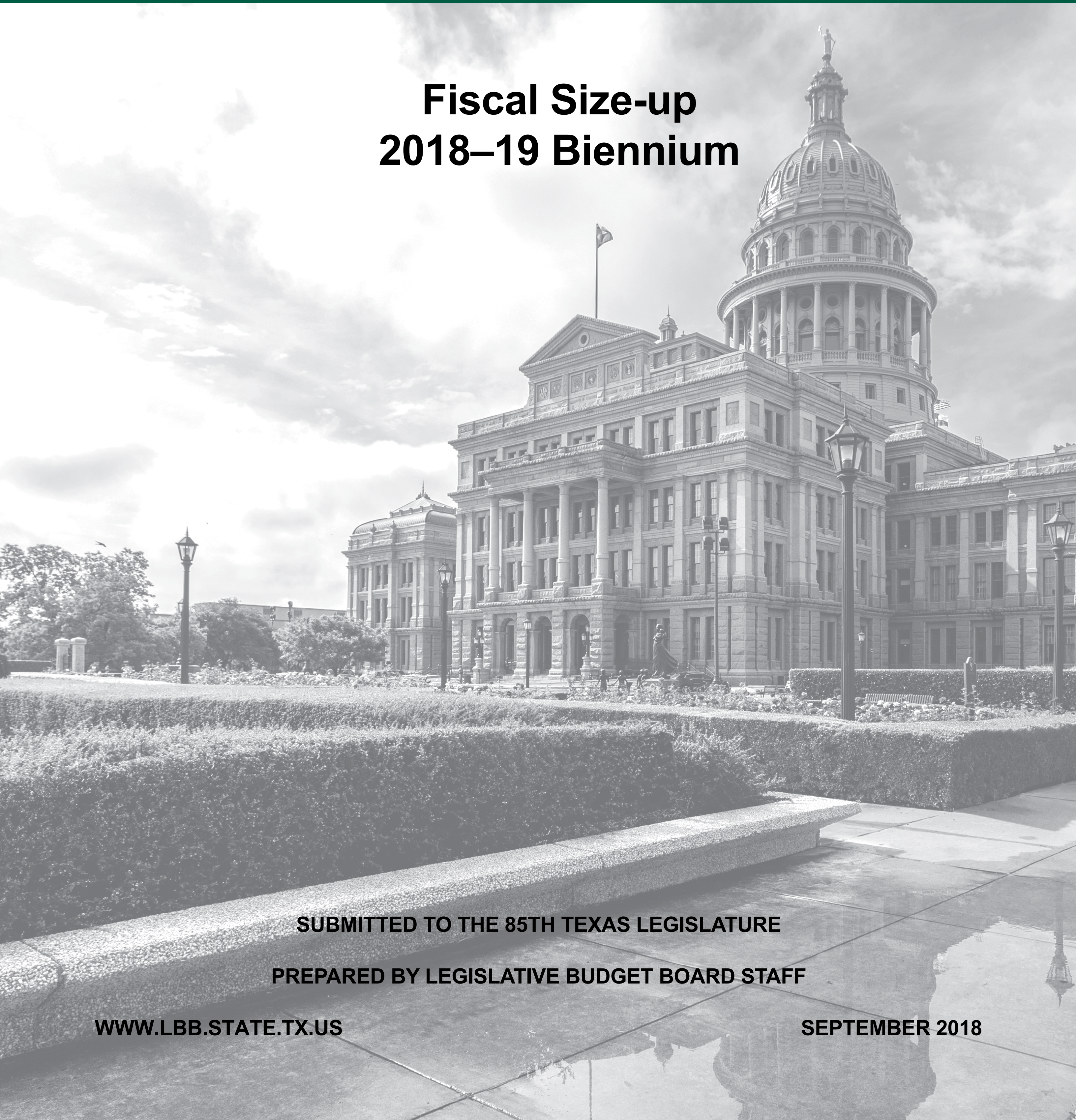
LEGISLATIVE BUDGET BOARD



Fiscal Size-up
2018–19 Biennium

SUBMITTED TO THE 85TH TEXAS LEGISLATURE

PREPARED BY LEGISLATIVE BUDGET BOARD STAFF

WWW.LBB.STATE.TX.US

SEPTEMBER 2018

Dedicated to the memory of Tonya Hernandez-Hart

Legislative Budget Board
Fiscal Size-up

2018–19 Biennium

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

WWW.LBB.STATE.TX.US SEPTEMBER 2018

LEGISLATIVE BUDGET BOARD

DAN PATRICK, JOINT CHAIR
Lieutenant Governor

JOE STRAUS, JOINT CHAIR
Representative District 121, San Antonio
Speaker of the House of Representatives

KELLY HANCOCK
Senatorial District 9, North Richland Hills

JOAN HUFFMAN
Senatorial District 17, Houston

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

LARRY TAYLOR
Senatorial District 11, Friendswood

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

DREW DARBY
Representative District 72, San Angelo

OSCAR LONGORIA
Representative District 35, Mission

JOHN ZERWAS
Representative District 28, Richmond
Chair, House Committee on Appropriations

FISCAL SIZE-UP: 2018–19 BIENNIUM

Five years ago a Legislative Budget Board looked up from the complex detail of appropriations and revenues and asked its staff for a "size up" of the total state government. The first size-up report back in 1952 led the Budget Board to instruct the staff to continue from time to time the effort to compute a total "score."

That effort was given no deadline. The Board's original instruction was to keep an eye on the problem, work on it when possible, and report back periodically.

This is one of those periodic reports. Unlike runs and hits in baseball, or first downs and touchdowns in football, governments have never devised an accurate and acceptable way of scoring its progress.

Instead of absolute standards, comparative data appear to be more indicative of how Texas State Government is doing. On a cloudy day in the western plains, a cowboy often turned in his saddle for a backward look. By knowing where he had come from, he got a clearer idea of where he was heading.

This report, then, is merely an effort to turn in the saddle and get a sense of direction in Texas State Government.

Legislative Budget Office, August 1957

September 2018

This publication of *Fiscal Size-up* continues the tradition first instituted in 1952 to report on the budget and other fiscal actions of each Legislature, and to provide contextual information about the structure, operation, and fiscal condition 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. We continue with this edition to include a stand-alone summary extracted from the broader publication that provides greater portability and access to key information. Furthermore, certain information is also available in an interactive format online at www.lbb.state.tx.us/interactive_graphics.aspx. This format enables quick extraction of detail by article, agency, and method of finance. Tabular and graphic reports are available, and the data are downloadable into spreadsheets in Microsoft Excel. Along with other Legislative Budget Board publications, the 2018–19 *Fiscal Size-up* is available on the Legislative Budget Board's website at www.lbb.state.tx.us.

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 2018–19 biennial state budget, a description of the major revenue sources and funds, and a discussion of the economic outlook for Texas and the U.S., and highlight legislation passed by the Eighty-fifth Legislature, Regular and First Called Sessions, 2017, that will have a significant fiscal impact. 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.

The Legislative Budget Board is committed to producing work that is accurate, useful, and accessible. I am grateful for 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

CONTENTS

APPENDICES

1. STATE BUDGET OVERVIEW

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

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

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

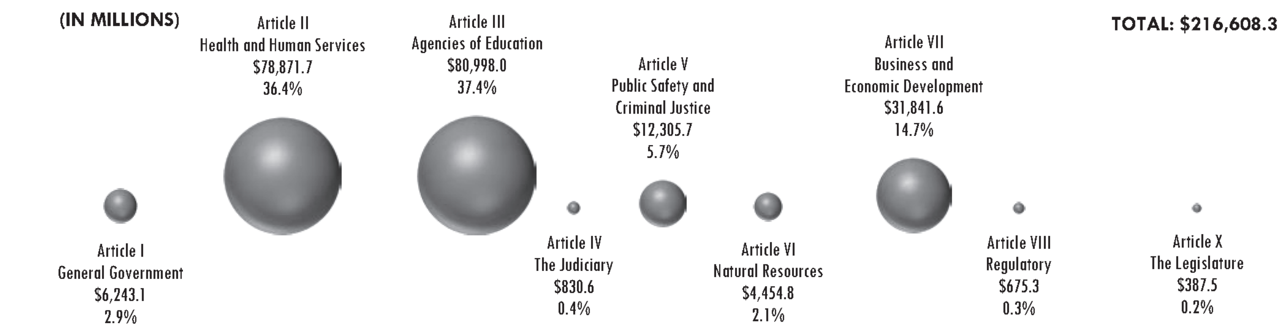
- **General Revenue Funds** include the nondedicated portion of the General Revenue Fund, which is the state's primary operating fund. General Revenue Funds also include the Available School Fund, the State Instructional Materials Fund, and the Foundation School Fund;
- **General Revenue–Dedicated Funds** include approximately 200 accounts within the General Revenue Fund that are dedicated for specific purposes by statute or by the funds-consolidation process. For example, Account No. 151, Clean Air, is funded primarily through a portion of motor vehicle inspection fees and a portion of air pollution control fees. These revenues are statutorily dedicated to the Texas Commission on Environmental Quality to provide funding for various air quality, monitoring, and permitting programs;
- **Federal Funds** include grants, allocations, payments, or reimbursements received from the federal government by state agencies and institutions. The largest portion of federal funding appropriations are for the Medicaid program in Article II. Other examples of Federal Funds appropriations include the Title I Grants to Local Educational Agencies, National School Lunch Program, Transportation Grants and National Highway System Funding, Special Education Basic State Grants, and the Children's Health Insurance Program; and
- **Other Funds** consist of any funds not included in the General Revenue Fund (dedicated or not) or Federal Funds. Examples of Other Funds include the State Highway Fund, the Texas Mobility Fund, the Property Tax Relief Fund, the Economic Stabilization Fund, trust funds, bond proceeds, and interagency contracts.

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

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

FUNDING BY ARTICLE

FIGURE 1
FUNDING BY ARTICLE, ALL FUNDS



SOURCE: Legislative Budget Board.

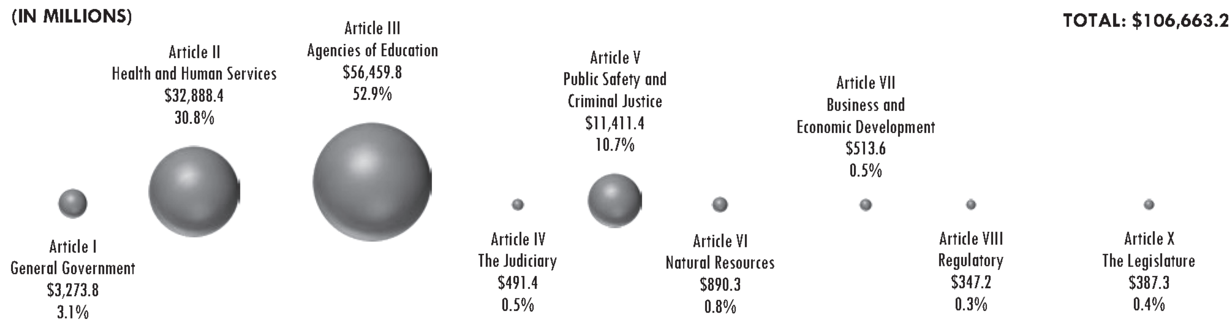
FIGURE 2
FUNDING BY ARTICLE, ALL FUNDS
(IN MILLIONS)

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

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

SOURCE: Legislative Budget Board.

FIGURE 3
FUNDING BY ARTICLE, GENERAL REVENUE FUNDS



SOURCE: Legislative Budget Board.

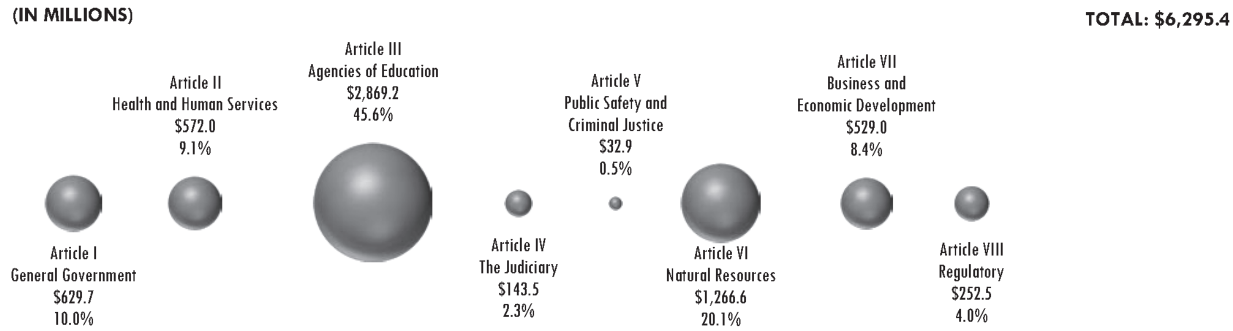
FIGURE 4
FUNDING BY ARTICLE, GENERAL REVENUE FUNDS

(IN MILLIONS)

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

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

FIGURE 5
FUNDING BY ARTICLE, GENERAL REVENUE–DEDICATED FUNDS



SOURCE: Legislative Budget Board.

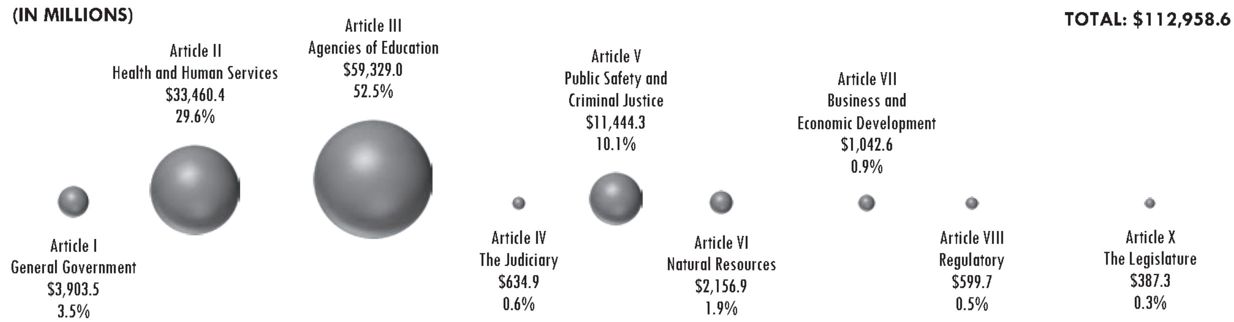
FIGURE 6
FUNDING BY ARTICLE, GENERAL REVENUE–DEDICATED FUNDS

(IN MILLIONS)

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

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

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



SOURCE: Legislative Budget Board.

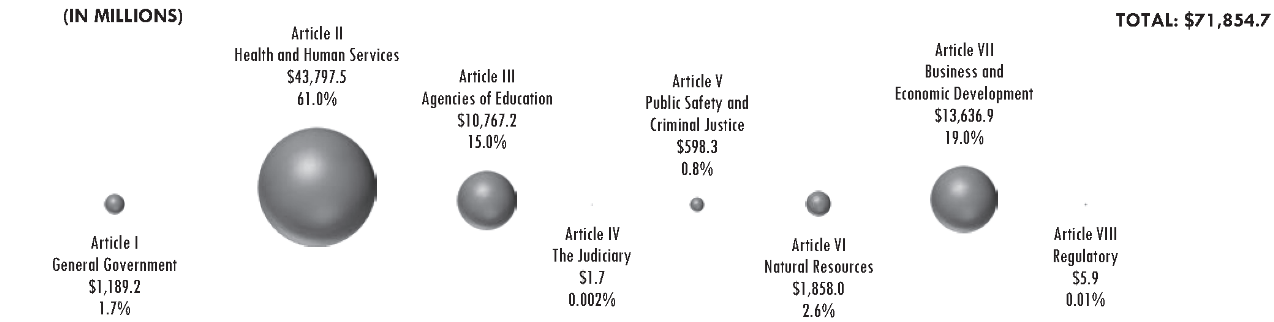
FIGURE 8
FUNDING BY ARTICLE, GENERAL REVENUE FUNDS AND GENERAL REVENUE–DEDICATED FUNDS

(IN MILLIONS)

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

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

FIGURE 9
FUNDING BY ARTICLE, FEDERAL FUNDS



SOURCE: Legislative Budget Board.

FIGURE 10
FUNDING BY ARTICLE, FEDERAL FUNDS

(IN MILLIONS)

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

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

FIGURE 11
FUNDING BY ARTICLE, OTHER FUNDS

SOURCE: Legislative Budget Board.

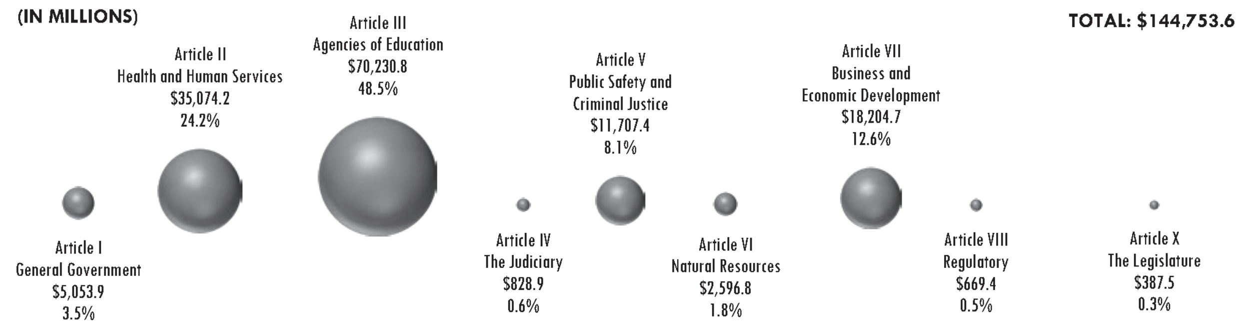
FIGURE 12
FUNDING BY ARTICLE, OTHER FUNDS

(IN MILLIONS)

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

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

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



SOURCE: Legislative Budget Board.

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

(IN MILLIONS)

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

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

HIGHLIGHTS OF THE STATE BUDGET

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

FOUNDATION SCHOOL PROGRAM

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

MEDICAID

- Funding of $61.8 billion in All Funds, including $25.0 billion in General Revenue Funds and $0.2 billion in General Revenue–Dedicated Funds, is provided for Medicaid. This amount is a biennial decrease of $2.5 billion in All Funds, including $1.0 billion in General Revenue Funds.
- Included in these amounts is $56.9 billion in All Funds for Medicaid client services, $1.7 billion in All Funds for programs supported by Medicaid funding, and $3.2 billion in All Funds for administration of the Medicaid program and other programs supported by Medicaid funding. The decrease in Medicaid funding is due to decreases of $1.8 billion in All Funds in Medicaid client services, $0.6 billion in All Funds in administrative funding, and $0.1 billion in All Funds for other programs supported by Medicaid funding.
- Funding for Medicaid client services supports caseload growth at fiscal year 2017 average costs for most services during fiscal year 2018. Fiscal year 2019 funding was maintained at the fiscal year 2018 level for each method of financing; however, this level of funding was decreased by $563.0 million in General Revenue Funds pursuant to House Bill 21 and House Bill 30, Eighty-fifth Legislature, First Called Session, 2017. The only other exception to this level of funding is for long-term-care waivers, which are maintained at the August 2017 level throughout the 2018–19 biennium except for the Texas Home Living (TxHmL) and Home and Community-based Services (HCS) waivers. An additional 735 HCS waiver slots for promoting independence are funded by the end of fiscal year 2019. TxHmL slots are assumed to continue decreasing throughout the 2018–19 biennium. Funding levels include amounts to restore approximately 25.0 percent of decreases made to therapy reimbursement rates during the 2016–17 biennium and to phase in decreases associated with reimbursement policy for therapy assistants. Funding levels for the 2018–19 biennium assume $1.0 billion in All Funds ($0.4 billion in General Revenue Funds) in cost containment for Medicaid client services, which includes amounts related to reducing risk margin for Medicaid managed care, and includes specific direction to the Health and Human Services Commission to contain costs and execute savings.
- Funding amounts for the 2016–17 biennium for Medicaid include supplemental funding of $2.4 billion in All Funds for fiscal year 2017 provided in House Bill 2, Eighty-fifth Legislature, Regular Session, 2017.

CHILD PROTECTIVE SERVICES

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

(DFPS). This amount is an increase of $494.2 million in All Funds and $315.5 million in General Revenue Funds from the 2016–17 biennial base.

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

TRANSPORTATION

- Funding includes $26.6 billion in All Funds for all functions of the Department of Transportation. This funding includes $2.9 billion from anticipated state sales tax deposits to the State Highway Fund (SHF) associated with voter approval of Proposition 7, November 2015; $2.5 billion from oil and natural gas tax-related transfers to the SHF (Proposition 1, 2014); and all available SHF funding from traditional transportation tax and fee revenue sources (estimated to be $8.8 billion for the 2018–19 biennium).
- Funding of $23.0 billion in All Funds is provided for highway planning and design, right-of-way acquisition, construction, and maintenance and preservation. The All Funds amount includes $9.7 billion for maintenance and preservation of the existing transportation system; $4.5 billion for construction and highway improvements; $2.5 billion from Proposition 1, 2014, proceeds and $2.3 billion from estimated Proposition 7, 2015, proceeds for constructing, maintaining, and acquiring rights-of-way for nontolled public roadways; $2.3 billion for transportation system planning, design, and management; and $1.7 billion for right-of-way acquisition.
- Funding provides $2.3 billion in All Funds for debt service payments and other financing costs, including $1.6 billion in Other Funds from the SHF and the Texas Mobility Fund; $0.6 billion in Other Funds from Proposition 7, 2015, SHF proceeds for General

Obligation bond debt service, replacing General Revenue Funds for this purpose (a decrease of $0.5 billion in General Revenue Funds); and $0.1 billion in Federal Funds from interest payment subsidies associated with federal Build America Bonds.

BEHAVIORAL HEALTH

- Funding includes $4.0 billion in All Funds ($2.9 billion in General Revenue Funds and General Revenue–Dedicated Funds) for non-Medicaid behavioral health services and related expenditures. Funding supports programs at 18 agencies across six articles of the General Appropriations Act, and includes funding for inpatient client services at the state hospitals and community hospitals; outpatient services provided through Local Mental Health Authorities; substance abuse prevention, intervention, and treatment services for adults and children; mental health care and substance abuse treatment for incarcerated offenders; mental health care services for veterans; and other services.

- Funding includes $62.7 million in All Funds for the biennium to address the current and projected waitlists for community mental health services for adults and children, $69.0 million in General Revenue Funds in contingency funding for several bills that would provide grants to community entities for behavioral health services and expand access to peer supports for individuals with mental illness, $10.3 million to increase maximum-security forensic bed capacity at the North Texas State Hospital – Vernon Campus, and $24.8 million to maintain purchased inpatient bed capacity and state hospital bed capacity. In addition, funding includes $300.0 million in Other Funds from the Economic Stabilization Fund (ESF) for new construction and significant repair projects at the state hospitals and other inpatient mental health facilities, and approximately $66.3 million from the ESF for immediate maintenance needs at state hospitals.

- Estimated Medicaid expenditures for behavioral health services total $3.5 billion in All Funds for the 2018–19 biennium, and estimated Children's Health Insurance Program (CHIP) expenditures total $48.7 million in All Funds. These amounts include cost growth that is not funded for both programs and Medicaid caseload growth for fiscal year 2019, which also is not funded. Total behavioral health funding, including estimated Medicaid and CHIP expenditures, is estimated to be $7.6 billion in All Funds for the biennium.

HIGHER EDUCATION FUNDING

- Higher education formulas are supported by $7.2 billion in General Revenue Funds and $1.5 billion in General Revenue–Dedicated Funds for statutory tuition. Included in this amount are decreases of $2.9 million in General Revenue Funds and an increase of $124.9 million in General Revenue–Dedicated Funds, which is primarily statutory tuition.

- The general academic institutions (GAI) Instruction and Operations (I&O) formula rate increases from $55.39 to $55.82, and the Lamar State Colleges (LSC) I&O formula 2016–17 biennial rate is maintained. The Texas State Technical Colleges (TSTC) I&O formula level of General Revenue Funds is maintained at the 2016–17 biennial funding level. Hold harmless funding of $145.5 million in General Revenue Funds is included for the GAIs, LSCs, and TSTCs. Additionally, formula appropriations include Infrastructure Support for two TSTC campuses established by the Eighty-fourth Legislature, 2015: Texas State Technical College – North Texas and Texas State Technical College – Fort Bend County.

- The health related institutions (HRI) formula appropriations include the addition of medical schools at The University of Texas at Austin and The University of Texas Rio Grande Valley. Although all HRI formulas either receive an increase in General Revenue Funds or maintain 2016–17 biennial levels of this funding, each formula rate decreases from the 2016–17 biennial level. Hold harmless funding of $35.3 million in General Revenue Funds also is included in HRI appropriations.

- Formula funding for the public community and junior colleges includes an additional $18.0 million in General Revenue Funds for core operations and an additional $10.8 million in General Revenue Funds for success points funding. The contact hour rate increases to $2.70 from the 2016–17 biennial rate of $2.69.

- Higher education appropriations replace $1.1 billion in All Funds for special item funding in the

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

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

ADULT INCARCERATION

- Funding of $6.6 billion in All Funds is provided for the incarceration, probation, and parole of adult offenders in the Texas Department of Criminal Justice, which includes housing, security, classification, food and necessities, healthcare, and treatment services. This amount represents an All Funds decrease of $285.4 million from the 2016–17 biennium and includes the following:
    - a $128.6 million decrease for the transfer of state contributions for Community Supervision and Corrections Department health insurance to the Employees Retirement System;
    - a $20.0 million decrease for deferred maintenance;
    - a $49.5 million decrease for the closure of correctional facilities;
    - a $7.9 million decrease to fund community supervision and parole; and
    - a $4.8 million increase to fund pretrial diversion.
- Funding for Correctional Managed Health Care totals $1.1 billion, which represents a $70.4 million decrease from the 2016–17 biennial funding level. Cost-containment strategies include the following amounts:
    - a $60.9 million increase to expand unit infirmary capacity and retain unit nursing staff, which is estimated to result in a $68.0 million cost avoidance related to hospital costs and correctional officer and nurse overtime;
    - a $30.0 million decrease related to changing the methodology used to reimburse Hospital Galveston; and
    - a $13.7 million decrease to cap indirect administrative charges at 2.75 percent for The University of Texas Medical Branch at Galveston and Texas Tech University Health Sciences Center.

BORDER SECURITY

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

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

TEACHER RETIREMENT AND HEALTH BENEFITS

- Funding of $4.0 billion in All Funds is provided for the state contribution to retirement benefits of the Teacher Retirement System (TRS), including $3.9 billion in General Revenue Funds, $97.5 million in General Revenue–Dedicated Funds, and $8.3 million in Other Funds (Teacher Retirement System Pension Trust Fund). Funding reflects a state contribution rate of 6.8 percent of employee payroll during each fiscal year of the 2018–19 biennium. Funding assumes an annual payroll growth rate of 3.5 percent for public education and growth of 2.9 percent for higher education for each fiscal year of the biennium, based on payroll trend data.
- Funding of $1.2 billion in General Revenue Funds is provided for retiree health insurance (TRS-Care), an increase of $628.7 million, or 108.2 percent, from the 2016–17 biennium. This amount includes funding to implement the significant TRS-Care reforms of House Bill 3976, Eighty-fifth Legislature, Regular Session, 2017. Appropriations provide for an increase of the statutorily required state contribution to TRS-Care from 1.0 percent to 1.25 percent of public education payroll, and for additional onetime funding to offset the projected TRS-Care 2018–19 biennial shortfall, which together account for $350.0 million of the biennial increase after cost-containment savings are considered. Included in the $628.7 million increase for TRS-Care is $212.0 million in General Revenue Funds to partially offset increasing retiree premiums and deductibles and to offset costs for certain enrollees. The Legislature also increased the school district contribution rate from 0.55 percent to 0.75 percent of public education payroll, which is expected to generate an additional $133.9 million of local funding for the TRS-Care Program.

TRUSTEED PROGRAMS WITHIN THE OFFICE OF THE GOVERNOR

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

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

- $86.0 million in estimated unexpended balances remaining at the end of fiscal year 2017 in the Texas Enterprise Fund for incentive grants. The funding reflects a decrease of $22.0 million in General Revenue–Dedicated Funds from the 2016–17 biennial level;

- $32.0 million in General Revenue Funds for Film and Music Marketing. Funding includes $22.0 million contingent on certification by the Comptroller of Public Accounts that unexpended balances are available out of other economic development funds appropriated to the Trusteed Programs within the Office of the Governor in an amount sufficient to offset the cost of the appropriation. The Office of the Governor has indicated that it would allocate an additional $10.0 million in General Revenue Funds to the film program from within Strategy C.1.1 Create Jobs and Promote Texas;

- $40.0 million for the Governor's University Research Initiative, including $5.6 million in estimated unexpended balances remaining at the end of fiscal year 2017 and estimated revenues for the 2018–19 biennium from the Governor's University Research Initiative Fund. The Office of the Governor has indicated that it would allocate an additional $34.4 million in General Revenue Funds to this program from within Strategy C.1.1 Create Jobs and Promote Texas; and

- $34.2 million in General Revenue–Dedicated Funds from Hotel Occupancy Tax deposits for tourism promotion for the 2018–19 biennium. In addition, the tourism program is directed to seek matching funds through collaborative partnerships with the tourism industry, local governments, and nonprofit organizations to increase marketing activities that promote Texas tourism.

- Funding includes an increase of $159.2 million in Federal Funds primarily related to an increase in the federal allocation of crime victims assistance grants.

STATE FACILITIES

- The Eighty-fifth Legislature, General Appropriations Act (GAA), 2018–19 Biennium, appropriates $949.0 million ($769.7 million from the Economic Stabilization Fund (ESF), $99.3 million in General Revenue Funds and General Revenue–Dedicated Funds, and $80.0 million from the State Highway Fund) for projects to address the repair, renovation, and new construction of state facilities and historic sites, to address health and safety issues, maintenance, and other state needs. Funding for state agency deferred maintenance needs includes $458.7 million, which is subject to oversight by the Joint Oversight Committee on Government Facilities. Among the major funded projects are the following amounts from the ESF, unless otherwise noted:

  - $300.0 million at the Health and Human Services Commission (HHSC) for new construction and repair at state hospitals and other inpatient mental health facilities;

  - $160.0 million at HHSC to address critical health and safety needs at State Supported Living Centers and state hospitals;

  - $117.9 million at the Facilities Commission for emergency repairs and deferred maintenance at state facilities;

  - $80.0 million from the State Highway Fund at the Department of Transportation for deferred maintenance and consolidation of the Austin campus;

  - $75.0 million at the General Land Office for the preservation of the Alamo and surrounding complex;

  - $66.2 million in General Revenue Funds and General Revenue–Dedicated Funds at the Parks and Wildlife Department, including $49.2 million for weather-related construction and $17.0 million for maintenance needs at state parks;

  - $40.0 million at the Department of Criminal Justice and $12.1 million at the Juvenile Justice Department for health and safety projects; and

  - $20.2 million at the Historical Commission for courthouse preservations grants, and $6.4 million for historic sites, including $7.4 million in General Revenue Funds and $19.2 million from the ESF.

INFORMATION TECHNOLOGY

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

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

- Funding includes $1.3 billion in All Funds ($978.3 million in General Revenue Funds and General Revenue–Dedicated Funds) provided for the state contribution to the Employees Retirement System (ERS) retirement program. This amount includes an increase of $36.2 million in All Funds ($30.3 million in General Revenue Funds and General Revenue–Dedicated Funds) for state employees' retirement benefits. Funding provides for a 9.5 percent state contribution rate for each fiscal year of the 2018–19 biennium. This funding also continues the additional retirement contribution from all general state agencies of 0.5 percent of the total base wages and salaries for each eligible employee, for a total combined state contribution rate of 10.0 percent, the maximum pursuant to the Texas Constitution, Article XVI, Section 67 (b)(3).
- Funding provides $4.0 billion in All Funds ($2.9 billion in General Revenue Funds and General Revenue–Dedicated Funds) for the state contribution for group insurance benefits for general state employees, retirees, and their dependents. The funding provides an annual 0.8 percent increase in the state's contribution due to targeted healthcare cost-savings measures and spend-down from the contingency reserve fund. Combined, these changes reflect a net increase of $355.6 million in All Funds ($273.9 million in General Revenue Funds and General Revenue–Dedicated Funds) from the 2016–17 biennium.
- Funding includes targeted cost-savings measures such as disincentivizing the use of freestanding emergency rooms, maximizing benefit coordination with Medicare, and directing ERS to reduce its contracted provider rates with health related institutions. These measures total $97.9 million in All Funds ($61.0 million in General Revenue Funds and General Revenue–Dedicated Funds) in estimated savings, of which $86.1 million is decreased from appropriations for Employees Retirement System Group Insurance and $11.8 million is decreased from appropriations for Higher Education Group Insurance.

- Funding decisions assume that ERS will partially spend down the contingency reserve fund, leaving an estimated $175.0 million in balances at the end of fiscal year 2019. Appropriation amounts also assume that retiree membership will grow by 4.7 percent annually and assume changes in full-time-equivalent positions at certain state agencies.

- The state's contribution ($129.5 million in General Revenue Funds) for local Community Supervision and Correctional Department officers' group health insurance is appropriated to ERS instead of to the Department of Criminal Justice, pursuant to House Bill 1526, Eighty-fifth Legislature, Regular Session, 2017.

- Appropriations of $1.8 billion in All Funds ($1.5 billion in General Revenue Funds and General Revenue–Dedicated Funds) are provided for the state contribution for Social Security payroll taxes for employees of state agencies and institutions of higher education. Funding is sufficient to provide the 6.2 percent employer contribution for Social Security and the 1.45 percent employer contribution for Medicare. Funding also provides for 2.9 percent and 3.0 percent annual payroll growth for fiscal years 2018 and 2019, respectively, for higher education employees.

- Funding provides for 215,446.7 FTE positions for fiscal year 2018, and 215,726.0 positions for fiscal year 2019. The number of positions for fiscal year 2019 is an overall decrease of 1,543.2, or 0.7 percent, from fiscal year 2017 budgeted levels. Higher education, health and human services, and public safety and criminal justice agencies had slight decreases to position levels, and remaining areas of the budget had position increases from fiscal years 2017 to 2019.

DEBT SERVICE

- Appropriations for the 2018–19 biennium fully fund debt service and total $4.3 billion in All Funds. Funding of $2.1 billion for fiscal year 2018 and $2.2 billion for fiscal year 2019 includes a decrease of $269.6 million, or 5.9 percent from the 2016–17 biennium. Funding provides for debt service for General Obligation and revenue debt issued, or expected to be issued, by the Texas Public Finance Authority, the Water Development Board, the Department of Transportation, and the Office of the Governor. Funding also provides for reimbursement of debt service payments for tuition revenue bonds issued by various institutions.

ECONOMIC STABILIZATION FUND

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

STRATEGIC FISCAL REVIEW

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

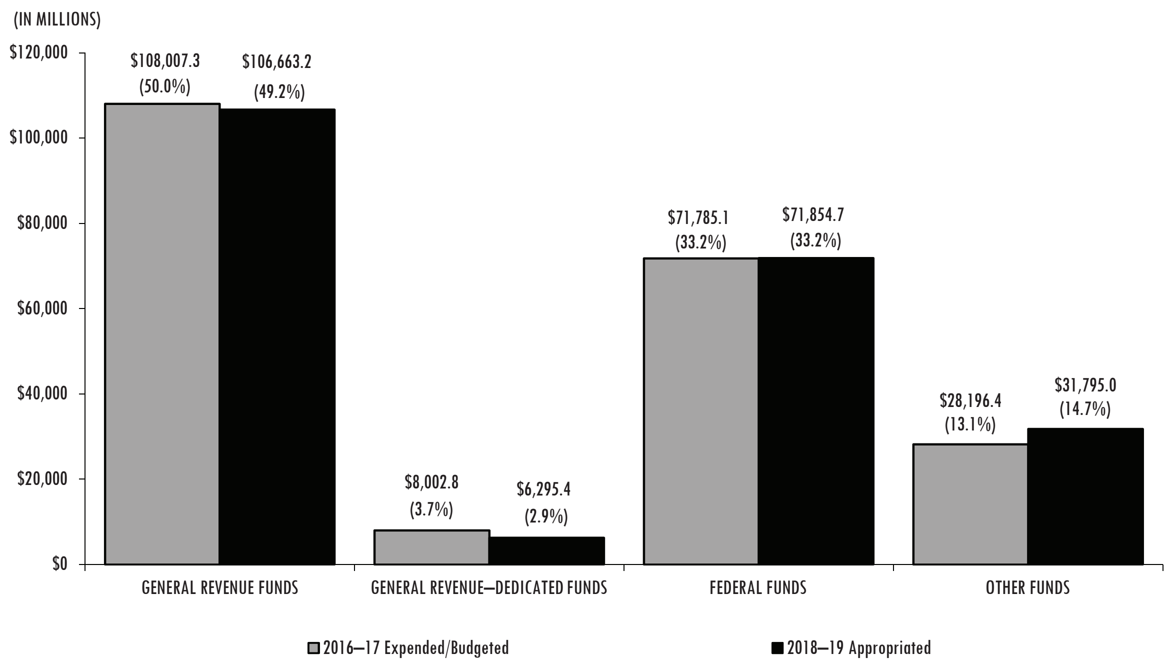
  The following agencies were subject to the Strategic Fiscal Review:

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

BIENNIAL COMPARISON BY FUND SOURCE

Figure 15 shows a comparison of biennial amounts for each of the four fund sources, or methods of finance, in the state budget. Expended or budgeted amounts for the 2016–17 biennium refer to agency expenditures for fiscal year 2016 and agency-budgeted amounts for fiscal year 2017. Amounts for the 2018–19 biennium refer to all appropriations made for the biennium. Percentage amounts show the percentage of the entire biennial budget represented by that fund source.

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



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

APPROPRIATED, ESTIMATED, AND BUDGETED FUNDS COMPARISON

During each biennium, circumstances may result in variances to state agency expenditures (i.e., expended and budgeted amounts) from the amounts appropriated by the Legislature. Typically, these changes result from shifts in population, client demands, or unforeseen events such as natural disasters, changes to federal formulas, grant requirements, or increased or decreased available revenue or balances supporting legislative appropriations. Often, these incremental changes to the current biennial budget are authorized by existing law, either through the Texas Constitution or the General Appropriations Act, and do not require legislative action. However, some expenditure changes require further action by the Legislature in the form of a supplemental appropriations bill.

Projected expended and budgeted amounts for the 2016–17 biennium increased by approximately $6.9 billion, or 3.3 percent, in All Funds. This amount consists of a net increase of $2.2 billion (1.9 percent) in General Revenue Funds and General Revenue–Dedicated Funds, and a net increase of $4.7 billion (4.9 percent) in other funding sources (Federal Funds and Other Funds). **Figure 16** shows the most significant changes.

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

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

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

(IN MILLIONS)	GENERAL REVENUE FUNDS AND GENERAL REVENUE–DEDICATED FUNDS	ALL FUNDS
BUDGET ADJUSTMENTS		
Health and Human Services (continued)		
Health and Human Services Agencies: increase in General Revenue Funds and Federal Funds for appropriated salary increases	$55.1	$97.9
Public and Higher Education		
Texas Education Agency: unexpended balances from fiscal year 2015 of instructional material allotments	$109.0	$109.0
Texas Education Agency: adjustments to the Foundation School Program due to shifts in estimated Methods of Finance based on updated estimates	$49.3	$51.6
Teacher Retirement System: adjustments for increased public education retirement contributions	$74.6	$74.6
Public Safety and Criminal Justice		
Department of Criminal Justice: increase for appropriated salary increases ($69.7 million in General Revenue Funds) and supplemental appropriations ($80.0 million in General Revenue Funds)	$149.7	$149.7
Department of Public Safety: increase for appropriated salary increases ($21.5 million in General Revenue Funds), lapses (decrease of $42.3 million), and decrease of federal receipts (decrease of $34.7 million in Federal Funds)	($20.8)	($55.5)
Business and Economic Development		
Texas Department of Transportation: revised estimate of federal reimbursements from increased obligation authority	$0.0	$1,051.0
Texas Department of Transportation: repayment of short-term borrowing payable from the State Highway Fund	$0.0	$746.9
Texas Department of Transportation: lapsed appropriations of State Highway Fund and Texas Mobility Fund Bond debt service (decrease of $143.5 million), and State Highway Fund appropriations for Proposition 1, 2014, for Highway Projects (decrease of $781.6 million)	$0.0	($925.1)
Texas Department of Transportation: General Revenue Funds decrease for General Obligation bond debt service payments	($14.2)	($14.2)
Texas Department of Transportation: unexpended balances from fiscal year 2015 (increase of $228.2 million) and other estimated appropriations (increase of $590.3 million)	$6.8	$818.5
Texas Workforce Commission: adjustment for increased Federal Funds	$0.0	$187.8
State Contributions for Employee Benefits and Debt Service		
Contributions for employee health insurance (decrease of $35.7 million), retirement (increase of $58.6 million), Social Security (increase of $84.1 million), and benefit replacement pay (decrease of $3.8 million)	$185.9	$103.2
Texas Public Finance Authority: General Obligation bond debt service payments (decrease of $43.0 million) and lease payments (increase of $20.6 million)	($22.4)	($22.4)
Other Adjustments	$36.4	$214.0
Total, Adjustments	**$2,194.2**	**$6,888.7**
Total, Expended/Budgeted Funds for the 2016–17 Biennium	**$116,010.1**	**$215,991.7**

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

APPROPRIATIONS FOR ITEMS WITH 2018–19 BASELINE FUNDING EXCEPTIONS

In June 2016, the Governor, Lieutenant Governor, and Speaker of the House provided guidance to state agencies and institutions of higher education regarding the preparation of their legislative appropriations requests. As a starting point, agencies and institutions were directed to decrease their baseline requests for General Revenue Funds and General Revenue–Dedicated Funds by 4.0 percent from the amounts expended during fiscal year 2016 and budgeted for fiscal year 2017. Authorized exceptions to this restriction include amounts necessary to fund entitlement programs, debt service, employee benefits, and certain other programs. **Figure 17** shows the 2018–19 biennial appropriated amounts for those program exceptions identified in the June correspondence and subsequent *2018–19 Legislative Appropriation Request Detailed Instructions for Agencies for the Biennium Beginning September 1, 2017*.

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

BUDGET ADJUSTMENTS (IN MILLIONS)	2016–17 EXPENDED/ BUDGETED	2018–19 APPROPRIATED	BIENNIAL CHANGE	PERCENTAGE CHANGE
Health and Human Services				
Medicaid, Non-waiver Client Services	$22,989.1	$22,014.8	($974.3)	(4.2%)
Children's Health Insurance Program	$161.0	$153.1	($7.9)	(4.9%)
Foster Care	$364.3	$379.9	$15.5	4.3%
Adoption Subsidies	$254.7	$263.0	$8.3	3.3%
Permanency Care Assistance	$18.3	$25.6	$7.3	40.1%
Child Protective Services	$1,008.0	$1,292.4	$284.4	28.2%
Behavioral Health Services (3)	$2,749.5	$2,899.0	$149.4	5.4%
Public Education				
Foundation School Program	$35,590.2	$34,806.9	($783.3)	(2.2%)
Employer Contributions for State Pension Systems (Teacher Retirement System (TRS) pension only)	$3,632.9	$3,965.8	$332.9	9.2%
Employer Contributions for State Pension Systems (TRS health care benefits only)	$580.9	$1,209.6	$628.7	108.2%
Public Safety and Criminal Justice				
Maintain Public Safety Resources in Border Region	$800.1	$800.0	($0.1)	(0.0%)
State Employee Benefits				
Employer Contributions for State Pension Systems (Employees Retirement System of Texas (ERS) only)	$1,031.3	$1,061.6	$30.3	2.9%
Employer Contributions to Employee Health Insurance (ERS only)	$2,657.5	$2,913.4	$273.9	10.3%
Employer Contributions to Social Security	$1,393.9	$1,462.8	$68.9	4.9%
Benefit Replacement Pay	$23.4	$19.1	($4.3)	(18.2%)
State Employee and Public Safety Death Benefits	$49.0	$42.7	($6.3)	(12.9%)
Higher Education Employees Group Insurance	$1,377.9	$1,412.2	$34.3	2.5%
Debt Service Payments				
Debt Service Requirements for General Obligation (GO) and Revenue Bond Authorizations (Texas Department of Transportation – Proposition 12, Highway Improvement GO Bond Debt Service) (4)	$486.7	$0.0	($486.7)	(100.0%)
GO Bonds (Public Finance Authority)	$605.2	$621.7	$16.5	2.7%

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

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

NOTES:
(1) Totals may not sum due to rounding.
(2) Amounts include only General Revenue Funds and General Revenue–Dedicated Funds amounts and exclude funds not subject to the baseline limitations.
(3) Behavioral Health Services totals include appropriations across all articles but exclude appropriations included in Medicaid totals.
(4) Recommendations for the 2018–19 biennium replace General Revenue Funds with Other Funds from state sales tax deposits to the State Highway Fund (Proposition 7, 2015) for debt service payments on the Department of Transportation's General Obligation bonds.
SOURCE: Legislative Budget Board.

FACTORS AFFECTING THE STATE BUDGET

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

Population-based budget drivers include Medicaid, the Children's Health Insurance Program (CHIP), and children in foster care; public and higher education enrollment; adult and juvenile institutional and probation populations; and retirement system enrollment.

Population change is one element that helps explain the growth in the budget. Cost-related factors can have an equal or greater effect on growth. For example, medical inflation affects Medicaid and CHIP, and it also affects healthcare costs for inmates, state employees, and teachers. Statutory requirements also may affect cost.

