items of Appropriation:**

A. Goal: PROVIDE LEGAL SERVICES Provide General Legal Services to the State and Authorized Entities.		
A.1.1. Strategy: LEGAL SERVICES[2] Provide Counseling/Litigation/Alternative Dispute Resolution Services.	$ 98,403,345	$ 98,248,859
B. Goal: ENFORCE CHILD SUPPORT LAW Enforce State/Federal Child Support Laws.		
B.1.1. Strategy: CHILD SUPPORT ENFORCEMENT Establish Paternity/Obligations, Enforce Orders and Distribute Monies.	$ 339,974,551	$ 303,519,152
B.1.2. Strategy: STATE DISBURSEMENT UNIT	$ 24,275,719	$ 24,275,719
Total, Goal B: ENFORCE CHILD SUPPORT LAW	$ 364,250,270	$ 327,794,871
C. Goal: CRIME VICTIMS' SERVICES Investigate/Process Applications for Compensation to Crime Victims.		
C.1.1. Strategy: CRIME VICTIMS' COMPENSATION[3] Review Claims, Determine Eligibility/State Liability, Pay Correctly.	$ 79,633,437	$ 80,715,780
C.1.2. Strategy: VICTIMS ASSISTANCE[1] Provide Grants & Contrcts for Victims Svcs/Sexual Asslt Vctms/Chld Adv.	$ 38,239,267	$ 28,316,267
Total, Goal C: CRIME VICTIMS' SERVICES	$ 117,872,704	$ 109,032,047
D. Goal: REFER MEDICAID CRIMES Investigate/Refer for Prosecution Fraud/Misconduct Involving Medicaid.		
D.1.1. Strategy: MEDICAID INVESTIGATION[2] Conduct Investigation Supporting Prosecution of Alleged Medicaid Crime.	$ 18,190,689	$ 18,229,625
E. Goal: ADMINISTRATIVE SUPPORT FOR SORM Provide Administrative Support for the State Office of Risk Management.		
E.1.1. Strategy: ADMINISTRATIVE SUPPORT FOR SORM Provide Administrative Support to the State Office of Risk Management.	$ 765,340	$ 765,340
H **Grand Total,** OFFICE OF THE ATTORNEY GENERAL	$ 599,482,348	$ 554,070,742

I **Object-of-Expense Informational Listing:**

Salaries and Wages	$ 226,510,436	$ 226,746,194
Other Personnel Costs	7,683,166	7,685,755
Professional Fees and Services	84,048,774	55,994,452
Fuels and Lubricants	378,568	378,568
Consumable Supplies	2,112,682	2,112,682
Utilities	3,366,435	3,366,435
Travel	5,153,205	5,153,205
Rent - Building	18,780,125	16,602,328
Rent - Machine and Other	2,311,700	2,311,700
Other Operating Expense	196,846,951	191,352,117
Grants	51,826,732	41,903,732
Capital Expenditures	463,574	463,574
Total, Object-of-Expense Informational Listing	$ 599,482,348	$ 554,070,742

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

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

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

OFFICE OF THE ATTORNEY GENERAL
(Continued)

Estimated Allocations for Employee Benefits and Debt Service Appropriations Made Elsewhere in this Act:

J

Employee Benefits		
Retirement	$ 20,366,628	$ 20,448,224
Group Insurance	41,737,995	45,275,119
Social Security	16,119,507	16,200,101
Benefits Replacement	690,286	624,711
Subtotal, Employee Benefits	$ 78,914,416	$ 82,548,155
J Debt Service		
Lease Payments	$ 394,540	$ 402,535
Total, Estimated Allocations for Employee Benefits and Debt Service Appropriations Made Elsewhere in this Act	$ 79,308,956	$ 82,950,690

K

1. **Performance Measure Targets.**[3] The following is a listing of the key performance target levels for the Office of the Attorney General. It is the intent of the Legislature that appropriations made by this Act be utilized in the most efficient and effective manner possible to achieve the intended mission of the Office of the Attorney General. In order to achieve the objectives and service standards established by this Act, the Office of the Attorney General shall make every effort to attain the following designated key performance target levels associated with each item of appropriation.

	2016	2017
A. Goal: PROVIDE LEGAL SERVICES		
Outcome (Results/Impact):		
Delinquent State Revenue Collected	45,000,000	45,000,000
A.1.1. Strategy: LEGAL SERVICES		
Output (Volume):		
Legal Hours Billed to Litigation and Counseling	1,069,039	1,077,696
Efficiencies:		
Average Cost Per Legal Hour	85.11	84.22
B. Goal: ENFORCE CHILD SUPPORT LAW		
Outcome (Results/Impact):		
Percent of Title IV-D Cases That Have Court Orders for Child Support	82%	82%
Percent of All Current Child Support Amounts Due That Are Collected	65%	65%
Percent of Title IV-D Cases with Arrears Due in Which Any Amount Is Paid Toward Arrears	65%	65%
Percent of Paternity Establishments for Out of Wedlock Births	95%	95%
B.1.1. Strategy: CHILD SUPPORT ENFORCEMENT		
Output (Volume):		
Amount of Title IV-D Child Support Collected (in Millions)	4,150	4,325
Efficiencies:		
Ratio of Total Dollars Collected Per Dollar Spent	12.34	14.43
B.1.2. Strategy: STATE DISBURSEMENT UNIT		
Output (Volume):		
Number of Payment Receipts Processed by the SDU Vendor	22,762,063	23,535,973
C. Goal: CRIME VICTIMS' SERVICES		
Outcome (Results/Impact):[3]		
Amount of Crime Victims' Compensation Awarded	71,837,122	73,018,387
C.1.1. Strategy: CRIME VICTIMS' COMPENSATION		
Efficiencies:		
Average Number of Days to Analyze a Claim and Make an Award	50	45
D. Goal: REFER MEDICAID CRIMES		
Outcome (Results/Impact):		
Amount of Medicaid Over-payments Identified	56,600,000	56,600,000
D.1.1. Strategy: MEDICAID INVESTIGATION		
Output (Volume):		
Number of Investigations Concluded	500	500