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

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

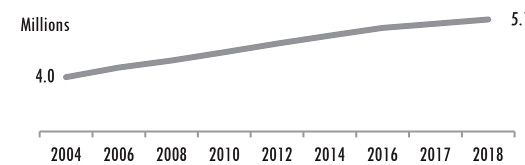
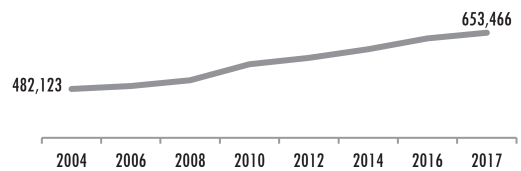
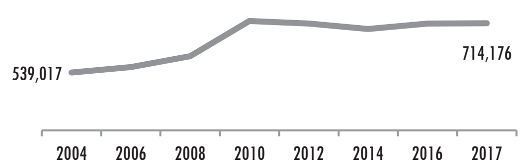
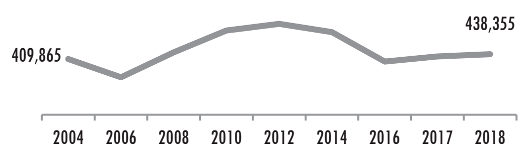
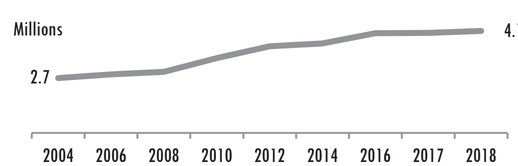
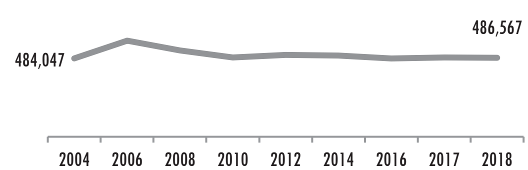
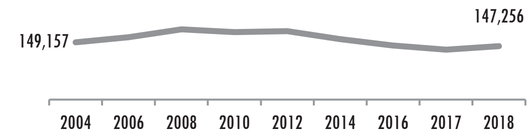
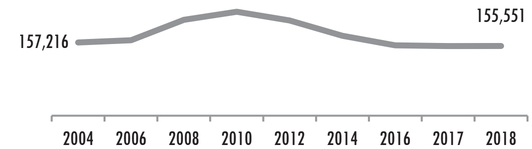
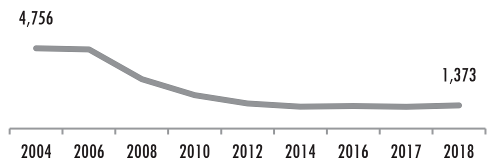
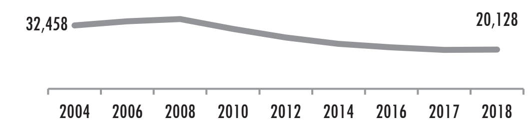
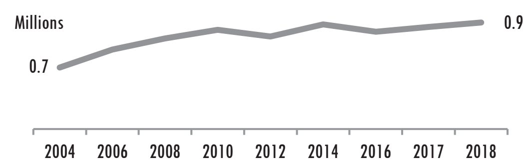
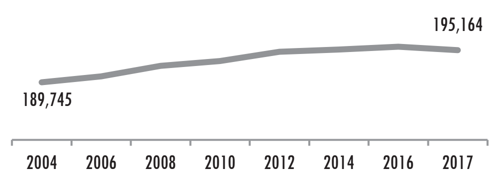
INDICATOR	2018	TREND
Average Daily Attendance – Public Schools	5.1 Million Students	
Fall Headcount Enrollment – General Academic Institutions (1)	653,466 Students	
Fall Headcount Enrollment – Community/Junior Colleges (1)	714,176 Students	
Average Monthly Caseload – Children's Health Insurance Program (CHIP) (includes all CHIP programs)	438,355 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	486,567 Days	

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

INDICATOR	2018	TREND
Average Inmate Population – Department of Criminal Justice	147,256 Inmates	
Average Felony Community Supervision Population – Department of Criminal Justice	155,551 Felons	
Average Residential Population – Juvenile Justice Department	1,373 Juveniles	
Average Total Probation Supervision Population – Juvenile Justice Department	20,128 Juveniles	
Average Active Membership – Employees Retirement System	141,629 Members	
Average Active Membership – Teacher Retirement System	0.9 Million Members	
Highway Lane Miles Maintained – Department of Transportation (1)	195,164 Miles	

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

TRENDS IN STATE GOVERNMENT EXPENDITURES

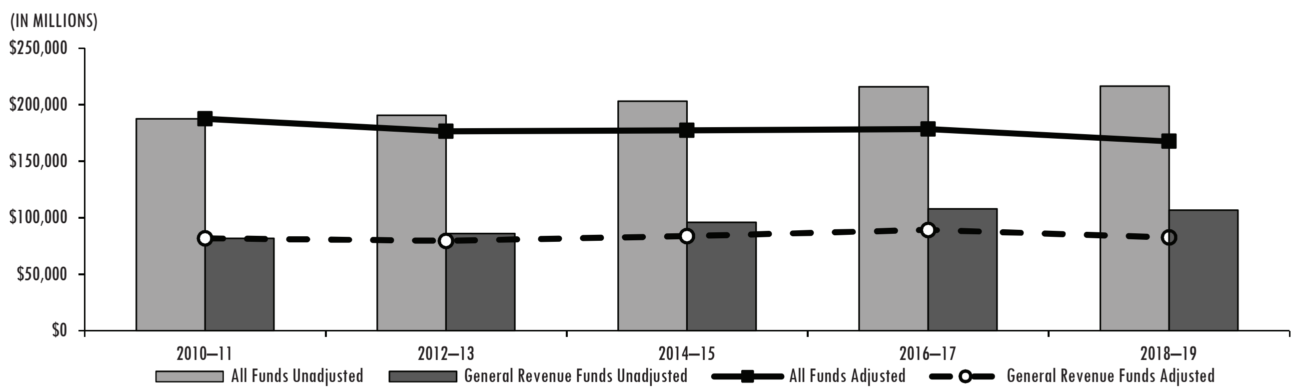
Figure 19 shows biennial All Funds and General Revenue Funds expenditures and appropriations since the 2010–11 biennium. The figure also shows adjusted current and historical expenditure and appropriation totals into 2010–11 dollars based on compounded population and inflation growth. All Funds expenditures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

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

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

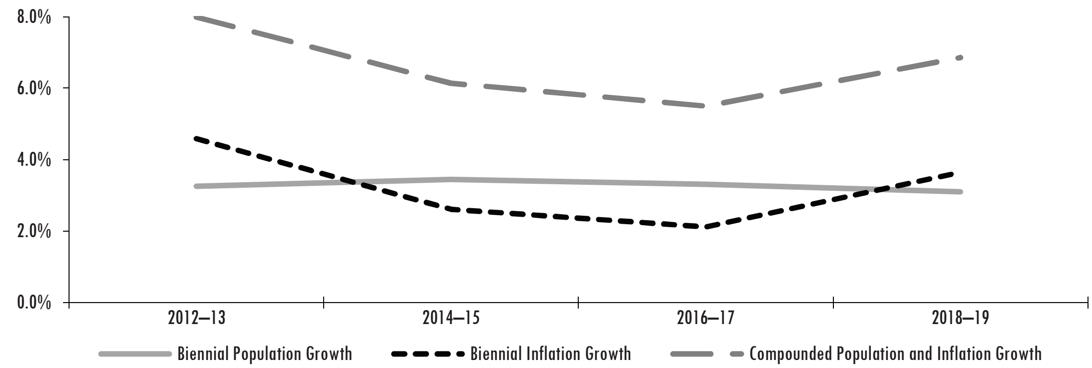
FIGURE 19
TRENDS IN STATE GOVERNMENT EXPENDITURES, 2018–19 BIENNIAL APPROPRIATIONS

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



SOURCE: Legislative Budget Board.

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

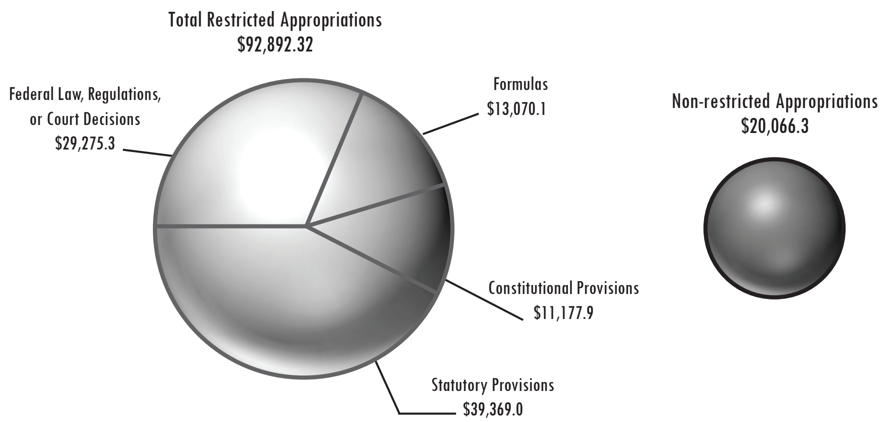


SOURCE: Texas Comptroller of Public Accounts.

RESTRICTED APPROPRIATIONS

The 2018–19 biennial appropriations from General Revenue Funds and General Revenue–Dedicated Funds total $113.0 billion. **Figure 21** shows that $20.1 billion of that total, 17.8 percent, is appropriated by the Legislature without restriction. The remaining $92.9 billion is restricted by pre-existing constitutional provisions, statutory provisions, federal law, federal regulations, court decisions, and funding formulas. The Legislature maintains some discretion over a portion of the restricted budget, but, in many cases, it would need to revise statutes outside of the appropriations process to change the restrictions. **Figure 21** shows examples of the largest restrictions by category. The non-restricted portion of the budget is slightly smaller than the 2016–17 biennial level of 18.2 percent. During the previous five biennia, this percentage has remained relatively constant.

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



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

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

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

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

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

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

LIMITS ON APPROPRIATIONS

Texas has four constitutional limits on spending: the balanced budget limit, which commonly is referred to as the pay-as-you-go limit; the limit on the rate of growth of appropriations from certain state taxes, commonly referred to as the spending limit; the limit on welfare spending; and the limit on tax-supported debt. The 2018–19 biennial budget is within all of these limits.

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

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

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

(IN BILLIONS)	AMOUNT
Pay-as-you-go Limit	$0.1
Spending Limit	$9.2

SOURCE: Legislative Budget Board.

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

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

The CPA identifies the pay-as-you-go limit for General Revenue Fund appropriations as $107.3 billion in the 2018–19 Certification Revenue Estimate (CRE). This total includes estimated 2018–19 biennial General Revenue Fund revenue collections of $108.6 billion, less the amount of $3.4 billion in General Revenue Fund deposits reserved for transfer to the Economic Stabilization Fund (ESF) and the State Highway Fund (SHF). This total also includes the beginning General Revenue Fund balance and General Revenue–Dedicated Funds account balances available for certification totaling $2.1 billion (see **Figure 23**).

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

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

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

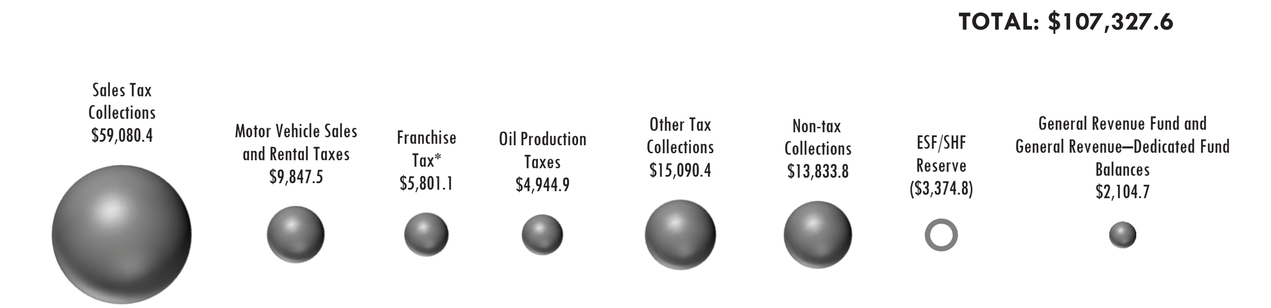
Revenue deposits to the General Revenue Fund also include revenue not subject to the spending limit; therefore, the maximum 2018–19 biennial General Revenue Fund appropriations associated with the $99.7 billion limit is $115.9 billion, leaving $9.2 billion in remaining General Revenue Fund spending capacity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

ARTICLE III, §49(J), DEBT LIMIT

The Texas Constitution, Article III, Section 49(j), provides that the Legislature may not authorize additional state debt if in any fiscal year the resulting maximum annual debt

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

(IN MILLIONS)



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

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

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

SOURCE: Legislative Budget Board.

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

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

SOURCE: Legislative Budget Board.

service payable from the General Revenue Fund, excluding revenues constitutionally dedicated for purposes other than payment of state debt, exceeds 5.0 percent of the average annual unrestricted General Revenue funding for the previous three years. To monitor where the state stands in relation to the constitutional debt limit (CDL), the Bond Review Board (BRB) calculates two debt ratios. The first ratio is the debt service on outstanding or issued debt as a percentage of unrestricted General Revenue Funds. At the end of fiscal year 2017, BRB reported that the issued debt ratio is 1.43 percent. The second debt ratio is the debt service on outstanding debt plus estimated debt service for authorized but unissued bonds. For this ratio, BRB has reported that the state is at 2.35 percent of unrestricted General Revenue Funds at the end of fiscal year 2017. The latter calculation represents a 0.9 percent decrease from the 2.37 percent calculated for outstanding and authorized but unissued debt for fiscal year 2016. BRB expects the CDL ratio to continue to decrease with the issuance of authorized debt and as the state's unrestricted General Revenue Fund increases with the continued improvement in the state's economy. However, the CDL ratio could be affected by changes to any of the following factors: the three-year average of unrestricted General Revenue Funds, the amount of debt outstanding and unissued debt authorizations, and actual and assumed interest rates.

ARTICLE III, §51-A, WELFARE SPENDING LIMIT

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

The 2018–19 biennial budget defined in the Texas Human Resources Code, Section 31.053, is $216.6 billion. Therefore, the welfare spending limit is $2.2 billion. The biennial amount appropriated in the Eighty-fifth Legislature, General Appropriations Act, 2018–19 Biennium, that is subject to the limit on state dollars paid out in Temporary Assistance for Needy Families (cash assistance) grants is $96.5 million, which is $2.1 billion less than the 1.0 percent limit.

2. REVENUE SOURCES AND ECONOMIC OUTLOOK

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

STATE REVENUE

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

SALES TAX

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

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

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

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

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

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

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

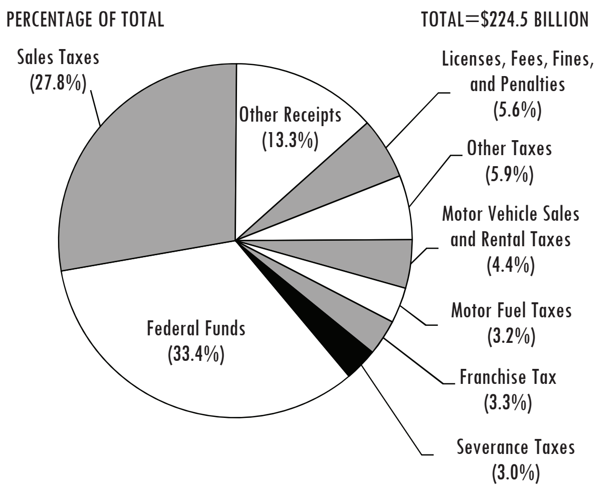
$57.2 billion. Sales taxes are expected to contribute 58.4 percent of total tax collections for the 2018–19 biennium.

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

OIL AND GAS PRODUCTION TAXES

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

FIGURE 28
ESTIMATED STATE REVENUE COLLECTIONS
2018–19 BIENNIUM



SOURCE: Comptroller of Public Accounts.

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

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

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

MOTOR FUEL TAXES

Texas taxes three major types of motor fuel: gasoline, diesel, and liquefied and compressed natural gas. Gasoline and diesel fuel are taxed $0.20 per gallon; liquefied and compressed natural gas is taxed at a rate of $0.15 per gasoline or diesel gallon equivalent. The 2016–17 biennial motor fuels tax collections totaled $7.1 billion. CPA estimates that fuel tax collections will grow 2.8 percent, forecasting $7.3 billion in revenue for the 2018–19 biennium.

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

MOTOR VEHICLE SALES AND RENTAL TAX

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

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

FRANCHISE TAX

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

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

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

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

CIGARETTE AND TOBACCO TAXES

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

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

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

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

ALCOHOLIC BEVERAGE TAXES

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

INSURANCE OCCUPATION TAXES

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

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

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

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

UTILITY TAX

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

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

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

HOTEL OCCUPANCY TAX

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

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

OTHER TAXES

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

NONTAX REVENUES

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

FEDERAL RECEIPTS

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

LICENSES, FEES, FINES, AND PENALTIES

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

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

INTEREST AND INVESTMENT INCOME

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

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

LOTTERY REVENUE

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

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

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

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

LAND INCOME

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

OTHER REVENUE

TOBACCO SETTLEMENT REVENUE

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

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

STATE HEALTH SERVICE FEES AND REBATES

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

ESCHEATED ESTATES

Escheated estates include unclaimed property submitted to the state. This revenue source is derived from proceeds of abandoned personal property such as checking accounts, savings accounts, certificates of deposit, safe deposit boxes, stocks, bonds, mutual funds, mineral proceeds, and other types of property. CPA estimates that collections of escheated estates during the 2018–19 biennium will total $1.4 billion, 9.1 percent less than the 2016–17 biennial collections of $1.5 billion.

OTHER SOURCES OF REVENUE

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

STATE TAXES

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

POPULATION

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

PERSONAL INCOME

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

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

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

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

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

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

The ratio of Texas per capita income to U.S. per capita income is an important driver of the Texas state budget. Specifically, this ratio is the determining factor of Texas' Federal Medical Assistance Percentage (FMAP) and, thus, the state's share of the cost of the Medicaid program. Typically, when this ratio increases, Texas' FMAP and the federal share of the cost decreases and the state share increases, and vice versa. During the past 20 years, per capita personal income in Texas has fluctuated; it has remained less than the U.S. total (**Figure 33**), but the trend of the ratio has increased during this period. However, the ratio decreased during calendar years 2015 and 2016 primarily because of decreased earnings in the oil and gas industry. For 2016, the per capita personal income in Texas was approximately 94.0 percent of the U.S. total.

MAJOR STATE FUNDS

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

FIGURE 30
RESIDENT POPULATION RANKING, CALENDAR YEARS 2006 AND 2016

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

SOURCE: U.S. Census Bureau.

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

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

SOURCE: U.S. Bureau of Economic Analysis.

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

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

SOURCE: Missouri Economic Research and Information Center.

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

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

Source: U.S. Bureau of Economic Analysis.

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

GENERAL REVENUE FUND

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

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

Before 1991, most of the accounts that now compose dedicated General Revenue Funds existed as separate special funds outside the General Revenue Fund. A fund consolidation process initiated in 1991 brought almost 200 special funds into the General Revenue Fund as General Revenue–Dedicated accounts.

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

AVAILABLE SCHOOL FUND

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

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

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

FOUNDATION SCHOOL FUND

One-quarter of occupation taxes—such as the oil production tax, the natural gas production tax, and the gas, water, and electric utility tax—are constitutionally dedicated to public education. The revenue from these taxes is initially deposited to the General Revenue Fund and then transferred to the Foundation School Fund. Legislation passed by the Seventy-fifth Legislature, 1997, statutorily dedicated net lottery proceeds to public education. Those proceeds are deposited to the Foundation School Fund. The Foundation School Fund also receives the revenue from attendance credits purchased by local school districts within the public school finance system. Revenue from the Foundation School Fund is distributed to school districts using Foundation School Program formulas, and via multiple methods of finance in the GAA. CPA estimates total revenue from occupation taxes, lottery proceeds, and attendance credits to total $4.8 billion for fiscal year 2018 and $5.4 billion for fiscal year 2019.

STATE HIGHWAY FUND

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

TEXAS MOBILITY FUND

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

PROPERTY TAX RELIEF FUND

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

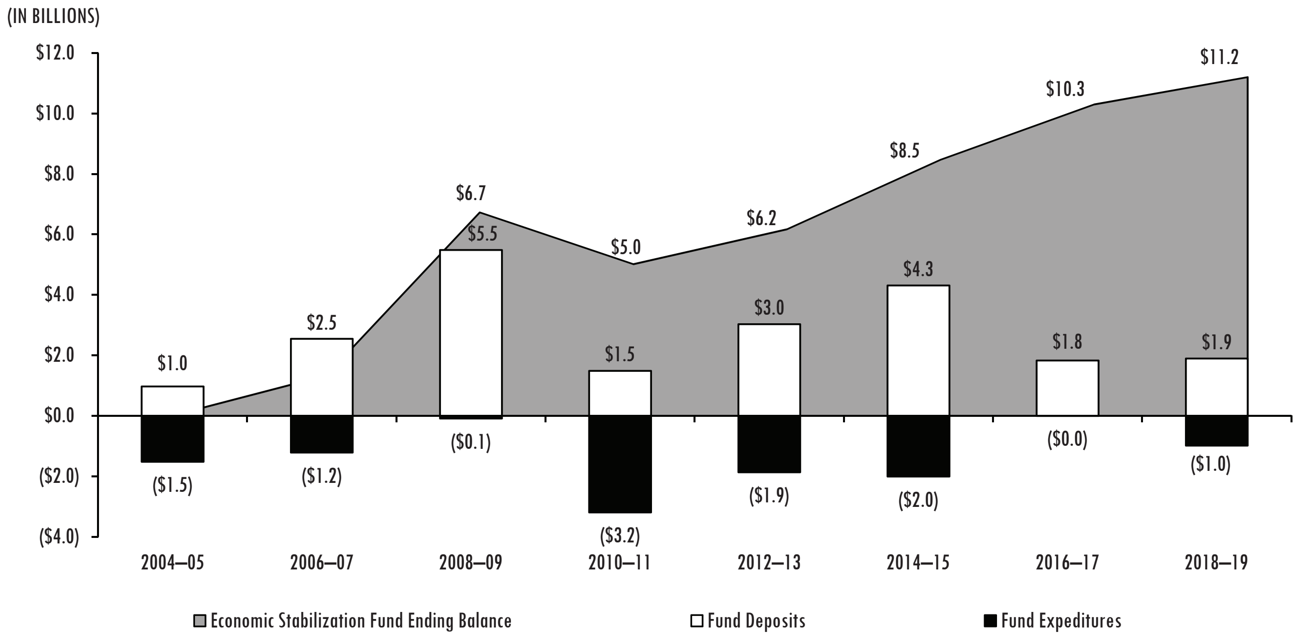
ECONOMIC STABILIZATION FUND

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

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

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

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



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

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

FEDERAL FUNDS APPROPRIATIONS

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

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

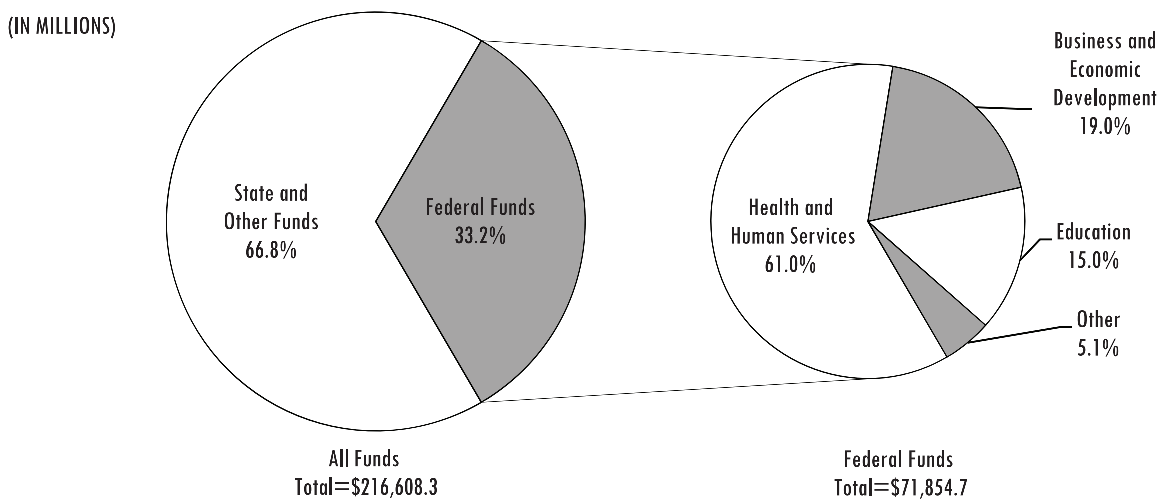
Most of the Federal Funds that Texas receives (94.9 percent) are for services provided through the Health and Human Services, Business and Economic Development, and Education functions within the 2018–19 GAA. **Figure 36** shows the amount of Federal Funds received by each of the functions as a percentage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

FIGURE 35
FUNDING BY METHOD OF FINANCE, FEDERAL FUNDS

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

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

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

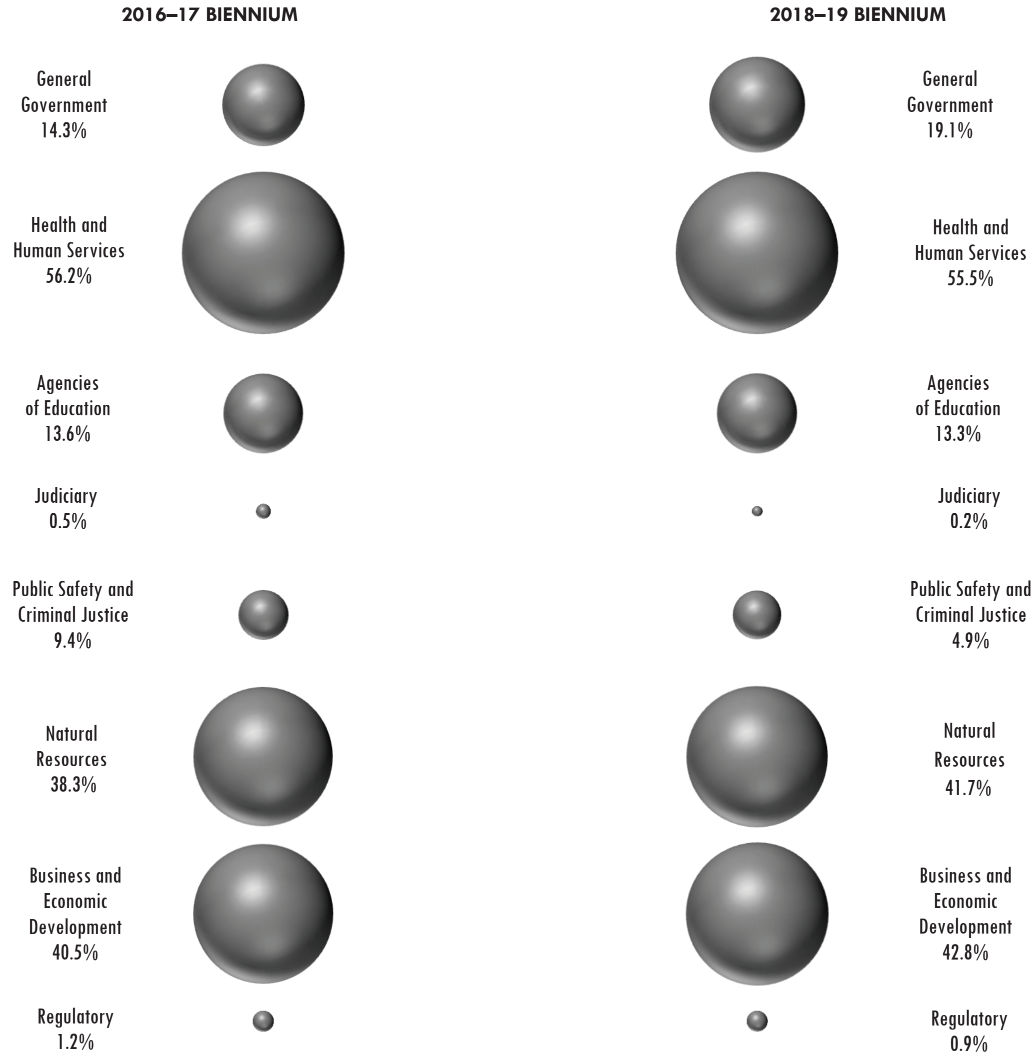


NOTE: Other=Natural Resources – 2.6%; General Government – 1.1%; Public Safety and Criminal Justice – 1.1%; General Provisions – 0.1%; Judiciary – less than 0.01%; Regulatory – less than 0.01%.
SOURCE: Legislative Budget Board.

HEALTH AND HUMAN SERVICES

In the 2018–19 GAA, it is estimated that Health and Human Services agencies will receive $43.8 billion in Federal Funds, which is 55.5 percent of the state's total Federal Funds. Federal Funds for these agencies are expected to decrease $1.6 billion from the 2016–17 biennial levels. This decrease is attributable largely to the Medicaid program, where Federal Funds decrease by $1.4 billion. A decrease in Medicaid funding for administrative support, related primarily to a reduction in the Texas Medicaid

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



Source: Legislative Budget Board.

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

BUSINESS AND ECONOMIC DEVELOPMENT

It is estimated that Business and Economic Development agencies will receive $13.6 billion in Federal Funds during the 2018–19 biennium, an increase of $1.3 billion from 2016–17 biennial levels. Federal transportation funds to support highway and construction planning account for most of the increase from the 2016–17 biennium. Approximately 42.8 percent of the total budget for the Business and Economic Development function is expected to come from federal sources. Two agencies, the Texas Department of Transportation and the Texas Workforce Commission, receive 95.6 percent of the function's Federal Funds.

EDUCATION

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

OTHER FUNCTIONS

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

LOCAL REVENUE

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

PROPERTY TAXES

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

TAXABLE VALUES

Gross taxable property values, adjusted for productivity valuation, totaled $754.3 billion for calendar year 1996. Productivity valuation is a measure of land value based on the land's ability to produce income from agriculture or timber operations. By calendar year 2016, adjusted gross property values were at $2,598.1 billion, an increase of 244.4 percent from the 1996 level. For calendar year 2016, net taxable school district property values increased $105.4 billion, or 5.0 percent from the 2015 amount, shown in **Figure 38**. Net taxable school district property values have decreased for one calendar year since 1996, shown in **Figure 39**.

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

PROPERTY TAX LEVIES

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

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

LOCAL SALES TAX

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

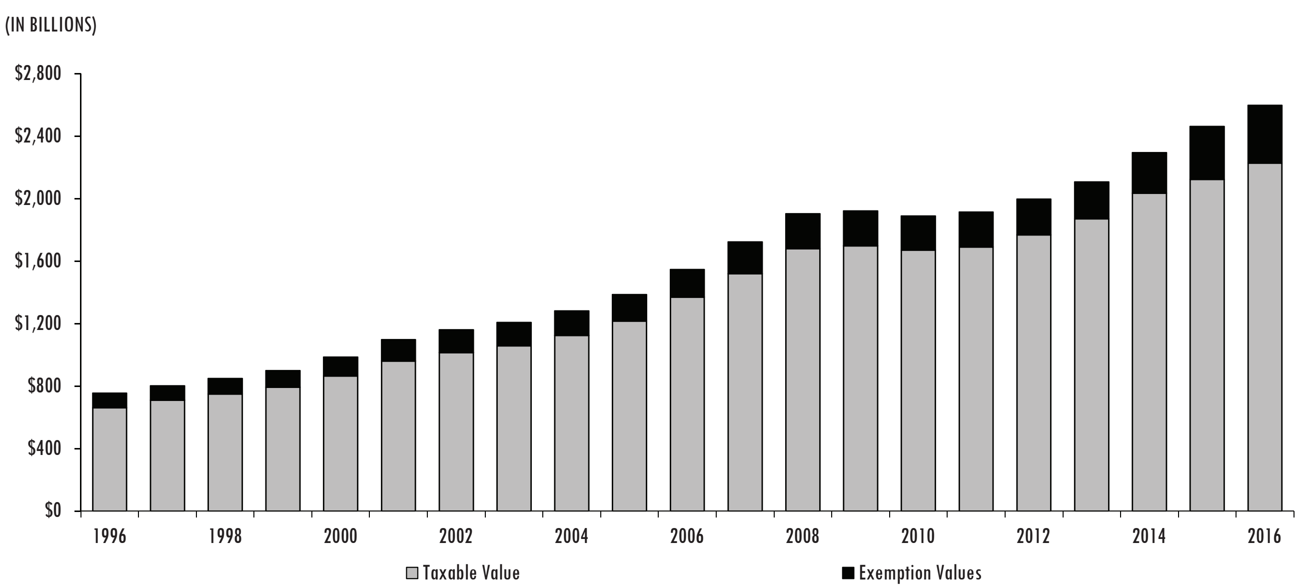
FIGURE 38
SCHOOL DISTRICT NET TAXABLE PROPERTY VALUES, CALENDAR YEARS 2015 AND 2016

(IN BILLIONS)

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

SOURCE: Comptroller of Public Accounts.

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



SOURCE: Comptroller of Public Accounts.

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

(IN MILLIONS)

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

SOURCE: Comptroller of Public Accounts.

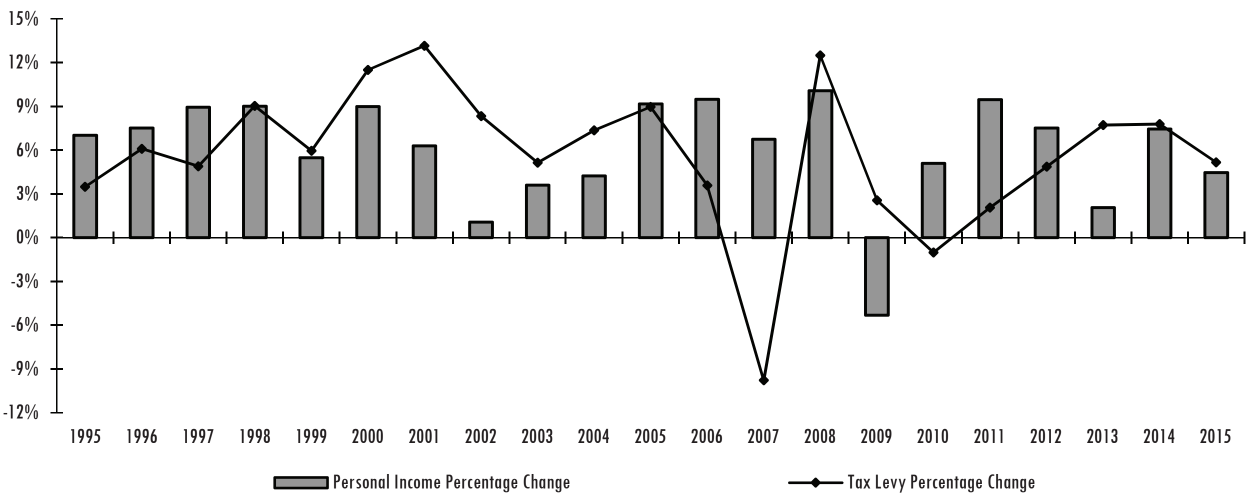
FIGURE 41
PROPERTY TAX LEVIES, CALENDAR YEARS 1995 TO 2015

(IN MILLIONS)

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

SOURCE: Comptroller of Public Accounts.

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



SOURCE: Comptroller of Public Accounts.

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

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

SOURCE: Comptroller of Public Accounts.

ECONOMIC OUTLOOK

U.S. ECONOMIC INDICATORS

U.S. economic growth slowed during the 2016–17 biennium, due to several factors. After relatively strong expansion during the previous biennium, U.S. real Gross Domestic Product (GDP) increased by 1.5 percent for fiscal year 2016 and 2.1 percent for fiscal year 2017, less than the 2.5 percent average pace during the previous two decades. Personal consumption expenditures accounted for almost all of the output growth during the biennium. For the first time in several biennia, expenditures on goods, in particular durable goods, were greater than the rate of growth in expenditures on services. Government consumption expenditures and investment at the federal, state, and local levels all contributed small increases in GDP growth during the biennium. Nonresidential fixed investment was a drag on GDP during the biennium, contracting during fiscal year 2016. The slowdown coincided with the collapse of crude oil prices and is attributable primarily to falling capital expenditures in the oil and gas industry.

Although net exports also weighed on growth during the biennium, a reversal in the price of the U.S. dollar during the latter half of fiscal year 2017 slightly mitigated the effects of imports exceeding exports. Specifically, during the first 16 months of the biennium, the value of the U.S. dollar appreciated by 7.1 percent, making U.S. exports more expensive to trading partners. However, the dollar changed course and decreased by 7.5 percent during the final eight months of the biennium, having the opposite effect on GDP growth.

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

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

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

Due to the unemployment rate decreasing to less than what is considered the full rate of employment, growth in average hourly earnings increased to levels not reached since the 2008 recession, averaging a 2.6 percent year-over-year increase during the biennium. Wage growth is expected to remain strong, as the supply of available workers remains low during the 2018–19 biennium.

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

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

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

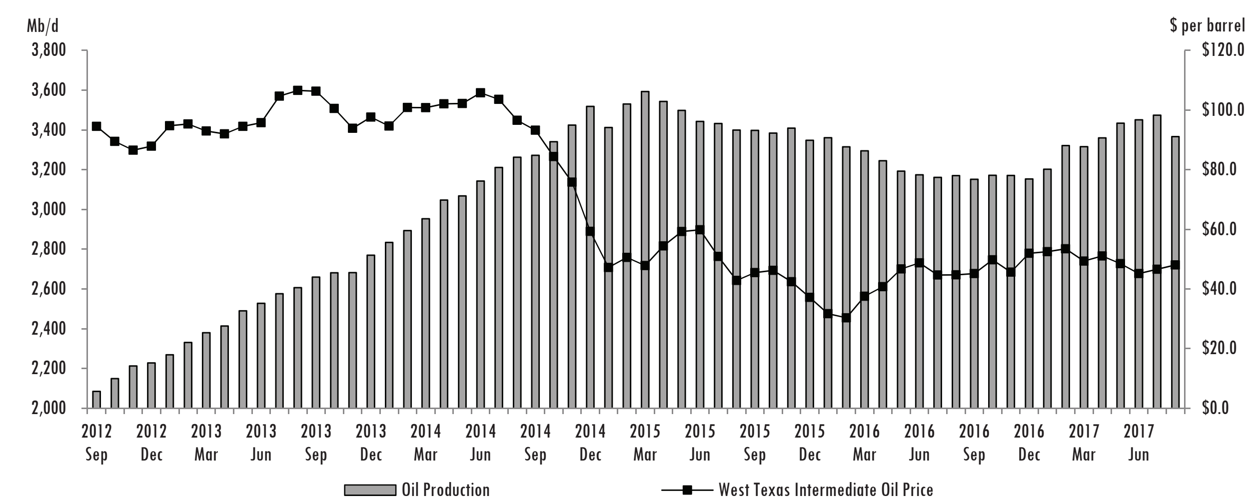
The monetary policies of the Federal Reserve Bank also contributed, which resulted in lower than historically normal interest rates throughout the 2016–17 biennium, thus making stocks relatively more attractive for investors and encouraging lending. Rates on the U.S. 10-year Treasury Constant Maturity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

TEXAS ECONOMIC INDICATORS

The fallout from the collapse of crude oil, natural gas, and natural gas liquid prices continued to ripple through the Texas economy during the 2016–17 biennium. Crude oil prices ended the 2016–17 biennium at $48.04, $5.17 greater than the price at which they began the same period. Prices were relatively stable, with volatility decreasing by 74.0 percent from the 2014–15 biennium. However, average biennial prices were $60.63 less than the high set in June 2014, just before the price decrease, shown in **Figure 44**. Rates of return (RoR) on drilling new wells decreased concurrently with the oil price during the first half of fiscal year 2016, which led producers to decrease the number of active oil-directed drilling rigs from 330 at the beginning of the 2016–17 biennium to 159 by May 2017. Positive RoR varies depending on where the well is located. After drillers were confident that prices had stabilized at levels greater than needed to earn a positive RoR, the trend reversed, and the number of active rigs reached 425 by the end of the 2016–17 biennium, a 167.0 percent increase from its biennial trough level, shown in **Figure 44**. Crude oil production ended the 2016–17 biennium at 3.4 million barrels per day (MMb/d), increased from a recent low of 3.2 million barrels per day (September 2016), but still less than the 3.6 MMb/d peak levels reached during the previous biennium (March 2015).

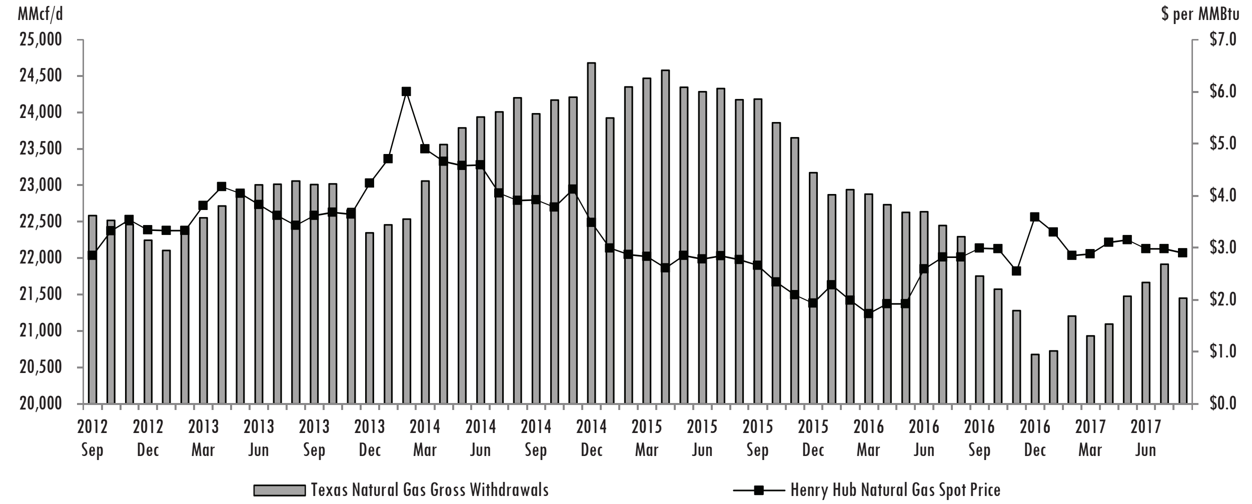
Oil prices have been supported by the November 2016 decision of the 14 countries that constitute the Organization for Petroleum Exporting Countries (OPEC) along with several non-OPEC countries to reduce their oil production collectively by 1.7 MMb/d (approximately half of the daily output in Texas).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

FIGURE 44
TEXAS OIL PRODUCTION, FISCAL YEARS 2013 TO 2017



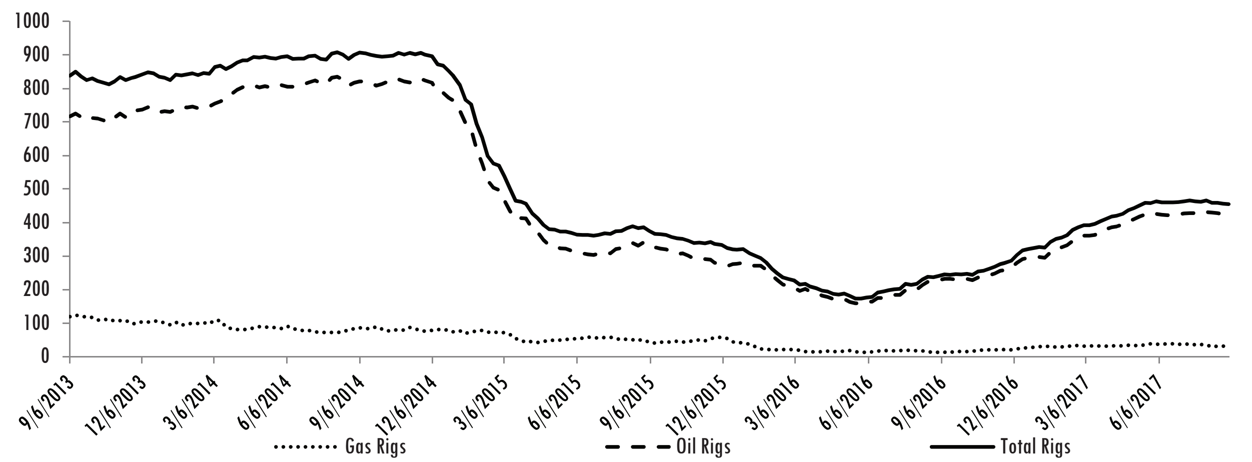
NOTE: Mb/d = thousands barrels per day.
SOURCE: Energy Information Administration.

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



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

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



SOURCE: Baker Hughes.

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

Natural gas production continued to decrease for most of the 2016–17 biennium, averaging 22.2 million cubic feet per day (MMcf/d), or 6.7 percent less than prior biennial average, shown in **Figure 45**. Due to the relatively more profitable well economics, producers continued to move drilling rigs from the predominantly natural gas-rich areas of the state (Barnett Shale in north Texas and Haynesville Shale in east Texas) to the areas with higher concentrations of crude oil (Permian Basin in west Texas and Eagle Ford in south Texas). At the beginning of the 2016–17 biennium, the state had 45 rigs drilling for natural gas, and that number decreased to a low of 12 in summer 2016 before recovering to end the biennium at 31 rigs, shown in **Figure 46**. Prices were relatively stable throughout the 2016–17 biennium, averaging $2.64 per Million British Thermal Units (MMBtu), a decrease of 29.9 percent from the previous biennium. Although production began to increase during the second half of fiscal year 2017, primarily led by associated gas from oil wells, these supply gains are not expected to be significant; therefore, production will remain roughly flat during the 2018–19 biennium. Prices are forecast to increase for fiscal year 2018 to $3.00 per MMBtu before falling slightly to $2.91 per MMBtu for fiscal year 2019.

Texas real gross state product (GSP) increased by 0.4 percent during calendar year 2016, which was the slowest rate of growth since the 2009 recession and the first time the Texas economy grew slower than the U.S. economy since 2005. Texas output decreased for two quarters of fiscal year 2016; however, the quarters were not consecutive. Two consecutive quarters of GSP decrease is the most typical definition of a recession. Therefore, Texas did not technically enter a recession, despite being very close to one. However, the contrast in economic performance across different regions of the state was stark. Areas with relatively diversified economies that are not correlated strongly with the oil and gas sector, such as Austin (4.9 percent increase), San Antonio (3.1 percent increase), and Dallas–Fort Worth (3.0 percent increase) performed well. Cities where the oil and gas industry contributes a larger portion of the economy, such as Odessa (13.3 percent decrease), Victoria (10.2 percent decrease), and Houston (3.0 percent decrease), experienced a recession during 2016. By industry, three sectors contracted during calendar year 2016: Mining (11.9 percent decrease), Durable Goods Manufacturing (4.0 percent decrease), and Transportation and Warehousing (0.1 percent decrease). All three of these sectors were affected to some extent by the oil and gas price decreases and corresponding capital expenditure reductions made by hydrocarbon producers. Sectors with the fastest pace of GSP growth during 2016 included Agriculture (8.1 percent increase), Information (5.1 percent increase), and Utilities (5.1 percent increase). As oil prices stabilized and production began to increase, GSP growth picked up at the beginning of fiscal year 2017 and registered the fastest growth rate of all 50 states during the second quarter of the fiscal year. GSP growth is forecast to be 3.4 percent for calendar year 2018 and 3.2 percent for calendar year 2019. The forecasted growth would be slower than rates from 2012 to 2015, but it would represent a return to expanding faster than the U.S. economy. Also during calendar year 2016, Texas per capita personal income decreased by 1.2 percent to $46,274 per Texas resident. This rate of change ranked Texas at 45th among all 50 states and positioned the dollar amount at less than the national average per capita personal income of $49,246. Although total personal income in Texas increased slightly (0.4 percent) during calendar year 2016, Texas population, which is the denominator in the per capita personal income formula, grew faster (1.6 percent), causing per capita personal income to decrease. Similarly to the GSP's rate of growth, Texas personal income growth was weighed down by earnings in the Mining (22.7 percent decrease) and Durable Goods Manufacturing (6.0 percent decrease) industries. Texas per capita personal income is forecast to increase by 3.2 percent for calendar year 2018 and 4.2 percent for calendar year 2019.

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

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

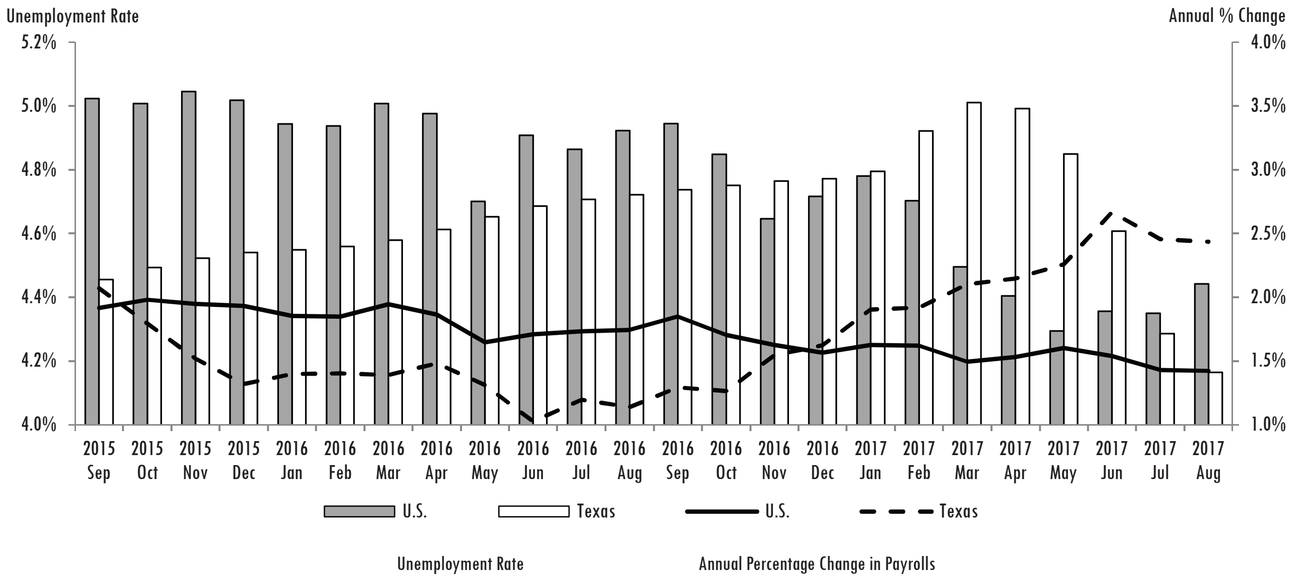
FIGURE 47
TEXAS NONFARM EMPLOYMENT BY SECTOR, FISCAL YEARS 2009 TO 2017

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

Source: Texas Workforce Commission.

included the date of Harvey's landfall), which ranked as the second-fastest growing state in the U.S. The four major metropolitan statistical areas (MSA) affected by Harvey (Beaumont–Port Arthur, Corpus Christi, Houston–Woodlands–Sugarland, and Victoria) all experienced employment losses in August and September, but quickly rebounded to pre-storm trend levels as businesses reopened and reconstruction of damaged property and infrastructure began. Collectively the four MSAs lost 29,300 jobs in August and September, but gained 39,600 jobs in October and November. Moving forward, the recovery and rebuilding efforts are forecast by IHS Global Insight to provide a

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



SOURCE: U.S. Bureau of Labor Statistics.

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

(IN BILLIONS)

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

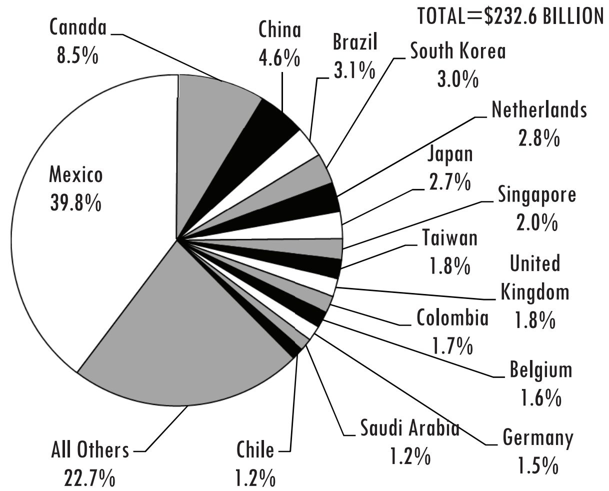
SOURCE: U.S. Census Bureau.

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

Texas remained the largest exporting state in the country for the fifteenth consecutive year during calendar year 2016, with $232.6 billion of goods and services from Texas businesses sold to foreign countries, shown in **Figure 49.** This amount represented 16.0 percent of the national total. However, Texas exports have decreased in each of the past two years from a record high of $285.1 billion during calendar year 2014. Decreasing exports have occurred nationally during that period; however, Texas' exports have decreased at a faster rate (-6.3 percent) than the national rate (-3.3 percent). Several factors contributed to decreasing exports during 2016. First, the value of the U.S. dollar appreciated by 4.4 percent during calendar year 2016, and by the end of December 2016, the value had risen to levels not registered since 2002. A higher value of the dollar makes Texas goods and services relatively more expensive for foreign purchasers using their local currency, and thus, indirectly depressing their demand for Texas products. Second, the decrease of hydrocarbon prices previously mentioned affected the refined petroleum products market, Texas's second largest export sector, as refiners were forced to lower product prices in response to lower input prices. Exports from this sector decreased by $5.6 billion during calendar year 2016, the largest dollar value decrease of any sector. Other commodities recording large decreases during calendar year 2016 included Machinery (-$4.7 billion), Chemicals (-$3.2 billion), and Fabricated Metal Products (-$2.1 billion). These losses were offset partially by gains from other commodities, such as Computer and Electronic Products ($1.9 billion), Transportation Equipment ($1.3 billion), and Agricultural Products ($0.5 billion). During the first 10 months of calendar year 2017, the value of the U.S. dollar has reversed direction, decreasing 5.4 percent, which should benefit Texas exporters during the 2018–19 biennium.

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

FIGURE 50
TEXAS' EXPORT MARKET SHARES, CALENDAR YEAR 2016



SOURCE: U.S. Census Bureau.

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

(IN BILLIONS)

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

SOURCE: U.S. Census Bureau.

3. SUMMARY OF SIGNIFICANT FISCAL LEGISLATION

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

BILLS WITH SIGNIFICANT BUDGETARY OR OPERATIONAL IMPLICATIONS

HOUSE BILL 2

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

The Eighty-fifth Legislature, Regular Session, 2017, passed House Bill 2, which appropriates a total of $2,568.4 million in All Funds, representing $968.6 million in General Revenue Funds and General Revenue–Dedicated Funds and $1,599.8 million in Federal Funds during fiscal year 2017, as shown in **Figure 53**.

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

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

SOURCE: Legislative Budget Board.

FIGURE 53
HOUSE BILL 2 APPROPRIATIONS, FISCAL YEAR 2017

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

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

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

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

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

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

HOUSE BILL 4

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

HOUSE BILL 5

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

HOUSE BILL 10

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

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

HOUSE BILL 13

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

HOUSE BILLS 281, 1729, AND 4102

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

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

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

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

The Eighty-fifth Legislature, Regular Session, 2017, also passed legislation establishing sources of revenue and a donation-funded grant program for testing evidence collected in relation to sexual assaults or other sex offenses. House Bill 1729 requires the Department of Public Safety to provide an opportunity for people applying for various types of driver licenses to donate to the evidence testing grant program. House Bill 4102 requires the Department of Motor Vehicles to provide an opportunity for people registering or renewing registrations of motor vehicles to donate to the evidence testing grant program. Bill provisions require the Criminal Justice Division in the Trusteed Programs within the Office of the Governor to establish and administer a grant program using contributions collected to assist law enforcement agencies with testing evidence related to sexual assaults or other sex offenses.

HOUSE BILL 2379

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

HOUSE BILL 3976

House Bill 3976 makes funding changes and reforms to ensure the solvency and affordability of TRS-Care, the group health benefits program for retired teachers and their dependents. The legislation introduces new plans and premium rates, changes certain coverage requirements, and increases funding to address a significant TRS-Care funding shortfall. The legislation phases out existing plan options and replaces them with three new plans: a Medicare Advantage plan and a Medicare prescription drug plan for participants eligible to enroll in Medicare, and a high-deductible plan for participants not eligible to enroll in Medicare. The legislation also grants exemptions from premium contributions until the 2022 plan year for disability retirees who meet certain criteria, and expands enrollment options to enable retirees and their dependents to enroll either upon retirement of the member, or when the retiree becomes Medicare-eligible upon reaching age 65. To the extent that the program has available funds, the legislation directs the Teacher Retirement System of Texas (TRS) to consider implementing a plan design for non-Medicare members that provides assistance in the payment of preventive care, including generic preventive maintenance drugs.

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

HOUSE BILL 21, FIRST CALLED SESSION

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

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

The legislation establishes two separate programs to provide grants to charters and school districts that provide innovative services to dyslexic and autistic students. House Bill 21 also establishes the Texas Commission on Public School Finance, which is charged with developing and reporting recommendations regarding statutory changes to improve the public school finance system by December 31, 2018.

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

HOUSE BILL 30, FIRST CALLED SESSION

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

SENATE BILL 11

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

SENATE BILL 22

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

SENATE BILL 42

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

The legislation requires OCA to establish a Judicial Security Division to serve as a central resource for information regarding court security and court personnel safety and requires the agency to appoint a director to oversee the division. The legislation establishes a definition for a court security officer and the required certification an officer must have within one year of holding this position. This legislation requires verification of such certification by a local law enforcement authority that has authority to provide court security. The legislation requires the Texas Commission on Law Enforcement to consult OCA to develop a model curriculum for court security training and to issue a certificate to each court security officer that completes this training.

SENATE BILL 292

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

FISCAL MATTERS AND FUND ACCOUNTING

HOUSE BILL 2578

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

HOUSE BILL 3849

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

Like previous fund consolidation bills, House Bill 3849, passed by the Eighty-fifth Legislature, Regular Session, 2017, abolishes all funds, accounts, and revenue dedications established or reestablished by the Eighty-fifth Legislature, except those specifically exempted by the bill's provisions. The legislation continues the provision to make unappropriated revenue and balances in General Revenue–Dedicated Funds accounts available for general governmental purposes and certification of General Revenue Fund appropriations by the Comptroller of Public Accounts.

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

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

SENATE BILL 28

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

SENATE BILL 298

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

SENATE BILL 1105

Senate Bill 1105 abolishes the General Revenue–Dedicated Funds Account No. 146, Used Oil Recycling, and transfers all remaining balances and revenues including fees, penalties, and interest previously deposited to the account to the General Revenue–Dedicated Funds Account No. 153, Water Resource Management. The legislation authorizes Account No. 153 to be used for purposes previously funded by Account No. 146, which include education and technical guidance to the public regarding recycling used oil, grants to certain used oil collection centers, registration of certain used oil collections centers and handlers, and administrative costs. The Eighty-Fifth Legislature, Regular Session, 2017, provided $0.8 million in appropriations from Account No. 153 for these activities, continuing funding for these activities at 2016–17 biennial spending levels. The Comptroller of Public Accounts transferred $21.5 million from Account No. 146 to Account No. 153. Subsequent revenue deposited to Account No. 153 as a result of the legislation is estimated to total $2.2 million each fiscal year.

SENATE BILL 2087

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

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

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

INFORMATION TECHNOLOGY AND CONTRACT OVERSIGHT

HOUSE BILL 8

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

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

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

SENATE BILL 1, ARTICLE IX, SECTION 17.10

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

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

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

SENATE BILL 255

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

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

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

SENATE BILL 532

Senate Bill 532 requires the Department of Information Resources (DIR) to collect from each state agency information regarding the status and condition of the agency's information technology (IT) infrastructure. The legislation specifies, but does not limit, information to be collected from agencies to include information regarding IT security programs, an inventory of IT equipment and cloud services, and identification of vendors that operate and manage an agency's IT infrastructure. Agencies are required to provide the relevant information to DIR. DIR is required to submit a consolidated report of state agencies' IT infrastructure no later than November 15 of each even-numbered year to certain leadership and staff of the Legislative Budget Board. The consolidated report should include an analysis and assessment of each state agency's security and operational risks. For a state agency found to be at higher security and operational risks, the report should provide a detailed analysis of, and an estimate of the costs to implement, the requirements for the agency to address the risks and related vulnerabilities.

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

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

SENATE BILL 533

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

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

CPA is required to establish a Statewide Procurement Director, and Contract Advisory Team reviews are expanded from solicitations and contracts valued at more than $10.0 million to include those valued at more than $5.0 million. The Contract Advisory Team is a multiagency entity established in statute to assist state agencies in improving contract management practices. Furthermore, CPA may authorize state agencies and political subdivisions of other states to participate in cooperative purchasing programs that CPA administers. Agencies with delegated purchasing authority are required to enhance their contracting and procurement practices. This enhancement includes clarified policies regarding vendor-employee interactions, restrictions for employment with contractors, and additional conflict-of-interest disclosures.

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

TAX AND REVENUE

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

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

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

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

SENATE BILL 1, ARTICLE IX, SECTION 17.11

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

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

SENATE BILL 1, ARTICLE IX, SECTION 17.12

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

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

SENATE BILL 16

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

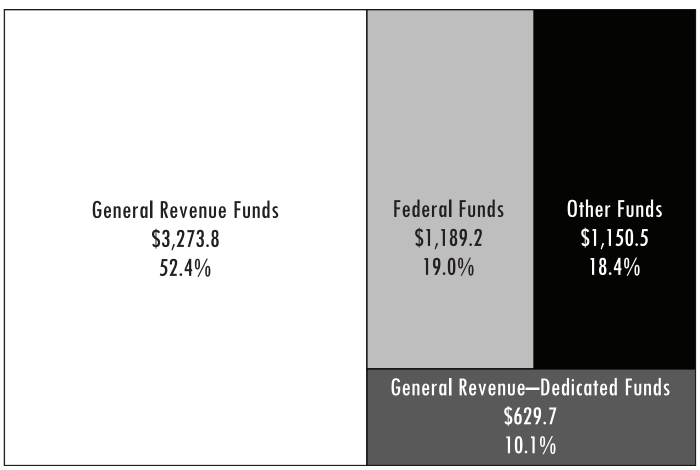
4. GENERAL GOVERNMENT

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

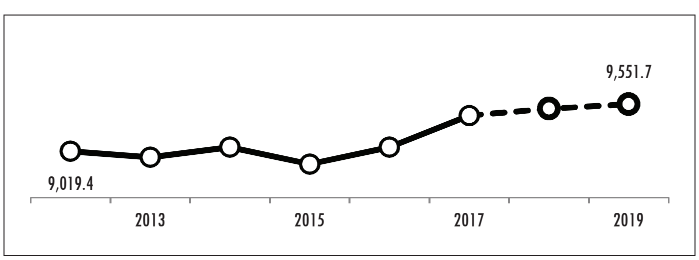
FIGURE 54
ARTICLE I – GENERAL GOVERNMENT, BY METHOD OF FINANCE

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

SHARE OF FUNDING BY METHOD OF FINANCE (IN MILLIONS)



FULL-TIME-EQUIVALENT POSITIONS



SIGNIFICANT DEVELOPMENTS

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

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

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

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

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

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

FIGURE 55
ARTICLE I – GENERAL GOVERNMENT APPROPRIATED BY AGENCY, ALL FUNDS

(IN MILLIONS)

FUNCTION	EXPENDED/BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE
Commission on the Arts	$17.8	$12.7	($5.1)	(28.5%)
Office of the Attorney General	$1,171.6	$1,155.0	($16.6)	(1.4%)
Bond Review Board	$1.6	$1.6	($0.0)	(0.3%)
Cancer Prevention and Research Institute of Texas	$596.3	$600.1	$3.8	0.6%
Comptroller of Public Accounts	$608.8	$610.7	$1.9	0.3%
Fiscal Programs within the Office of the Comptroller of Public Accounts	$1,135.6	$1,197.0	$61.4	5.4%
Commission on State Emergency Communications	$146.0	138.8	($7.2)	(4.9%)
Texas Emergency Services Retirement System	$4.7	$4.1	($0.6)	(12.7%)
Employees Retirement System	$20.2	$20.2	$0.0	0.0%
Texas Ethics Commission	$6.1	$5.9	($0.2)	(3.0%)
Facilities Commission	$1,170.1	$226.2	($943.9)	(80.7%)
Public Finance Authority	$2.9	$3.0	$0.1	5.0%
Office of the Governor	$26.5	$25.2	($1.3)	(4.8%)
Trusteed Programs within the Office of the Governor	$1,188.3	$1,201.4	$13.1	1.1%
Historical Commission	$76.2	$65.2	($10.9)	(14.4%)
Department of Information Resources	$670.4	$756.7	$86.2	12.9%
Library and Archives Commission	$65.0	$66.0	$1.0	1.6%
Pension Review Board	$1.9	$2.0	$0.1	4.6%
Preservation Board	$46.4	$27.8	($18.6)	(40.2%)
State Office of Risk Management	$101.6	$101.6	$0.0	0.0%
Secretary of State	$64.8	$58.8	($6.0)	(9.3%)
Veterans Commission	114.6	$83.6	($31.0)	(27.1%)
Subtotal, General Government	**$7,237.3**	**$6,363.6**	**($873.8)**	**(12.1%)**
Employee Benefits and Debt Service	$648.4	$761.1	$112.7	17.4%
Less Interagency Contracts	$839.7	$881.6	$41.9	5.0%
Total, All Functions	**$7,046.0**	**$6,243.1**	**($802.9)**	**(11.4%)**

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.

MAJOR FUNDING

CROSS-ARTICLE APPROPRIATIONS

Certain General Government agencies oversee and administer statewide programs that receive appropriations in other articles of the General Appropriations Act.

EMPLOYEES RETIREMENT SYSTEM GROUP INSURANCE

Funding for the Employees Retirement System (ERS) Group Insurance program increased by $355.6 million in All Funds for the state contribution for general state employees, retirees, and their dependents. This increase reflects an annual 0.82 percent increase in the state contribution for each of fiscal years 2018 and 2019 after incorporating targeted cost savings measures and spending down the contingency reserve fund. In addition, the state contribution of $129.5 million in General Revenue Funds for local community supervision and correctional department officers' group health insurance is appropriated through the ERS Group Insurance program and no longer appropriated to the Department of Criminal Justice.

INFORMATION TECHNOLOGY

Additional funding of $109.8 million in All Funds is provided for information technology projects, including cybersecurity initiatives, at 22 agencies. Project costs typically include the purchase of hardware and software, hardware and software maintenance, application development, end-user services, data network services and infrastructure services, and the hiring of additional staff. In addition, $0.6 million is provided to six agencies to purchase equipment and provide for upgrades to local area networks related to transitions of the Capitol Complex Telephone System, managed by the Department of Information Resources, to a voice over Internet protocol platform.

CENTRALIZED ACCOUNTING AND PAYROLL/PROCESSING SYSTEM

Additional funding of $17.6 million in All Funds is included for 15 agencies to deploy onto the statewide Centralized Accounting and Payroll/Personnel System (CAPPS) and for the Texas Department of Transportation to upgrade its agency-managed CAPPS hub system. In addition to this amount, the Comptroller of Public Accounts is appropriated $95.9 million for ongoing CAPPS operations and agency transitions. Agencies deploying onto the statewide version of CAPPS do not pay direct costs to the Comptroller of Public Accounts; however, the funding provides for internal costs associated with the deployment process, such as temporary staff to backfill permanent staff who are redirected to the transition process, programming services to modify interfacing information technology systems, and costs to migrate or maintain legacy data.

GENERAL GOVERNMENT AGENCIES

The 2018–19 biennial funding levels of General Government agencies decreased by $802.9 million compared to the 2016–17 biennial spending levels. Significant changes include the following:

- funding for the Texas Facilities Commission includes a net decrease of $943.9 million, or 80.7 percent, from the 2016–17 biennium; the decrease is related primarily to a decrease in funding from Revenue Bond Proceeds for several new construction projects during the previous biennium and decreased General Revenue–Dedicated Funds for deferred maintenance projects. Other Funds of $108.4 million from the Economic Stabilization Fund are appropriated for the 2018–19 biennium for deferred maintenance projects, facility renewal projects, and site redevelopment at the G.J. Sutton state office development in San Antonio;
- appropriations for Trusteed Programs within the Office of the Governor include $155.0 million in Other Funds from the Economic Stabilization Fund, including $110.0 million for disaster grants, $25.0 million for grants to law enforcement agencies for bullet-resistant personal body armor, and $20.0 million for Defense Economic Adjustment Assistance Grants to military communities;
- appropriations for the Texas Veterans Commission (TVC) decreased primarily due to the transfer of funding for the Hazlewood Legacy Program to the Permanent Fund Supporting Military and Veterans Exemptions (MVE), totaling $30.0 million to combine the MVE and TVC funding for the program into one appropriations bill pattern;
- appropriations for the State Preservation Board decreased by $18.6 million, reflecting decreases to repair projects for the Capitol and Capitol Extension ($10.3 million); onetime funding items ($6.2 million) for Capitol lawn monuments, State Cemetery improvements, and State History Museum IMAX theater improvements and education projects; lower debt service payments ($1.1 million); and decreases to housekeeping and maintenance contracts ($0.9 million);
- funding for the Texas Historical Commission decreased by $10.9 million, or 14.4 percent, from the 2016–17 biennium. This decrease in All Funds is primarily attributed to a decrease in General Obligation Bond Proceeds for onetime capital projects during the previous biennium and the transfer of ticket sales from the National Museum of the Pacific War to a fund outside the Treasury; and
- funding for the Texas Commission on the Arts decreased by $5.1 million, or 28.5 percent, from the 2016–17 biennium. This decrease in All Funds includes a $4.3 million decrease in funding for the agency's Cultural District grants and a $0.8 million decrease for Arts Education grants.

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

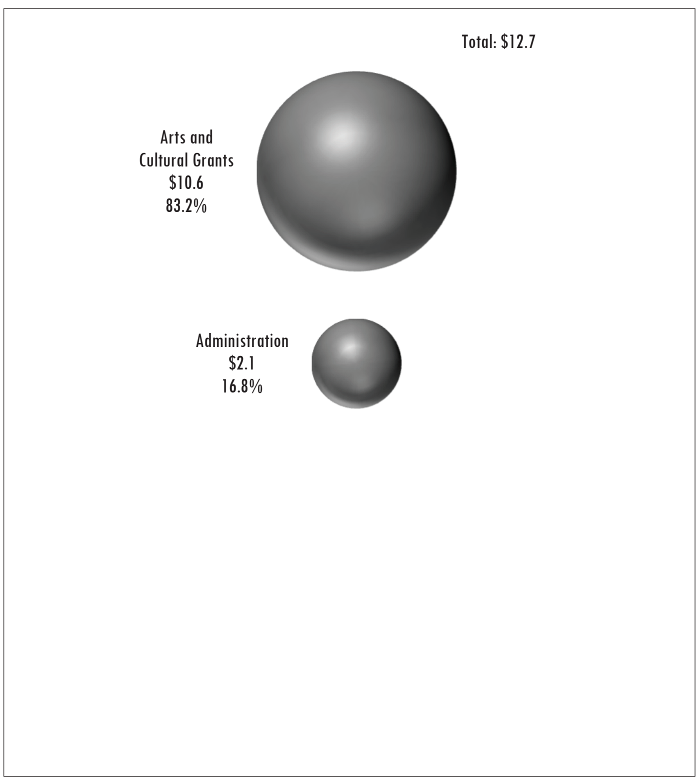
FIGURE 56
TEXAS COMMISSION ON THE ARTS BY METHOD OF FINANCE

(IN MILLIONS)

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

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2018	14.0
2019	14.0

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

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

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

SOURCE: Legislative Budget Board.

MAJOR FUNDING

Funding for the Texas Commission on the Arts (TCA) decreased by $5.1 million, or 28.5 percent from the 2016–17 biennium. This All Funds decrease is primarily attributable to a $4.3 million decrease in funding for the agency's Cultural District grants and a $0.8 million decrease for Arts Education grants.

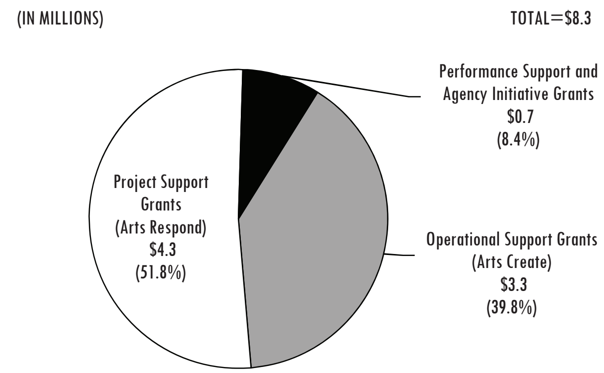
PROGRAMS

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

The primary function of the Texas Commission on the Arts is providing financial assistance to local entities through grants. All grants are awarded in two distinct categories: operational support grants (Arts Create) and project support grants (Arts Respond, Performance Support and Agency Initiatives). All project support grants serve at least one priority area: economic development, education, health and human services, natural resources and agriculture, and public safety and criminal justice. **Figure 57** shows the agency's funding allocation for the separate grant categories for fiscal year 2018. To promote effective grant distribution, agency staff consults with grant recipients on grant-writing procedures and presents webinar trainings, 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. The agency's website includes links to arts information and services throughout the state, professional development resources, an online grant application system, and online evaluation report forms. During fiscal year 2017, the agency received approximately 1,790 applications requesting more than $49.2 million in grants; of these amounts, the agency awarded $8.6 million to 1,689 applicants. For fiscal year 2018, the agency expects to process 1500 grant applications and distribute approximately $5.3 million in grant awards, a decrease of $3.3 million, or 38.4 percent, from the previous fiscal year.

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. The agency awards Arts Create grants to arts organizations in five categories: established arts organizations with operating budgets of 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; and local arts organizations. Arts Create grant awards range from approximately $3,500 to $21,000. All Arts Create grant awards require an equal match from recipients. Appropriations for the 2018–19 biennium for the Arts Create program are approximately $6.5 million.

FIGURE 57
TEXAS COMMISSION ON THE ARTS GRANT AWARD ALLOCATIONS, FISCAL YEAR 2017



Note: Amounts for fiscal year 2017 are estimated.
Source: Legislative Budget Board.

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 are aligned with the Texas Essential Knowledge and Skills and affect public school students in grades kindergarten to 12 during the school day. Projects may occur in a school setting or off-site on a field trip. 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 projects that 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 2018–19 biennium for the Arts Respond program are approximately $2.7 million.

The agency also administers smaller grant programs within the Performance Support and Agency Initiative Grants program. 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 that regularly perform outside their communities 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 disciplines. 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 $1.4 million for the 2018–19 biennium.

OFFICE OF THE ATTORNEY GENERAL

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

ESTABLISHED: 1876

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

GOVERNANCE: Statewide elected official

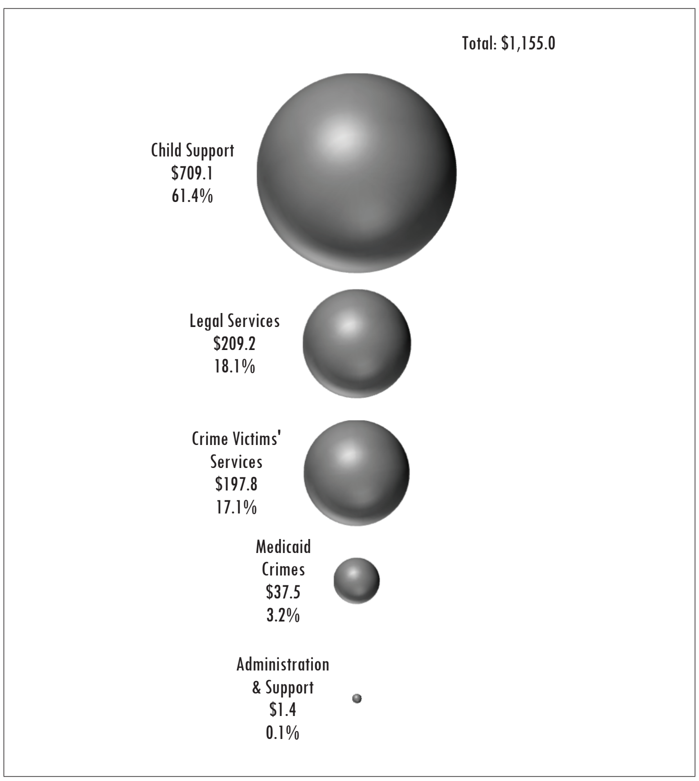
FIGURE 58
OFFICE OF THE ATTORNEY GENERAL BY METHOD OF FINANCE

(IN MILLIONS)

METHOD OF FINANCE	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$471.7	$445.7	($26.1)	(5.5%)
General Revenue–Dedicated Funds	$155.5	$143.8	($11.7)	(7.5%)
Federal Funds	$419.4	$434.3	$14.8	3.5%
Other Funds	$125.0	$131.3	$6.3	5.1%
Total, All Methods of Finance	**$1,171.6**	**$1,155.0**	**($16.6)**	**(1.4%)**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2018	4,191.4
2019	4,191.4

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

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

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

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

MAJOR FUNDING

Appropriations for the Office of the Attorney General (OAG) decreased by $16.6 million. This decrease is attributable mainly to a decrease of $36.8 million due the renegotiation of the State Disbursement Unit Vendor Contract, a $4.4 million decrease in Interagency Contracts with the Health and Human Services Commission (HHSC) for anticipated Medicaid reimbursement, a $14.4 million increase in victim compensation payments, and a $1.1 million decrease for contract cost containment. These amounts are offset partially by an increase in funding of $4.1 million for the Centralized Accounting and Payroll/Personnel System, a cost-of-living increase for Assistant Attorney General salaries of $4.5 million, and an increase in Appropriated Receipts for attorney and court receipts of $5.5 million.

PROGRAMS

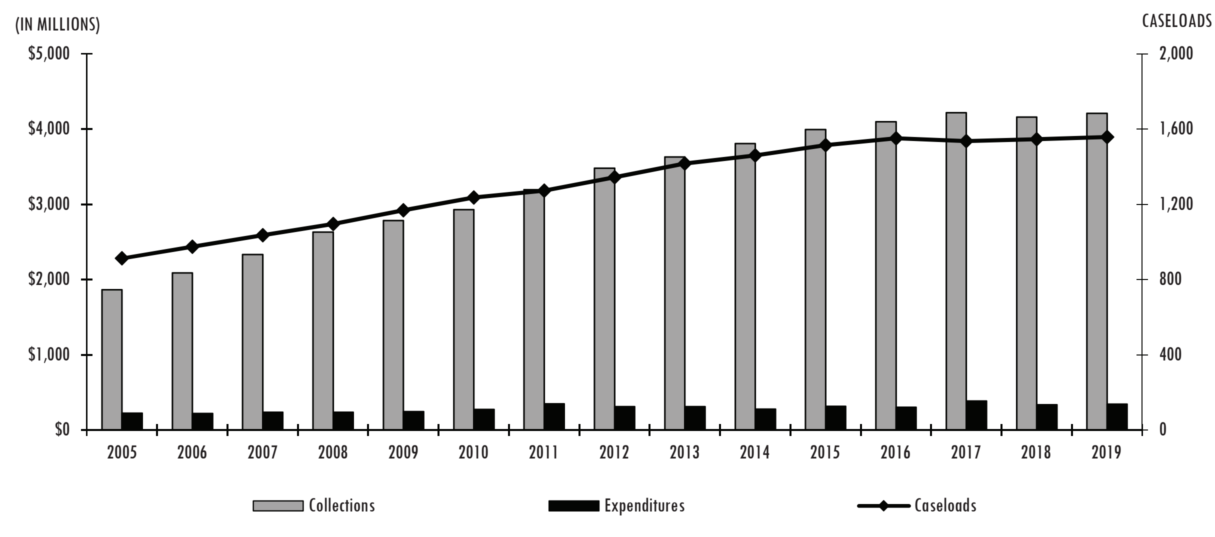
The agency carries out its mission through five main program areas: (1) Child Support; (2) Crime Victims' Services; (3) legal services; (4) Medicaid crimes; and (5) State Office of Risk Management administrative support.

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 $681.5 million and 5,746.8 full-time-equivalent (FTE) positions for the 2018–19 biennium for activities related to child support enforcement. As part of the federal funding, the agency receives Federal Performance Incentive Payments, which are based on performance in 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 U.S., are intended to reward individual states that have the most efficient and effective child support programs. Texas, which received $74.5 million for its fiscal year 2015 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. During fiscal year 2017, the agency collected approximately $4.2 billion in child support payments and is projecting to reach $4.2 billion each in fiscal years 2018 and 2019. **Figure 59** shows the child-support enforcement expenditures, collections, and caseloads for fiscal years 2005 to 2019. Child support operations are

FIGURE 59
OFFICE OF THE ATTORNEY GENERAL CHILD SUPPORT ENFORCEMENT, FISCAL YEARS 2005 TO 2019



NOTE: Amounts for fiscal years 2016 to 2019 are estimated.
SOURCE: Office of the Attorney General.

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, OAG began an initiative in 2007 to update the enforcement system used to establish child support orders, enforce order compliance, and collect and disburse child support payments. The system, referred to as the Texas Child Support Enforcement System 2.0 (T2), will be web-based and enable 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 $223.6 million in All Funds, with an estimated completion in two phases from June 2016 to July 2017. The T2 project has been delayed several times and is over budget. Updated project estimates for T2 system development costs are approximately $419.6 million, with a projected launch date of March 2019. When the system is operational, estimated maintenance costs will be $38.9 million each fiscal year. The OAG's 2018–19 biennial appropriations for child support-related activities total approximately $709.1 million and include 2,746.8 FTE positions each fiscal year.

CRIME VICTIMS' SERVICES

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 Account No. 469, Compensation to Victims of Crime (CVC). **Figure 60**

FIGURE 60
VICTIMS ASSISTANCE PROGRAMS AT THE OFFICE OF THE ATTORNEY GENERAL PARTIALLY FUNDED WITH GENERAL REVENUE–DEDICATED FUNDS ACCOUNT NO. 469, COMPENSATION TO VICTIMS OF CRIME (CVC), 2018–19 BIENNIUM

	(IN MILLIONS)	
PROGRAM	ALL FUNDS	CVC
Victim Assistance Organizations and Programs	$21.7	$21.7
Funding for grants to support programs that serve victims of crime, such as Mothers Against Drunk Driving, Safe Place, People Against Violent Crime, Domestic Violence High Risk Teams, and others.		
Sexual Assault Prevention and Crisis Services Program	$26.1	$2.1
Provides funding and technical assistance to sexual assault programs. 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.		
Victim Notification System	$6.2	$6.2
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.		
Victim-related Civil Legal Services	$5.0	$5.0
Funding for the Supreme Court to provide grants to local programs that offer civil legal services for victims of violent crime.		
Victims Assistance Coordinators and Victims Liaisons	$4.9	$4.9
Provides grants to local law enforcement agencies and prosecutor's offices to fund statutorily required coordinator and liaison positions.		
Sexual Assault Services Program Grants	$2.3	$0.8
Provides a grant to the Texas Association Against Sexual Assault 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.		
Total, Programs at the Office of the Attorney General	**$66.2**	**$40.6**

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

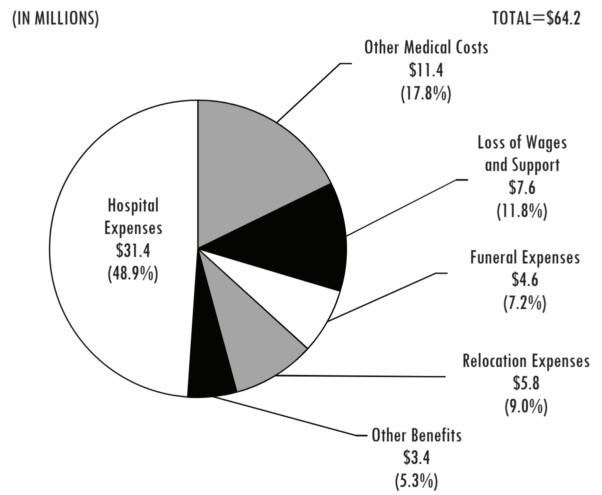
shows victims assistance programs that receive funding from the CVC, and identifies allocation of appropriations to the programs for the 2018–19 biennium by All Funds and CVC funds. The account is dedicated constitutionally to provide payments and services to crime victims. Revenues, which come from 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 expenses ranging from medical expenses to loss of wages incurred by victims of violent crimes. Appropriations for the 2018–19 biennium for the Crime Victims' Compensation Program total $131.4 million in All Funds and provide 126.2 FTE positions. These appropriations include approximately $106.9 million in General Revenue–Dedicated Funds from the CVC. The program is expected to pay out more than $115.4 million in compensation during the biennium. **Figure 61** shows the distribution of fiscal year 2017 awards among various categories. **Figure 62** shows the trend in compensation awarded and the trend in the number of victims receiving awards from fiscal years 2009 to 2019.

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 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.

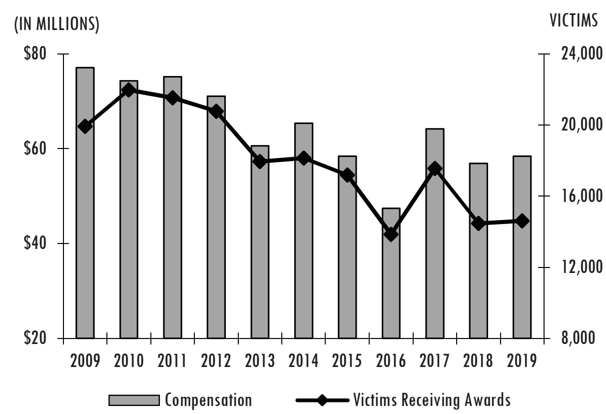
The Court-appointed Special Advocate program, which provides volunteer guardian assistance to abused and neglected children, and the Children's Advocacy Centers, which provide services to victims of child abuse, were transferred by the Eighty-fourth Legislature, 2015, to HHSC beginning in fiscal year 2016. Appropriations for the Crime

FIGURE 61
GENERAL REVENUE–DEDICATED COMPENSATION TO VICTIMS OF CRIME FUND AWARDS, FISCAL YEAR 2017



SOURCE: Office of the Attorney General.

FIGURE 62
TEXAS CRIME VICTIMS' COMPENSATION PROGRAM FISCAL YEARS 2009 TO 2019



NOTE: Amounts for fiscal years 2018 and 2019 are estimated.
SOURCE: Office of the Attorney General.

Victims' Services Division total approximately $197.8 million and include approximately 158.0 FTE positions each fiscal year.

LEGAL SERVICES

As the state's legal counsel, OAG provides an array of legal and investigatory services. The agency defends state officials and agencies in lawsuits, provides general counsel 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. OAG also investigates and prosecutes violations of antitrust activities; banking and securities activities; and environmental protection offenses.

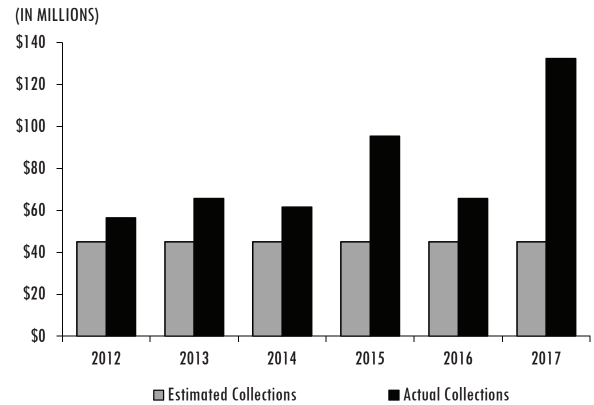
OAG is responsible for collecting certain delinquent judgments and debts owed to the state. For fiscal years 2012 to 2017, the agency estimated collections of \$270.0 million and collected \$477.0 million. **Figure 63** shows the estimated and actual collections for fiscal years 2012 to 2017.

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 regarding child exploitation crimes and cyber safety to the following groups: law enforcement agencies around the state; various interest groups; school administrators; students; and the public.

Consumer protection and education is also an important role for the agency. 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 against 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 to ensure public awareness by posting consumer rights and common scams on its website and offers information on a range of consumer issues.

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

FIGURE 63
OFFICE OF THE ATTORNEY GENERAL DEBT COLLECTIONS, FISCAL YEARS 2012 TO 2017



SOURCE: Office of the Attorney General.

As part of the legal services function, 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. The federal government funds a significant portion of state Medicaid expenditures; therefore, it also receives a percentage of the state's financial recovery. During the 2016–17 biennium, OAG recovered \$164.0 million in accordance with TMFPA. Of that amount, \$62.3 million was recovered to the state General Revenue Fund, \$19.0 million was retained by OAG for attorney fees, and \$71.1 million was provided to the federal government. Appropriations for the legal services function total \$209.2 and provide for 1,070.0 FTE positions each fiscal year.

MEDICAID CRIMES

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 2016–17 biennium, the agency identified more than $156.5 million in Medicaid overpayments. The agency anticipates identifying overpayments totaling $48.0 million during each fiscal year of the 2018–19 biennium. Appropriations for Medicaid crimes total approximately $37.4 million and include 209.5 FTE positions each fiscal year.

OTHER

OAG's fourth program area is related to the administrative support provided to the State Office of Risk Management (SORM). SORM is attached administratively to OAG and is required to provide administrative support for items such as payroll, human resources, accounting, procurement, and other administrative support. During fiscal years 2016 and 2017, OAG's administrative costs for SORM totaled approximately $1.6 million. For the 2018–19 biennium, the agency is appropriated approximately $1.4 million and 7.1 FTE positions each fiscal year.

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

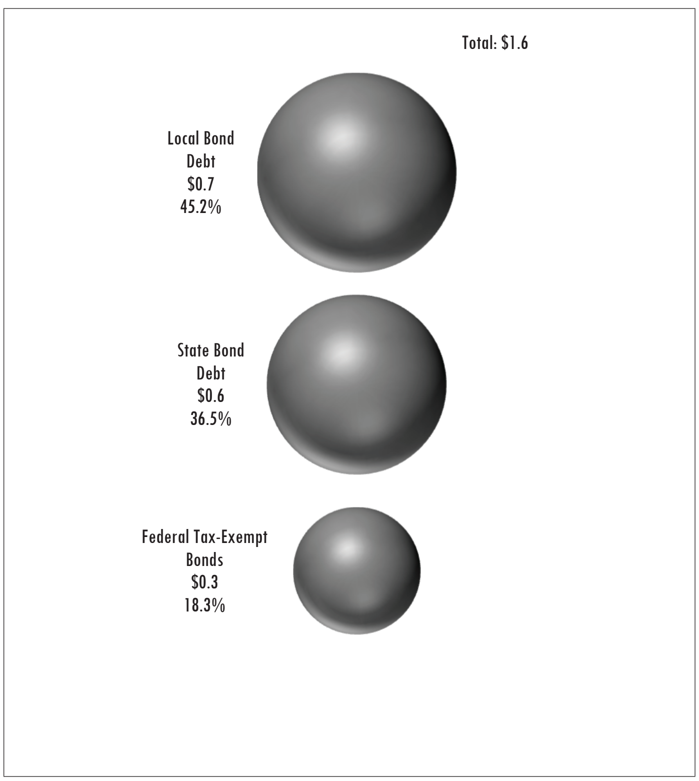
FIGURE 64
BOND REVIEW BOARD BY METHOD OF FINANCE

(IN MILLIONS)

METHOD OF FINANCE	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$1.6	$1.6	($0.0)	(0.3%)
General Revenue–Dedicated Funds	$0.0	$0.0	$0.0	N/A
Federal Funds	$0.0	$0.0	$0.0	N/A
Other Funds	$0.0	$0.0	$0.0	N/A
Total, All Methods of Finance	**$1.6**	**$1.6**	**($0.0)**	**(0.3%)**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2018	10.0
2019	10.0

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

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

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

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

MAJOR FUNDING

Appropriations to fund the Bond Review Board (BRB) for the 2018–19 biennium decreased by $4,500, or 0.3 percent from the 2016–17 biennium. The decrease is related to Article IX, Section 17.10, Contract Cost Containment.

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.

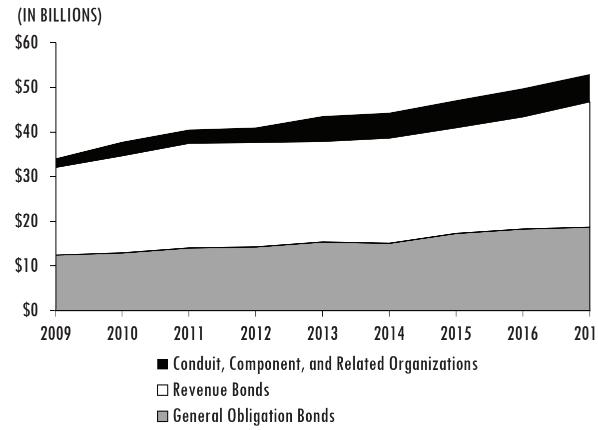
STATE BOND DEBT

BRB's first major program area ensures that 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 guidelines for issuing debt, reviewing state debt issuance, and planning statewide capital. The agency verifies the legal authorization for all bond issues proposed by state agencies and certain educational institutions. The agency also 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 stakeholders. These reports provide information regarding the state's 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 regarding state and local debt burdens and the aggregate impact of all recommended state debt issuance on the state's debt burden. **Figure 65** shows the state's total outstanding debt in bonds for fiscal years 2009 to 2017, including $18.7 billion in General Obligation (GO) bonds, which are backed legally by the full faith and credit of the state, and $28.1 billion in revenue bonds. **Figure 65** also shows the revenue bond conduit debt (approximately $6.2 billion as of August 31, 2017), which is not a legal liability of the state and which the state is not obligated to pay. Appropriations include $4.3 billion for debt service payments for the

FIGURE 65
OUTSTANDING STATE DEBT BY TYPE
FISCAL YEARS 2009 TO 2017



SOURCE: Bond Review Board.

2018–19 biennium. As of August 2017, Texas' General Obligation debt was rated at Aaa/AAA/AAA by the three major credit rating agencies.

LOCAL BOND DEBT

The second major program area encompasses the BRB's role 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, 2017, the state had a total of $218.0 billion in local government debt outstanding, an increase of 15.0 percent compared to $189.6 billion at the end of fiscal year 2013. These entities include school districts, counties, community and junior colleges, cities, health and hospital districts, water districts, and other special districts. 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, and water and sewer systems), and other projects authorized by law.

The Office of the Attorney General collects information regarding 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 regarding 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.

FIGURE 66
TEXAS PRIVATE ACTIVITY BOND ALLOCATION PROGRAM SET-ASIDE COMPARED TO ISSUED ALLOCATION AMOUNTS PROGRAM YEAR 2017

(IN MILLIONS) SUBCEILING	AVAILABLE ALLOCATION	PERCENTAGE OF TOTAL	ISSUED ALLOCATION	PERCENTAGE OF TOTAL
Single-family Housing	$3,132.8	41.0%	$3,029.9	39.7%
State-voted Issues	$223.4	2.9%	$0.0	0.0%
Small-issue Industrial Development Bonds	$55.7	0.7%	$0.0	0.0%
Multifamily Housing	$2,307.1	30.2%	$386.3	5.1%
Student Loan Bonds	$292.6	3.8%	$0.0	0.0%
All Other Issues	$1,623.0	21.3%	$0.0	0.0%
Total	**$7,634.5**	**100.0%**	**$3,416.3**	**44.7%**

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

The agency also compiles data regarding local government debt on its website for policy makers and other stakeholders 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 2017, the agency analyzed 1,627 local government financings.

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 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 issuances 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 2017 was set at a ceiling of $100 per capita and indexed for inflation. For calendar year 2017, Texas' state ceiling and carry-forward totaled $7.6 billion. **Figure 66** shows the subceiling authorizations for the PAB and the actual amount of the state ceiling that was issued for the 2017 program year, showing that approximately 44.7 percent of the total state allocation 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 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 more than 100,000), and the state has $7.6 million in remaining unencumbered QECB authority.

CANCER PREVENTION AND RESEARCH INSTITUTE OF TEXAS

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

ESTABLISHED: 2007

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

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

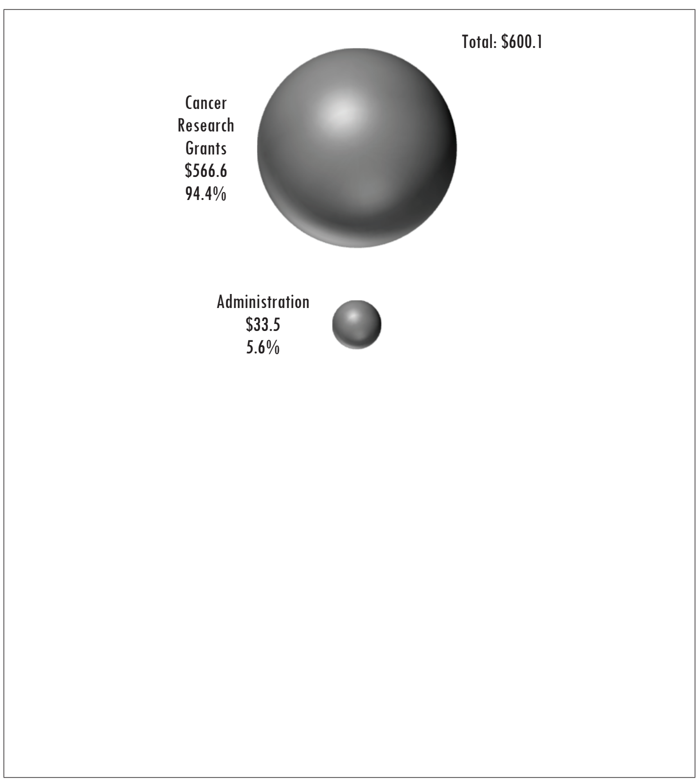
FIGURE 67
CANCER PREVENTION AND RESEARCH INSTITUTE BY METHOD OF FINANCE

(IN MILLIONS)

METHOD OF FINANCE	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$0.0	$0.0	$0.0	N/A
General Revenue–Dedicated Funds	$0.0	$0.0	$0.0	N/A
Federal Funds	$0.0	$0.0	$0.0	N/A
Other Funds	$596.3	$600.1	$3.8	0.6%
Total, All Methods of Finance	**$596.3**	**$600.1**	**$3.8**	**0.6%**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2018	35.0
2019	35.0

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

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

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

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

Source: Legislative Budget Board.

MAJOR FUNDING

Funding for the Cancer Prevention and Research Institute of Texas (CPRIT) increased by $3.8 million, or 0.6 percent from the 2016–17 biennium. The increase is related primarily 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 for the 2018–19 biennium. This increase is offset partially by unexpended balances that were issued for grants in previous biennia and were carried forward and encumbered or expended during the 2016–17 biennium. CPRIT is funded almost entirely with GO Bond Proceeds, but approximately $15,000 per fiscal year in revenue is appropriated from the sale of certain license plates. 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 Texas-based, including the following entities: 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 a 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. Appropriations for the 2018–19 biennium for academic research grants and product development research grants total $510.5 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 $56.1 million for the 2018–19 biennium primarily from GO Bond Proceeds, including $30,000 in Other Funds generated from the sale of the Texans Conquer Cancer license plate and the Cancer of Unknown Primary Origin Awareness license plate.

Since its inception, CPRIT has awarded a total of $1.9 billion in grant awards. Of this amount, $1.4 billion was awarded for academic research grants, $330.0 million was awarded for product development research grants, and $195.1 million was awarded for cancer prevention grants. The number of awards by grant type is shown in **Figure 68**.