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

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

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

OFFICE OF THE ATTORNEY GENERAL
(Continued)

L

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

	2016	2017
a. Acquisition of Information Resource Technologies		
(1) Child Support Hardware/Software Enhancements	$ 100,000	$ 100,000
(2) Child Support TXCSES 2.0 Release 1	25,803,812	741,174
(3) Child Support TXCSES 2.0 Release 2	$ 9,560,050	$ 6,692,474
Total, Acquisition of Information Resource Technologies	$ 35,463,862	$ 7,533,648
b. Transportation Items		
(1) Child Support Motor Vehicles	$ 163,494	$ 163,494
c. Data Center Consolidation		
(1) Data Center Consolidation	$ 46,734,045	$ 53,062,011
d. Centralized Accounting and Payroll/Personnel System (CAPPS)		
(1) Converted PeopleSoft Licenses	$ 55,662	$ 55,662
Total, Capital Budget	$ 82,417,063	$ 60,814,815

M

	2016	2017
Method of Financing (Capital Budget):		
General Revenue Fund	$ 29,730,384	$ 22,380,228
GR Dedicated - Compensation to Victims of Crime Account No. 469	186,654	186,654
Federal Funds	51,595,178	37,343,086
Other Funds		
Appropriated Receipts	789,449	789,449
Interagency Contracts	115,398	115,398
Subtotal, Other Funds	$ 904,847	$ 904,847
Total, Method of Financing	$ 82,417,063	$ 60,814,815

N

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

4. **Child Support Collections.**

   a. The Office of the Attorney General shall deposit Child Support Retained Collections in a special account in the Comptroller's Office. The account shall be called the Child Support Retained Collection Account. Child Support Retained Collections shall include the state share of funds collected by the Office of the Attorney General which were previously paid by the State as Aid to Families with Dependent Children (AFDC) or Temporary Assistance for Needy Families (TANF) or foster care payments, all child support enforcement incentive payments received from the federal government, and all revenues specifically established by statute on a fee or service-provided basis and pertaining to the Child Support Enforcement Program.

   b. Amounts earned as interest on, and allocated by the Comptroller of Public Accounts to, the Child Support Trust Fund No. 994, in excess of $808,289 in fiscal year 2016 and $808,289 in fiscal year 2017, shall be transferred monthly by the Comptroller of Public Accounts to such funds from the General Revenue Fund, and all amounts so transferred are appropriated to the Office of the Attorney General for use during the 2016-17 biennium, in addition to the amounts otherwise appropriated herein. Amounts transferred pursuant to this provision shall

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O For the version of the General Appropriations Act (GAA) published with *Fiscal Size-Up*, endnotes are added to explain changes from the conference committee version of the GAA. Typically these changes are from appropriations that previously appeared in Article IX.

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(Continued)

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[1] Incorporates Article IX, §18.27, of this Act, due to enactment of HB 3327, 84th Legislature, Regular Session, relating to a grant program to fund domestic violence high risk teams, resulting in increases of $300,000 out of General Revenue each fiscal year of the biennium.

[2] Incorporates Article IX, §18.28, of this Act, due to enactment of HB 2037, 84th Legislature, Regular Session, relating to compensation and leave of certain peace officers, resulting in increases of $1,990,131 in FY 2016 and $2,063,816 in FY 2017 out of General Revenue, increases of $963,722 in FY 2016 and $994,337 in FY 2017 out of Federal Funds, and increases of $91,835 in FY 2016 and $97,376 in FY 2017 out of Interagency Contracts – Criminal Justice Grants, affecting several strategies.

[3] Incorporates Article IX, §18.22, of this Act, due to enactment of HB 1446, 84th Legislature, Regular Session, relating to reimbursement of certain medical costs for victims of certain sex offenses and compensation to victims of stalking for relocation and housing rental expenses, resulting in increases of $2,828,349 in FY 2016 and $2,867,463 in FY 2017 out of General Revenue – Dedicated Compensation to Victims of Crime Account No. 0469 and increases of 2.0 FTEs in each year of the biennium. Performance measures are adjusted accordingly.

[4] Article IX, §18.02 of this Act, increases the salary of the Attorney General from $150,000 to $153,750.

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