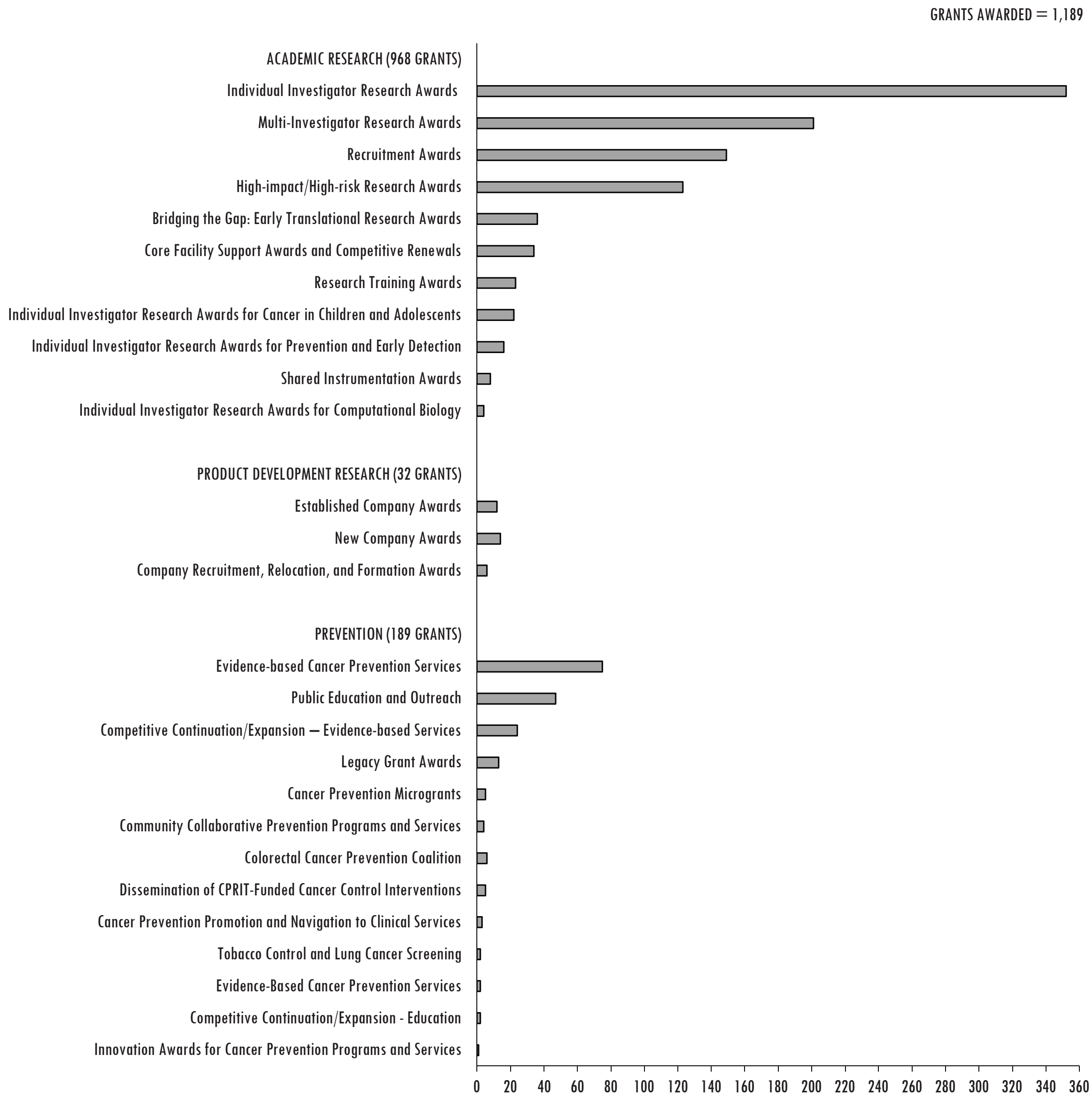
ADMINISTRATION

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 2018–19 biennium, appropriations provide for CPRIT to hire 3.0 full-time-equivalent positions to perform grant-compliance activities. Appropriations for administration total $33.5 million for the 2018–19 biennium, including $80,000 in Appropriated Receipts from reimbursements from product development grant applicants, which support 35.0 positions.

SIGNIFICANT LEGISLATION

House Bill 3849 – Cancer Prevention and Research Interest and Sinking Fund. The legislation re-establishes the Cancer Prevention and Research Interest and Sinking Fund, which consists of patent, royalty, and license fees and other

FIGURE 68
CANCER RESEARCH GRANTS AWARDS BY PROGRAM TYPE
FISCAL YEARS 2010 TO 2017



SOURCE: Cancer Prevention and Research Institute of Texas.

income received in accordance with CPRIT grant recipient contracts. The fund may be used only to pay for debt service on CPRIT bonds.

Senate Bill 81 – CPRIT Sunset review. The legislation extends the Sunset review of the agency to September 1, 2023, and extends the period for grant awards to August 31, 2022.

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

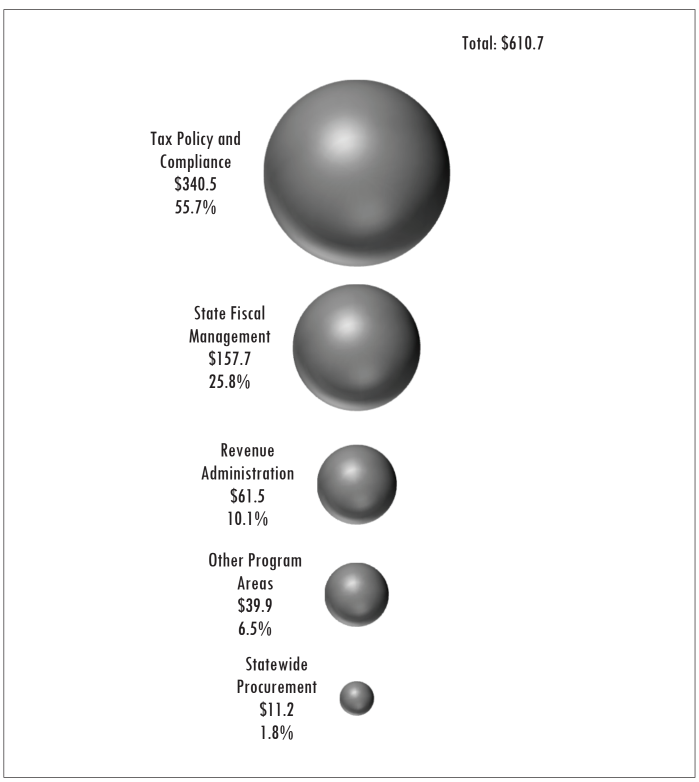
GOVERNANCE: Statewide elected official

FIGURE 69
COMPTROLLER OF PUBLIC ACCOUNTS BY METHOD OF FINANCE

	(IN MILLIONS)			
METHOD OF FINANCE	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$569.4	$578.4	$9.1	1.6%
General Revenue–Dedicated Funds	$0.3	$0.3	$0.0	0.0%
Federal Funds	$0.1	$0.0	($0.1)	(100.0%)
Other Funds	$39.2	$32.0	($7.1)	(18.2%)
Total, All Methods of Finance	**$608.8**	**$610.7**	**$1.9**	**0.3%**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2018	2,882.3
2019	2,932.3

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

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

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

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

MAJOR FUNDING

Total appropriations of $610.7 million in All Funds for the Comptroller of Public Accounts (CPA) include $17.6 million in General Revenue Funds for additional auditors, enforcement officers, and criminal investigators, and for the opening of additional field offices in the Houston, Dallas–Fort Worth, and Austin metropolitan areas. The additional resources enhance audit and enforcement coverage in the largest taxpayer growth areas to increase compliance with tax laws. The appropriation is estimated to result in an increase of $47.8 million in General Revenue Funds greater than the CPA's January 2017 Biennial Revenue Estimate and is reflected in the CPA's October 2017 Certification Revenue Estimate.

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

Additionally, General Revenue Funds increases are provided to implement provisions of Senate Bill 533, relating to the review of solicitations and contract documents by the Contract Advisory Team, and Senate Bill 625, relating to the establishment of a special-purpose district public information database, by the Eighty-fifth Legislature, Regular Session, 2017.

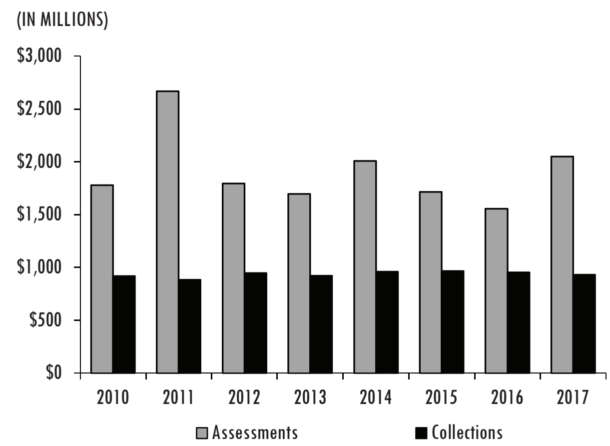
PROGRAMS

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 program for tax laws compliance manages and tracks delinquent taxpayer accounts for collections and initiates contact with taxpayers for payment and services. **Figure 70** shows tax audit assessments, which are additional amounts owed by a taxpayer after an audit, compared to delinquent tax collections for fiscal years 2010 to 2017. During the 2018–19 biennium, the agency projects more than $3.6 billion in tax audit assessments and estimates delinquent tax collections of approximately $1.9 billion.

FIGURE 70
COMPTROLLER OF PUBLIC ACCOUNTS TAX AUDIT ASSESSMENTS COMPARED TO DELINQUENT COLLECTIONS FISCAL YEARS 2010 TO 2017



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 with appropriate tax laws. Additionally, the CPA, through the tax hearings program, implements an Interagency Contract with the State Office of Administrative Hearings 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 $340.5 million and provide 1805.5 full-time-equivalent (FTE) positions for fiscal year 2018 and 1855.5 positions for fiscal year 2019.

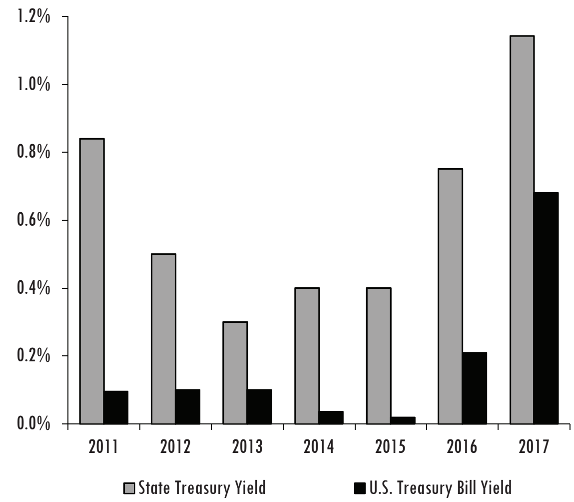
STATE FISCAL MANAGEMENT

State fiscal management programs include statewide accounting, revenue forecasting, and cash management functions. The agency establishes and monitors appropriations to more than 170 state agencies and institutions of higher education for more than 660 funds and accounts each year; processes and issues payments for the state; 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 state's financial condition.

Fiscal management utilizes various information technology tools to perform accounting functions, such as the Uniform Statewide Accounting System and the Uniform Statewide Payroll/Personnel System. These systems and others are becoming outdated and eventually will retire. To replace these systems and consolidate their functions, the agency implemented and is transitioning state agencies to the Centralized Accounting and Payroll/Personnel System (CAPPS), an enterprise resource planning system. CAPPS uses a web-based system that includes modules for financials and human resources (HR) and payroll. These modules provide agencies with updated access to financial and HR and payroll information and include enhanced reporting capabilities. CAPPS also eliminates obsolete business processes, including manual processing and reconciliation and duplicate data entry. Forty-eight state agencies are using CAPPS Financials and CAPPS HR/Payroll. During the 2018–19 biennium, 29 additional state agencies will transition to using these CAPPS functions, 15 of which received funding for this purpose.

CPA manages the state Treasury, 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. During fiscal year 2017, the average balance of the state Treasury portfolio was $24.9 billion. This amount includes an average of $591.2 million in state funds deposited at financial institutions throughout the state and more than $277.0 million in interest earned from the portfolio balance. **Figure 71** shows the yields on annual state Treasury investments compared to the three-month U.S. Treasury Bill interest rate yield for fiscal years 2011 to 2017. In addition, the banking and electronic processing function of the Treasury program ensures that all legitimate warrants are paid expeditiously. This function also ensures that all revenues are deposited within legally required timeframes to maximize interest earnings and minimize collection overhead. Appropriations for state fiscal management programs total $157.7 million and provide 385.9 FTE positions.

FIGURE 71
AVERAGE YIELD ON STATE FUNDS IN THE STATE TREASURY, FISCAL YEARS 2011 TO 2017



SOURCE: Comptroller of Public Accounts.

REVENUE ADMINISTRATION

The revenue administration program area collects and processes the state's taxes, including taxes on sales, franchises, crude oil, natural gas, fuels, motor vehicle sales, cigarettes, and alcoholic beverages. CPA also collects and remits local sales taxes on behalf of approximately 1,500 Texas city and county governments, special districts, and transit authorities. This area is also responsible for maintaining taxpayer accounts and processing tax payment exceptions and adjustments. During fiscal year 2017, the agency processed approximately 5.4 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-activated 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 enables timely and accurate processing and results in fewer taxpayer data errors. Appropriations for the revenue administration program total $61.5 million with 437.7 FTE positions.

STATEWIDE PROCUREMENT

The statewide procurement program area is responsible for procurement and support services 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 statewide contracts to more than 9,600 state vendors. TPASS duties range from administering the Centralized Master Bidders List to processing 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 the Office of Vehicle Fleet Management. The State Mail Office supports statewide mail-related initiatives such as postage and reviews of mail equipment and services for other agencies. The Office of Vehicle Fleet Management is charged primarily with the administration and management of the State Vehicle Fleet Management Plan, which details recommendations to improve the administration and operation of the state's vehicle fleet, and the statewide vehicle data reporting system, which assists agencies in managing their fleets. Appropriations for the statewide procurement program area total $11.2 million and provide 78.6 FTE positions.

OTHER PROGRAM AREAS

Other programs that CPA administers 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 to determine 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 listing services, real estate brokers, and fee appraisers. The program develops values for properties that are appraised uniformly 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. For a year in which a school district is not a subject of the PVS, the values certified for the district are 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 $19.3 million and 105.6 FTE positions.

CPA also administers the unclaimed property program. Businesses, financial institution, and government entities, referred to as holders, remit property to 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 $20.6 million and 69.0 FTE positions.

SIGNIFICANT LEGISLATION

Senate Bill 255 – Purchasing and contract management training. The legislation requires CPA to provide an abbreviated training program for state contracting and procurement staff that are not contract managers. The legislation also requires additional information that must be included in all contract and procurement training. The legislation authorizes CPA to assess a fee for training in an amount not to exceed the costs incurred to provide the training. The legislation authorizes state agencies, in consultation with CPA, to develop agency-specific purchasing and contract-management training programs to be administered by the agency to its employees instead of or as a supplement to training programs developed by CPA pursuant to the bill's provisions.

Senate Bill 533 – State agency contracting and procurement. The legislation makes several changes to contract oversight processes at CPA. The bill requires the Comptroller to appoint a Chief Procurement Officer for the State of Texas. The legislation also lowers the threshold for review of contract and solicitation documents by the Contract Advisory Team from $10.0 million to $5.0 million. In addition, the legislation authorizes CPA to enter into cooperative purchasing agreements with entities in other states. The legislation adds the Comptroller to the membership of the Quality Assurance Team, whose membership includes the State Auditor's Office, Legislative Budget Board, and Department of Information Resources.

Senate Bill 625 – Special Purpose District Public Information Database. The legislation requires CPA to create and post on the Internet a special-purpose district public information database containing certain information regarding special purpose districts. The legislation requires CPA to include certain information for each district in the database, including: local debt information; total amount of bonds authorized by voters and the aggregate initial principal amount of the bonds issued that are payable wholly or partly by ad valorem taxes; rate of any sales and use tax imposed; and ad valorem tax rate information. CPA is required to develop and post the database by September 1, 2018, and to update database information annually.

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

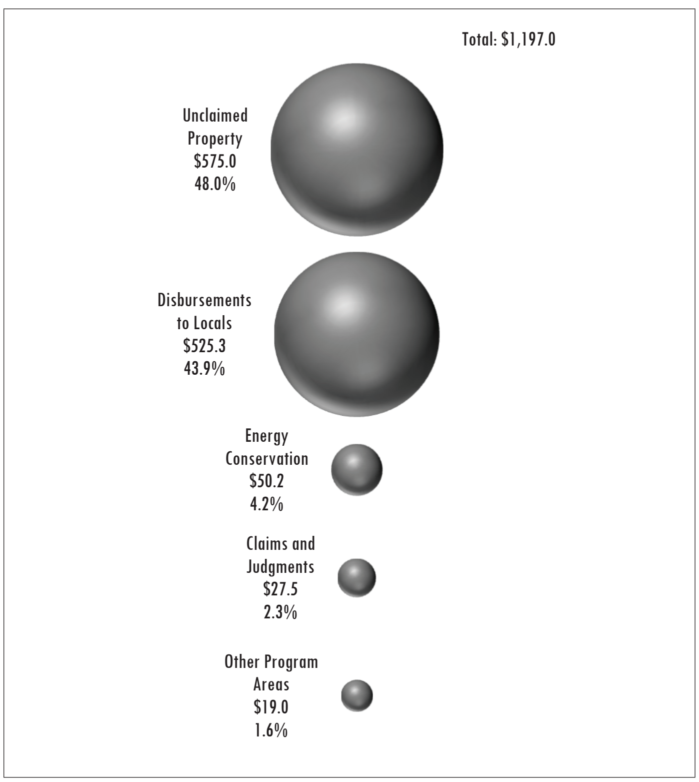
FIGURE 72
FISCAL PROGRAMS WITHIN THE OFFICE OF THE COMPTROLLER OF PUBLIC ACCOUNTS BY METHOD OF FINANCE

(IN MILLIONS)

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

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2018	15.0
2019	15.0

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

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

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

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

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

SOURCE: Legislative Budget Board.

MAJOR FUNDING

Appropriations for Fiscal Programs within the Office of the Comptroller of Public Accounts (CPA) reflect an overall increase of $61.4 million related primarily to unclaimed property payments and reimbursements of taxes on mixed beverages to local entities. Funding provides $575.0 million in General Revenue Funds for unclaimed property payments, which is an increase of $40.0 million for estimated growth in unclaimed property claims.

For reimbursements of taxes on mixed beverages, funding of $443.1 million, an increase of $34.2 million, is provided for payments to counties and incorporated municipalities as required by law. 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 decreased by $12.0 million in General Revenue Funds due to a onetime transfer during the 2016–17 biennium to the Safekeeping Trust Company for the management of the Emerging Technology Fund Portfolio. An estimated $9.2 million decrease in payments for miscellaneous and wrongful imprisonment claims is also reflected in funding levels and is based on historical expenditures towards the claims.

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

PROGRAMS

Fiscal Programs within the Office of the CPA carry out 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. Pursuant to the Texas Tax Code and the Eighty-fifth Legislature, General Appropriations Act, 2018–19 Biennium, CPA 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 $443.1 million is included for this purpose.

Appropriations in this area also allocate an estimated $48.6 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 the Texas Transportation Code. Counties in which University of Texas endowment lands are located also receive funding distributions, which are estimated to be $15.1 million, from 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, funding of $6.5 million is provided for payments to certain qualifying cities and counties to offset their loss of revenue from total property tax exemptions for totally disabled veterans or their surviving spouses. Total funding for disbursements to local entities includes $525.3 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 $575.0 million during the 2018–19 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 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 government 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 in accordance with federal court settlements dealing with violations of price controls in effect for crude oil and refined petroleum products from 1973 to 1981; approximately $125.0 million is allocated to LoanSTAR. Additionally, SECO allocated $75.1 million in 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 73** shows the distribution of LoanSTAR loans by entity type for the 2016–17 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 $50.2 million and 15.0 full-time-equivalent positions.

CLAIMS AND JUDGMENTS

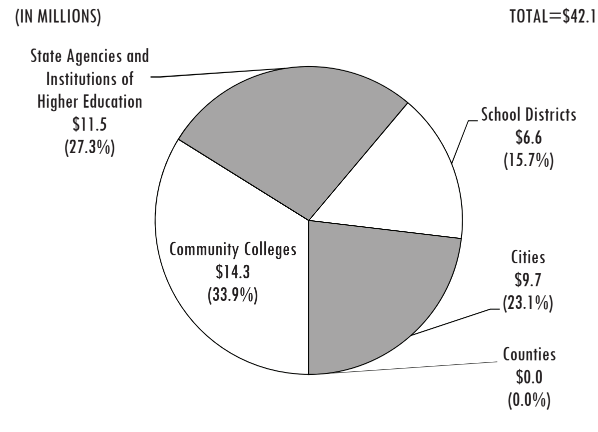
The claims and judgments program area provides for payment of certain claims, judgments, and settlements against the state. Appropriations provide for payments of settlements approved and judgments issued by federal courts and settlements and judgments issued by state courts related to the Texas Civil 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 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 $27.5 million.

OTHER PROGRAM AREAS

Other programs and functions administered within the Fiscal Programs include the following: payments to victims of crime who have not made claims for restitution from local probation departments; contracts with external tax examiners to perform audits and for modernization of tax administration technology; and funding outside of the Treasury for the Habitat Protection Fund for research on certain species for the development and administration of conservation plans. Funding levels for these programs total $19.0 million.

FIGURE 73
LOANSTAR PROGRAM DISTRIBUTIONS OF APPROPRIATIONS, 2016–17 BIENNIUM



SOURCE: Comptroller of Public Accounts.

SIGNIFICANT LEGISLATION

House Bill 1866 – Disposition of unclaimed restitution payments. The legislation provides several changes to the Unclaimed Property Program. The legislation requires that, after five years, any unclaimed victim restitution payments held by government entities within the state are reported and delivered to CPA. The legislation also requires that the original entities holding the unclaimed restitution must provide a property report to CPA with information related to the originally intended recipient or victim of the restitution payments. CPA must provide notice, if possible, to the original recipients of the restitution to facilitate payment to those victims. The legislation also requires that any remaining unclaimed payments are transferred and deposited into General Revenue–Dedicated Account No. 0494, Compensation to Victims of Crime Auxiliary.

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

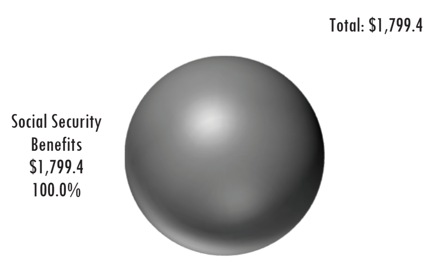
FIGURE 74
SOCIAL SECURITY AND BENEFIT REPLACEMENT PAY BY METHOD OF FINANCE

(IN MILLIONS)

METHOD OF FINANCE	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$1,241.1	$1,302.9	$61.8	5.0%
General Revenue–Dedicated Funds	$176.1	$179.0	$2.9	1.7%
Federal Funds	$175.8	$176.4	$0.6	0.4%
Other Funds	$138.5	$141.0	$2.6	1.9%
Total, All Methods of Finance	**$1,731.5**	**$1,799.4**	**$67.9**	**3.9%**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2018	0.0
2019	0.0

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

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

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

SOURCE: Legislative Budget Board.

MAJOR FUNDING

Appropriations for the 2018–19 biennium for the employer Social Security payroll tax reflect an increase of $74.6 million in All Funds. This increase is related primarily to payroll growth for higher education employees of 2.9 percent for fiscal year 2018 and 3.0 percent for fiscal year 2019, and full-time-equivalent position changes at certain state agencies.

Appropriations for the 2018–19 biennium for Benefit Replacement Pay (BRP) contributions decreased by approximately $6.7 million in All Funds, which reflects the anticipated annual turnover of 14.0 percent for 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 2018–19 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 $118,500 for each of fiscal years 2015 and 2016 to $127,200 for 2017. Since 1993, Medicare-taxable earnings have no limit.

Also appropriated to 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 that portion with a benefit supplement to ensure that employees' 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 75**.

FIGURE 75
SOCIAL SECURITY AND BENEFIT REPLACEMENT PAY, 2016–17 AND 2018–19 BIENNIA

(IN MILLIONS) CATEGORY	EXPENDED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE
Social Security – Employer Match				
General Government	$78.4	$78.6	$0.2	0.3%
Health and Human Services	$352.7	$368.9	$16.2	4.6%
Education	$620.5	$659.9	$39.3	6.3%
Judiciary	$22.7	$22.7	$0.1	0.3%
Public Safety and Criminal Justice	$375.2	$383.4	$8.2	2.2%
Natural Resources	$70.6	$70.7	$.0.2	0.3%
Business and Economic Development	$134.8	$144.9	$10.1	7.5%
Regulatory	$25.2	$25.5	$0.3	1.0%
Legislature	$16.8	$16.9	$0.0	0.3 %
Subtotal, Social Security	**$1,696.9**	**$1,771.5**	**$74.6**	**4.4%**
Benefit Replacement Pay				
General Government	$2.7	$2.0	($0.7)	(26.0%)
Health and Human Services	$11.1	$10.0	($1.0)	(9.3%)
Education	$0.6	$0.5	($0.2)	(26.0%)
Judiciary	$0.5	$0.4	($0.1)	(26.0%)
Public Safety and Criminal Justice	$9.1	$6.7	($2.4)	(26.0%)
Natural Resources	$2.6	$1.9	($0.7)	(26.0%)
Business and Economic Development	$6.6	$5.4	($1.2)	(18.8%)
Regulatory	$0.9	$0.7	($0.2)	(25.6%)
Legislature	$0.4	$0.3	($0.1)	(26.0%)
Subtotal, Benefit Replacement Pay	**$34.6**	**$27.9**	**($6.7)**	**(19.3%)**
Total, Social Security and Benefit Replacement Pay	**$1,731.5**	**$1,799.4**	**$67.9**	**3.9%**

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.

COMMISSION ON STATE EMERGENCY COMMUNICATIONS

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

ESTABLISHED: 1987

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

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

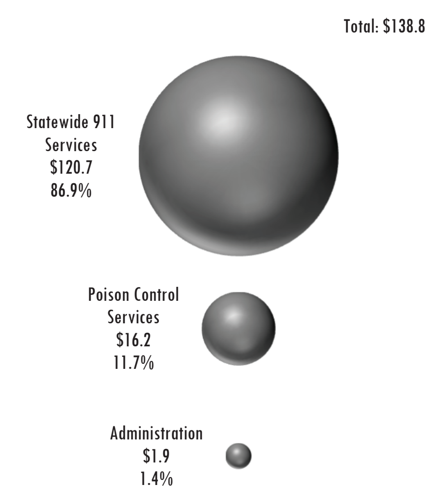
FIGURE 76
COMMISSION ON STATE EMERGENCY COMMUNICATIONS BY METHOD OF FINANCE

(IN MILLIONS)

METHOD OF FINANCE	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$0.0	$0.0	$0.0	N/A
General Revenue–Dedicated Funds	$146.0	$138.8	($7.2)	(4.9%)
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	**$146.0**	**$138.8**	**($7.2)**	**(4.9%)**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2018	25.0
2019	25.0

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

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

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

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

Source: Legislative Budget Board.

MAJOR FUNDING

Funding for the agency decreased by $7.2 million primarily in reductions to the 911 equipment replacement grant program and the removal of funding for onetime funded items during the 2016–17 biennium. 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 911 equalization surcharge, the emergency service fee, the wireless emergency service fee, and the prepaid wireless emergency service fee. **Figures** 77 and **78** show an overview of each telecommunications fee for the 2018–19 biennium. As shown in **Figure 78,** the decrease in the emergency service fee collected is attributed to fewer households having standard phones and instead using wireless services. All other fees are increasing or remaining constant due to expanded use of wireless phones.

PROGRAMS

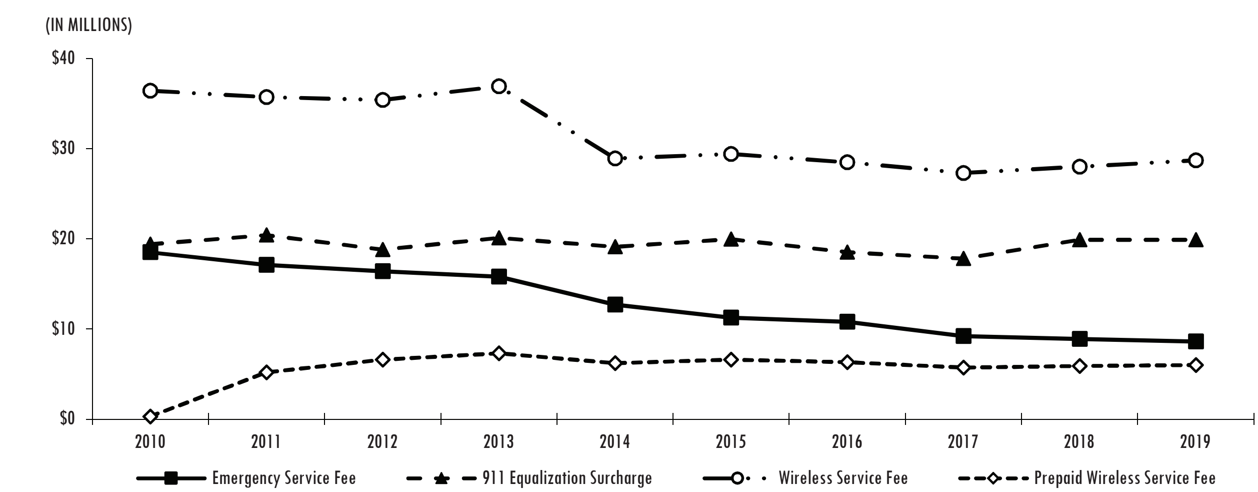
The agency carries out its responsibilities through two major program areas: (1) administering the state 911 service program; and (2) the statewide poison control program.

FIGURE 77
COMMISSION ON STATE EMERGENCY COMMUNICATIONS TELECOMMUNICATION FEES, 2018–19 BIENNIUM

CHARACTERISTIC	EMERGENCY SERVICE FEE	EMERGENCY SERVICE FEE FOR WIRELESS CONNECTIONS	PREPAID WIRELESS EMERGENCY SERVICE FEE (1)	911 EQUALIZATION SURCHARGE (2)
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 the Commission on State Emergency Communications for 911 Equalization Surcharge was $0.06 per month.
(3) RPC=Regional Planning Commission; PUC=Public Utility Commission.
SOURCE: Commission on State Emergency Communications.

FIGURE 78
COMMISSION ON STATE EMERGENCY COMMUNICATIONS COLLECTIONS OF TELECOMMUNICATION FEES
FISCAL YEARS 2010 TO 2019



SOURCE: Commission on State Emergency Communications.

STATEWIDE 911 SERVICES

The first major program area is providing 911 emergency communication services statewide primarily by administering grants to regional planning commissions (RPC). The agency also undertakes public education efforts, reviews regional plans for compliance with statewide standards and funding allocations, coordinates 911 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 911 calls can be located immediately because their addresses are relayed to a 911 public safety answering point (PSAP). In addition, wireless carriers are required to provide the wireless telephone number from which the 911 call is made to the PSAP. All counties in Texas have implemented services that assist emergency responders by providing (1) a callback number in the event of a dropped call, and (2) caller location by providing their approximate location by latitude and longitude.

For fiscal year 2010, the agency was awarded $5.4 million in federal grant funds for the beginning stages of Next Generation 911 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 2018–19 biennium include $7.7 million in General Revenue–Dedicated Funds to begin Phase 3 of a state-level emergency communications network for digital 911. The agency received $7.1 million during the 2014–15 biennium to fund Phase 1 of the project, which enabled planning, setting up a test lab to identify risks and issues, and establishing the core functionality for the digital network. Phase 2 of the project was appropriated $7.7 million for the 2016–17 biennium to utilize the test lab to validate system design, plan activities, and acquire the components to implement the first instance of the network. When it is implemented, the IP emergency network will be more compatible with digital devices that transmit texts, images, and videos. Additionally, emergency calls will route faster, more efficiently, and more reliably. Caller information will be able to transfer among geographically dispersed PSAPs and to the appropriate public safety dispatchers. The full implementation of the network is expected in 2023.

Appropriations for 911 activities include a decrease of $6.9 million from the 2016–17 biennial spending level, primarily due to implementation of the 4.0 percent base budget reduction. Appropriations primarily fund grants to the RPCs for 911 network operation costs.

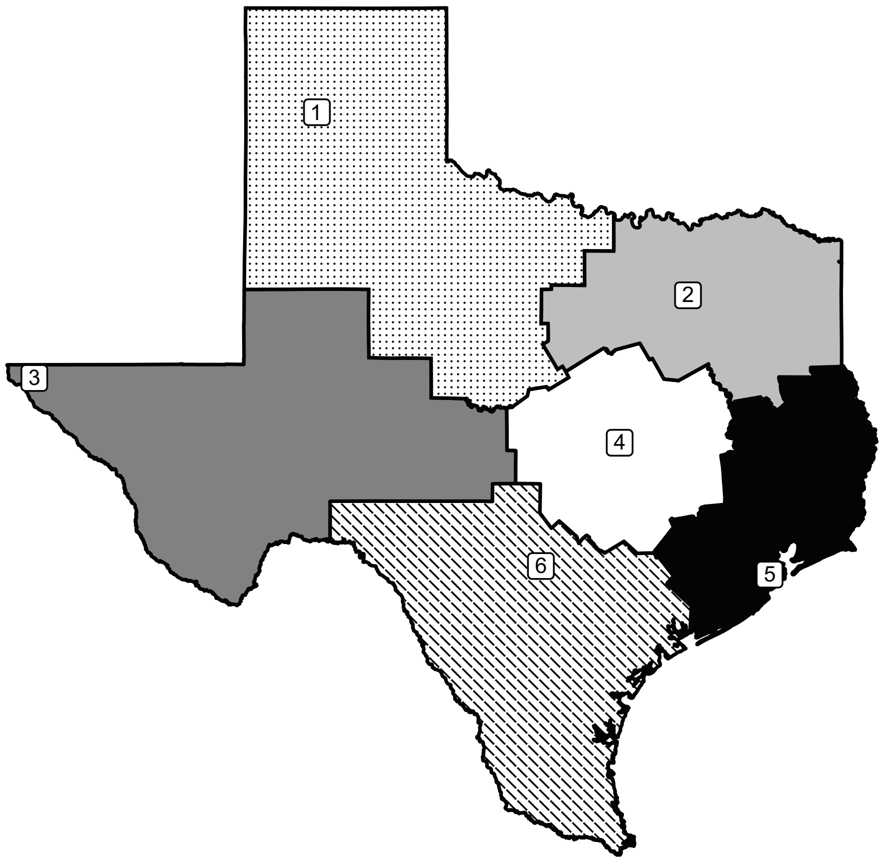
POISON CONTROL SERVICES

The agency's second major program area provides a statewide poison control center network that aids in the treatment and prevention of poisonings. The Texas Poison Center Network provides information to individuals that call the poison control toll-free telephone number and suspect they have been exposed to toxic substances. The network is composed of six geographically diverse poison centers located within medical facilities and linked by a telecommunications network. Individuals that call 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, which is defined in statute, to award grants to the six regional poison control centers, shown in **Figure 79**. 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. The agency also oversees poison center operations and administers the telecommunications network operations.

Appropriations for the poison control center program include an increase of $0.6 million, primarily due to realignment of appropriations among strategies within the agency budget. This appropriation consists primarily of grants to the regional poison control centers that are used to pay the salaries of the specialists in poison information, managing and medical directors, public educators, and support staff; and to fund the statewide telecommunications network, databases, and call equipment.

FIGURE 79
TEXAS POISON CENTER NETWORK, 2018–19 BIENNIUM



Poison Centers

1 Texas Panhandle
Texas Tech University Health Sciences Center at Amarillo

2 North Texas
Parkland Memorial Hospital at Dallas, Dallas County Hospital District

3 West Texas
University Medical Center of El Paso, El Paso County Hospital District

4 Central Texas
Scott and White Memorial Hospital at Temple

5 Southeast Texas
University of Texas Medical Branch at Galveston

6 South Texas
University of Texas Health Science Center at San Antonio

SOURCE: Commission on State Emergency Communications.

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

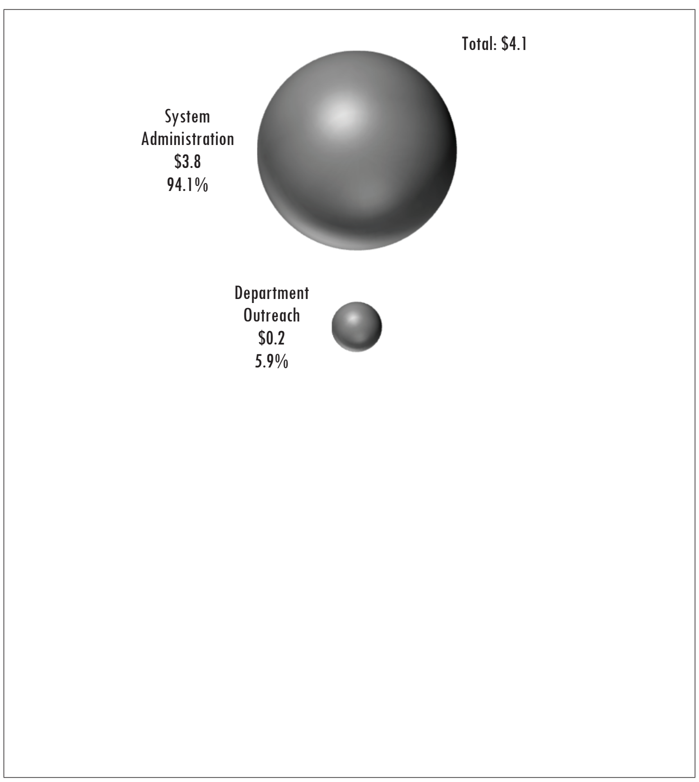
FIGURE 80
TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM BY METHOD OF FINANCE

(IN MILLIONS)

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

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2018	10.0
2019	10.0

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

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

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

MAJOR FUNDING

Decreased appropriations of $0.6 million at the Texas Emergency Services Retirement System (TESRS) are primarily due to adjusting the methodology for calculating the state's maximum contribution to the system. In addition, the number of full-time-equivalent (FTE) positions at the agency has returned to 10.0, the budgeted amount, due to attrition.

PROGRAMS

The agency carries out its responsibilities through two major program areas: (1) administering the retirement system, and (2) department outreach.

SYSTEM ADMINISTRATION

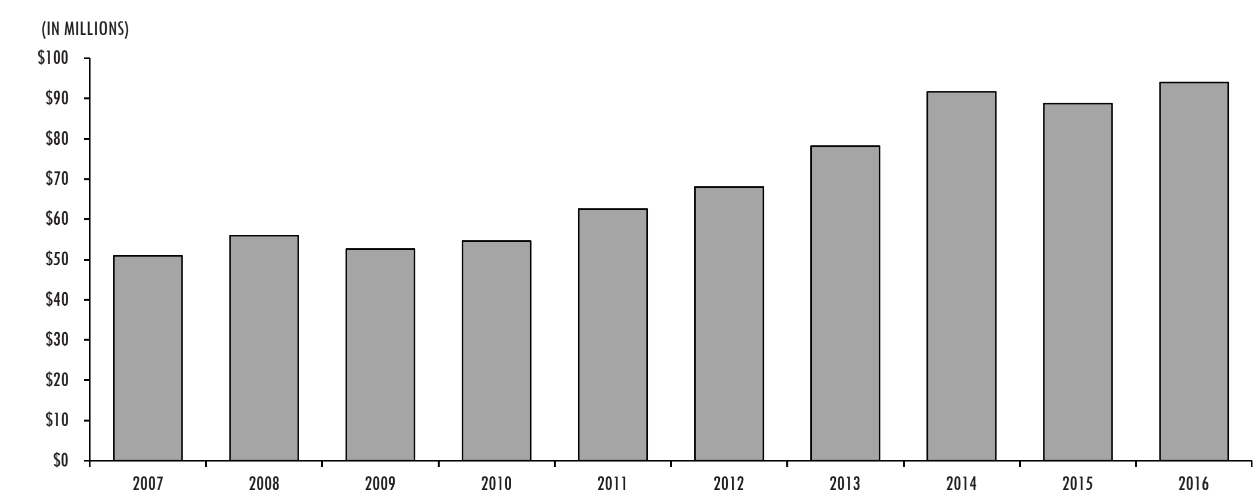
The primary function at the agency is to administer the statewide retirement system for volunteer firefighters and volunteer emergency medical personnel in Texas. This function includes collecting contributions, investing the proceeds, and calculating and paying benefits to retirees and their beneficiaries. 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. The state's contribution to the system for the 2018–19 biennium is $2.7 million from General Revenue–Dedicated Fund No. 5064, Volunteer Fire Department Assistance. This amount is less than the state's contribution to the system of $3.2 million for the 2016–17 biennium. The updated methodology is intended to better capture historical contributions and remove anomalies due to onetime increases or decreases.

At the end of fiscal year 2016, 225 fire departments and emergency service districts participated in TESRS, representing 8,674 vested and nonvested individuals, including 3,634 active members. At the close of fiscal year 2016, the system provided monthly annuity payments to 2,840 retirees and beneficiaries, totaling approximately $4.6 million in benefit payments for the year.

The retirement system's most recent actuarial valuation was conducted by Rudd and Wisdom, Inc., as of August 31, 2016. The valuation assumed that the state will maintain regular contributions at the statutory maximum level and indicates that the TESRS fund does not have an adequate contribution arrangement to fund current benefit provisions. Specifically, the years to amortize the unfunded actuarially accrued liability changed from 30 years in the 2014 actuarial valuation to 33 years in the 2016 valuation. To bring the funding period to an actuarially sound 30 years, the agency increased member department contributions by 2.0 percent. This increase is the first time the agency has collected these contributions, referred to as Part Two contributions. The agency's board authorized Part Two contributions in June 2014 in anticipation of continued inadequate local contribution arrangements. The collection will not be included in the calculation of the state's maximum contribution.

Figure 81 shows the net market value of TESRS assets from fiscal years 2007 to 2016.

FIGURE 81
TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM FUND NET MARKET VALUE OF ASSETS, FISCAL YEARS 2007 TO 2016



SOURCE: Texas Emergency Services Retirement System.

DEPARTMENT OUTREACH

Recruiting and technical assistance is a newer program area at the agency that began in fiscal year 2016. Appropriations provide funding to enroll more departments into the system and monitor departments. Funding for these activities totals $241,920 in General Revenue Funds for the 2018–19 biennium and 2.0 FTE positions.

EMPLOYEES RETIREMENT SYSTEM

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

ESTABLISHED: 1947

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

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

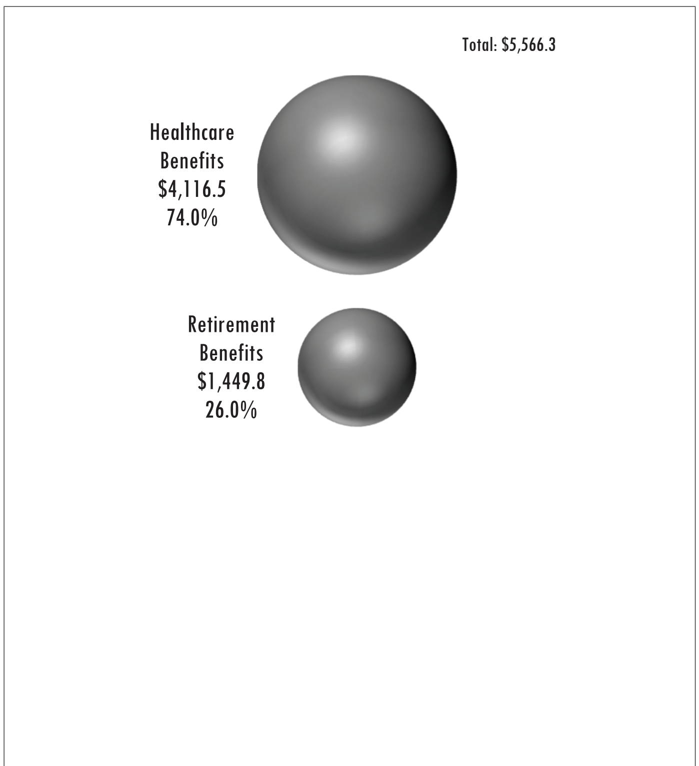
FIGURE 82
EMPLOYEES RETIREMENT SYSTEM BY METHOD OF FINANCE

(IN MILLIONS)

METHOD OF FINANCE	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$3,510.4	$3,937.0	$426.6	12.2%
General Revenue–Dedicated Funds	$227.4	$228.3	$0.8	0.4%
Federal Funds	$751.5	$790.0	$38.5	5.1%
Other Funds	$561.9	$611.0	$49.1	8.7%
Total, All Methods of Finance	**$5,051.3**	**$5,566.3**	**$515.0**	**10.2%**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2018	395.0
2019	395.0

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

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

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

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

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

MAJOR FUNDING

Funding for programs administered by the Employees Retirement System (ERS) increased by $515.0 million in All Funds, or 10.2 percent from the 2016–17 biennium. This increase is due primarily to an increase of $355.6 million in All Funds to the state contribution for group insurance benefits for general state employees, retirees, and their dependents. This increase reflects an annual 0.82 percent increase in the state contribution for each of fiscal years 2018 and 2019, after incorporating targeted cost-savings measures and spending down the contingency reserve fund to an estimated $175.0 million in balances at the end of fiscal year 2019. Amounts also reflect an annual state employee retirement rate of 4.7 percent and full-time-equivalent (FTE) position changes at certain state agencies.

Targeted cost-savings measures include disincentivizing the use of freestanding emergency rooms, maximizing benefit coordination with Medicare, and directing ERS to reduce its contracted provider rates with health related institutions. These measures total $97.9 million in All Funds in estimated savings, of which $86.1 million is decreased from Employees Retirement System Group Insurance appropriations and $11.8 million is decreased from Higher Education Group Insurance appropriations.

Another funding increase at ERS is the state's contribution of $129.5 million in General Revenue Funds for local community supervision and correctional department (CSCD) officers' group health insurance. This appropriation is transferred from the Texas Department of Criminal Justice (TDCJ), pursuant to House Bill 1526, Eighty-fifth Legislature, Regular Session, 2017.

The overall increase in funding to ERS also includes an increase of $36.2 million in All Funds for the state contribution to the ERS retirement plan. Funding provides for 9.5 percent of salary as the state's contribution for each fiscal year of the 2018–19 biennium and for FTE position increases at certain state agencies. Funding also continues the additional retirement contribution from all general state agencies of 0.5 percent of the total base wages and salaries for each eligible employee, for a total combined state contribution rate of 10.0 percent, the maximum pursuant to the Texas Constitution, Article XVI, Section 67 (b)(3).

Figure 83 shows 2018–19 biennial appropriations for all benefits administered by ERS, compared with 2016–17 biennial budgeted and expended amounts.

PROGRAMS

The agency carries out responsibilities through two major program areas: (1) healthcare benefits and (2) retirement benefits. The appropriations are made within each article in the General Appropriations Act.

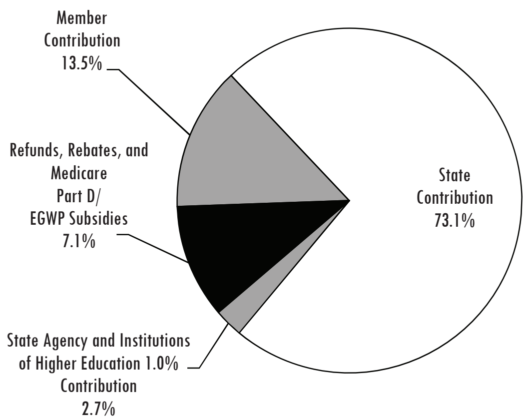
FIGURE 83
EMPLOYEES RETIREMENT SYSTEM EMPLOYEE BENEFITS APPROPRIATIONS IN ALL FUNDS
2016–17 AND 2018–19 BIENNIA

(IN MILLIONS) BENEFITS	2016–17 EXPENDED AND BUDGETED	2018–19 APPROPRIATED	BIENNIAL CHANGE	PERCENTAGE CHANGE
Employees Retirement System Retirement Contributions	$1,278,1	$1,314.3	$36.2	2.8%
Law Enforcement and Custodial Officers Supplemental Retirement Fund	$17.6	$18.3	$0.7	4.2%
Judicial Retirement System – Plan II	$24.8	$24.8	$0.0	0.0%
Judicial Retirement System – Plan I	$50.5	$49.8	($0.8)	(1.5%)
Public Safety Benefits	$28.9	$22.6	($6.3)	(21.8%)
Retiree Death Benefits	$20.6	$20.6	$0.0	0.0%
Group Insurance Program	$3,631.3	$3,987.0	$355.6	9.8%
Community Supervision and Correctional Department Group Insurance	N/A	$129.5	N/A	N/A
Total	**$5,051.3**	**$5,566.3**	**$515.0**	**10.2%**

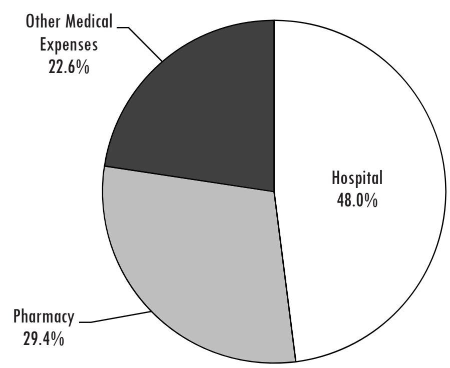
NOTE: Biennial change and percentage change are calculated on actual amounts before rounding. Therefore, figure totals may not sum due to rounding.
SOURCE: Legislative Budget Board.

FIGURE 84
DISTRIBUTION OF EMPLOYEES RETIREMENT SYSTEM HEALTHCARE FUNDING AND EXPENDITURES, 2018–19 BIENNIUM

FUNDING



EXPENDITURES



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

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 income protection insurance for disability to GBP participants. Newly hired employees become eligible to receive health benefits after 90 days of employment. The state pays 100.0 percent of the insurance premium for full-time employees and 50.0 percent of dependent coverage; members pay the other 50.0 percent of 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 84** shows the distribution of funding sources for the benefits and the major categories of expenditures projected for the 2018–19 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.

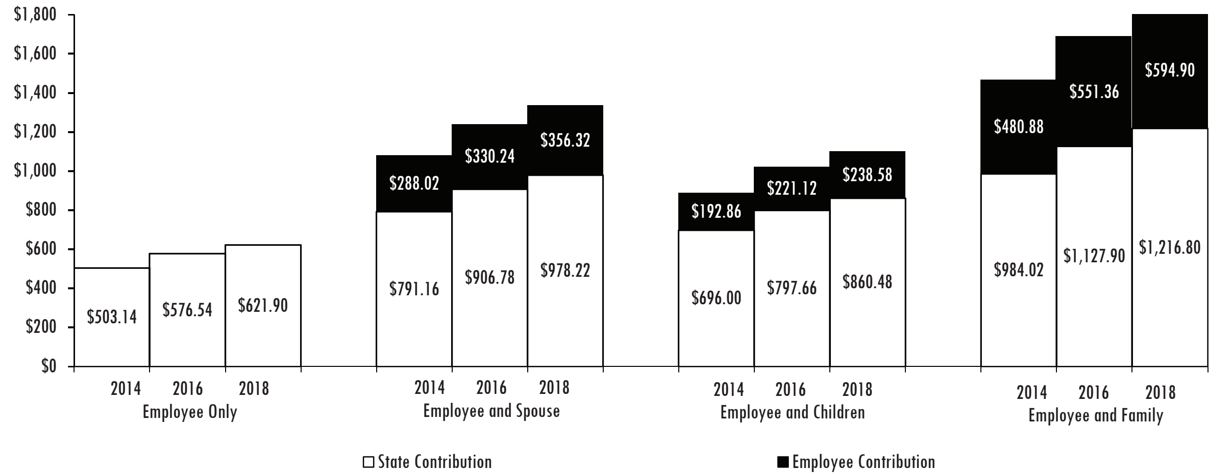
ERS offers a prescription drug plan and a managed healthcare plan called HealthSelect through the state-contracted vendors, OptumRx and Blue Cross Blue Shield, respectively. Although ERS self-insures the programs, outside administrators are contracted with the state to administer the managed-care, point-of-service 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 85** shows the state and employee contributions as portions of the total cost in each of the various coverage categories for the HealthSelect plan for fiscal years 2014, 2016, and 2018.

RETIREMENT

The second program area that ERS administers includes various retirement and death benefits available to state employees. ERS Retirement is the primary retirement plan

FIGURE 85
HEALTHSELECT MONTHLY CONTRIBUTION LEVELS, FISCAL YEARS 2014, 2016, AND 2018



Source: Employees Retirement System.

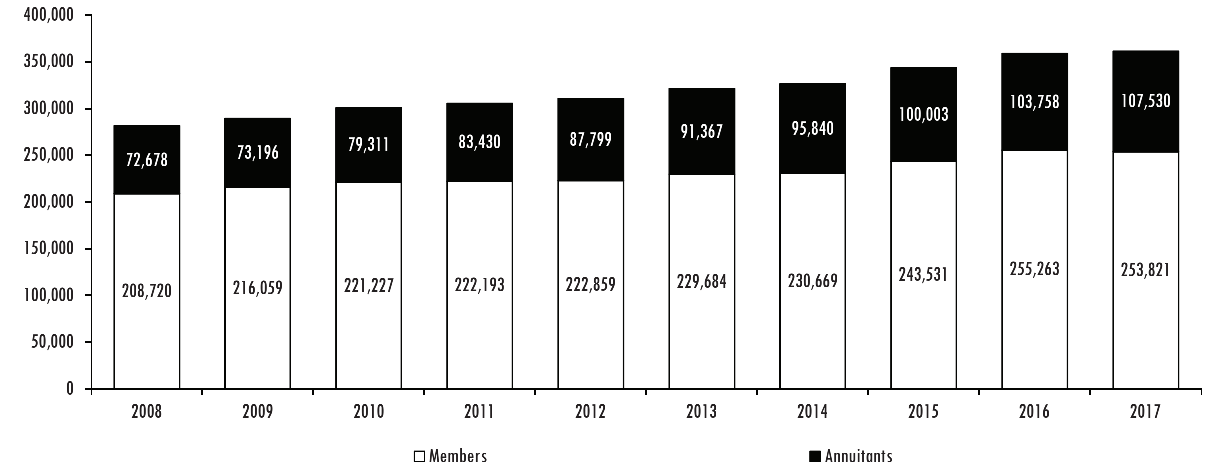
that the system offers to general state employees and elected members. This plan is a defined benefit retirement that results in a guaranteed annuity. The formula used to calculate a member's annuity multiplies years of service by final average salary by the benefit multiplier of 2.3 percent. Pursuant to the Texas Constitution, the state's contribution for employees' 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-fifth Legislature, Regular Session, 2017, is 9.5 percent for each fiscal year of the 2018–19 biennium; when combined with the 0.5 percent agency contribution, the total state contribution is 10.0 percent.

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 regarding the financial status of the pension plan. 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) and amortize the unfunded accrued liability during no more than 31 years. According to the August 31, 2017, actuarial valuation, the combined state and employee contribution rate of 19.50 percent for the 2018–19 biennium is lower than the contribution required for the fund to be actuarially sound, which is 23.21 percent. The valuation also reported that the funding period at the end of fiscal year 2017 is infinite, meaning the unfunded accrued liability is expected to grow indefinitely.

The August 31, 2017, actuarial valuation of the ERS retirement trust fund assessed the unfunded actuarial accrued liability—the amount of liabilities in excess of the assets—at $11.3 billion, an increase of $2.5 billion from the August 31, 2016, actuarial valuation. The plan's funded ratio, which is the plan's assets divided by the plan's liabilities, was 70.1 percent, which is 5.1 percentage points lower than the August 31, 2016, funded ratio of 75.2 percent. According to the valuation, this decrease was due primarily to changes in actuarial assumptions and methods. In particular, the investment return assumption was decreased from 8.0 percent to 7.5 percent. Additionally, the inflation assumption was decreased from 3.5 percent to 2.5 percent. These changes were intended to provide a more realistic forecast of financial conditions.

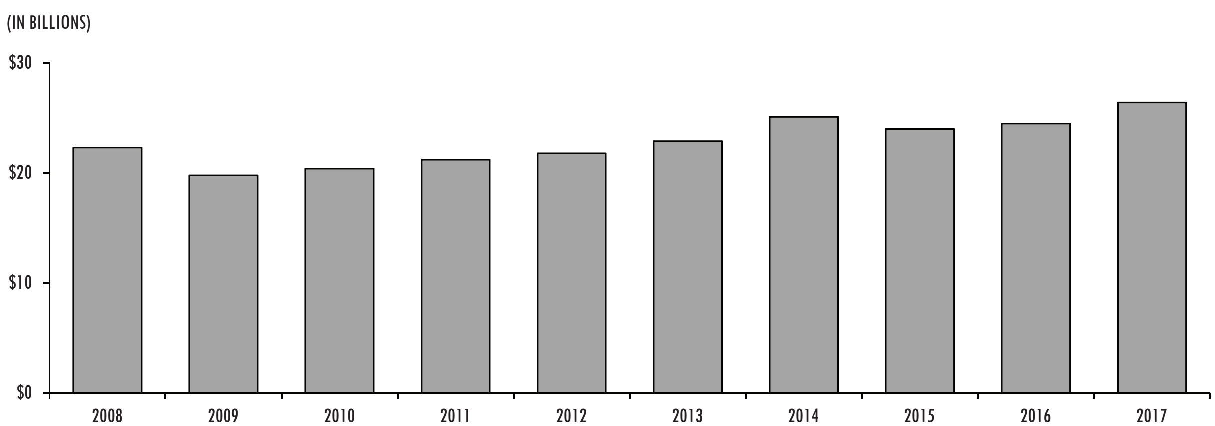
As of August 31, 2017, ERS had 141,629 active contributing members and 112,192 noncontributing members (former state employees who have not withdrawn their retirement funds). At that time, 107,530 retirees and beneficiaries were receiving annuities. **Figure 86** shows ERS membership for current and retired employees since 2008.

FIGURE 86
EMPLOYEES RETIREMENT SYSTEM MEMBERSHIP, FISCAL YEARS 2008 TO 2017



SOURCE: Employees Retirement System.

FIGURE 87
MARKET VALUE OF EMPLOYEES RETIREMENT SYSTEM CONSOLIDATED PENSION INVESTMENT FUND ASSETS
FISCAL YEARS 2008 TO 2017



SOURCE: Employees Retirement System.

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 financial and business community professionals appointed by the ERS board. ERS also retains an independent consultant to evaluate and analyze investment results. As of August 31, 2017, the market value of the ERS assets was $26.4 billion, which was $1.9 billion more than at the end of fiscal year 2016. **Figure 87** shows the fluctuating market value trend in the assets of the ERS retirement fund since 2008, with the decreases in fiscal years 2009 and 2015 attributable to national economic downturns.

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 officers that 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-fifth Legislature, 2017, is 0.5 percent for the 2018–19 biennium, which continues the contribution rate from the 2016–17 biennium.

According to the August 31, 2017, actuarial valuation of the LECOS fund, the combined contribution rate is estimated to be 0.5 percent member contribution and 0.5 percent state contribution of payroll and $18.8 million in court fees during the 2018–19 biennium. The court fees are anticipated to be approximately 1.09 percent of payroll, but the 2017 valuation recognizes that this rate will no longer remain level as a percentage of payroll overtime. The total contribution rate is less than the contribution (2.87 percent) required for the fund to be actuarially sound before including court fees. According to the same valuation, the total normal cost rate is 2.11 percent, which is less than the current combined contribution rate. The combined contributions are insufficient to pay down the existing unfunded accrued liability; therefore, the expected funding period remains infinite.

As of August 31, 2017, the market value of the LECOS Retirement Fund was $924.0 million, an increase of $63.9 million from the August 31, 2016, valuation report.

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, 2017, 38,206 active members were contributing to the fund, 17,100 members were noncontributing, and 12,248 retirees and beneficiaries were receiving supplemental benefits.

ERS administers two retirement plans for judges: the Judicial Retirement System I (JRS I) and Judicial Retirement System 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 General Revenue Funds. As of August 31, 2017, nine active contributing members remained in the system, and 355 retirees and beneficiaries were receiving annuities.

FIGURE 88
STATE, MEMBER, AND ACTUARIALLY SOUND CONTRIBUTION (ASC) RATES FOR ERS RETIREMENT, LECOS, AND JRS II, FISCAL YEAR 2018

CATEGORY	ERS RETIREMENT	LECOS	JRS II (1)
State	9.50%	0.50%	15.66%
Member	9.50%	0.50%	7.43%
Other	0.5% (2)	$18.8 million (3)	N/A
Total	**19.50%**	**1.00% + $18.8 million**	**23.09%**
ASC Rate	23.21%	2.87% + $18.8 million	23.85%
Difference	3.71%	1.87%	0.74%

NOTES:
(1) JRS II=Judicial Retirement System II.
(2) State agencies contribute 0.5 percent of payroll to the Employees Retirement System (ERS) retirement plan each fiscal year.
(3) The Law Enforcement and Custodial Officer Supplement (LECOS) receives a portion of statutorily collected court costs, which is anticipated to be $18.8 million.
SOURCES: Legislative Budget Board; Employees Retirement System.

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, similarly to the ERS Retirement Fund and the LECOS Retirement Fund. The state contribution rate established by the Eighty-fifth Legislature, Regular Session, 2017, is 15.663 percent for each fiscal year of the 2018–19 biennium, which continues the contribution rate from the 2016–17 biennium. For fiscal year 2018, the member contribution rate is 7.5 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, in which the sum of the judge's age and the judge's amount of service credit in the retirement system equals or exceeds the number 70. According to the August 31, 2017, actuarial valuation of the JRS II Fund, the fiscal year 2017 combined contribution rate of 23.093 percent (15.663 percent state contribution and a 7.43 member contribution) is less than the contribution rate required for the fund to be actuarially sound, which is 23.85 percent. According to the same valuation, the normal cost rate is 20.57 percent, which is less than the combined contribution. The excess contribution of 2.523 percent does not meet the actuarially sound contribution rate, but it enables the existing unfunded accrued liability to be paid down in 63 years. As of August 31, 2017, 557 active members were contributing with 158 noncontributing members. As of the same date, 378 retirees and beneficiaries were receiving annuities.

Figure 88 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 2018.

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. 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. Retiree death benefits are the appropriation made directly to the agency.

SIGNIFICANT LEGISLATION

House Bill 1526 – Death benefits and CSCD group insurance. The legislation provides public safety death benefits to survivors of peace officers that were employed by private institutions of higher education or private junior colleges who are killed in the line of duty. The legislation also makes the state, instead of the Department of Criminal Justice community justice assistance division, responsible for paying insurance contributions for employees of CSCDs.

Senate Bill 301 – Employees Retirement System Sunset review. The legislation implements several recommendations of the Sunset review process and sets the agency's next Sunset review for 2029. The bill changes the timing of actuarial experience studies from every five years to every four, requires additional reporting regarding alternative investments, and requires a new process enabling members to participate directly in Group Benefits Program benefit determinations. Provisions in the legislation also require training for board members and encourage the use of negotiated rule making and alternative procedures for dispute resolution.

Senate Bill 500 – Retirement benefits for elected state officials. The legislation prohibits certain state and local elected officials from receiving pensions if they are convicted of a felony related to the performance of their official duties.

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

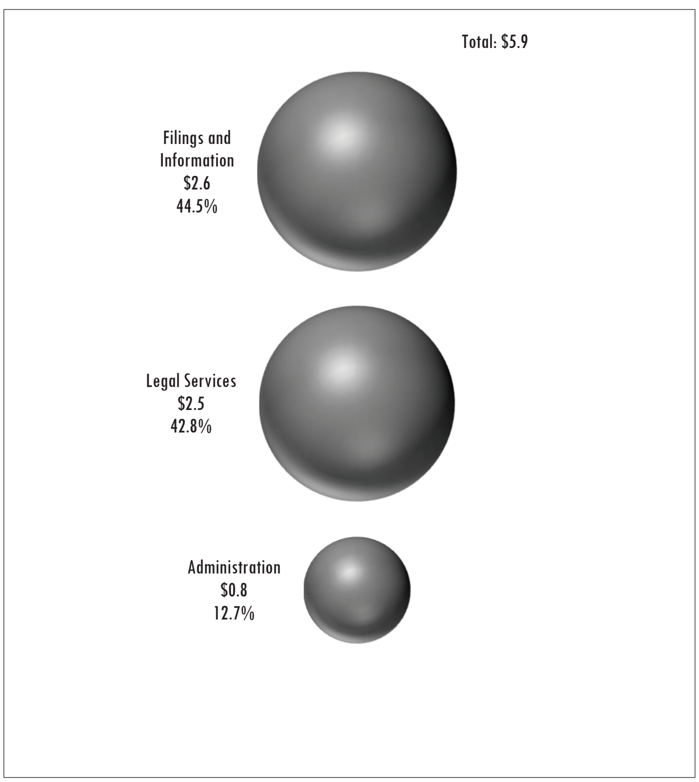
FIGURE 89
TEXAS ETHICS COMMISSION BY METHOD OF FINANCE

(IN MILLIONS)

METHOD OF FINANCE	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$6.1	$5.9	($0.2)	(3.0%)
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	**$6.1**	**$5.9**	**($0.2)**	**(3.0%)**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2018	32.4
2019	33.4

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

The agency received more than 172,000 reports for fiscal year 2017, which were filed by approximately 1,900 lobbyists, 5,500 candidates, officeholders, and political committees, and 20,000 disclosure of interested parties filers.

The agency collected approximately $249,000 in fines for fiscal year 2017 on assessed penalties for late or corrected reports, which were deposited into the General Revenue Fund.

The agency collected $1.1 million in lobby registrations for fiscal year 2017, which were deposited into the General Revenue Fund.

MAJOR FUNDING

Appropriations for the Texas Ethics Commission (TEC) include a decrease of approximately $0.2 million in General Revenue Funds, pursuant to the 4.0 percent base budget reduction. This reduction is across all TEC's functions, with the exception of enforcement (included in the Legal Services program area), which received an increase of $0.3 million from 2016–17 biennial levels. Of the agency's 2018–19 biennial appropriations, approximately 99.7 percent consists of General Revenue Funds. Appropriations include $16,380 in Appropriated Receipts, which are derived from copying charges the agency collects from those who request and obtain information or reports the agency maintains.

PROGRAMS

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

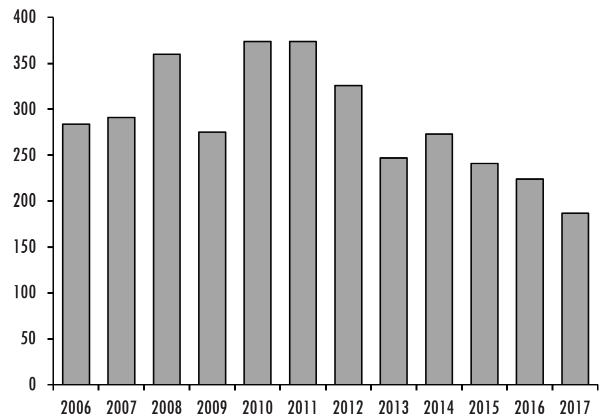
FILINGS AND INFORMATION

TEC's primary 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. TEC makes certain reports available on the agency's website, and other reports are available upon request. State law requires that certain disclosure reports are 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 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. The Information Resources division manages the filing application and provides the planning, management, and operation of information technology systems and equipment for the agency. Appropriations for filings and information total approximately $2.6 million for the 2018–19 biennium and provide for 14.0 full-time-equivalent (FTE) positions.

LEGAL SERVICES

Another TEC program area provides legal services to the public and filers by responding to requests for guidance, primarily by telephone, and providing instruction regarding laws that the agency administers. TEC utilizes an online

FIGURE 90
TEXAS ETHICS COMMISSION SWORN COMPLAINTS RECEIVED, FISCAL YEARS 2006 TO 2017



SOURCE: Texas Ethics Commission.

training program and agency-developed educational guides and brochures to educate state employees and the public regarding ethics laws. The agency also issues advisory opinions, which assist the public and entities that the agency regulates to understand the laws it enforces. For fiscal year 2017, the agency issued four advisory opinions and received more than 19,000 calls to the legal division.

Legal services also include enforcing provisions of campaign finance law, lobby law, and government ethics laws on individuals that file with TEC or with local authorities such as county or city clerks. The agency may initiate investigations and subpoena witnesses pertaining 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 90** shows the number of complaints received by the agency from fiscal years 2006 to 2017. The number of complaints received 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 General Revenue Funds and are not appropriated to the agency. Appropriations for legal services total approximately $2.5 million for the 2018–19 biennium and provide for 14.4 FTE positions.

ADMINISTRATION

The agency's final program area is administration, which includes the indirect administrative functions that provide agencywide support functions, including executive leadership, finance, purchasing, human resources management, and staff services. Appropriations for administration total approximately $0.8 million for the 2018–19 biennium and provide for 4.0 FTE positions.

SIGNIFICANT LEGISLATION

House Bill 776 – Remove certain information from personal financial statements filed by certain persons. The legislation requires TEC to remove the home address, telephone number, and names of the dependent children of an individual making a personal financial statement available to the public through the TEC website.

Senate Bill 42 – Improve security of courts and judges in the state. The legislation requires TEC to remove or redact the residence address of a federal or state judge or judge's spouse from any personal financial statement filed before making it available to the public.

Senate Bill 1576 – Redact home addresses for Texas Civil Commitment Officer member. The legislation requires TEC to redact the residence address of a member of the governing board or executive head of the Texas Civil Commitment Office from a personal financial statement before making it available to the public.

TEXAS FACILITIES COMMISSION

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

ESTABLISHED: 2007

AUTHORIZING STATUTE: The Texas Government Code, Chapter 2152

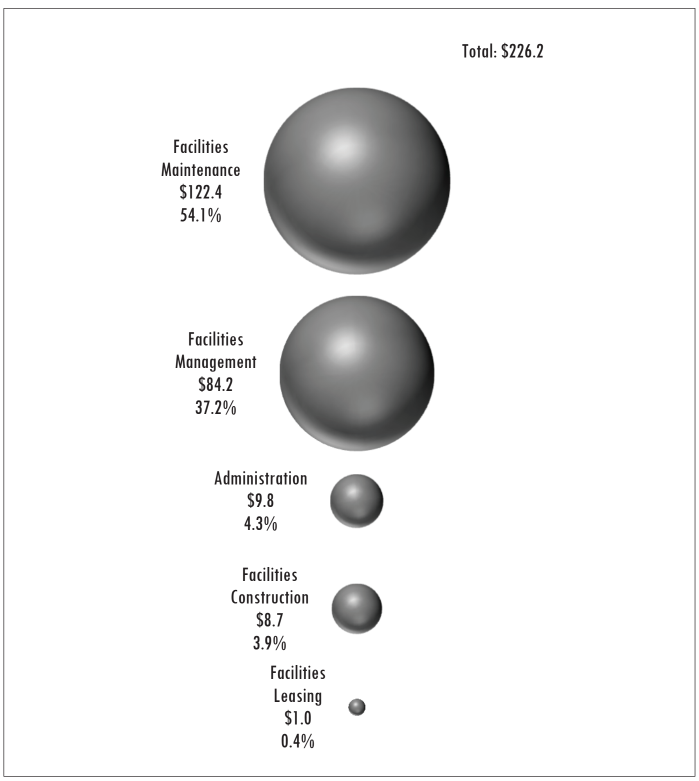
GOVERNANCE: Commission—five members appointed by the Governor, and two members appointed by the Lieutenant Governor

FIGURE 91
TEXAS FACILITIES COMMISSION BY METHOD OF FINANCE

METHOD OF FINANCE	(IN MILLIONS) EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$127.9	$76.2	($51.8)	(40.5%)
General Revenue–Dedicated Funds	$222.6	$5.3	($217.3)	(97.6%)
Federal Funds	$0.0	$0.0	$0.0	N/A
Other Funds	$819.6	$144.7	($674.8)	(82.3%)
Total, All Methods of Finance	**$1,170.1**	**$226.2**	**($943.9)**	**(80.7%)**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2018	496.4
2019	496.4

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

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

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

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

Source: Legislative Budget Board.

MAJOR FUNDING

Funding for the Texas Facilities Commission (TFC) includes a decrease of $943.9 million in All Funds primarily due to a decrease of $767.7 million from Revenue Bond Proceeds for new construction projects funded during the 2016–17 biennium and a decrease of $151.5 million in funding for deferred maintenance projects. Appropriations of $108.4 million in Other Funds from the Economic Stabilization Fund are provided for the 2018–19 biennium for the following functions: deferred maintenance projects at state facilities directed by TFC ($90.0 million); facility renewal projects at TFC properties, including renovation projects at the Lyndon B. Johnson state office building ($13.6 million); and site redevelopment at the G.J. Sutton state office development in San Antonio. Emergency repair funding decreased from the 2016–17 biennial level of $20.0 million to $9.5 million in General Revenue Funds for the 2018–19 biennium.

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 2017, TFC is managing 84 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 $287.0 million and $767.7 million for three new state office buildings, associated structured parking, and a Capitol Complex utility infrastructure project. Eleven construction contracts, totaling approximately $26.7 million, were completed during fiscal year 2017, 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 2018–19 biennium, the agency is appropriated $117.9 million for emergency repairs, health and safety, and deferred maintenance projects. Included in this amount is $13.6 million for renewal projects at the Lyndon B. Johnson Building and $4.8 million for the G.J. Sutton Building redevelopment. 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.

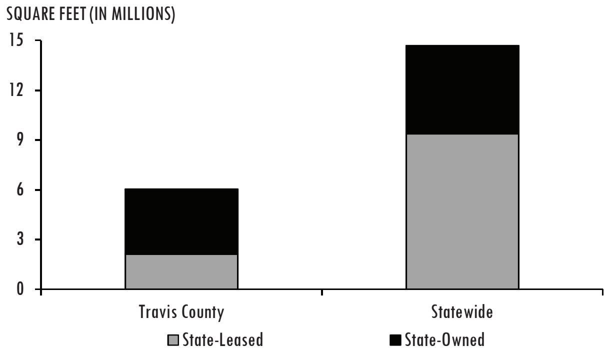
Additionally, the Minor Construction program performs minor renovations and rehabilitation for tenants of TFC buildings on a cost-recovery basis. TFC charges agencies $63 per hour for minor construction services or contract administration if a private vendor performs the renovation with TFC oversight.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

Deferred maintenance funding of $90.0 million is granted to TFC. An additional $368.7 million in deferred maintenance funding is appropriated to the Texas Historical Commission, State Preservation Board, Department of State Health Services, Health and Human Services Commission, Department of Criminal Justice, Juvenile Justice Department, Texas Military Department, Texas Parks and Wildlife Department, Department of Public Safety, and Texas Department of Transportation and is overseen by the Joint Oversight Committee on Government Facilities, established through Senate Bill 2004, Eighty-fourth Legislature, 2015.

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. During fiscal year 2016, the agency's portfolio of leased, owned, and managed facilities totaled more than 26.1 million square feet, supporting the needs of 103 state agencies officing 63,320 employees throughout 249 Texas cities and towns. TFC has planning and oversight responsibilities to determine facility requirements and to allocate and assign 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 92**

FIGURE 92
STATE OFFICE SPACE, FISCAL YEAR 2017



SOURCE: Texas Facility Commission.

shows, approximately 65.0 percent of all office space occupied by the state in Travis County consists of state-owned or state-built facilities that TFC manages. Statewide, state-owned and state-managed space makes up approximately 36.2 percent of the total inventory of office space that state agencies occupy.

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 intended 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 standalone systems in buildings that do not receive 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 state agencies' anticipated requirements. 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. Staff also performs nightly cleaning for 18 state-owned parking garages.

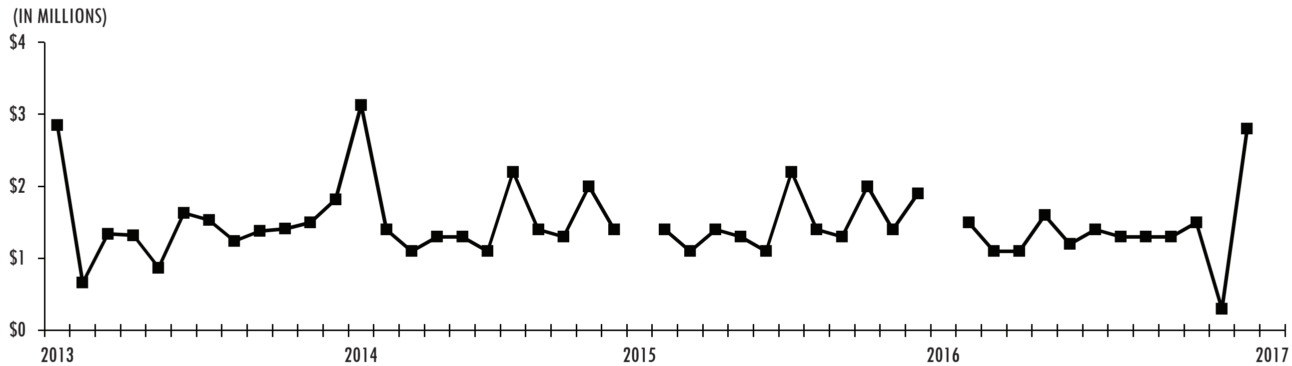
The Commercial Parking and Special Events program is responsible for administering temporary leasing of state facilities in the Austin area for after-hours parking, movie productions, special events, and tailgating. Additionally, the program administers the conference room reservation system, a web-based scheduling system for conference rooms, common areas, or exterior areas in TFC-managed, state-owned buildings for use by state agencies. During fiscal year 2016, 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 $0.1 million during fiscal year 2016 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 2016, the state program deposited proceeds totaling approximately $5.3 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. During fiscal year 2016, the program generated $4.5 million in revenue.

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 93** shows, utility expenditures fluctuate within any given fiscal year, often related to changes in weather conditions. Appropriations for

FIGURE 93
STATE-OWNED FACILITIES UTILITY EXPENDITURES, FISCAL YEARS 2013 TO 2017



NOTE: Data was not captured for September 2015 and September 2016.
SOURCE: Texas Facilities Commission.

utility payments related to facilities operations for the 2018–19 biennium total $39.7 million in All Funds, a decrease of $1.3 million, or 10.5 percent from the 2016–17 biennium.

ADMINISTRATION

The agency administration program area supports the overall efficiency and effectiveness of TFC operations. This program area is funded with approximately $6.9 million in General Revenue Funds.

FACILITIES LEASING

TFC's Leasing Services program procures and manages leased facilities to meet state agencies' operational needs throughout the state. During fiscal year 2016, the program managed 800 active leases for office, warehouse, and training purposes for 34 state agencies in 249 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 10.3 million square feet with a monetary value of $160.8 million during fiscal year 2016.

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

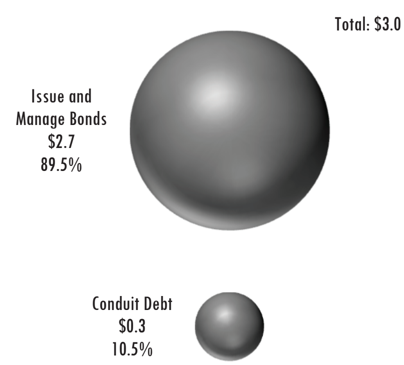
FIGURE 94
PUBLIC FINANCE AUTHORITY BY METHOD OF FINANCE

(IN MILLIONS)

METHOD OF FINANCE	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$2.9	$1.7	($1.1)	(40.1%)
General Revenue–Dedicated Funds	$0.0	$0.0	$0.0	N/A
Federal Funds	$0.0	$0.0	$0.0	N/A
Other Funds	$0.0	$1.3	$1.3	12,900.3%
Total, All Methods of Finance	**$2.9**	**$3.0**	**$0.1**	**5.0%**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2018	14.5
2019	15.0

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

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

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

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

MAJOR FUNDING

Appropriations to fund the Texas Public Finance Authority (TPFA) for the 2018–19 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 5.0 percent from the 2016–17 biennium. The increase is related primarily to funding for Centralized Accounting and Payroll/Personnel System implementation. Bond debt service payments increased by $16.5 million, or 2.7 percent, from the 2016–17 biennium.

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, shown in **Figure 95,** 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, are 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 to defense communities, and initiatives of the Cancer Prevention and Research Institute of Texas. TPFA monitors all debt obligations to ensure compliance with federal tax law and bond covenants. The agency's staff manages ongoing bond proceeds and ensures timely payments of principal and interest to the bond holders.

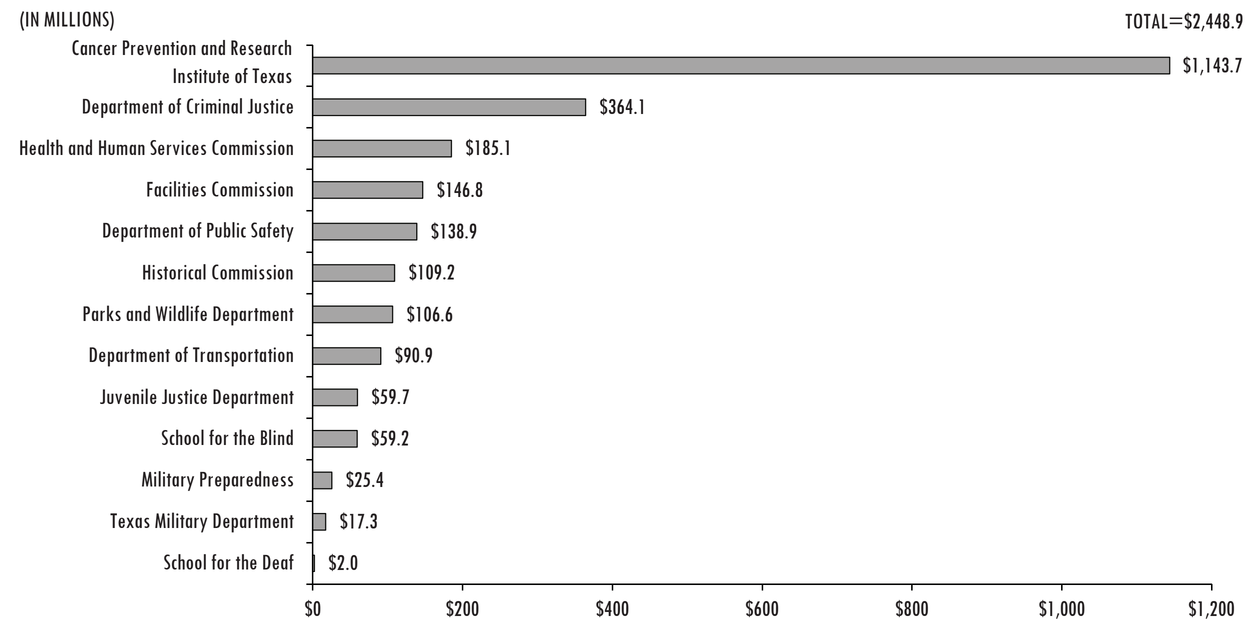
As of August 31, 2017, outstanding nonself-supporting GO bonds totaled $2.4 billion, and outstanding self-supporting GO bonds totaled $25.4 million. **Figure 96** shows the amount of debt outstanding by agency. Appropriations for

FIGURE 95
PUBLIC FINANCE AUTHORITY CLIENT AGENCIES BY TYPE OF FINANCING, 2018–19 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	
Health and Human Services Commission	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	Department of Transportation	
Texas Agricultural Finance Authority		
Parks and Wildlife Department		
Department of Transportation		

SOURCE: Texas Public Finance Authority.

FIGURE 96
OUTSTANDING GENERAL OBLIGATION BOND DEBT AS OF AUGUST 31, 2017



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

debt service payments for GO bonds total $635.9 million for the 2018–19 biennium, an increase of $78.7 million, or 14.1 percent, from the 2016–17 biennial estimated and budgeted amounts. **Figure 97** shows the appropriations for debt service on GO bonds for the 2018–19 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 typically are made from General Revenue Funds. Appropriations for debt service payments on revenue bonds total $101.3 million for the 2018–19 biennium, an increase of $3.3 million, or 3.3 percent, from the 2016–17 biennial spending levels, as shown in **Figure 98.**

As shown in **Figure 99**, outstanding revenue bond debt totaled $427.8 million as of August 31, 2017. Of this amount, $387.1 million, or 90.5 percent, is outstanding debt primarily for tuition revenue bonds issued by TPFA on behalf of certain higher education institutions, which include 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 of greater than $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 during 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, 2017, approximately $38.9 million in debt was outstanding for the MLPP.

Figure 100 shows the total amount of assets and type of projects financed since the program's inception in 1992.

FIGURE 97
GENERAL OBLIGATION BOND DEBT SERVICE APPROPRIATIONS BY AGENCY, 2018–19 BIENNIUM

(IN MILLIONS)	ALL FUNDS			
AGENCY	2016–17 BUDGETED/EXPENDED	2018–19 APPROPRIATED	BIENNIAL CHANGE	PERCENTAGE CHANGE
Facilities Commission	$30.3	$40.6	$10.3	33.8%
Historical Commission	$31.0	$29.9	$(1.1)	(3.6%)
Cancer Prevention Institute of Texas	$127.6	$247.8	$120.1	94.2%
Texas Military Preparedness Commission	$5.5	$4.3	($1.2)	(22.4%)
Health and Human Services Commission	$24.4	$25.0	$0.6	2.4%
Department of State Health Services	$31.4	$29.9	($1.4)	(4.6%)
School for the Blind and Visually Impaired	$22.3	$20.2	($2.1)	(9.4%)
School for the Deaf	$0.7	$0.6	($0.1)	(15.9%)
Texas Military Department	$5.0	$4.9	($0.1)	(2.3%)
Department of Public Safety	$39.3	$40.6	$1.3	3.4%
Juvenile Justice Department	$20.9	$19.5	($1.5)	(6.9%)
Department of Criminal Justice	$158.8	$112.7	($46.1)	(29.0%)
Parks and Wildlife Department	$29.3	$33.5	$4.2	14.2%
Department of Transportation	$30.7	$26.6	($4.1)	(13.4%)
Total	**$557.2**	**$635.9**	**$78.7**	**14.1%**

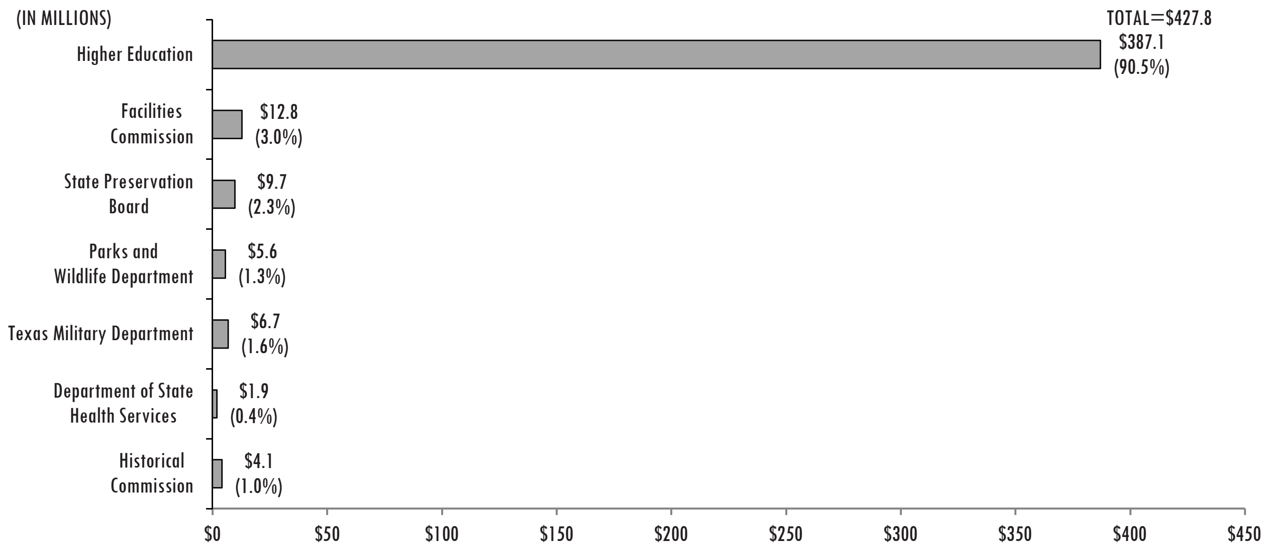
NOTES:
(1) Totals may not sum due to rounding.
(2) State Preservation Board and Department of Agriculture General Obligation bonds debt service are less than $10,000 per biennia and are not shown.
SOURCE: Texas Public Finance Authority.

FIGURE 98
REVENUE BOND RELATED DEBT SERVICE APPROPRIATIONS, 2018–19 BIENNIUM

(IN MILLIONS)	ALL FUNDS			
AGENCY	2016–17 BUDGETED/ EXPENDED	2018–19 APPROPRIATED	BIENNIAL CHANGE	PERCENTAGE CHANGE
Facilities Commission	$30.3	$42.7	$12.4	29.0%
Historical Commission	$1.5	$1.4	($0.1)	(6.7%)
State Preservation Board	$10.4	$9.3	($1.1)	(10.6%)
Department of State Health Services	$4.6	$1.9	($2.7)	(59.0%)
Higher Education Institutions	$42.5	$38.4	($4.1)	(10.7%)
Texas Military Department	$2.5	$2.5	($0.0)	(0.3%)
Parks and Wildlife Department	$6.2	$5.1	($1.1)	(18.3%)
Total	**$98.0**	**$101.3**	**$3.3**	**3.3%**

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 Texas Public Finance Authority because the institutions make their own debt service payments.
(2) Totals may not sum due to rounding.
SOURCE: Texas Public Finance Authority.

FIGURE 99
OUTSTANDING REVENUE BOND (NON-GENERAL OBLIGATION) DEBT, AS OF AUGUST 31, 2017

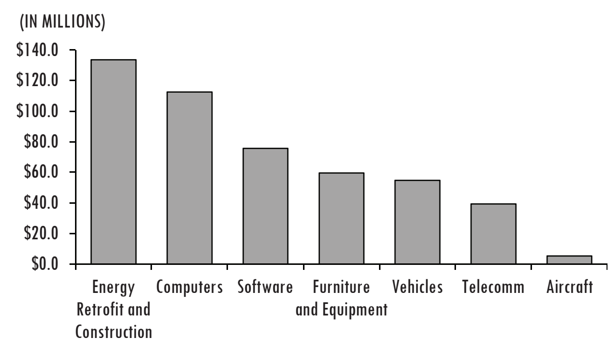


NOTE: Higher education includes Midwestern State University, Stephen F. Austin University, and Texas Southern University.
SOURCE: Texas Public Finance Authority.

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. Debt service for conduit debt typically is 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 100
ASSETS FINANCED VIA MASTER LEASE PURCHASE PROGRAM, FISCAL YEARS 1992 TO 2017



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

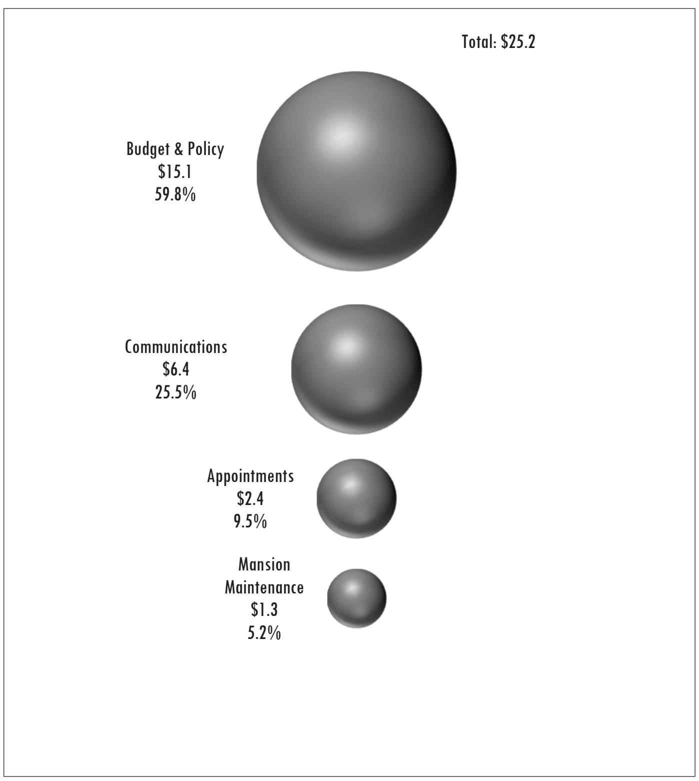
FIGURE 101
OFFICE OF THE GOVERNOR BY METHOD OF FINANCE

(IN MILLIONS)

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

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2018	120.1
2019	120.1

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

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

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

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

MAJOR FUNDING

Appropriations to fund the Office of the Governor for the 2018–19 biennium decreased by $1.3 million, or 4.8 percent from the 2016–17 biennium. The decrease is related primarily to unexpended balances carried forward from the 2014–15 biennium into the 2016–17 biennium and expended by the agency.

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 Office of the Governor's Budget and Policy 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 and Policy 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 submissions and other submissions required by law. In conjunction with the Legislative Budget Board, the Budget and Policy Division coordinates the state agency strategic planning process, issues budget instructions to state agencies, and conducts hearings regarding agency budget requests. Funding for the budget and policy program area is $15.1 million, or 59.8 percent of appropriations and 61.6 full-time-equivalent positions for the 2018–19 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 media. The office prepares news releases and speeches for the Governor and handles media calls and requests for interviews. The office receives calls from individuals with concerns or issues about state government through its information and referral hotline, refers callers to appropriate agencies for assistance, and reports constituents' 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 $6.4 million, or 25.5 percent of appropriations for the 2018–19 biennium.

APPOINTMENTS

The third major program area in the Office of the Governor helps the Governor recruit, screen, select, and prepare individuals that are appointed to the state's 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 300.0 appointments. Funding for the appointments program area is $2.4 million, or 9.5 percent of appropriations for the 2018–19 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 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 $1.3 million, or 5.2 percent of appropriations for the 2018–19 biennium.

TRUSTEED PROGRAMS WITHIN THE OFFICE OF THE GOVERNOR

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

ESTABLISHED: 1845

AUTHORIZING STATUTE: The Texas Constitution, Article IV

GOVERNANCE: Governor, statewide elected official

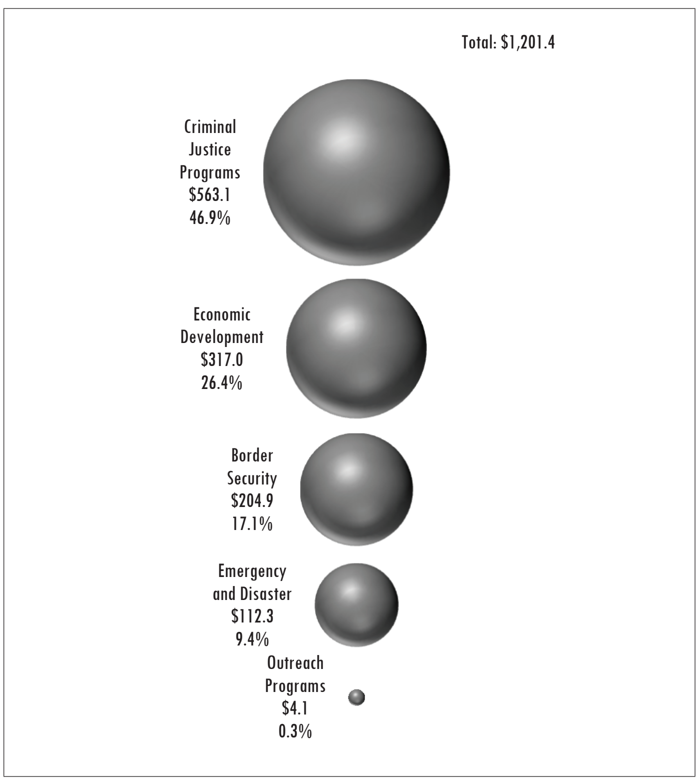
FIGURE 102
TRUSTEED PROGRAMS WITHIN THE OFFICE OF THE GOVERNOR BY METHOD OF FINANCE

(IN MILLIONS)

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

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2018	193.3
2019	193.3

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

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

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

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

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

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

SOURCE: Legislative Budget Board.

MAJOR FUNDING

Funding for the Trusteed Programs within the Office of the Governor for the 2018–19 biennium increased by $13.1 million, or 1.1 percent from the 2016–17 biennium.

In addition to appropriated amounts, the agency has authority to carry forward certain unexpended balances from the 2016–17 biennium into the 2018–19 biennium. The estimated amounts include: $25.0 million for criminal justice activities; $4.5 million for agency grant assistance funding; $83.5 million for economic development and tourism programs; 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

Funding for economic development and jobs generation is reflected in the agency's bill pattern in Strategy C.1.1 Create Jobs and Promote Texas, which combines the funding associated with the previous strategies for Economic Development, Tourism, Military Preparedness, the Texas Enterprise Fund, the University Research Initiative, and Film and Music Marketing. Funding for various economic development programs totals $317.0 million in All Funds for the 2018–19 biennium.

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. Appropriations for the Economic Development and Tourism Division for the 2018–19 biennium total $317.0 million in All Funds and 95.0 full-time-equivalent (FTE) positions.

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 for the 2018–19 biennium total $34.2 million in All Funds. In addition, the tourism program is directed to seek matching funds through collaborative partnerships with the tourism industry, local governments, and nonprofit organizations to increase marketing activities that promote Texas tourism.

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, TMPC encourages defense-related businesses to expand or relocate to Texas. 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.

The Texas Enterprise Fund (TEF) was established by legislation passed by the Seventy-eighth Legislature, Regular Session, 2003. The fund, which is administered statutorily by the Governor, promotes economic, infrastructure, and community development; job training programs; and business incentives. Since the beginning of fiscal year 2004, approximately $611.7 million in Texas Enterprise Fund grants have been awarded to 152 entities. Appropriations for TEF for the 2018–19 biennium total $86.0 million in previously unexpended General Revenue–Dedicated Funds.

The Eighty-fourth Legislature, 2015, established the Governor's University Research Initiative (GURI) to help Texas universities recruit top-tier faculty, 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 science, technology, engineering, mathematics, and medicine. GURI is a matching grant program, and grants are given to Texas institutions of higher education on an ongoing basis. Appropriations for GURI for the 2018–19 biennium total $5.6 million in General Revenue–Dedicated Funds in anticipated carry-forward of unexpended balances from fiscal year 2017 into fiscal year 2018 and revenues for the 2018–19 biennium. The Office of the Governor indicated it will allocate an additional $34.4 million in General Revenue Funds to the GURI program from within the Create Jobs and Promote Texas strategy.

The Texas Film Commission (TFC) provides information regarding 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 the state. 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 for the 2018–19 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 unexpended balances out of other economic development funds are available to offset the cost of the appropriations. The Office of the Governor indicated it will allocate an additional $10.0 million in General Revenue Funds to the film program from within the Create Jobs and Promote Texas strategy. TFC works statewide with local communities to realize and promote regional assets for filmmaking activity through the Film Friendly Texas certification program. Beginning in 2016, TFC has helped 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 state's music industry by providing referrals to Texas music businesses, performers, and events to attract new business to the state and to foster the economic development of in-state music businesses and musicians. The office publishes the annual Texas Music Industry Directory online, which contains almost 15,000 Texas music businesses cross-referenced by numerous music categories. This resource attracted 113,367 users during fiscal year 2017. TMO also maintains the Texas Music International Tip Sheet, a referral network consisting of international music businesses interested in Texas music and music businesses. TMO 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 TFC and TMO for the 2018–19 biennium total $22.0 million in All Funds, contingent on the Comptroller's certification.

CRIMINAL JUSTICE

The Trusteed Programs' 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 applicants for CJD grant funds include state agencies, regional councils of governments, cities, counties, independent school districts, institutions of higher education, 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. For the 2018–19 biennium, $25.0 million in Other Funds is appropriated for grants to provide bullet-resistant vests for law enforcement officers.

Criminal justice grants are monitored and evaluated by CJD and Office of the Governor's compliance staff. **Figure 103** shows the top five state and federal grant and program funding amounts estimated to be available during the 2018–19 biennium, and a brief summary of eligible uses for each funding source. Appropriations for criminal justice activities, including grants and division operations, for the 2018–19 biennium total $563.1 million in All Funds, including $99.1 million in General Revenue Funds and General Revenue–Dedicated Funds and $438.9 million in Federal Funds and $25.0 million in Other Funds from the Economic Stabilization Fund, and 54.5 FTE positions.

BORDER SECURITY

The Eighty-fifth Legislature, Regular Session, 2017, appropriated funds to the Trusteed Programs within the Office of the Governor for border security activities, the third major program area. Appropriations totaling $26.2 million in General Revenue Funds, $6.0 million in General Revenue–Dedicated Funds, and $162.5 million in Federal 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 for the 2018–19 biennium is $204.9 million and 31.7 FTE positions.

FIGURE 103
OFFICE OF THE GOVERNOR, CRIMINAL JUSTICE DIVISION, TOP FIVE FUNDING PROGRAMS AND GRANTS
2018–19 BIENNIUM

PROGRAM OR FUND	ESTIMATED FUNDING (IN MILLIONS)
Victims of Crime Act Formula Grant Program	$380.0
Federal Funds. Eligible Uses: Provide services and assistance directly to victims of crime.	
State Criminal Justice Planning Fund	$68.7
General Revenue Funds and General Revenue–Dedicated Funds. Eligible Uses: Support programs intended to reduce crime and improve the criminal or juvenile justice systems.	
Edward Byrne Justice Assistance Grants	$26.5
Federal Funds. Eligible Uses: Programs that prevent and control crime and make improvements to the criminal justice system.	
Bullet-resistent Vests	$25.0
Economic Stabilization Fund. Eligible Uses: Provide grants to provide bullet-resistant vests for law enforcement officers.	
Violence Against Women Act Fund	$21.8
Federal Funds. Eligible Uses: Develop and strengthen effective criminal justice strategies and victim services programs to combat violent crimes against women.	

Source: Legislative Budget Board.

EMERGENCY AND DISASTER FUNDS

The fourth major program area is emergency, deficiency, and disaster funding. The Texas Government Code, Section 403.075, authorizes the Governor 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 individuals that are forced out of dangerous or unsafe areas, and rebuilding of infrastructure such as roads and public buildings after a disaster event. The Eighty-fifth Legislature, Regular Session, 2017, appropriated $2.3 million in General Revenue Funds for Emergency and Deficiency Grants and $110.0 million in Other Funds from the Economic Stabilization Fund for Disaster Assistance Grants.

As of February 6, 2018, the Governor has awarded $103.1 million in All Funds for fiscal year 2018 in Disaster Assistance Grants for Hurricane Harvey recovery efforts. This amount includes grants of $50.0 million to the City of Houston, $30.0 million to the Texas Military Department, $13.1 million to the Department of Public Safety, and $10.0 million to the General Land Office.

OUTREACH PROGRAMS

The Trusteed Programs' fifth major area, outreach, 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 OSFR is to advance state policy by promoting communications and building relationships between the state and federal governments. Appropriations for OSFR for the 2018–19 biennium total $2.1 million in All Funds and 4.9 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 in the Texas Human Resources Code, Chapter 115. GCPD makes recommendations to the Governor and the Legislature regarding 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 with the President's Committee on Employment of Persons with Disabilities and other entities involved in activities or concerns affecting people with disabilities. Appropriations for GCPD for the 2018–19 biennium total $1.5 million in General Revenue Funds and 6.0 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 2018–19 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. The Governor's Commission for Women has 11 commissioners, who are appointed by the Governor to serve two-year terms. Appropriations for GCW for the 2018–19 biennium total $0.5 million in General Revenue Funds and 1.2 FTE positions.

SIGNIFICANT LEGISLATION

House Bill 1729 and House Bill 4102 – Evidence testing grants. The legislation establishes and funds a donation-funded grant program for testing evidence collected in relation to sexual assaults and other sex offenses.

HISTORICAL COMMISSION

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

ESTABLISHED: 1953

AUTHORIZING STATUTE: The Texas Government Code, Chapter 442

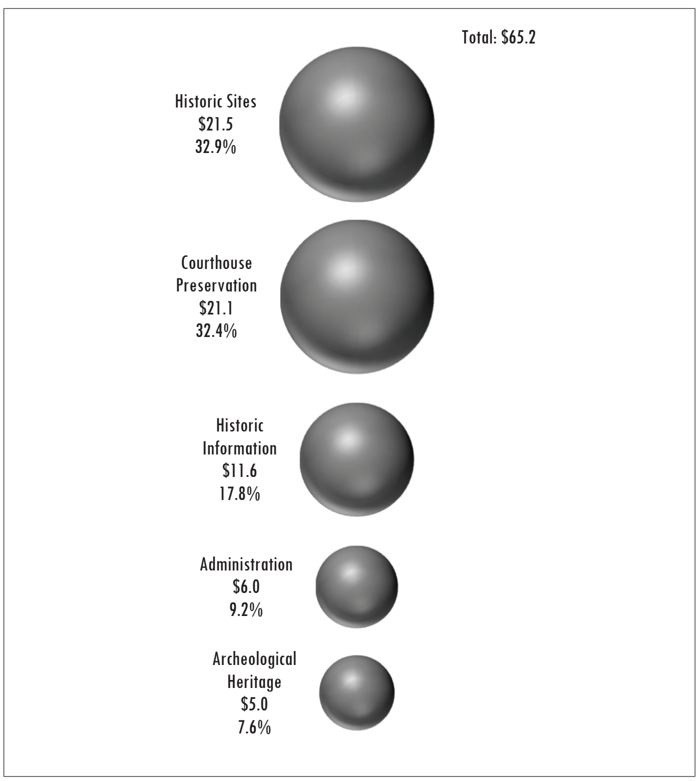
GOVERNANCE: Commission—15 members appointed by the Governor, with the advice and consent of the Senate

FIGURE 104
HISTORICAL COMMISSION BY METHOD OF FINANCE

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

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2018	224.2
2019	224.2

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



Source: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

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

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

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

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

MAJOR FUNDING

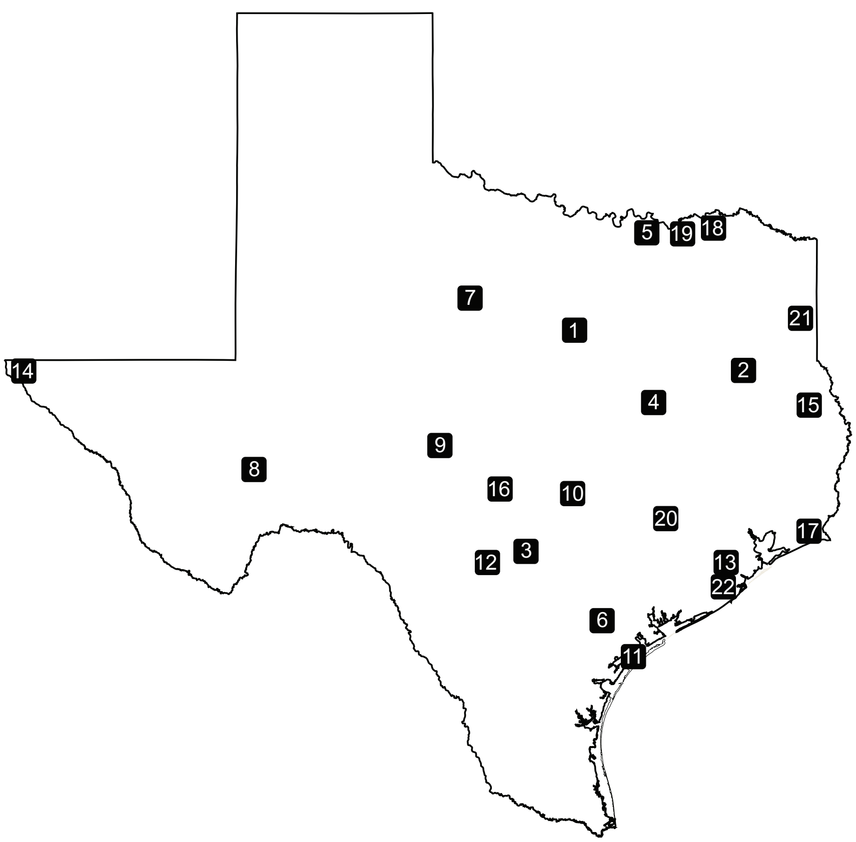
Funding for the Historical Commission (THC) includes a decrease of $10.9 million in All Funds due primarily to changes in funding for Historic Sites. Major changes include a decrease of $8.2 million decrease in General Obligation Bond Proceeds and a $2.7 million decrease in fees from historic sites to move ticket sales from the National Museum of the Pacific War to a fund outside the Treasury, pursuant to the passage of House Bill 1492, Eighty-fifth Legislature, Regular Session, 2017.

The agency carries out its responsibilities through five major program areas: (1) overseeing the agency's 22 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

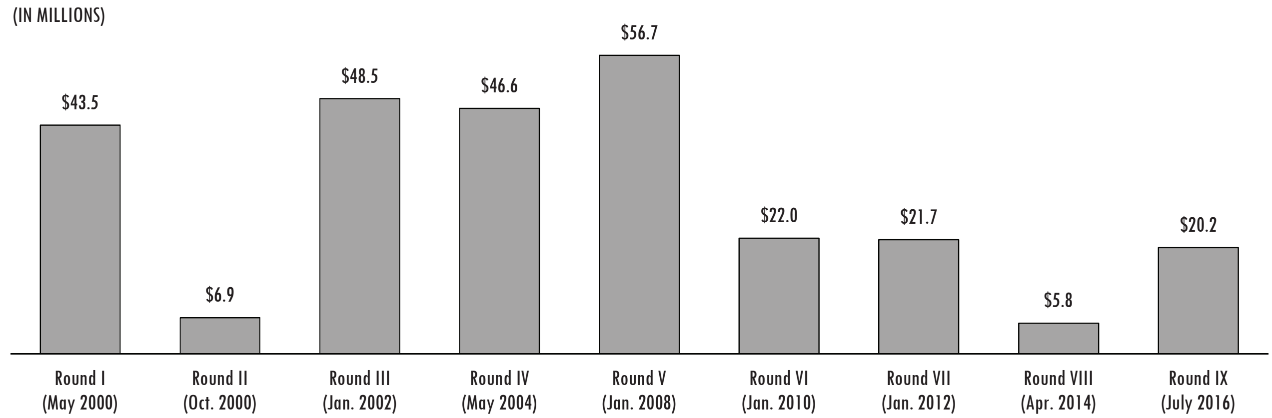
FIGURE 105
TEXAS HISTORICAL COMMISSION HISTORIC SITES, 2018–19 BIENNIUM



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 French Legation
Austin, Travis County
11 Fulton Mansion
Fulton, Aransas County
12 Landmark Inn
Castroville, Medina County
13 Levi Jordan
Brazoria County
14 Magoffin Home
El Paso, El Paso County
15 Mission Dolores
San Augustine, San Augustine County
16 National Museum of the Pacific War
Fredericksburg, Gillespie County
17 Sabine Pass Battleground
Sabine Pass, Jefferson County
18 Sam Bell Maxey House
Paris, Lamar County
19 Sam Rayburn House Museum
Bonham, Fannin County
20 San Felipe de Austin State Historic Site
San Felipe, Austin County
21 Starr Family Home
Marshall, Harrison County
22 Varner-Hogg Plantation
West Columbia, Brazoria County

SOURCE: Texas Historical Commission.

FIGURE 106
COURTHOUSE PRESERVATION GRANT AWARDS, FISCAL YEARS 2000 TO 2016



SOURCE: Texas Historical Commission.

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 22 historic sites throughout the state, as shown in **Figure 105**. 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, 18 sites, including forts, battlegrounds, homes, plantations, and other historically significant sites, were transferred from the Texas Parks and Wildlife Department to THC. Additionally, THC received the Mission Dolores Historic Site from the City of San Augustine in 2016 and took over management of the French Legation site in Austin from the Texas Facilities Commission on September 1, 2017, pursuant to House Bill 3810, Eighty-fifth Legislature, Regular Session, 2017. Funding for the 2018–19 biennium includes $6.4 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, deferred maintenance and staff at the Mission Dolores Historic Site, and other deferred maintenance and safety renovation projects. Appropriations for the historic sites program area total $21.5 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, $271.2 million has been awarded to assist with the restoration and preservation of 93 courthouses, including 67 full restorations, of which 63 are complete and shown in **Figure 106**. THC anticipates awarding approximately five to eight Courthouse Preservation grants during the 2018–19 biennium, shown in **Figure 107**. 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, 89 cities are participating in the Main Street program.

Through its Heritage Tourism program, 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 Office of the

FIGURE 107
HISTORIC PRESERVATION GRANTS, FISCAL YEARS 2014 TO 2019

GRANT OR PROGRAM	2014	2015	2016	2017	2018	2019
Texas Preservation Trust Fund Grants						
Total Amount	$0	$530,000	$0	$530,000	$248,625	$248,625
Grants Awarded	0	23	0	23	10–15	10–15
Certified Local Government Grants						
Total Amount	$155,255	$137,248	$144,931	$160,250	$140,000	$140,000
Grants Awarded	10	8	27	10	10	10
Texas Historic Courthouse Preservation Program						
Total Amount (in millions)	$6.0	$0.4	$20.1	$1.1	$10.1	$10.1
Grants Awarded	19	2	8	6	3-6	3-6
Heritage Tourism Grants						
Total Amount	$750,000	$790,350	$344,750	$325,000	$690,000	$690,000
Grants Awarded	10	10	10	10	10	10

Note: Fiscal years 2018 and 2019 are budgeted amounts.
Source: Texas Historical Commission.

Governor and the Texas Department of Transportation, the agency expanded the Heritage Trails program to include communities on and off the trails. The agency provides networking, statewide heritage travel promotion, and professional support training to the 10 heritage regions. THC also 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. 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 that the agency receives 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 General Revenue–Dedicated Account No. 664, Texas Preservation Trust.

Figure 107 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 $11.6 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. The Archeology Division is also responsible for designating State Antiquities Landmarks, formerly known as State Archeological Landmarks. THC archeologists provide assistance, primarily to private landowners, in identifying, recording, and preserving archeological sites throughout Texas. Agency archeologists also 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 state's public domain; these collections are 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 the held-in-trust collections.

THC maintains the Texas Historic Sites Atlas website, 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. The site was established to provide state and federal land-use planners with information regarding the location and condition of Texas' cultural resources. It also 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 $5.0 million.

ADMINISTRATION

The agency administration program area supports the overall efficiency and effectiveness of THC operations. Appropriations for the administration program area total $6.0 million.

SIGNIFICANT LEGISLATION

House Bill 3810 – Transfer of the French Legation Historic Site. The legislation transfers the control of the French Legation Historic Site in Austin from the Texas Facilities Commission to the Historical Commission, effective September 1, 2017.

House Bill 1492 – National Museum of the Pacific War Museum Fund. The legislation establishes the National Museum of the Pacific War museum fund as a fund outside of the state Treasury. The fund consists of admissions revenue from museum operations, donations, and interest and income from the fund's assets. Money in the fund may be spent without appropriation to administer, operate, preserve, repair, expand, and maintain the museum.

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)

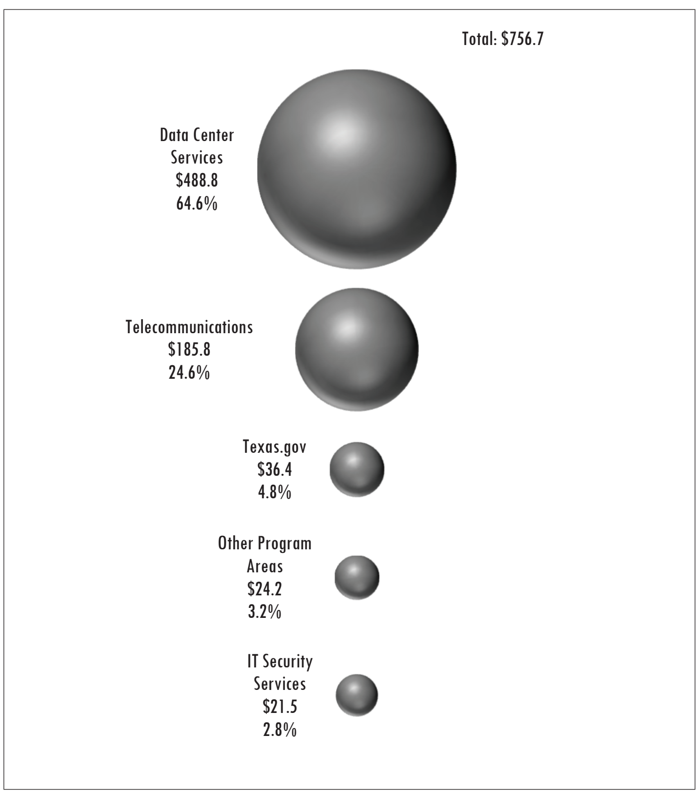
FIGURE 108
DEPARTMENT OF INFORMATION RESOURCES BY METHOD OF FINANCE

(IN MILLIONS)

METHOD OF FINANCE	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$0.0	$3.4	$3.4	N/A
General Revenue–Dedicated Funds	$0.0	$0.0	$0.0	N/A
Federal Funds	$0.0	$0.0	$0.0	N/A
Other Funds	$670.4	$753.3	$82.8	12.4%
Total, All Methods of Finance	**$670.4**	**$756.7**	**$86.2**	**12.9%**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2018	198.0
2019	198.0

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

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

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

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

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

Source: Legislative Budget Board.

MAJOR FUNDING

Appropriations to the Department of Information Resources (DIR) primarily provide 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 $650.3 million in All Funds for cost of services for the following programs:

- Capitol Complex Telephone System (CCTS) – Funding provides $6.7 million, which reflects an increase of $0.8 million for transition to a voice over Internet protocol (VoIP) phone service and maintenance of the existing phone system as agencies transition to VoIP;
- Texas Agency Network (TEX-AN) – Funding provides $162.9 million, which reflects an increase of $16.3 million primarily related to increase in consumption of data and voice services; and
- Data Center Services (DCS) – Funding provides $480.7 million, which reflects an increase of $28.8 million based on anticipated increased usage of services by customer agencies. Costs reflect amounts to maintain service levels and projects initiated during the 2016–17 biennium.

Beginning in fiscal year 2019, funding provides $35.2 million in Other Funds, the Statewide Network Applications Account, from Texas.gov revenues for estimated payments to one or more vendors for operation of the Texas.gov state Internet portal and for administration of the program and associated contracts. The amounts remitted to the vendor operating Texas.gov, National Information Consortium, are not reflected in the 2016–17 biennial or fiscal year 2018 funding levels. These payments are appropriated to the agency beginning in fiscal year 2019 to coincide with implementation of a new contract with one or more service providers to operate the portal.

Funding also provides $3.4 million in General Revenue Funds to provide additional cybersecurity assessments and vulnerability testing services for agencies and institutions of higher education. These additional services are intended to comply with requirements related to information security pursuant to House Bill 8 and Senate Bill 1910, Eighty-fifth Legislature, Regular Session, 2017.

DIR is funded primarily through fees generated through the telecommunications, Cooperative Contracts, DCS, and Texas.gov programs. The agency receives telecommunications and DCS revenues generated primarily from an administrative fee that DIR levies on services or goods contracted vendors provide. For certain telecommunications services that DIR directly provides, the fee is included in service pricings. Texas.gov revenues are generated primarily through convenience or transaction fees for services offered through the portal. The fees recover DIR's operational costs to oversee the four related programs and costs for statewide policy functions, information technology (IT) security initiatives, and DIR's indirect administrative costs. **Figure 109** shows fees charged to customers of DIR's programs.

PROGRAMS

DIR carries out its responsibilities through five major program areas: (1) data center services; (2) telecommunications; (3) Texas.gov; (4) information technology security services; and (5) other program areas.

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, authorized 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 primarily 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 primary service provider contracts, which include contracts with: (1) Capgemini as the oversight and services integration vendor, through fiscal year 2018, 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 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,

FIGURE 109
DEPARTMENT OF INFORMATION RESOURCES COST-RECOVERY PROGRAMS AND FUNDING SOURCES

PROGRAM	FEE RATES	OTHER FUNDS ACCOUNT
Telecommunications, including Capitol Complex Telephone System (CCTS) and Texas Agency Network (TEX-AN)	For services that the Department of Information Resources (DIR) provides directly, 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 billed directly by the vendor; • 4.0 percent for local services and other TEX-AN Next Generation services that are billed directly by the vendor; and • 0.5 percent for managed services that are billed directly 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, which are included in the purchase price of information technology commodities and services vary by contract: • average fee – 0.67 percent; and • maximum fee – 1.0 percent. Fee rates are capped at 2.0 percent in the Eighty-fifth Legislature, General Appropriations Act (GAA), 2018–19 Biennium, 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 2018–19 GAA, Article I, DIR, Rider 9.	Statewide Technology Account (Appropriated Receipts and Interagency Contracts)
Texas.gov	Actual fees vary by service and governmental entity. Fees per transaction typically include one of the following fees: • transaction fees, which typically include fixed-fee and variable-fee components: ◦ fixed fees range from $0.20 to $11.50 per transaction; and ◦ variable fees range from 0.50 percent to 2.75 percent of the transaction cost; • convenience fees ranging from $1 to $10 per transaction; or • subscription fee ranging from $2 to $5 per transaction. Additionally, government entities receiving services through Texas.gov may pay a monthly administrative fee ranging from $1 to $1,250. Fees and charges are not capped in the 2018–19 GAA.	Statewide Network Applications Account (Appropriated Receipts and Interagency Contracts)

NOTE: Rates for fiscal year 2018 are estimated.
SOURCE: Department of Information Resources.

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) and institutions of higher education, two state agencies for print and mail operations only (the Department of Agriculture and Teachers Retirement System), and 19 state agencies and local entities that purchase limited IT services through the DCS program. Appropriations for the DCS program include $488.8 million and provide for 26.0 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 35 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 videoconferencing 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 such entities' business needs. Funding for CCTS and TEX-AN totals $185.8 million and provides 58.0 FTE positions.

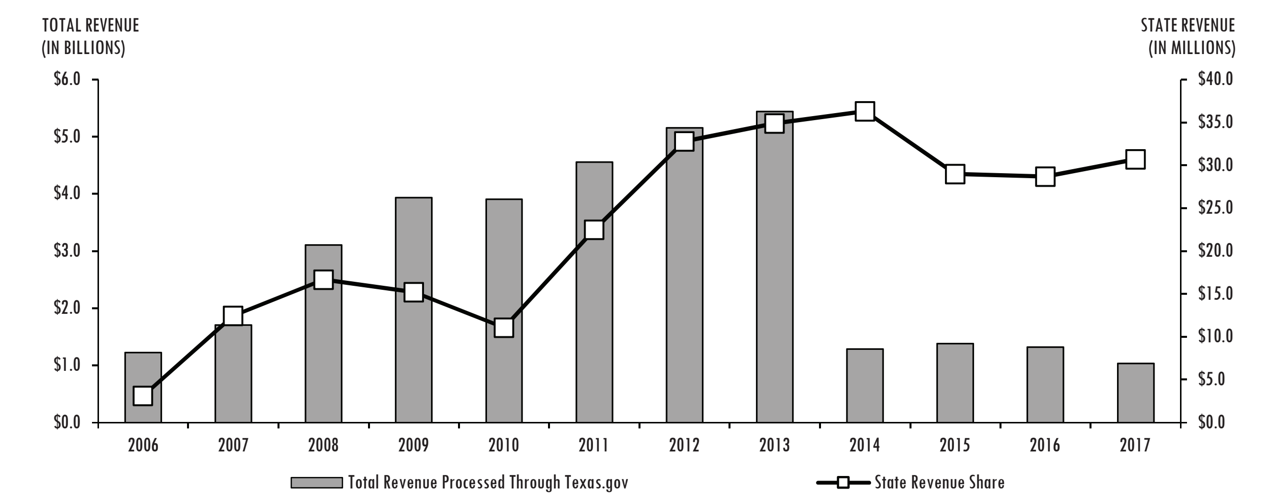
TEXAS.GOV

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, 2018, 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 consists primarily of transaction fees charged for services provided through the portal. **Figure 110** shows the state's revenue share in contrast with total revenues processed through Texas.gov from fiscal years 2006 to 2017. The decrease beginning in fiscal year 2014 is due to the transfer of the Webfile tax filing system from the Texas.gov program to the Comptroller of Public Accounts (CPA) and the consequent removal of tax collections previously processed through Texas.gov. Additionally, the decrease in State Revenue Share for fiscal year 2015 is due to the removal of the SmartBuy system from the Texas.gov program and transfer to the CPA. Appropriations for Texas.gov include $36.4 million and provide for 6.0 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

FIGURE 110
STATE REVENUE SHARE FROM TEXAS.GOV, FISCAL YEARS 2006 TO 2017



SOURCE: Department of Information Resources.

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 $21.5 million and provide 12.0 FTE positions.

OTHER PROGRAM AREAS

DIR's administration and support programs include agencywide administrative and technology support, the statewide IT procurement Cooperative Contracts program, management of large enterprise contracts, technology innovation and modernization initiatives, and statewide technology planning and policy development.

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 approximately 3,000 eligible customers savings and cost avoidance of an estimated $358.9 million during fiscal year 2017.

The Technology Planning and Policy program provides strategic policy, procedures, and direction to implement and manage 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 to implement 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. Additionally, DIR provides leadership, guidance, and best practices to state agencies to promote modernization of agencies' IT infrastructure, software, and applications and develops shared services for agency use. Funding for the agency's administration and other programs total $24.2 million and provide 96.0 FTE positions.

SIGNIFICANT LEGISLATION

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

House Bill 3275 – Monitoring of major information resources projects by DIR. The legislation requires the Quality Assurance Team (QAT) to monitor and report on performance indicators, developed by DIR, for each major IR project, for the entire life cycle of each project. The bill requires QAT to place a project on a list for additional monitoring if QAT determines that a project is not likely to achieve the performance objectives for the project. The legislation requires DIR to establish and maintain on its website a user-friendly data visualization tool that provides information on the performance indicators for each major IR project. The bill requires QAT to include in its annual report on major IR projects information on the status of each project and information regarding the performance indicators at each stage of the project's life cycle.

Senate Bill 255 – Training for governmental entities and vendors, including purchasing and contract management training. The legislation requires state agency personnel directly involved in contract negotiations for the purchase of IR technologies to complete the training developed by DIR. The legislation requires information on how to use Cooperative Contracts entered into by DIR to be included in the training.

Senate Bill 532 – Information collected about and purchases of information technology by governmental entities. The legislation requires DIR to submit a consolidated report of each state agency's IT infrastructure no later than November 15 of each even-numbered year to certain leadership and staff of the Legislative Budget Board. The consolidated report should include an analysis and assessment of each state agency's security and operational risks. The bill requires state agencies to consider cloud computing service options when making purchases for major IR projects. The legislation also requires DIR to submit a report no later than November 15 of each even-numbered year to certain leadership regarding the use of cloud computing service options by state agencies, including use cases that provide cost savings and other benefits.

Senate Bill 533 – State agency contracting and procurement. The legislation raises the thresholds for how many bids an agency must obtain to purchase within a DIR Cooperative Contract. Agencies must obtain three bids from vendors for purchases up to $1.0 million, raised from $150,000, and six bids for purchases up to $5.0 million, raised from $1.0 million. The bill includes several changes to the composition of the QAT and requires DIR to provide additional oversight of major IR projects at the direction of state leadership.

Senate Bill 1910 – State agency information security plans, information technology employees, and online and mobile applications. The legislation requires each state agency to designate an information security officer within the agency. The legislation requires each state agency that implements an Internet website or mobile application that processes any personally identifiable or confidential information to submit a biennial data security plan to DIR for review; to subject the website or application to a vulnerability and penetration test; and to address any vulnerability identified. The legislation requires institutions of higher education to adopt a policy for website and mobile application security procedures and requires the institutions to subject websites or applications to vulnerability and penetration testing prior to the deployments. The legislation requires DIR to submit to certain state leadership and legislative committees a biennial report identifying preventive and recovery efforts the state can undertake to improve cybersecurity.

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

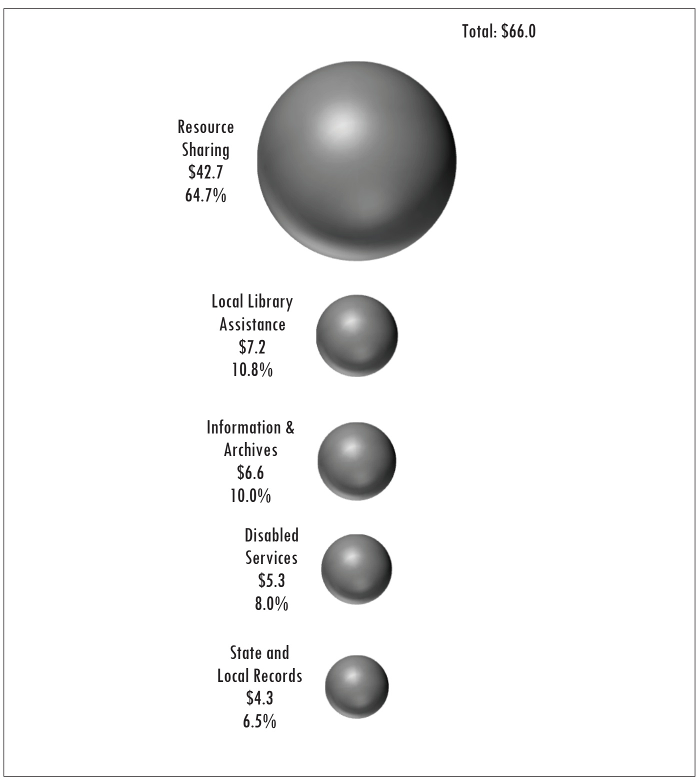
FIGURE 111
LIBRARY AND ARCHIVES COMMISSION BY METHOD OF FINANCE

(IN MILLIONS)

METHOD OF FINANCE	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$31.8	$30.2	($1.6)	(4.9%)
General Revenue–Dedicated Funds	$0.0	$0.0	$0.0	N/A
Federal Funds	$20.7	$20.8	$0.1	0.5%
Other Funds	$12.5	$15.0	$2.5	19.8%
Total, All Methods of Finance	**$65.0**	**$66.0**	**$1.0**	**1.6%**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2018	169.5
2019	169.5

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

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

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

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

MAJOR FUNDING

Funding increases at the Texas State Library and Archives Commission (TSLAC) are due primarily to additional funding for the federal E-rate initiative and unexpended balances carried forward from fees for TexShare, imaging, and storage. General Revenue Funds decreased by $1.6 million, and Other Funds increased by $2.5 million.

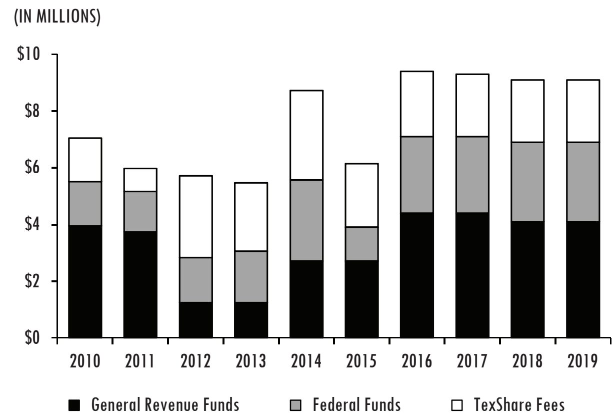
PROGRAMS

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

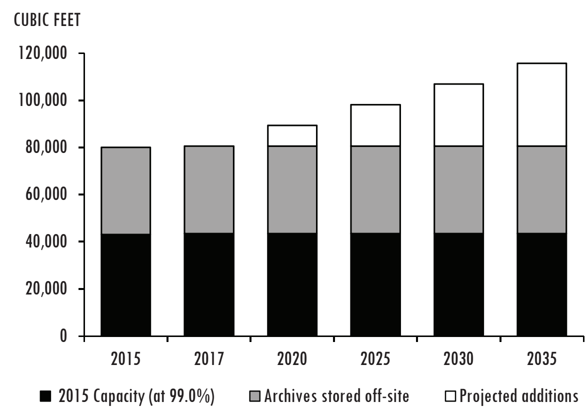
In its resource sharing functions, the agency encourages the development of and cooperation among public, academic, special, and other types of libraries. The agency offers library resource-sharing services in three main program areas: TexShare, TexQuest, and the interlibrary loan program. TexShare is a statewide consortium of more than 700 academic, public, and clinical medicine libraries, in which TSLAC purchases access to e-resources, which provide full-text articles and other materials to Texans through TexShare member libraries. During fiscal year 2017, 68 TexShare e-resources were available 24 hours a day to registered patrons of participating Texas libraries. **Figure 112** shows TexShare funding. In the TexQuest program, TSLAC negotiates cost-sharing e-resources 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 2018–19 biennium. The TexNet statewide interlibrary loan network provides Texans access to materials in addition to those at their local libraries and is appropriated $5.9 million for the 2018–19 biennium.

FIGURE 112
TEXSHARE DATABASE FUNDING LEVELS
FISCAL YEARS 2010 TO 2019



NOTES:
(1) TexShare Fees for fiscal years 2008 to 2012 include funds collected and held outside the Treasury.
(2) Amounts for fiscal years 2016 and 2017 include only TexShare funds. All fees are estimated.
SOURCE: Texas State Library and Archives Commission.

FIGURE 113
PROJECTED ARCHIVAL STORAGE NEEDS OF STATE ARCHIVES, FISCAL YEARS 2015 TO 2035



SOURCE: Texas State Library and Archives Commission.

INFORMATION AND ARCHIVES

In TSLAC's archives and information services, the agency identifies, collects, preserves, 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 includes the Texas Digital Archive, a collection of more than 25 terabytes of digital and digitized records, photographs, audio files, and video files. For the 2018–19 biennium, funding includes $706,593 and 3.0 full-time-equivalent positions for the Texas Digital Archive. **Figure 113** shows short-term 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 communities' needs. Training and technical assistance are offered in all areas of library management, particularly in services to children and families, 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 Internet access costs. Additional programs, such as supporting summer reading programs in public libraries, are intended 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, educational attainment, and workforce development in their communities; providing programs and services to meet local communities' needs; and supporting technology to serve the public's information needs. For the 2018–19 biennium, the agency is appropriated $3.6 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 to provide a service that delivers narrated, downloadable, digital audiobooks directly to blind, low-vision, and other users. TSLAC loans and distributes the materials at no cost to qualified, registered individuals across the state. During fiscal year 2017, the Talking Book Program circulated approximately 766,000 pieces of reading materials to more than 15,000 individuals, and more than 239,000 items were estimated to be downloaded.

STATE AND LOCAL RECORDS

TSLAC also assists state and local governments in records management, 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. During fiscal year 2017, the agency assisted or trained 9,386 state and local government employees 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 10,400 state and local government offices. During fiscal year 2017, the cost of records stored and maintained was $2.55 per cubic foot for approximately 333,500 cubic feet of stored records. Appropriations for records management services includes $2.2 million in fees from cost-recovery operations for the 2018–19 biennium.

PENSION REVIEW BOARD

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

ESTABLISHED: 1979

AUTHORIZING STATUTE: The Texas Government Code, §801.101

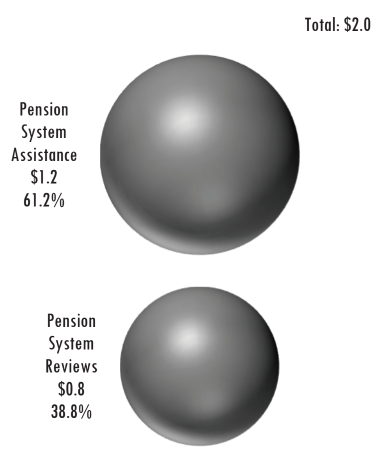
GOVERNANCE: Board—seven board members appointed by the Governor with advice and consent of the Senate

FIGURE 114
PENSION REVIEW BOARD BY METHOD OF FINANCE

METHOD OF FINANCE	(IN MILLIONS) EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$1.9	$2.0	$0.1	4.6%
General Revenue–Dedicated Funds	$0.0	$0.0	$0.0	N/A
Federal Funds	$0.0	$0.0	$0.0	N/A
Other Funds	$0.0	$0.0	$0.0	N/A
Total, All Methods of Finance	**$1.9**	**$2.0**	**$0.1**	**4.6%**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2018	14.0
2019	14.0

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

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

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

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

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

SOURCE: Legislative Budget Board.

MAJOR FUNDING

The Pension Review Board (PRB) was appropriated an additional $73,000 in General Revenue Funds for salary increases and an additional $90,000 in General Revenue Funds to develop an online database portal. These increases were offset by 4.0 percent and contract cost-containment decreases.

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

PRB's primary 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 also is 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-fifth Legislature, Regular Session, 2017, PRB tracked 214 bills, including 91 pension bills, and provided 63 actuarial impact statements on proposed legislation. Appropriations for providing technical assistance and other information are $1.2 million for the 2018–19 biennium.

PENSION SYSTEM REVIEWS

The agency's secondary 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 of greater than 30 years. PRB has oversight responsibility for 336 public retirement systems in Texas: 94 actuarially funded defined benefit plans; 161 defined contribution plans; and 81 pay-as-you-go volunteer firefighter plans. As of August 2017, the 94 defined benefit plans had approximately $241.0 billion in total net assets. Appropriations for this review function are approximately $0.8 million for the 2018–19 biennium.

SIGNIFICANT LEGISLATION

House Bill 3158 – Dallas Police and Fire Pension System. The legislation makes several changes to the Dallas Police and Fire Pension System's board composition and governance, contribution structure, benefits and rule making regarding benefits, investment approvals, deferred retirement option plan payments and distributions, and other areas. The legislation requires the Pension Review Board to select an actuary to analyze the January 1, 2024, actuarial review of the pension system and also provides other review authority and responsibilities to the agency.

Senate Bill 253 – Investment prohibitions and divestment provisions. The legislation removes the Pension Review Board's responsibility to compile and provide a list of prohibited investments in Iran. The legislation also transfers the authority to the Comptroller of Public Accounts.

Senate Bill 2190 – Houston Firefighters' Relief & Retirement Fund, Houston Police Officers' Pension System, and Houston Municipal Employees Pension System. The legislation makes several changes to the administration of the three Houston pension systems regarding benefits, contributions, funding policies, certain assumptions and methods, board composition and governance, and other areas. The legislation requires that the Pension Review Board review the systems' risk-sharing valuation study and notify the Governor, Lieutenant Governor, and Speaker of the House of Representatives if the city government or systems are not in compliance with applicable sections.

PRESERVATION BOARD

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

ESTABLISHED: 1983

AUTHORIZING STATUTE: The Texas Government Code, Section 443.001

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

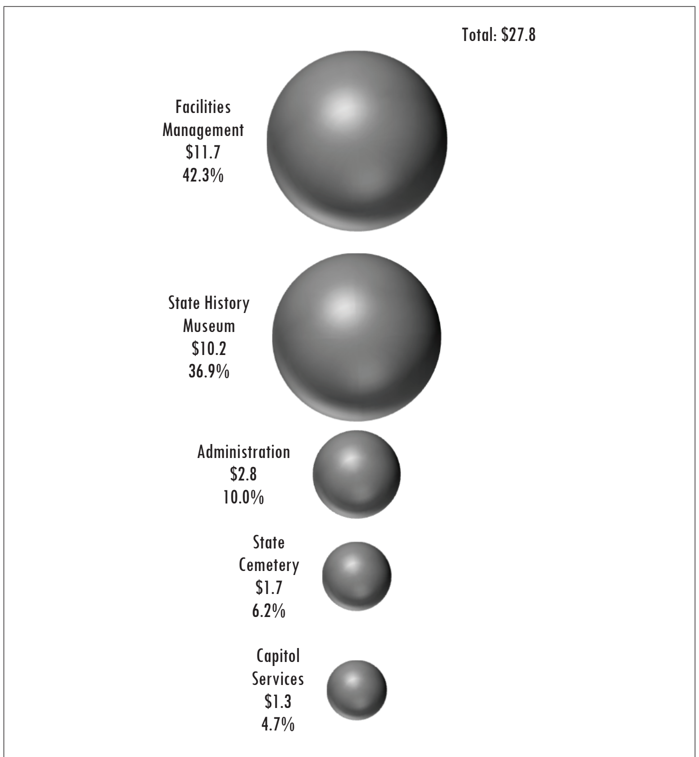
FIGURE 115
PRESERVATION BOARD BY METHOD OF FINANCE

(IN MILLIONS)

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

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2018	120.0
2019	120.0

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

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

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

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

MAJOR FUNDING

Appropriations for the State Preservation Board's facilities management program area reflect a decrease of $12.9 million. This amount primarily includes a decrease of $10.3 million for maintenance projects for the Capitol, Capitol Visitors Center (CVC), and Texas State History Museum. Continued funding of $4.7 million for the agency's capital projects provide for elevator modernizations at the Capitol and for the upgrade of automation systems for heating, ventilation, and air conditioning at the Capitol Extension. The agency's maintenance and housekeeping contract costs also decreased by $0.9 million and completion of onetime projects from the 2016–17 biennium for Capitol monuments decreased by $1.6 million.

Funding for Texas State History Museum operations and programs include a decrease of $5.4 million due primarily to decreases in funding for the Texas State History Education program ($2.8 million), providing online and distance learning content, completion of improvements for the museum's IMAX theater ($1.5 million), and estimated debt service payments ($1.1 million).

Additionally, appropriations for the Texas State Cemetery reflect a decrease of $0.3 million for onetime funding of cemetery capital projects during the 2016–17 biennium.

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. During fiscal year 2017, the agency repaired or restored 423 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 groundskeeping services for the Capitol grounds, which includes mowing, hedge cutting, and other general landscaping duties. Appropriations for facilities management programs total $11.7 million and provide 52.0 full-time-equivalent (FTE) positions.

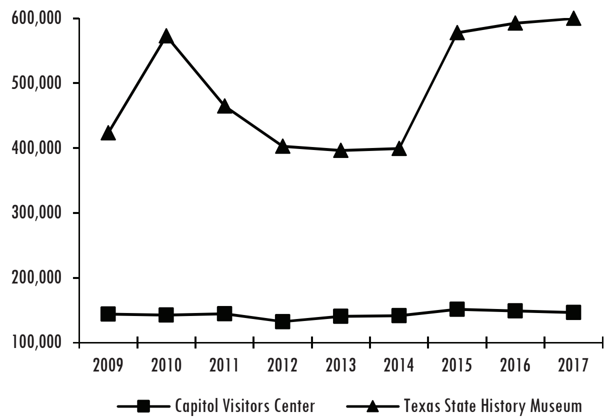
STATE HISTORY MUSEUM

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 and displaying objects and information relating to the state's history. **Figure 116** shows visitation figures for the museum from fiscal years 2009 to 2017. 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 the *La Belle* exhibit will be completed in fall 2018. In addition, the museum presents professional development training for teachers and curriculum-based, onsite and distance-learning opportunities for students. Revenues that the museum generates from admission fees, parking, gift shop, concessions, 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 projected needs. Additionally, appropriations also support and provide for debt service payments for the museum. Appropriations for the State History Museum total $10.2 million and provide 13.5 FTE positions.

STATE CEMETERY

Since September 1, 2015, the SPB has overseen operations of the State Cemetery. The cemetery, established in 1851 and located in Austin, is the burial site for governors, senators, legislators, members of U.S. Congress, judges, and other eligible individuals who have made a significant contribution to Texas history. The cemetery grounds are located

FIGURE 116
VISITORS TO THE CAPITOL VISITORS CENTER AND TEXAS STATE HISTORY MUSEUM, FISCAL YEARS 2009 TO 2017



NOTE: Amounts shown for fiscal year 2017 are estimated.
SOURCE: Legislative Budget Board; State Preservation Board.

approximately one mile east of the Capitol building and include several monuments dedicated to honor groups of Texans, including veterans. Appropriations for the Texas State Cemetery include $1.7 million for operations and provide for 8.5 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 its 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. Other educational programs offered at the CVC include interactive computer learning stations, multimedia presentations, and traditional exhibits to encourage interest in the state's diverse history. **Figure 116** shows the number of visitors to the Visitors Center from fiscal years 2009 to 2017.

Additionally, the agency coordinates public events, activities, and exhibits. The agency also 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 also may 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 FTE positions.

ADMINISTRATION

SPB is appropriated $2.8 million and provided 20.0 FTE positions for its administration program area. This program area provides agencywide support functions, including executive leadership, finance, internal audit, legal services, purchasing, human resources management, and staff services.

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

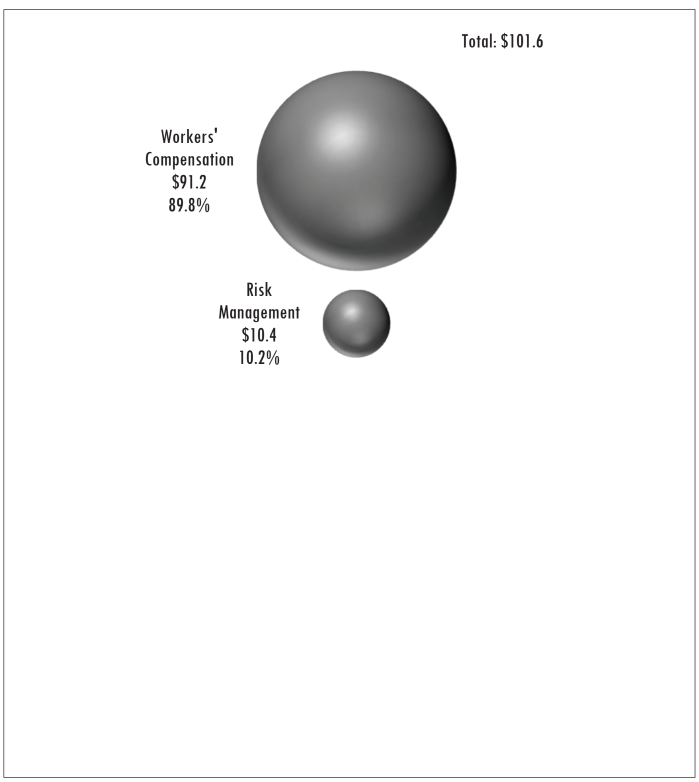
FIGURE 117
STATE OFFICE OF RISK MANAGEMENT BY METHOD OF FINANCE

(IN MILLIONS)

METHOD OF FINANCE	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$0.0	$0.0	$0.0	N/A
General Revenue–Dedicated Funds	$0.0	$0.0	$0.0	N/A
Federal Funds	$0.0	$0.0	$0.0	N/A
Other Funds	$101.6	$101.6	$0.0	0.0%
Total, All Methods of Finance	**$101.6**	**$101.6**	**$0.0**	**0.0%**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2018	121.6
2019	121.6

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

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

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

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

MAJOR FUNDING

Appropriations for the State Office of Risk Management (SORM) remained constant from the 2016–17 biennium.

PROGRAMS

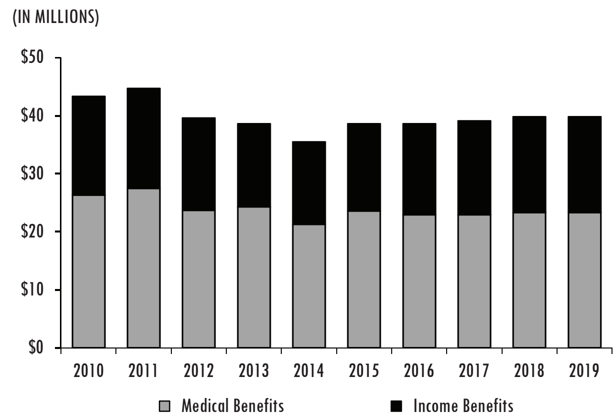
SORM carries out its mission through two main program areas: (1) workers' compensation, and (2) risk management.

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 (UT) System, the Texas A&M University System (TAMU), the Employees Retirement System (ERS), the Teacher Retirement System (TRS), and the Texas Department of Transportation (TxDOT). 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 agency's 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 requirements by the Texas Department of Insurance, Division of Workers' Compensation. The Eighty-fifth Legislature, 2017, appropriated $11.6 million in Interagency Contracts to administer claims processing. This appropriation is a decrease of $0.2 million, or 1.4 percent from 2016–17 biennial spending levels. The agency is expected to process an average of 90,000 medical bills and 27,675 indemnity bills (income payments) during each fiscal year of the 2018–19 biennium.

SORM is appropriated $79.6 million to provide payments to approved workers' compensation claimants during the 2018–19 biennium. Of this amount, $78.5 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 receive decreases in their proportionate shares; and those agencies whose loss performance worsens relative to all other client agencies will be responsible for a larger share of the total. **Figure 118** shows the amount paid in recent years for medical and income benefits. During fiscal year 2017, SORM processed 7,243 claims and payments totaling $39.4 million. This amount is a 2.0 percent increase in the number of claims processed and a 1.4 percent increase in the amount of total payments from fiscal year 2016. SORM's appropriations for workers' compensation-related activities account for approximately $91.2 million of the agency's 2018–19 biennial appropriations.

FIGURE 118
WORKERS' COMPENSATION BENEFITS PAID
FISCAL YEARS 2010 TO 2019

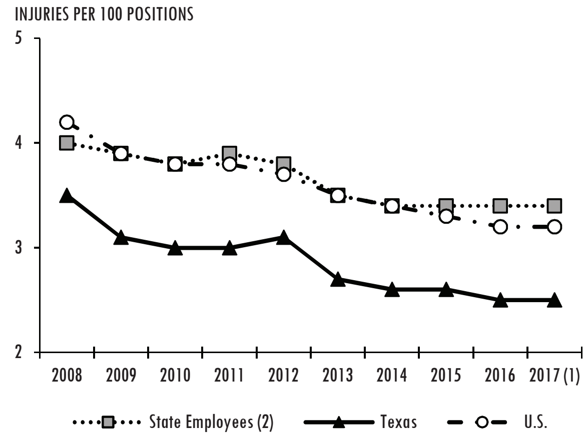


NOTE: Amounts for fiscal years 2017 to 2019 are projected.
SOURCE: State Office of Risk Management.

RISK MANAGEMENT

SORM's second program area is risk management. SORM's specialists review state agencies' 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. All state entities participate in the program, excluding the following agencies, which are exempted by the Texas Labor Code, Section 412.011: UT System, TAMU, ERS, TRS, TxDOT, the Texas State University System, and the Texas Tech University System. SORM develops and distributes manuals, programs, and procedures regarding risk management for use by smaller agencies. The agency also prepares a biennial report to the Legislature regarding 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. SORM has the authority to require state agencies to purchase any line of insurance coverage, other than health or life insurance, through the policies it administers. Additionally, SORM assists agencies in developing continuity of operations to continue providing critical state services during emergency situations. **Figure 119** 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 $10.4 million for the 2018–19 biennium.

FIGURE 119
INJURY FREQUENCY RATES PER 100 FULL-TIME-EQUIVALENT POSITIONS, FISCAL YEARS 2008 TO 2017



NOTES:
(1) For fiscal year 2017, State Employees amounts are estimated. Texas and U.S. amounts are carried forward from fiscal year 2016.
(2) 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.

SECRETARY OF STATE

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

ESTABLISHED: 1845

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

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

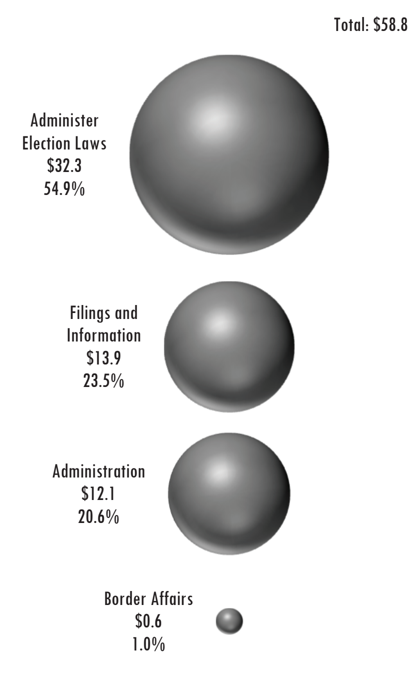
FIGURE 120
SECRETARY OF STATE BY METHOD OF FINANCE

(IN MILLIONS)

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

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2018	205.0
2019	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 2019**, resulting in a decrease in Federal Funds appropriations. Texas was awarded $190.0 million in federal HAVA funds for 2004.

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

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

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

SOURCE: Legislative Budget Board.

MAJOR FUNDING

Funding for the Secretary of State (SOS) includes a decrease of $6.0 million in All Funds due to four major decreases: a $1.6 million decrease for printing and postage for statutory filings; a $1.4 million decrease for grants to counties and political parties to conduct primary elections and voter registration; a decrease of $0.9 million in funding for Colonias Initiatives due to the Governor's Veto Proclamation; and a $1.7 million decrease in federal funding from the Help America Vote Act (HAVA) program. Continued decreases in HAVA funding are due to the upcoming depletion of the Federal Funds that were awarded to the state in 2004.

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

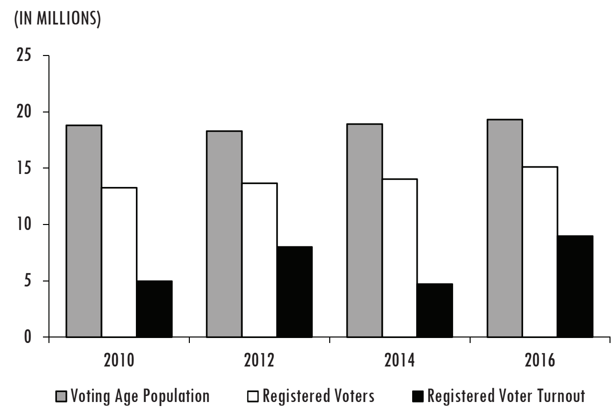
As chief elections officer, the SOS is responsible for the interpretation and application of the Texas Election Code. SOS administers election laws through five interrelated functions: administration of statewide elections, election and voter registration funds, constitutional amendments, administration of HAVA, and voter registration.

Historical data regarding voter turnout and registration is shown in **Figure 121**. 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. HAVA federal funding decreases continue to be partially covered by General Revenue Funds to maintain a voter education program previously funded by Federal Funds. The Eighty-fifth Legislature, Regular Session, 2017, passed seven proposed constitutional amendments for Texas voters to vote on in the November 2017 election. SOS will also disburse approximately $12.8 million to county political parties for payment of poll workers and operating costs associated with primary elections for fiscal year 2018. Appropriations for administering election laws include $32.3 million and 29.0 full-time-equivalent (FTE) positions.

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), enables external users to file documents and obtain information regarding 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 business and public filings program is appropriated $12.9 million and 101.0 FTE positions for the 2018–19 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 $0.9 million and 8.0 positions for the biennium. The agency anticipates processing 15.8 million filings and related information requests for the 2018–19 biennium.

FIGURE 121
TEXAS GENERAL ELECTION TURNOUT AND VOTER REGISTRATION, FISCAL YEARS 2010 TO 2016



SOURCE: Texas Office of the Secretary of State.

BORDER AFFAIRS

The primary function of the border affairs program area is to provide 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. Funding of $859,091 for the Colonia Initiatives program, formerly a component of border affairs, was removed for the 2018–19 biennium by the Governor's line-item veto of Senate Bill 1, Eighty-fifth Legislature, Regular Session, 2017. Appropriations for the protocol and border affairs program include approximately $0.6 million for the biennium and provide for 3.0 FTE positions.

SIGNIFICANT LEGISLATION

Senate Bill 5 – Voter Identification. The legislation amends the Texas Election Code to enable voters who do not possess and cannot reasonably obtain one of the seven forms of approved photo identification to execute a reasonable impediment declaration together with providing another form of identification specified in the bill.

House Bill 4034 – Updating Voter Information. The legislation requires voter registrars to provide expedited updates to the voter registration list to ensure that each voter registrar collects and reports the correct month, day, and year of birth for each registered voter. The bill also requires SOS to compare registered voters in an effort to identify and eliminate duplicates.

House Bill 1217 – Online Notaries. The legislation establishes a separate commissioning process for an online notary public and directs SOS to develop and adopt administrative rules for online notarizations, including technology standards and notarization procedures.

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

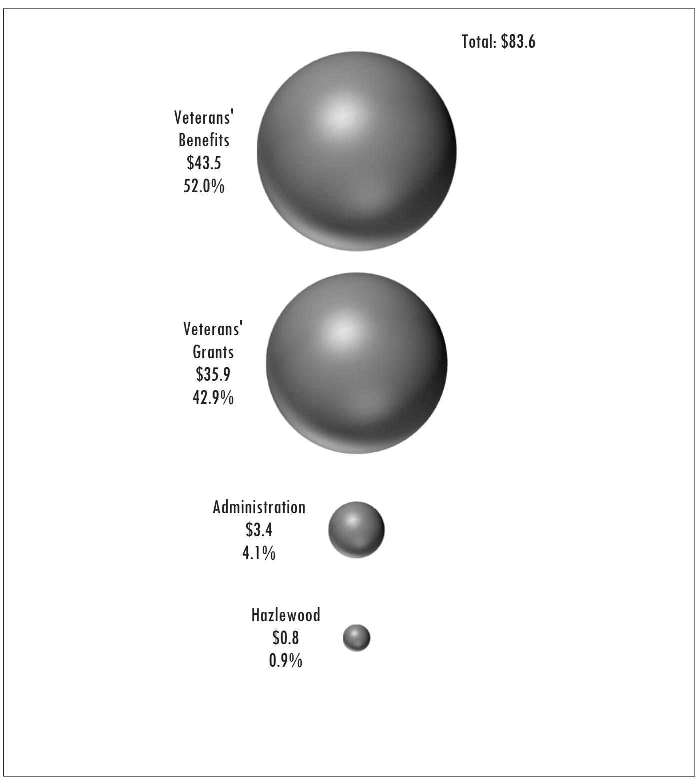
FIGURE 122
VETERANS COMMISSION BY METHOD OF FINANCE

(IN MILLIONS)

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

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2018	410.5
2019	410.5

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

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

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

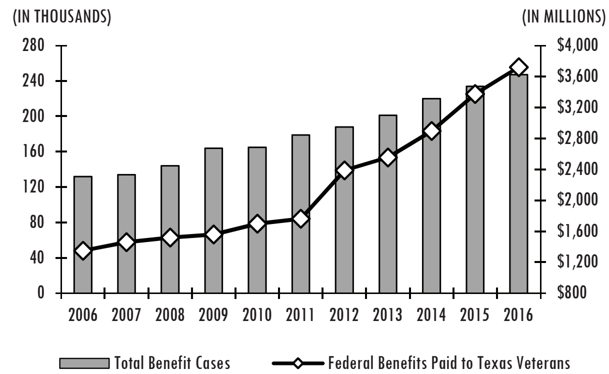
The agency is appropriated $6.9 million in General Revenue Funds for behavioral health services, to provide training to coordinators and peers who work with veterans and their families to address military trauma issues and to provide grants to local nonprofit organizations that provide assistance or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

Source: Legislative Budget Board.

MAJOR FUNDING

Appropriations for the Texas Veterans Commission (TVC) decreased by $31.0 million, or 27.1 percent. The decrease is related primarily to the transfer of funding for the Hazlewood Legacy Program to the Permanent Fund Supporting Military and Veterans Exemptions (MVE), totaling $30.0 million to combine the MVE and TVC funding for the Hazlewood Legacy Program into one appropriations bill pattern; it is not, therefore, a reduction to the function overall (see Chapter 6, Agencies of Education). The remainder of the decrease is attributable primarily to the removal of $450,000 transferred from the Texas Workforce Commission for veteran employment programs and a decrease of approximately $375,000 in onetime federal general assistance grants for transportation services.

FIGURE 123
FEDERAL BENEFITS AND CASE REPRESENTATION BY THE VETERANS' COMMISSION, FISCAL YEARS 2006 TO 2016



SOURCE: Texas Veterans Commission.

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 county veterans service officers throughout the state. During fiscal year 2017, the agency managed more than 405,000 cases involving veteran's benefits. The agency's claims representation and counseling services are available statewide in 37 agency offices. Additionally, veterans' assistance counselors offer training to the state's county veterans' service officers that represent veterans whose claims are filed at a county office. Throughout the state, 185 county offices include 246 county service officers who assist with veterans' claims. Utilizing the Public Assistance Reporting Information System, TVC has collected $3.6 million in benefits for veterans and $1.1 million in retroactive payments to date. **Figure 123** shows the number of active benefit cases compared to the federal benefits paid to Texas veterans. Appropriations for these types of services total approximately $16.6 million for the 2018–19 biennium.

Employment services are another area of support that TVC provides. The objective is to assist veterans to obtain and retain long-term meaningful employment. The agency accomplishes this objective through a variety of services. Veterans Career Advisors work individually with veterans or qualified individuals 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 by highlighting and promoting the benefits of hiring eligible veterans.

Family Career Advisors also provide employment, training, placement, and outreach services to meet the needs of caretakers and family members of injured veterans and military spouses. According to the 2016 U.S. Department of Labor Veteran and Non-Veteran Job Seekers Study, Texas veterans are entering employment at the rate of 71.9 percent compared to the national average of 48.0 percent. Texas veterans also retained employment at the rate of 82.3 percent compared to the national average of 69.0 percent.

For fiscal years 2018 and 2019, TVC is appropriated more than $20.0 million for veterans' employment services.

Educational support is another service that 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 to examine reporting accuracy at schools and training establishments, tuition and fee charges to veterans and to the VA, and VA payment accuracy.

As of the end of fiscal year 2017, approximately 1,462 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 2016, Texas ranked second in the U.S. in the number of veterans receiving GI Bill education benefits, totaling approximately $1.5 billion for an estimated 87,067 student veterans.

During fiscal year 2017, the TVC Veterans Education program responded to more than 13,513 inquiries regarding education benefits. The program also conducted more than 417 onsite visits, including 145 VA-directed compliance survey visits, to colleges, universities, trade and vocational schools, and training sites throughout the state. Additionally, the agency participated in more than 279 veterans job fairs, benefits fairs, and other outreach events in Texas.

Approximately $3.0 million is appropriated for the 2018–19 biennium for veterans' education-related services.

HAZLEWOOD

The Hazlewood Act, the Texas Education Code, Section 54.341, 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 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 dependent. 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 43,500 eligible veterans and family members used the Hazlewood exemption at institutions of higher education in Texas in 2017. TVC's Veterans Education program, which oversees GI Bill benefits, also manages the Hazlewood database and coordinates with the Legislative Budget Board and the Comptroller of Public Accounts regarding 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 2018–19 biennium, TVC is appropriated approximately $781,000 for the Hazlewood administration, and $30.0 million in General Revenue Funds was moved to the bill pattern for Article III, Support for Military and Veterans Exemptions.

VETERANS' GRANTS

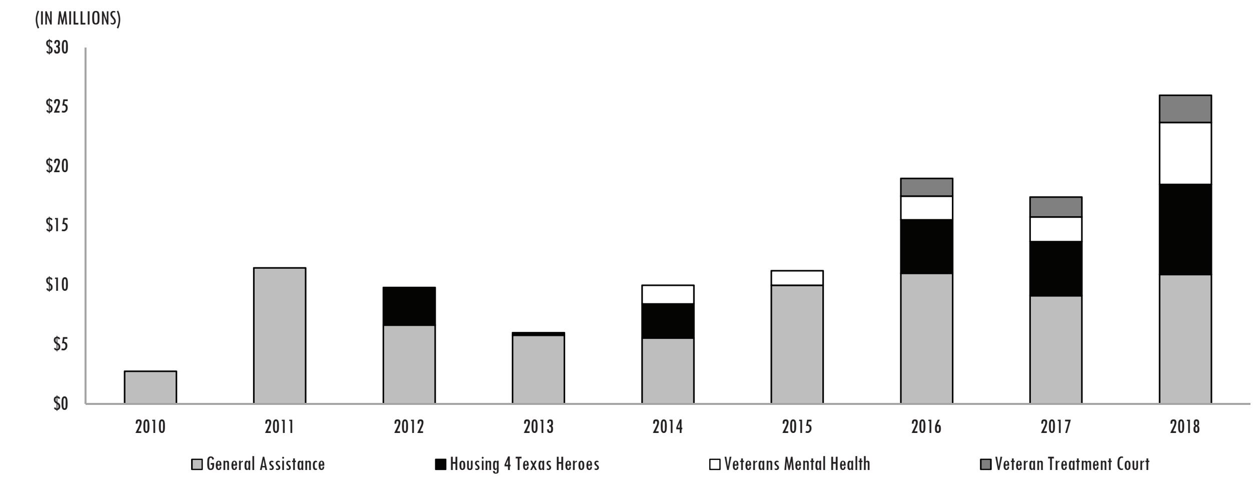
The Fund for Veterans' Assistance (FVA; Other Funds) awards reimbursement grants to nonprofit and local government organizations to provide direct services to Texas veterans and their families in four categories: General Assistance; Veterans Mental Health; Veteran Treatment Court; and Housing4TexasHeroes. Since 2009, the FVA program has awarded more than $91.0 million through 467 grants to nonprofit and local government entities. As of May 2017, grantees have served more than 244,000 Texas veterans and dependents. **Figure 124** shows the awards that FVA has granted since fiscal year 2010.

Organizations that receive 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 projects that address post-traumatic stress or reintegration for veterans and family members.

Veterans Treatment Court grants assist Texas veterans and their families to obtain services through programs established

FIGURE 124
TEXAS VETERANS COMMISSION FUND FOR VETERANS' ASSISTANCE GRANTS, FISCAL YEARS 2010 TO 2018



NOTE: Amounts for fiscal year 2018 are estimated.
SOURCE: Texas Veterans' Commission.

pursuant to the Texas Government Code, Sections 124.001 to 124.006.

Organizations that receive 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, low-income, and very low-income veterans.

For fiscal years 2018 and 2019, TVC is appropriated approximately $30.0 million for this program area.

ADMINISTRATION

These funds facilitate the management and distribution of funds, grants, and other support services that the agency provides. Appropriations for the 2018–19 biennium total approximately $3.4 million for this purpose.

SIGNIFICANT LEGISLATION

Senate Bill 27 – Establish a clinical care and research center for veterans affected by trauma. The legislation authorizes the University of Texas System to establish the National Center for Warrior Resiliency at the University of Texas Health Science Center at San Antonio for the purpose of researching issues relating to the detection, prevention, diagnosis, and treatment of combat-related, post-traumatic stress disorder and comorbid conditions; and to provide clinical care to enhance the psychological resiliency of military personnel and veterans.

Senate Bill 544 – Required training for county veterans service officers and assistant county veterans service officers. The legislation directs TVC to reimburse certain expenses related to attending training, regularly update training curriculum, and approve training provided by public or private entities to fulfill initial and continuing requirements for county veterans service officers and assistant county veterans service officers.

Senate Bill 591 – Increase awareness of veteran's benefits and services through a community outreach campaign. The legislation directs TVC to establish a veterans community outreach campaign no later than November 1, 2018. Through the campaign, TVC must include outreach efforts at places where veterans routinely gather, providing information relating to veterans claim assistance, technology services, employment services, legal services, education benefits, available grants, entrepreneurial services, and mental health services.

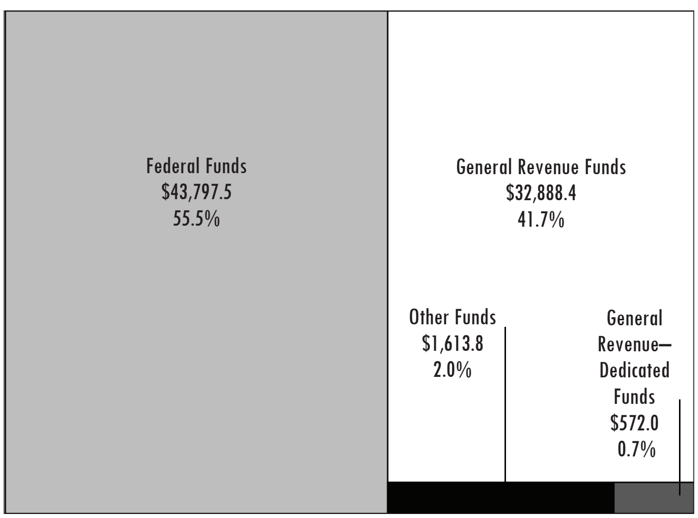
5. HEALTH AND HUMAN SERVICES

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

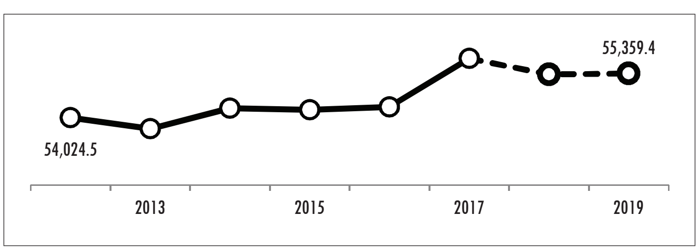
FIGURE 125
ARTICLE II – HEALTH AND HUMAN SERVICES, BY METHOD OF FINANCE

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

SHARE OF FUNDING BY METHOD OF FINANCE (IN MILLIONS)



FULL-TIME-EQUIVALENT POSITIONS



SIGNIFICANT DEVELOPMENTS

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

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

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

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

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

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

FIGURE 126
ARTICLE II – HEALTH AND HUMAN SERVICES APPROPRIATIONS BY AGENCY, ALL FUNDS
(IN MILLIONS)

FUNCTION	EXPENDED/BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE
Department of Family and Protective Services	$3,705.7	$4,089.4	$383.7	10.4%
Department of State Health Services	$5,632.5	$1,551.3	($4,081.2)	(72.5%)
Health and Human Services Commission	$70,700.5	$71,756.5	$1,056.0	1.5%
Subtotal, Health and Human Services	**$80,038.7**	**$77,397.2**	**($2,641.5)**	**(3.3%)**
Employee Benefits and Debt Service	$2,090.8	$2,236.6	$145.8	7.0%
Less Interagency Contracts	$1,257.2	$762.1	($495.1)	(39.4%)
Total, All Functions	**$80,872.3**	**$78,871.7**	**($2,000.6)**	**(2.5%)**

NOTES:
(1) Biennial change and percentage change are calculated on actual amounts before rounding. Therefore, figure totals may not sum due to rounding.
(2) Includes changes due to: House Bill 2, Eighty-fifth Legislature, Regular Session, 2017; technical and/or reconciled adjustments; and the Governor's vetoes.
SOURCE: Legislative Budget Board.

MAJOR FUNDING

MEDICAID

The primary funding issue for the health and human services (HHS) function is Medicaid, constituting more than three-quarters of HHS All Funds appropriations. Following agency consolidation during the 2016–17 biennium, 99.9 percent of Medicaid funding is appropriated to the Health and Human Services Commission (HHSC) for Medicaid client services, programs supported by Medicaid funding, and administration of Medicaid and programs supported by Medicaid funding. The remaining 0.1 percent is appropriated to the Department of State Health Services (DSHS) and the Department of Family and Protective Services (DFPS) for programs supported by Medicaid funding and administration of Medicaid and programs supported by Medicaid funding.

A total of $61.8 billion in All Funds ($25.0 billion in General Revenue Funds, $0.2 billion in General Revenue–Dedicated Funds, $0.6 billion in Other Funds, and $36.1 billion in Federal Funds) in Medicaid funding is appropriated across the HHS function for the 2018–19 biennium. These appropriations represent a $2.5 billion decrease in All Funds (3.8 percent) from the 2016–17 biennial expenditure level, which includes a $1.8 billion All Funds decrease in Medicaid client services, a $0.1 billion All Funds decrease in Medicaid funding for programs supported by Medicaid funding, and a $0.6 billion decrease in administrative funding.

CHILD PROTECTIVE SERVICES

Funding of $3.5 billion in All Funds, including $2.0 billion in General Revenue Funds, is provided for Child Protective Services (CPS) functions at DFPS. This amount reflects an increase of $494.2 million in All Funds and $315.5 million in General Revenue Funds from the 2016–17 biennial expenditure level.

The following amounts are included in CPS funding to improve agency performance related to the average caseload per CPS caseworker and CPS caseworker retention, and to ensure the safety of children:

- $292.8 million in All Funds to maintain 828.8 full-time-equivalent (FTE) positions and salary increases provided during fiscal year 2017 to address critical needs in the CPS program; and
- $88.0 million in All Funds to support an additional 509.5 caseworker positions for fiscal year 2018 and 597.9 caseworker positions for fiscal year 2019.

DFPS entitlement program funding for CPS services, including funds contingent upon enactment of legislation identified in Chapter 3, Significant Legislation, totals $1.6 billion in All Funds and $0.7 billion in General Revenue Funds, including:

- $936.2 million in All Funds and $379.9 million in General Revenue Funds, for Foster Care Payments;

- $568.4 million in All Funds and $288.6 million in General Revenue Funds, for Adoption Subsidy and Permanency Care Assistance Payments; and
- $77.6 million in All Funds and $23.5 million in General Revenue Funds, for Relative Caregiver Payments.

Funding includes an increase of $79.5 million in All Funds and $15.5 million in General Revenue Funds to further support foster care payments, including funding to increase rates for foster care services providers in the legacy and redesigned systems, and to expand Foster Care Redesign to three additional regions by the end of fiscal year 2019.

DFPS was provided an increase of $53.0 million in All Funds and $17.2 million in General Revenue Funds to expand Relative Caregiver payments for the 2018–19 biennium, pursuant to enactment of House Bill 4, Eighty-fifth Legislature, Regular Session, 2017. DFPS also was provided an increase of $46.3 million in All Funds and $15.6 million in General Revenue Funds for Adoption Subsidy and Permanency Care Assistance, which includes $6.4 million in All Funds to continue providing new Permanency Care Assistance agreements pursuant to enactment of Senate Bill 203, Eighty-fifth Legislature, Regular Session, 2017.

BEHAVIORAL HEALTH

Funding for non-Medicaid behavioral health services and related expenditures in the Eighty-fifth Legislature, General Appropriations Act, 2018–19 Biennium, Article II, Health and Human Services, includes $3.3 billion in All Funds ($2.2 billion in General Revenue Funds and General Revenue–Dedicated Funds). This amount is an increase of $334.3 million in All Funds, and $107.7 million in General Revenue Funds, from the 2016–17 biennial expenditure level. Funding supports inpatient client services at the state hospitals and community hospitals; outpatient services provided through Local Mental Health Authorities; substance abuse prevention, intervention, and treatment services for adults and children; mental health care services for veterans; and a variety of other services.

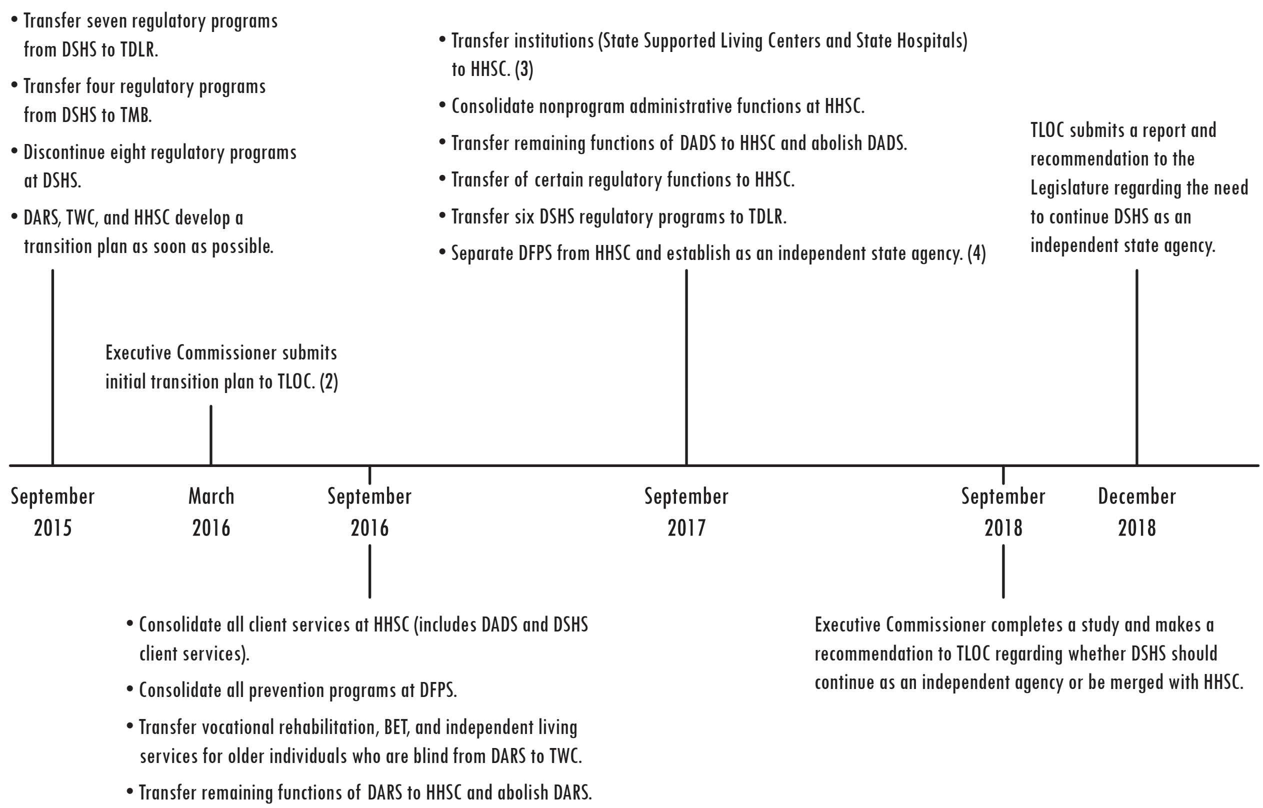
Funding includes: $62.7 million in All Funds for the 2018–19 biennium to address the current and projected waitlists for community mental health services for adults and children; $69.0 million in General Revenue Funds in contingency funding for several bills that would provide grants to community entities for behavioral health services and expand access to peer supports for individuals with mental illness; $10.3 million to increase maximum security forensic bed capacity at the North Texas State Hospital – Vernon Campus; and $24.8 million to maintain purchased inpatient bed capacity and state hospital bed capacity. In addition, funding includes $300.0 million from the Economic Stabilization Fund (ESF) for new construction and significant repair projects at the state hospitals and other inpatient mental health facilities, and approximately $66.3 million from the ESF for immediate maintenance needs at the state hospitals.

Estimated Medicaid expenditures for behavioral health services total $3.5 billion in All Funds for the 2018–19 biennium, and estimated Children's Health Insurance Program (CHIP) expenditures total $48.7 million in All Funds. These amounts include cost growth for both programs that is not funded and Medicaid caseload growth in fiscal year 2019, which also is not funded. Total behavioral health funding, including estimated Medicaid and CHIP expenditures, is estimated to be $7.6 billion in All Funds for the biennium.

AGENCY CONSOLIDATION

As shown in **Figure 127**, the consolidation and transfer of programs affected by Sunset legislation (Senate Bill 200 and Senate Bill 208) passed by the Eighty-fourth Legislature, 2015, followed a timeline from September 2015 to December 2018. In addition to the consolidation of all programs and functions of the former Department of Aging and Disability Services and the Department of Assistive and Rehabilitation Services, HHSC appropriations reflect an increase of $3.8 billion for programs transferred from DSHS. These transitions have occurred within the guidance of the Transition Legislative Oversight Committee. Pursuant to House Bill 5, Eighty-fifth Legislature, Regular Session, 2017, DFPS was separated from the leadership structure of HHSC and established as a stand-alone agency. HHSC is required to conduct a study and submit a report and recommendation to the Transition Legislative Oversight Committee on the need to continue DSHS as an independent agency in fall 2018.

FIGURE 127
TIMELINE OF HEALTH AND HUMAN SERVICES AGENCIES' SUNSET BILLS IMPLEMENTATION, 2015 TO 2018



NOTES:
(1) 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.
(2) An updated plan was submitted to TLOC in August 2016.
(3) DSHS retains Texas Center for Infectious Disease.
(4) Pursuant to House Bill 5, Eighty-fifth Legislature, Regular Session, 2017, DFPS is an independent state agency.
SOURCE: Legislative Budget Board.

DEPARTMENT OF FAMILY AND PROTECTIVE SERVICES

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

ESTABLISHED: 2004

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

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

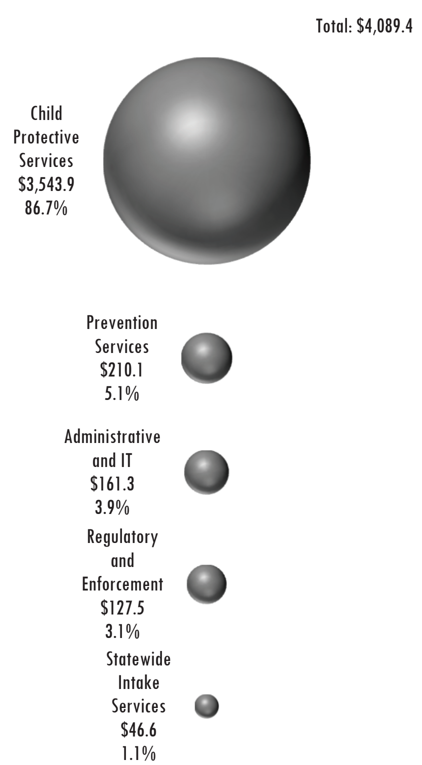
FIGURE 128
DEPARTMENT OF FAMILY AND PROTECTIVE SERVICES BY METHOD OF FINANCE

(IN MILLIONS)

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

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2018	12,402.2
2019	12,457.5

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

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

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

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

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

MAJOR FUNDING

Funding for the Department of Family and Protective Services (DFPS) increased by $383.7 million in All Funds, including $253.6 million in General Revenue Funds and General Revenue–Dedicated Funds. This amount includes increased funding of $494.2 million in All Funds for Child Protective Services (CPS) primarily to fund expansion of Community-based Care into three new catchments areas during the 2018–19 biennium, rate increases for certain foster care providers, expansion of the Preparation for Adult Living program, continuation of the Permanency Care Assistance program after fiscal year 2017, and expansion of the Relative Caregiver Payment program. Increased funding for CPS also provides for additional full-time-equivalent (FTE) positions to improve agency performance related to the average caseload per CPS caseworker and caseworker retention, and to ensure the safety of children in conservatorship of the state. Other significant funding increases provide for the expansion of services in the prevention and early intervention Community Youth Development, Project Healthy Outcomes through Prevention and Early Support (HOPES), and Nurse Family Partnership programs; updates to the agency's Information Management Protecting Adults and Children in Texas (IMPACT) system; and additional prevention and early intervention, community engagement, and Statewide Intake staff.

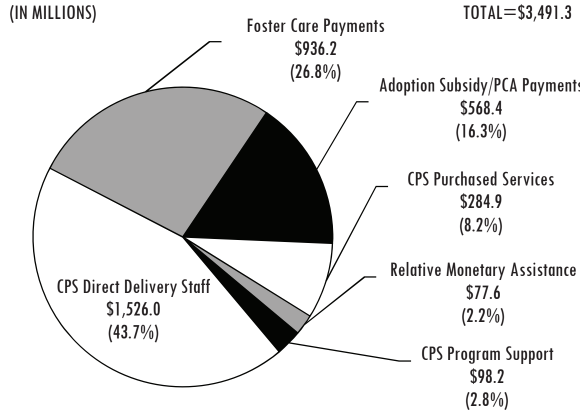
PROGRAMS

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 129** shows the appropriations by CPS program.

FIGURE 129
CHILD PROTECTIVE SERVICES (CPS) 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 $1,526.0 million and provides for 9,883.9 FTE positions for fiscal year 2018 and 9,937.8 positions for fiscal year 2019. The increase in appropriations includes funding for 828.8 positions provided during fiscal year 2017 in an interim request for critical needs approved in December 2016, and an additional 509.5 positions for fiscal year 2018 and 597.9 positions for fiscal year 2019. **Figure 130** shows the agency's turnover from fiscal years 2011 to 2017, including the effects in 2017 of the critical needs funding.

FIGURE 130
CHILD PROTECTIVE SERVICES CASEWORKERS TURNOVER RATES, FISCAL YEARS 2011 TO 2017

STAFF	2011	2012	2013	2014	2015	2016	2017
Conservatorship Caseworker	22.7%	23.7%	22.9%	22.6%	22.6%	22.6%	16.5%
Family-based Safety Services Caseworker	27.3%	25.4%	25.5%	23.0%	27.9%	25.3%	16.0%
Investigator Caseworker	31.7%	33.5%	32.3%	33.8%	32.7%	33.0%	24.9%

SOURCE: Department of Family and Protective Services.

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 $98.2 million and provides for 471.4 FTE positions for fiscal years 2018 and 2019.

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 $284.9 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 certain children who live in a foster home placement and both caregivers work full-time. TWC Relative Day Care provides day-care services for certain children placed with relatives who are not licensed or verified as foster care providers, 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 $142.7 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 $19.6 million in All Funds. The appropriation includes $17.1 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. Funding for this program was increased by $1.2 million in General Revenue Funds for the 2018–19 biennium related to the enactment of Senate Bill 1758, Eighty-fifth Legislature, Regular Session, 2017, which requires DFPS to begin providing certain services to eligible children at the reduced age of 14.

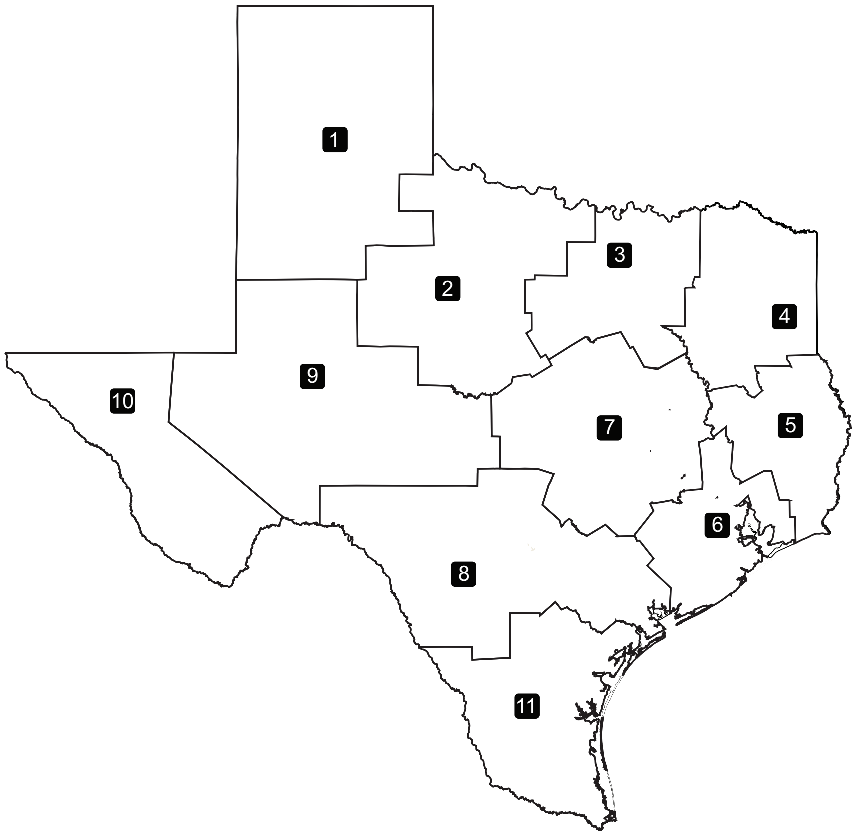
Substance Abuse Purchased Services provides services to address the parenting impairment caused by substance abuse. The services help prevent children from being removed from their homes or enable them to be reunited with their families more quickly. Biennial funding totals $17.1 million in All Funds.

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 $78.3 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. Pursuant to Senate Bill 218, Eighty-second Legislature, Regular Session, 2011, DFPS began implementing foster care redesign in fiscal year 2012, to utilize single-source continuum contractors (SSCC) in a DFPS catchment area to provide a full continuum of services to children in foster care. Pursuant to Senate Bill 11, Eighty-fifth Legislature, Regular Session, 2017, the foster care redesign model was expanded to include foster care and Family-based Safety Services case management services, and is now referred to as Community-based Care. The transition continues to be implemented in stages, as opposed to an immediate statewide rollout, seeking to prevent disruption of services to children and youth already in foster care. The legacy system continues to remain intact until the redesigned system is implemented across the state. As of October 2017, DFPS Region 3b (Tarrant County) is the only region executing Phase I, foster care placement services. The Eighty-fifth Legislature, Regular Session, 2017, provided funding to continue transition into Region 2c, Abilene, and begin transitioning into Bexar County in Region 8 during fiscal year 2018. Additional funding is provided for expansion into

FIGURE 131
DEPARTMENT OF FAMILY AND PROTECTIVE SERVICES REGIONS, INCLUDING MAJOR CITIES COVERED IN EACH REGION, 2017



Service Regions

1 Lubbock
2 Abilene
3 Arlington
4 Tyler
5 Beaumont
6 Houston
7 Austin
8 San Antonio
9 Midland
10 El Paso
11 Edinburg

NOTE: The Community-based Care Program includes the following counties: Erath, Hood, Johnson, Tarrant, Palo Pinto, Parker, and Somerville.
SOURCE: Department of Family and Protective Services.

two additional catchment areas for fiscal year 2019. **Figure 131** shows the DFPS regions, including the major cities in each region.

Biennial funding for the foster care program, including Community-based Care, totals $936.2 million in All Funds and includes funding to increase support to the SSCCs in Regions 3b and 2c through increased funding for the foster care blended rate, foster care exceptional rates, and network support payments; and additional funding to support expansion of Community-based Care into three additional regions. Funding also provides for rate increases for certain foster care providers in the agency's legacy system.

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 also is provided for nonrecurring payments for families that incur certain expenses during the adoption or permanency care assistance process. Biennial funding for all programs totals $568.4 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 payments to help defray the costs incurred for essential items that may be needed at the time of a child's placement. House Bill 4, Eighty-fifth Legislature, Regular

Session, 2017, authorizes DFPS to provide a payment of up to 50 percent of the daily basic foster care rate to caregivers with income at or less than 300 percent of the federal poverty level for one calendar year. In addition, relatives and other designated caregivers who obtain permanent managing conservatorship of the child are also eligible to receive reimbursement of up to $500 annually for child-related expenses for three years, or until the child turns age 18. 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 Medicaid. Biennial funding for the Relative Caregiver Monetary Assistance program totals $77.6 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 $218.7 million in All Funds and includes $3.4 million for IMPACT to increase and enhance the interoperability and data sharing among DFPS and SSCCs that provide foster care services. Additional capital project funding will provide for partial refreshment of caseworkers' mobile phones and continuation of the Child Care Licensing Automated Support System and Child Care Licensing Fee Collection system.

REGULATORY AND ENFORCEMENT

The regulatory and enforcement programs investigate reports of abuse, neglect, and exploitation to protect adults with disabilities who are age 18 or older and any adults age 65 or older living in their homes. These programs also regulate the delivery of select 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 Investigations.

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. Pursuant to Senate Bill 200, Eighty-fourth Legislature, 2015, the investigation of 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-based and community-based services waiver programs, and private intermediate care facilities for individuals with intellectual disabilities was moved to the Health and Human Services Commission beginning in the 2018–19 biennium. Biennial funding for direct delivery totals $95.4 million in All Funds and provides for 743.4 FTE positions for fiscal years 2018 and 2019.

APS PURCHASED EMERGENCY CLIENT SERVICES

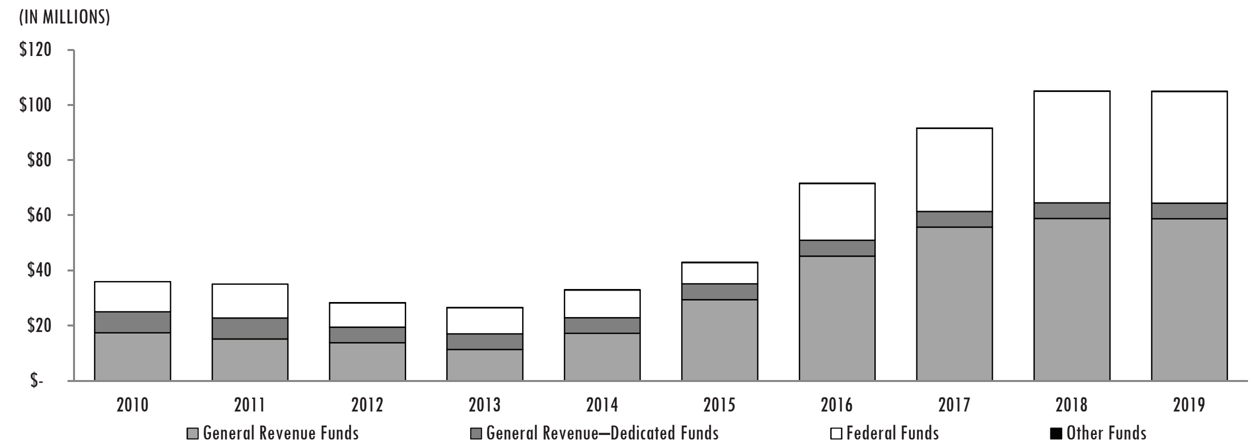
APS Purchased Emergency Client Services provides emergency purchased client services for clients in confirmed cases of abuse, neglect, or exploitation. These services are purchased when an APS caseworker determines that resources in the community cannot meet the client's needs. Emergency client services include emergency shelter, food, medications, adaptive equipment, minor home repairs, restoration of utilities, rent, short-term medical or mental health services, and transportation. Short-term residential and in-home care also might be provided while the agency arranges for the ongoing delivery of services. Biennial funding totals $18.8 million in All Funds.

CHILD-CARE INVESTIGATIONS

Before the 2018–19 biennium, DFPS oversaw all childcare regulation services, including the development and enforcement of minimum standards for the delivery of child-care services throughout the state. The program licensed, registered, or listed providers; conducted monitoring inspections; investigated complaints; took action when violations were confirmed; and provided technical assistance and training to help providers improve services. The program also obtained abuse or neglect and criminal history information regarding individuals who come into contact with children in regulated settings, and disseminated detailed information about child-care services that were available throughout the state.

Pursuant to Senate Bill 200, Eighty-fourth Legislature, 2015, all child-care regulatory functions were to be transferred to the Health and Human Services Commission beginning in fiscal year 2018. However, the enactment of House Bill 5, Eighty-fifth Legislature, Regular Session, 2017, reversed a portion of this consolidation to require the retention of investigations of alleged abuse, neglect, or exploitation occurring at a child-care facility, including a residential child-care facility, at DFPS. The full appropriation for child-care regulation is in the Health and Human Services Commission's

FIGURE 132
PREVENTION AND EARLY INTERVENTION FUNDING, FISCAL YEARS 2008 TO 2019



SOURCE: Legislative Budget Board.

bill pattern; however, the two agencies have been charged with transferring the related child-care investigation funding and FTE positions appropriation to DFPS as soon as possible after enactment of the legislation.

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, child abuse prevention grants, maternal and child home visiting programs, 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 2018–19 biennium total $209.9 million in All Funds and provide for 65.6 FTE positions each fiscal year. The appropriation includes $129.0 million in General Revenue Funds and General Revenue–Dedicated Funds (61.5 percent). The General Revenue–Dedicated Funds are from Account No. 5084, Child Abuse and Neglect Prevention Operating, 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 account for 38.5 percent of the program appropriation, and consist primarily of funding from the U.S. Social Security Act, Title IV-B, Subpart 2, Promoting Safe and Stable Families Program; the Maternal, Infant, and Early Childhood Home Visiting Grant Program; and Temporary Assistance for Needy Families (TANF) block grant. **Figure 132** shows funding for prevention and early intervention services for fiscal years 2008 to 2019.

Funding for prevention and early intervention programs increased by 18.6 percent from the 2016–17 biennial base. The largest area of expansion is related to the transfer of the Maternal and Child Home Visiting Programs to DFPS during fiscal year 2017 due to the enactment of Senate Bill 200, Eighty-fourth Legislature, 2015, which consolidated health and human services prevention programs at DFPS. Additional funding also was provided to support 13.0 additional FTE positions for staff support of all prevention programs.

SERVICES TO AT-RISK YOUTH

The Services to At-risk Youth (STAR) program is intended to provide crisis intervention, temporary emergency shelter, and counseling services for young persons at risk of delinquent or criminal behavior. Each STAR contractor is charged with providing universal child abuse prevention services, ranging from local media campaigns to informational brochures and parenting classes. The funding includes $7.0 million in Federal Funds from the Title IV-B2, Promoting Safe and Stable Families Program. Biennial funding totals $48.6 million in All Funds. Funding for the 2018–19 biennium includes a $1.4 million increase (3.0 percent) from 2016–17 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 juvenile crime. The program emphasizes approaches that support families and enhance positive youth development, such as conflict resolution and mentoring. Funding includes $4.5 million in Federal Funds from the Title IV-B2, Promoting Safe and Stable Families Program. Biennial funding totals $16.8 million in All Funds. Funding for the 2018–19 biennium includes a $2.3 million increase (15.9 percent) from 2016–17 biennial spending levels.

MATERNAL AND CHILD HOME VISITING PROGRAMS

The Maternal and Child Home Visiting programs consist of the Nurse Family Partnership and Texas Home Visiting programs. The Nurse Family Partnership is a voluntary, evidence-based home visitation program that pairs registered nurses with low-income, first-time mothers to improve prenatal care and provide individual child development education and counseling. The Texas Home Visiting program mission is to provide evidence-based home visiting services in targeted communities across Texas to contribute to the development of a comprehensive early childhood system that promotes maternal, infant, and early childhood health, safety, and development. Biennial funding totals $56.5 million in Federal Funds from TANF and the Maternal, Infant, and Early Childhood Home Visiting Grant Program. Funding for the 2018–19 biennium totals $63.0 million in All Funds, and represents a 34.1 percent increase from 2016–17 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 $7.2 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 $56.0 million is allocated among the following programs: Community-based Family Services program, Project HOPES, Project Helping through Intervention and Prevention (HIP), Universal Prevention Services, Statewide Youth Services Network (SYSN), Texas Families: Together and Safe, 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 that CPS has investigated, but where the allegations were unsubstantiated. Project HOPES contracts with community-based organizations to provide prevention programs for child abuse and neglect in select communities or counties targeting families of children ages birth to age 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. Universal Prevention Services is a voluntary program for STAR participants to continue increasing knowledge and awareness of child maltreatment and healthy parenting. The SYSN program provides evidence-based, community-based, juvenile delinquency prevention programs for youths ages 6 to 17 in each region of the state. 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 The prevention services for veterans and military families is a three-year pilot that began in 2016 to provide child abuse and neglect prevention services to military personnel and their families, and the safe baby campaigns are intended to reduce child fatalities and injuries from unsafe sleep environments.

Biennial funding for all programs totals $59.1 million in General Revenue Funds and provides for 5.5 FTE positions each fiscal year. Funding for the 2018–19 biennium includes a $9.1 million increase in All Funds (18.1 percent) from 2016–17 biennial spending levels, primarily related to an additional $8.9 million in General Revenue Funds provided to biennialize the funding provided during the 2016–17 biennium for the expansion of the HOPES project to a total of 24 contracts and counties.

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 $15.1 million and provides for 58.1 FTE positions. Funding for the 2018–19 biennium includes a $5.4 million increase in All Funds (55.3 percent) from 2016–17 biennial spending levels.

STATEWIDE INTAKE SERVICES

Statewide Intake Services provide 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 2018–19 biennium total $45.1 million in All Funds and provide for 416.0 FTE positions for fiscal year 2018 and 417.4 positions for fiscal year 2019.

SIGNIFICANT LEGISLATION

Senate Bill 11, Regular Session, 2017 – Relating to the provision of Child Protective Services. The legislation is an omnibus Child Protective Services bill that requires DFPS to perform the following actions: (1) ensure that any child entering into conservatorship of the state receives a medical examination within three business days; (2) expand Community-based Care into no more than eight catchment areas after the completion of a readiness review; (3) transfer case management services in Region 3b in addition to existing foster care placement services; (4) establish a pilot program to contract Family-based Safety Services case management in two regions of the state; (5) establish a data access and standards governance council; (6) develop a formal review process to evaluate the implementation of outsourced case management services; (7) establish a foster care contract compliance, oversight, and quality assurance division; and (8) complete a foster parent recruitment study. The legislation also requires the Office of the Governor to establish and administer a grant program to support faith-based community programs that collaborate with DFPS to improve foster care services throughout the state.

Senate Bill 203, Regular Session, 2017 – Permanency Care Assistance Agreements. The legislation repealed the Sunset legislation in the Texas Family Code, Section 264.857, thereby removing the deadline that would have prevented DFPS from entering into new permanency care assistance agreements after fiscal year 2017.

Senate Bill 1758, Regular Session, 2017 – Preparation for Adult Living. The legislation requires DFPS to conduct an annual independent living skills assessment for children in the permanent conservatorship of the state, beginning at age 14, and for all children in the conservatorship of the state beginning at age 16. The legislation also requires the agency to develop and report on a plan to standardize all Preparation for Adult Living program curriculum by December 2018.

House Bill 2, Regular Session, 2017 – Relating to making supplemental appropriations. The legislation appropriates an additional $56.6 million in General Revenue Funds during fiscal year 2017 to DFPS for the following programs: (1) $16.3 million for TWC Contracted Day Care; (2) $39.7 million for Foster Care Payments; and (3) $0.7 million for Adoption and Permanency Care Assistance Payments. In addition, to replace the critical needs funding request approved in December 2016, the legislation requires DFPS to reverse the transfer of $29.2 million in General Revenue Funds and $72.5 million in Federal Funds back to HHSC and provides a direct appropriation of $101.7 million in General Revenue Funds.

House Bill 4, Regular Session, 2017 – Relative and Other Designated Caregiver Payments. The legislation amends the DFPS payment structure for caregiver assistance payments for relative and other designated caregivers. Instead of providing a uniform annual payment, the legislation would require a payment of up to 50 percent of the daily basic foster care rate for caregivers with income at or less than 300 percent of the federal poverty level for up to one year. The legislation also enables a related caregiver that obtains permanent managing conservatorship of a child and meets all other eligibility requirements to receive an annual reimbursement for expenses not to exceed $500 until the earlier of the third anniversary of being awarded permanent managing conservatorship, or when the child turns age 18.

House Bill 5, Regular Session, 2017 – Relating to the transfer of certain powers and duties from the Health and Human Services Commission. The legislation separates DFPS from the leadership structure of the Health and Human Services Commission and establishes DFPS as a stand-alone agency. The legislation also directs the agency to enter into a contract with the Health and Human Services Commission for the provision of shared administrative services including payroll, procurement, information resources, rate setting, purchasing, and contracting. The legislation further directs the agency to establish distinct investigations, data, legal, operations, and financial management and accounting divisions.

House Bill 7, Regular Session, 2017 – Relating to Child Protective Services suits, motions, and services. The legislation limits the ability of DFPS to admit a minor to an inpatient mental health facility without documented need. The agency is required to apply for court-ordered mental health services, emergency detention, or an order to protective custody, or to have a physician confirm the immediate need.

DEPARTMENT OF STATE HEALTH SERVICES

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

ESTABLISHED: 2004

AUTHORIZING STATUTE: The Texas Human Resources Code, Chapter 1001

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

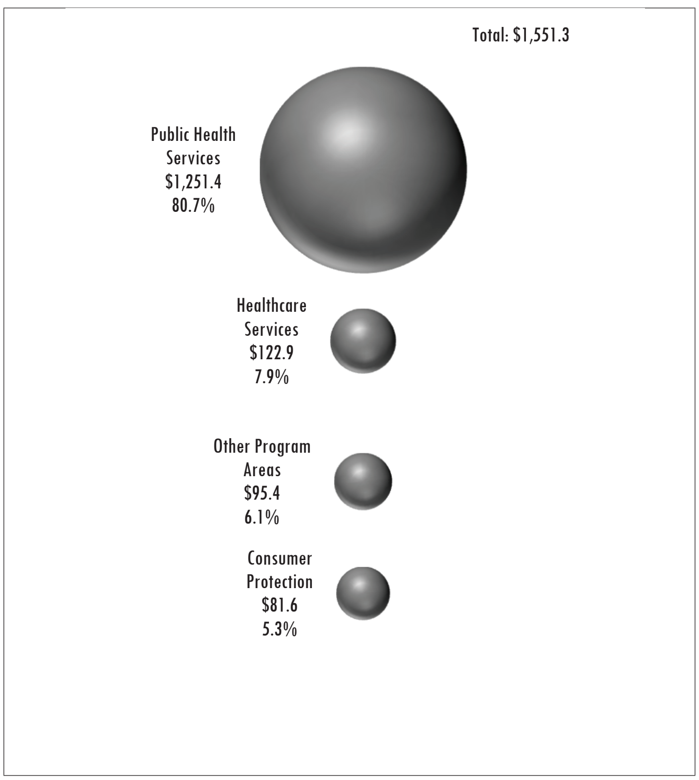
FIGURE 133
DEPARTMENT OF STATE HEALTH SERVICES BY METHOD OF FINANCE

(IN MILLIONS)

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

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2018	3,218.5
2019	3,218.5

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



Source: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

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

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

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

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

MAJOR FUNDING

The following significant funding issues affect the agency's 2018–19 biennial appropriations:

- Senate Bill 200, Eighty-fourth Legislature, 2015, relating to the continuation and functions of the Health and Human Services Commission (HHSC) and the provision of health and human services, reorganized the health and human services system by consolidating many functions previously at the Department of State Health Services (DSHS), the Department of Aging and Disability Services, and the Department of Assistive and Rehabilitative Services at HHSC. Consolidation is expected to be complete by September 1, 2018, at which time DSHS's primary focus will be on core public health functions. Highlights of the consolidation include the following:
    - transfer of abstinence education, kidney healthcare, hemophilia and epilepsy services, a portion of the Children with Special Health Care Needs (CSHCN) program, mental health and substance abuse services, community primary care services, indigent healthcare, mental health community hospitals, and the Texas Civil Commitment Office from DSHS to HHSC on September 1, 2016; this transfer included $1.2 billion in All Funds ($708.8 million in General Revenue Funds) and 539.0 full-time-equivalent (FTE) positions for fiscal year 2017;
    - transfer of the Office of Border Affairs (OBA) from HHSC to DSHS on September 1, 2016; this transfer included $0.7 million in All Funds and 8.0 FTE positions for fiscal year 2017;
    - transfer of the Special Supplemental Nutrition Program for Women, Infants and Children, mental health state hospitals, the Rio Grande State Center Outpatient Clinic, and certain regulatory functions from DSHS to HHSC on September 1, 2017; this transfer included $2.6 billion in All Funds ($726.6 million in General Revenue Funds) and 8,254.4 FTE positions for fiscal year 2018; and
    - transfer of certain administrative functions across the 2016–17 and 2018–19 biennia.

PROGRAMS

The agency carries out its responsibilities through four major program areas: (1) public health services; (2) healthcare services; (3) consumer protection services; and (4) other program areas, primarily administration and information technology.

PUBLIC HEALTH SERVICES

DSHS provides a variety of public health services, including HIV/STD Prevention, immunizations, EMS and Trauma Care systems, infectious disease control, and emergency preparedness. Biennial appropriations for public health services total $1.3 billion, which includes $613.2 million in General Revenue Funds and General Revenue–Dedicated Funds.

HIV/STD PREVENTION

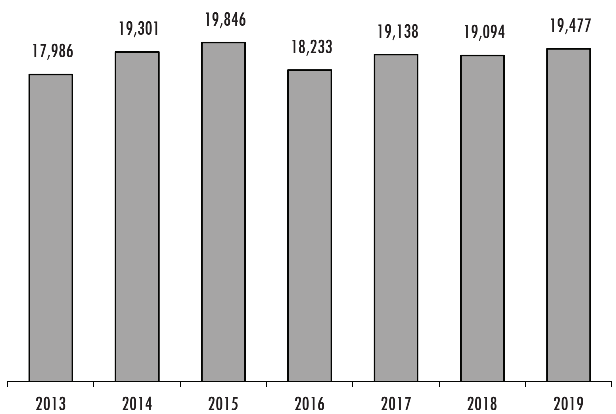
The HIV/STD Prevention program includes interventions to prevent and reduce the spread of sexually transmitted diseases (STD), which include the human immunodeficiency virus (HIV), syphilis, chlamydia, and gonorrhea. Interventions include HIV and STD screening and testing; evidence-based prevention programs 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 who live with HIV or AIDS. **Figure 134** shows the number of clients served in the HIV Medication Program for fiscal years 2013 to 2019. Biennial appropriations for HIV/STD Prevention total $396.4 million in All Funds ($100.0 million in General Revenue Funds) and provide for 210.9 FTE positions.

EMS AND TRAUMA CARE SYSTEMS

Emergency health programs include regional emergency medical services (EMS) and trauma systems development; designation of four levels of trauma facilities; designation of stroke facilities and neonatal facilities; regulation of EMS providers; development and maintenance of a trauma reporting and analysis system; and assurance of coordination and cooperation with neighboring states. **Figure 135** shows the number of designated trauma and stroke facilities in Texas for fiscal years 2013 to 2019.

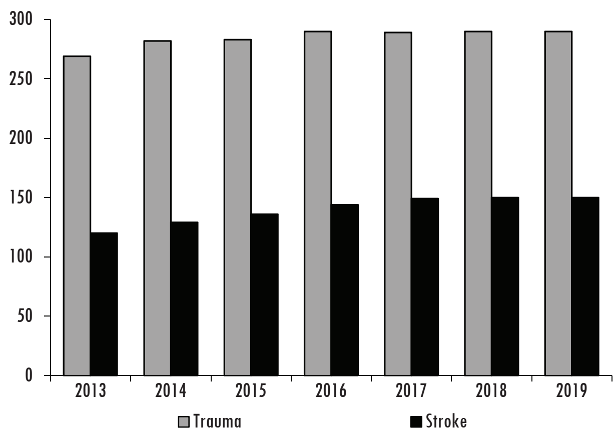
Biennial appropriations total $253.5 million in General Revenue Funds and General Revenue–Dedicated

FIGURE 134
CLIENTS PROVIDED SERVICES IN TEXAS HIV MEDICATION PROGRAM, FISCAL YEARS 2013 TO 2019



Note: Targets for fiscal years 2018 and 2019 are established in the Eighty-fifth Legislature, General Appropriations Act, 2018–19 Biennium.
Source: Department of State Health Services.

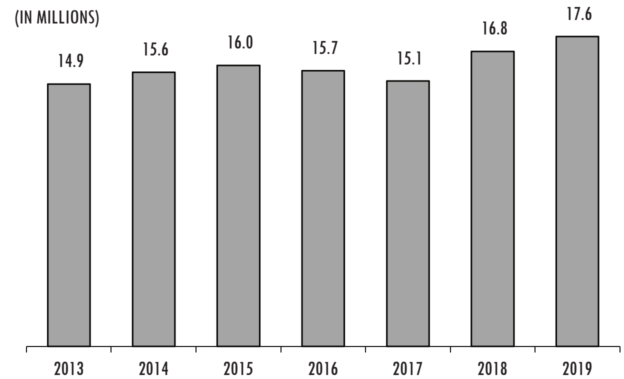
FIGURE 135
TEXAS DESIGNATED TRAUMA AND STROKE FACILITIES FISCAL YEARS 2013 TO 2019



Note: Targets for fiscal years 2018 and 2019 are established in the Eighty-fifth Legislature, General Appropriations Act, 2018–19 Biennium.
Source: Department of State Health Services.

Funds and provide for 69.6 FTE positions. Appropriations include $232.4 million from General Revenue–Dedicated Account No. 5111, Designated Trauma Facility and EMS, used primarily to reimburse hospitals for uncompensated trauma care. Of this amount, $203.3 million from Account No. 5111 is required to be transferred to HHSC to fund the state share of Medicaid hospital add-on payments.

FIGURE 136
VACCINE DOSES ADMINISTERED TO TEXAS CHILDREN FISCAL YEARS 2013 TO 2019



Note: Targets for fiscal years 2018 and 2019 are established in the Eighty-fifth Legislature, General Appropriations Act, 2018–19 Biennium.
Source: Department of State Health Services.

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 $179.5 million in All Funds ($66.3 million in General Revenue Funds and General Revenue–Dedicated Funds) and provide for 255.9 FTE positions. **Figure 136** shows the number of vaccine doses administered to children for fiscal years 2013 to 2019.

PUBLIC HEALTH PREPAREDNESS AND COORDINATED SERVICES

DSHS coordinates state public health and healthcare systems preparedness programs and response activities. This coordination includes providing oversight and management of the Public Health Emergency Preparedness program and the Hospital Preparedness Program. DSHS also provides public health services to communities where local health departments do not exist or that do not have the capacity to provide them. DSHS provides funding to public health regions for disease prevention, syndromic surveillance, disaster response, and protection against environmental hazards. Biennial appropriations total $131.1 million in All Funds ($28.5 million in General Revenue Funds and General Revenue–Dedicated Funds) and provide for 254.0 FTE positions.

LABORATORY SERVICES

The state's public health laboratory conducts analysis of human, animal, and environmental samples; responds to biological and chemical threats; and provides professional consultation. Biennial appropriations total $84.9 million in All Funds ($42.7 million in General Revenue Funds and General Revenue–Dedicated Funds) and provide for 357.6 FTE positions. The All Funds appropriation for laboratory services is a $36.1 million, or 29.8 percent, decrease from 2016–17 biennial spending levels, primarily due to direct appropriation of some Public Health Medicaid Reimbursements for newborn screening to HHSC. These funds previously were transferred to HHSC through an Interagency Contract; therefore, no impact on laboratory operations is anticipated.

TUBERCULOSIS SURVEILLANCE AND PREVENTION

The tuberculosis (TB) program at DSHS conducts a number of activities to control and prevent TB in Texas. The program provides funding to local health departments to provide TB screening; provides technical assistance to correctional facilities in establishing TB control plans and dealing with cases of TB; tracks confirmed cases of drug-resistant TB throughout treatment; and maintains a genotyping database. Biennial appropriations total $55.3 million in All Funds ($39.6 million in General Revenue Funds) and provide for 120.2 FTE positions.

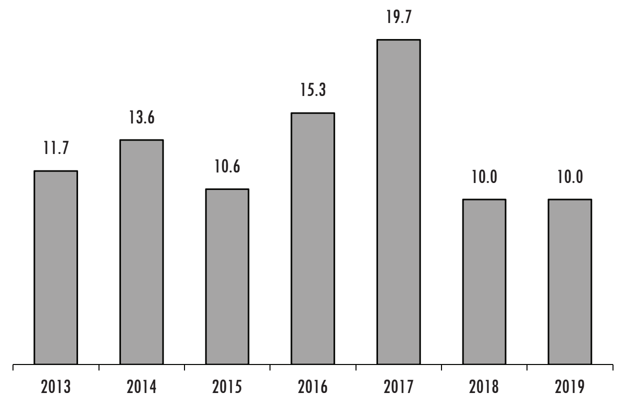
VITAL STATISTICS

The Vital Statistics Unit (VSU) of DSHS maintains the state's vital records system, which includes original birth and death records, applications for marriage licenses, and reports of divorces and annulments. Additionally, VSU maintains a paternity registry and voluntary adoption registry. Biennial appropriations for vital statistics activities total $29.4 million in All Funds ($7.6 million in General Revenue Funds and General Revenue–Dedicated Funds) and provide for 117.7 FTE positions. **Figure 137** shows the average number of days to certify vital records for fiscal years 2013 to 2019.

HEALTH REGISTRIES

The agency conducts disease surveillance, investigates unusual occurrences of disease, assesses environmental exposures, and conducts population research studies using a number of health registries. These registries track conditions such as birth defects, cancer, and elevated blood lead levels, among others. Biennial appropriations total $27.6 million in All Funds ($8.9 million in General Revenue Funds) and provide for 135.5 FTE positions.

FIGURE 137
AVERAGE NUMBER OF DAYS TO CERTIFY TEXAS VITAL RECORDS, FISCAL YEARS 2013 TO 2019



NOTE: Targets for fiscal years 2018 and 2019 are established in the Eighty-fifth Legislature, General Appropriations Act, 2018–19 Biennium.
SOURCE: Department of State Health Services.

INFECTIOUS DISEASE PREVENTION, EPIDEMIOLOGY, AND SURVEILLANCE

DSHS implements programs to prevent, control, and treat infectious diseases, including hepatitis and Hansen's disease (leprosy), and to minimize the incidence of diseases transmittable from animals to humans (zoonotic diseases). Biennial appropriations for infectious disease prevention, epidemiology, and surveillance total $24.6 million in All Funds ($20.4 million in General Revenue Funds) and provide for 77.4 FTE positions.

TEXAS CENTER FOR INFECTIOUS DISEASE

The Texas Center for Infectious Disease (TCID) is a public health facility for the treatment of TB. The center provides medical care, conducts research, and provides professional education to healthcare providers who treat patients with TB and other infectious diseases. TCID also operates as an outpatient clinic for Hansen's disease. Biennial appropriations total $23.1 million in All Funds ($20.7 million in General Revenue Funds and General Revenue–Dedicated Funds) and provide for 148.3 FTE positions.

HEALTH PROMOTION AND CHRONIC DISEASE PREVENTION

DSHS 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, 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 $17.3 million in All Funds ($7.8 million in General Revenue Funds) and provide for 53.1 FTE positions.

REDUCE USE OF TOBACCO PRODUCTS

DSHS conducts comprehensive tobacco prevention and control activities at various levels throughout the state, including community mobilization, tobacco use prevention education in schools and communities, and cessation activities through education and a statewide telephone counseling service. Appropriations for these activities total $16.2 million in All Funds ($8.8 million in General Revenue Funds and General Revenue–Dedicated Funds) and provide for 13.7 FTE positions for the 2018–19 biennium.

HEALTH DATA AND STATISTICS

DSHS is responsible for collecting, storing, analyzing, and disseminating health data and information to improve public health. The agency achieves this by operating the Center for Health Statistics (CHS). CHS conducts research on public health issues and health disparities in Texas; collects and reports on healthcare activity in hospitals and health maintenance organizations operating in Texas through the Texas Health Care Information Collection; collects, analyzes, and disseminates information regarding health and healthcare providers, which includes operating the Health Professions Resource Center and the Texas Center for Nursing Workforce Studies; and provides library and information services, including a medical and research library, an audiovisual library, and a funding information center. Biennial appropriations for health data and statistics total $8.3 million in All Funds ($6.0 million in General Revenue Funds) and provide for 75.6 FTE positions.

BORDER HEALTH AND COLONIAS

DSHS operates the state's Office of Border Health (OBH) and Office of Border Affairs (OBA). OBH was established by the Seventy-second Legislature, 1991, to coordinate and promote health issues between Texas and Mexico. OBA coordinates information and resources and works with stakeholders to increase knowledge of and access to services along the Texas–Mexico border. Biennial appropriations for border health and colonias total $4.3 million in All Funds ($2.4 million in General Revenue Funds) and provide for 23.5 FTE positions. This amount is a $0.8 million, or 21.9 percent, All Funds increase from 2016–17 biennial spending levels due primarily to the transfer of OBA from HHSC to DSHS on September 1, 2016, pursuant to Senate Bill 200.

HEALTHCARE SERVICES

Healthcare services include a number of programs including services for children with special healthcare needs, initiatives promoting maternal and child health, and operation of the Texas Primary Care Office.

WOMEN AND CHILDREN'S HEALTH SERVICES

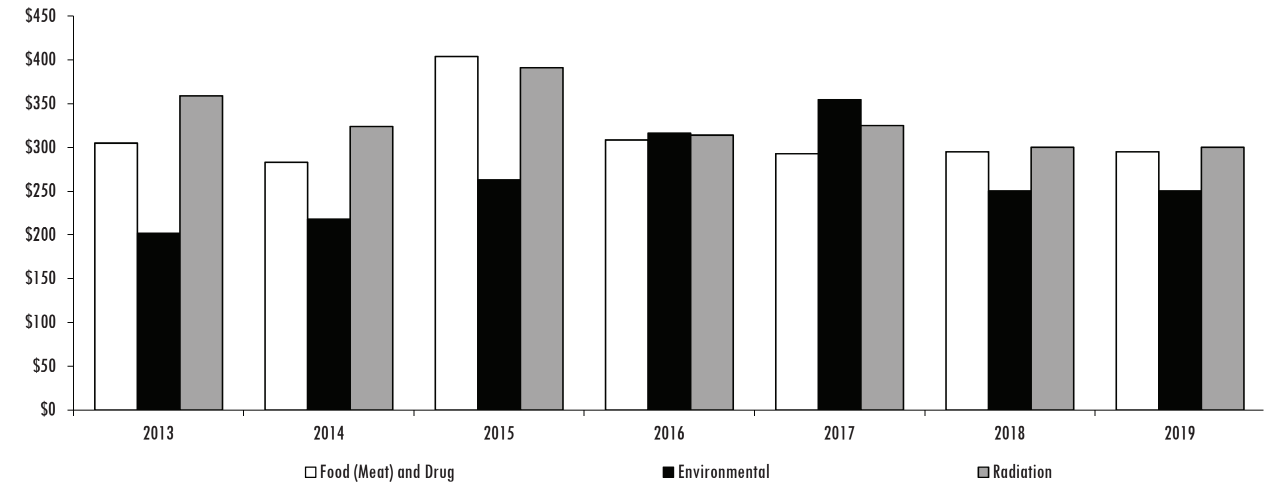
The agency develops, implements, and promotes maternal and child public health initiatives intended to improve health outcomes for federally identified Social Security Act, Title V, populations in Texas. Initiatives are implemented through research and surveillance, promotion of best practices, statewide public health collaboration efforts, and strengthening of the public health infrastructure, while meeting specified national and state performance measures. DSHS also serves as a connection between direct care services provided by the Medicaid Texas Health Steps program at HHSC and other health and social services programs. Additionally, the agency facilitates collaboration and education, serves as information conduits for public health messaging at the local level, and provides administrative support to the Maternal Mortality and Morbidity Task Force.

Biennial appropriations for women and children's health services total $100.7 million in All Funds ($33.3 million in General Revenue Funds) and provide for 425.7 FTE positions. This amount is a $13.6 million, or 11.9 percent, decrease in All Funds from 2016–17 biennial spending levels, due primarily to the transfer of certain services to HHSC on September 1, 2016, pursuant to Senate Bill 200.

CHILDREN WITH SPECIAL HEALTH CARE NEEDS

The Children with Special Health Care Needs (CSHCN) program provides medical, dental, and mental health care and case management services not covered by Medicaid, the Children's Health Insurance Program, or private insurance for children with special healthcare needs. The program also provides family support services including respite care, vehicle and home modifications, and special equipment to eligible clients. Pursuant to Senate Bill 200, the medical services portion of the CSHCN program transferred to

FIGURE 138
AVERAGE COST OF CONSUMER PROTECTION SURVEILLANCE ACTIVITIES, FISCAL YEARS 2013 TO 2019



NOTE: Targets for fiscal years 2018 and 2019 are established in the Eighty-fifth Legislature, General Appropriations Act, 2018–19 Biennium.
SOURCE: Department of State Health Services.

HHSC on September 1, 2016; DSHS continues to provide the case management and family support services portions of the program.

Biennial appropriations total $18.8 million in All Funds ($10.9 million in General Revenue Funds) and provide for 74.9 FTE positions. Appropriations are $35.0 million, or 65.0 percent, less than 2016–17 biennial spending levels, due primarily to the transfer of CSHCN medical services to HHSC, pursuant to Senate Bill 200.

COMMUNITY PRIMARY CARE SERVICES

DSHS operates the Texas Primary Care Office (TPCO), which assesses need, designates parts of the state as health professional shortage areas or as medically underserved, recruits and retains providers to work in these areas, and works with communities to improve access to primary medical, dental, and mental healthcare. Biennial appropriations for TPCO total $3.4 million in All Funds ($2.8 million in General Revenue–Dedicated Funds) and provide for 15.4 FTE positions. All Funds appropriations are $77.1 million, or 95.8 percent, less than 2016–17 biennial spending levels, due primarily to the transfer of the Primary Health Care program to HHSC on September 1, 2016, pursuant to Senate Bill 200.

CONSUMER PROTECTION SERVICES

Consumer protection services include public health efforts related to ensuring food and drug safety, minimizing environmental hazards, licensing healthcare professionals, and regulating activities related to radiation. Funding for consumer protection is generated largely through fee revenue deposited to the General Revenue Fund or to specific General Revenue–Dedicated accounts. Biennial appropriations for consumer protection services total $81.6 million in All Funds ($68.7 million in General Revenue Funds and General Revenue–Dedicated Funds). **Figure 138** shows the average cost of food (meat) and drug, environmental, and radiation surveillance activities for fiscal years 2013 to 2019.

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 that have 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 packaged and labeled truthfully. Food, meat, and drug safety appropriations total $49.9 million in All Funds for the 2018–19 biennium ($39.7 million in General Revenue Funds and General Revenue–Dedicated Funds) and provide for 377.9 FTE positions.

RADIATION CONTROL

The agency has a primary role in regulating the use of radiation in Texas. DSHS licenses radioactive materials; certifies individuals to practice industrial radiography; certifies x-ray and mammography equipment and facilities; and provides emergency response for nuclear facilities. Radiation control appropriations for the 2018–19 biennium total $18.4 million in All Funds ($17.5 million in General Revenue Funds and General Revenue–Dedicated Funds) and provide for 139.1 FTE positions.

ENVIRONMENTAL HEALTH

DSHS provides licensure, inspection, and regulation of asbestos, lead-based paints, hazardous products, abusable volatile chemicals, community sanitation, and other agents. Additionally, the agency monitors the environmental health safety of schools, youth camps, public swimming pools, and public lodging facilities. Environmental health appropriations for the 2018–19 biennium total $12.9 million in All Funds ($11.5 million in General Revenue Funds and General Revenue–Dedicated Funds) and provide for 92.6 FTE positions.

HEALTHCARE PROFESSIONALS REGULATION

To ensure that healthcare standards are met, the agency issues registrations, certifications, and permits for healthcare professionals and maintains registries on various healthcare professionals. Appropriations for the 2018–19 biennium for Health Care Professionals total $0.4 million in All Funds to regulate massage therapists and offender education providers until November 1, 2017. This amount is a decrease of $7.2 million, or 94.4 percent, from 2016–17 biennial spending levels due primarily to legislation passed by the Eighty-fourth Legislature, 2015, including the following:

- deregulation of licensing for contact lens dispensers, opticians, and personal emergency response systems effective September 1, 2015, pursuant to Senate Bill 202, Eighty-fourth Legislature, 2015;
- transfer of the regulation of respiratory care practitioners, medical radiologic technologists, medical physicists, and perfusionists to the Texas Medical Board during fiscal year 2016, pursuant to Senate Bill 202;
- transfer of the regulation of athletic trainers, dietitians, fitters and dispensers of hearing instruments, midwives, orthotists and prosthetists, speech-language pathologists and audiologists, and dyslexia therapists and practitioners to the Texas Department of Licensing and Regulation (TDLR) during fiscal year 2016, pursuant to Senate Bill 202;
- transfer of the regulation of marriage and family therapists, professional counselors, social workers, chemical dependency counselors, and sex offender treatment to HHSC on September 1, 2017, pursuant to Senate Bill 200; and
- transfer of the regulation of massage therapists and offender education providers to TDLR on November 1, 2017, pursuant to Senate Bill 202.

After November 1, 2017, the only healthcare professionals that DSHS will regulate are emergency services personnel. Responsibility for regulation of these professionals transferred to the EMS and Trauma Care Systems program at the beginning of the 2018–19 biennium.

OTHER PROGRAM AREAS

INFORMATION TECHNOLOGY PROGRAM SUPPORT

Information technology program support implements and supports the automation and management of information resources throughout the agency. Appropriations for the 2018–19 biennium include $31.2 million in All Funds ($30.9 million in General Revenue Funds and General Revenue–Dedicated Funds) and provide for 19.0 FTE positions.

AGENCYWIDE INFORMATION TECHNOLOGY PROJECTS

DSHS has two major agencywide information technology projects: seat management and data center consolidation. Appropriations for these projects for the 2018–19 biennium include $25.6 million in All Funds ($25.2 million in General Revenue Funds and General Revenue–Dedicated Funds).

CENTRAL ADMINISTRATION

Central Administration supports all agency programs by directing and managing agencywide operations, establishing and administering overall agency policy, and directing and managing business and fiscal operations. Appropriations for the 2018–19 biennium include $27.6 million in All Funds ($13.9 million in General Revenue Funds and

General Revenue–Dedicated Funds) and provide for 138.6 FTE positions.

OTHER SUPPORT SERVICES

Other support services include facilities management, mail distribution, and management and maintenance of physical assets and material resources. Appropriations for other support services for the 2018–19 biennium include $4.9 million in All Funds ($2.3 million in General Revenue Funds and General Revenue–Dedicated Funds) and provide for 17.0 FTE positions.

REGIONAL ADMINISTRATION

DSHS provides infrastructure support for eight regional offices. These regional offices assist with community needs assessments, manage contracts, and provide public health services. Appropriations include $2.8 million in All Funds ($2.6 million in General Revenue Funds and General Revenue–Dedicated Funds) and 5.3 FTE positions for regional administration for the 2018–19 biennium.

LABORATORY BOND DEBT

House Bill 2022, Seventy-fourth Legislature, 1995, authorized the board of the Texas Public Finance Authority to issue bonds for a laboratory to be built for DSHS. Appropriations include $1.9 million in General Revenue Funds for fiscal year 2018 to pay for the remainder of the outstanding debt for the state laboratory, located in Austin.

TEXAS.GOV

Applications and renewals for licenses for certain professionals and businesses can be processed through Texas.gov, the official website for the state's government. Appropriations include $1.4 million for Texas.gov services for the 2018–19 biennium.

SIGNIFICANT LEGISLATION

House Bill 2, Regular Session, 2017 – Relating to making supplemental appropriations and giving direction and adjustment authority regarding appropriations. The legislation appropriates an additional $15.1 million in General Revenue Funds during fiscal year 2017 to DSHS for staffing costs, maintenance, and repair at state hospitals. Mental health state hospitals transferred to HHSC on September 1, 2017, pursuant to Senate Bill 200.

House Bill 280, Regular Session, 2017 – Relating to a grant program for reducing workplace violence against nurses. The legislation requires the Nursing Resources Section of the Health Professions Resource Center at DSHS to administer a grant program to fund approaches for reducing verbal and physical violence against nurses. Grants are provided using funds transferred to DSHS from the Texas Board of Nursing.

House Bill 1407, Regular Session, 2017 – Relating to the establishment of the emergency medical services assistance program. The legislation requires DSHS to establish an emergency medical services assistance program to provide financial and educational assistance to eligible EMS providers. The legislation authorizes DSHS to utilize funding from General Revenue–Dedicated Account No. 5046, Permanent Fund for Emergency Medical Services and Trauma Care, to operate the program.

Senate Bill 8, Regular Session, 2017 – Relating to certain prohibited abortions and the treatment and disposition of a human fetus, human fetal tissue, and embryonic and fetal tissue remains; establishing a civil cause of action; imposing a civil penalty; and establishing a criminal offense. The legislation requires DSHS to establish an electronic system for physicians to submit reports about each abortion the physician performs. The legislation also requires DSHS to establish a registry of facilities willing to assist with costs associated with the burial or cremation of fetal remains and to develop a grant program using private donations to provide financial assistance for the costs associated with disposition of fetal remains.

Senate Bill 17, First Called Session, 2017 – Relating to maternal health and safety, pregnancy-related deaths, and maternal morbidity, including postpartum depression. The legislation adds two additional members to the Maternal Mortality and Morbidity Task Force; subjects the task force to the Texas Government Code, Chapter 551, Open Meetings Act, except when the task force is reviewing cases; expands the task force's duties; and extends the duration of the task force.

HEALTH AND HUMAN SERVICES COMMISSION

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

ESTABLISHED: 1991

AUTHORIZING STATUTE: The Texas Government Code, §531.002

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

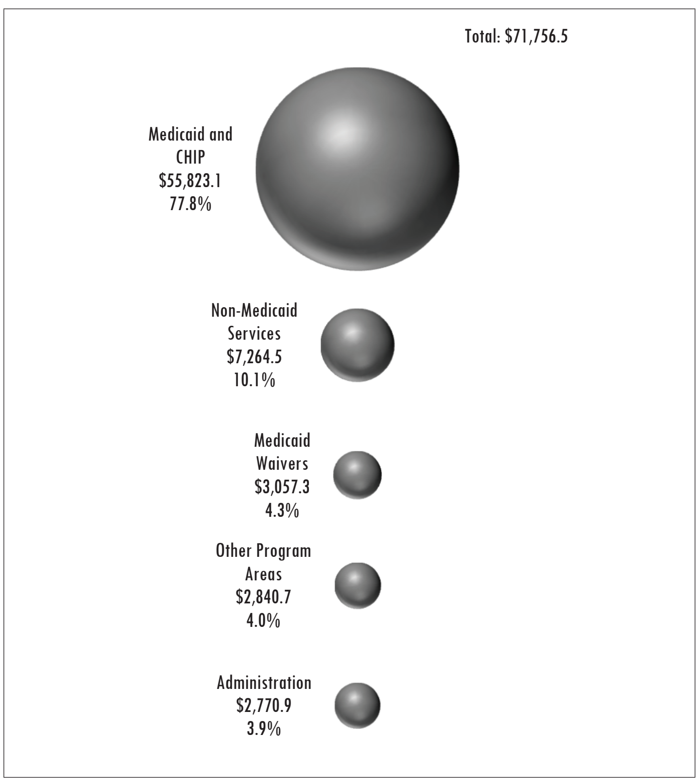
FIGURE 139
HEALTH AND HUMAN SERVICES COMMISSION BY METHOD OF FINANCE

(IN MILLIONS)

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

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2018	39,709.3
2019	39,683.4

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

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

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

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

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

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

MAJOR FUNDING

House Bill 2, Eighty-fifth Legislature, Regular Session, 2017, increased appropriation authority of the Health and Human Services Commission (HHSC) during fiscal year 2017 by $2.4 billion in All Funds, including $822.8 million in General Revenue Funds, to fund a projected shortfall in Medicaid client services, including $29.2 million in General Revenue Funds transferred from the Department of Family and Protective Services (DFPS). The legislation also provided $4.5 million in General Revenue Funds for the Early Childhood Intervention Program and $2.4 million in General Revenue Funds for comprehensive rehabilitation services. Additionally, House Bill 2 transferred $72.5 million in Temporary Assistance for Needy Families (TANF) Federal Funds from DFPS to HHSC to be returned to the balance of TANF funds. The legislation also appropriated $11.3 million in General Revenue Funds in additional funding for State Supported Living Centers and $2.4 million in General Revenue Funds to repair tornado damage at the Mexia State Supported Living Center to the Department of Aging and Disability Services (DADS). DADS was abolished on September 1, 2017, and this funding is reflected at HHSC.

Senate Bill 200, Eighty-fourth Legislature, 2015, relating to the continuation and functions of HHSC and the provision of health and human services, reorganized the health and human services system by consolidating many functions previously at DADS, the Department of State Health Services (DSHS), and the Department of Assistive and Rehabilitative Services (DARS) at HHSC. In addition, some programs for children and families transferred from HHSC to DFPS, and other regulatory, licensing, and consumer protection services transferred from DFPS to HHSC. Information included in this section regarding HHSC compares 2018–19 biennial funding to 2016–17 biennial spending levels and includes all program expenditures during the 2016–17 biennium, although the program may not have transferred to HHSC until fiscal year 2017 or fiscal year 2018:

- Medicaid funding at HHSC totals $61.8 billion in All Funds, including $25.0 billion in General Revenue Funds. These amounts include $56.9 billion in All Funds ($23.1 billion in General Revenue Funds) for client services, $1.7 billion in All Funds ($0.7 billion in General Revenue Funds) for programs supported by Medicaid funding, and $3.2 billion in All Funds ($1.2 billion in General Revenue Funds) for administration of the Medicaid program and other programs supported by Medicaid funding. The total amount of Medicaid funding appropriated to HHSC is a decrease of $2.5 billion in All Funds, including $1.0 billion in General Revenue Funds from 2016–17 biennial spending levels;

- funding includes $2.0 billion in All Funds, including $153.1 million in General Revenue Funds, for Children's Health Insurance Program (CHIP) client services, which is an increase of $169.3 million in All Funds (a decrease of $7.9 million in General Revenue Funds) from 2016–17 biennial spending levels. The All Funds increase is due primarily to caseload growth during each fiscal year and maintaining fiscal year 2017 premiums, offset by a reduction to the Health Insurance Providers Fee. A net more favorable Enhanced Federal Medical Assistance Percentage (EFMAP) and the decrease in the Health Insurance Providers Fee offset the increases due to caseload and cost at the General Revenue Funds level;

- behavioral health funding at HHSC totals $3.2 billion in All Funds, including $2.2 billion in General Revenue Funds and General Revenue–Dedicated Funds and $366.3 million in Other Funds from the Economic Stabilization Fund (ESF), which is discussed in subsequent sections. This amount is an increase of $336.0 million in All Funds ($110.5 million General Revenue Funds) from 2016–17 biennial spending levels. Funding for behavioral health includes: $70.9 million in All Funds to fund grant programs for community behavioral health services, mental health jail services, and expanded access to peer specialist services in the Medicaid program; $62.7 million in All Funds to address community mental health waiting lists for adults and children; and $24.8 million in All Funds to maintain fiscal year 2017 mental health state hospital service levels. In addition, an estimated $3.6 billion in All Funds is anticipated to be expended on behavioral health services through Medicaid and CHIP;

- total funding for the Women's Health Program is $284.6 million in All Funds, an increase of $47.2 million from 2016–17 biennial spending levels, and includes the Healthy Texas Women, Family Planning, and Breast and Cervical Cancer Screening programs; and

- funding includes $300.0 million from the ESF for new construction and significant repairs at the mental health state hospital, and $158.6 million from the ESF for deferred maintenance needs at the mental health state hospitals and state supported living centers.

PROGRAMS

The agency carries out its responsibilities through five major program areas: (1) Medicaid; (2) Children's Health Insurance Program (CHIP); (3) Non-Medicaid Services; (4) Administration; and (5) Other Program Areas, including eligibility determinations.

MEDICAID CLIENT SERVICES

Of the Medicaid funding provided to HHSC, 92.0 percent is for Medicaid client services, including acute care, community-based and institutional long-term care, dental services, transportation services, certain payments made on behalf of persons eligible for both Medicaid and Medicare, and transformation payments made to certain providers. A total of $56.9 billion in All Funds ($23.1 billion in General Revenue Funds, $0.2 billion in General Revenue–Dedicated Funds, $0.5 billion in Other Funds, and $33.1 billion in Federal Funds) is appropriated to support these client services for the 2018–19 biennium. These appropriations represent a $1.8 billion (3.1 percent) decrease in All Funds and a $1.0 billion (4.2 percent) decrease in General Revenue Funds from the 2016–17 biennial expenditure level.

The starting point for appropriated funding for Medicaid client services for the 2018–19 biennium was providing sufficient funding to support projected caseload growth at fiscal year 2017 average costs for fiscal year 2018. The fiscal year 2018 level of funding was decreased for the assumed transition to cash accounting of all Medicaid client services effective September 1, 2017. DADS used the accrual basis of accounting for all programs within its purview, and HHSC has been using cash accounting for Medicaid client services since fiscal year 2004. The transition will result in a significant savings for fee-for-service, long-term-care services previously provided at DADS during the first fiscal year it is implemented (fiscal year 2018) because payments are delayed to future fiscal years and no payments are made from previous fiscal years. During subsequent years, payments delayed are offset mostly by payments made for previous years. Effectively, this starting point for fiscal year 2018 client services appropriations provides funding for projected base costs with the exception of projected cost growth (changes in average cost per client or service). The fiscal year 2018 level of funding was maintained for fiscal year 2019 for each method of financing. Essentially, fiscal year 2019 appropriations do not include funding for caseload or cost growth, are reduced for the (greater) level of savings expected from cash accounting for fiscal year 2018, and assume the less favorable federal fiscal year 2018 Federal Medical Assistance Percentage (FMAP). Additionally, because of a moratorium on the Health Insurance Providers Fee for fee year 2017, which would have been reimbursed by the state during fiscal year 2018, maintaining fiscal year 2018 funding for fiscal year 2019 does not provide funding for the fee during either fiscal year.

From this 2018–19 biennial starting point, the following additional adjustments to appropriation levels were made to address legislative funding priorities:

- appropriations include $56.8 million in All Funds, including $24.4 million in General Revenue Funds, to restore approximately 25.0 percent of decreases made to therapy reimbursement rates during the 2016–17 biennium;
- appropriations include a decrease of $92.1 million in All Funds, including $39.5 million in General Revenue Funds, to phase in decreases associated with reimbursement policy for therapy assistants;
- funding for long-term-care waivers, which were maintained at the projected August 2017 level throughout the 2018–19 biennium as a starting point, was adjusted for several factors:
    - funding was increased by $47.1 million in All Funds, including $20.2 million in General Revenue Funds, to provide 735 additional Home and Community-based Services (HCS) waiver slots for promoting independence;
    - funding was decreased by $19.6 million in All Funds, including $7.7 million in General Revenue Funds, for assumed continued decreases in Texas Home Living (TxHmL) slots to mitigate the impact of substantial increases in average costs during the 2016–17 biennium related to implementation of the Community First Choice program;
    - a combined decrease of $40.8 million in All Funds, including $15.0 million in General Revenue Funds, was made to the HCS and TxHmL waivers for rate decreases for supported home living services, except those provided through consumer-directed services; and

  - a decrease of $64.5 million in All Funds, including $21.8 million in General Revenue Funds, was made to acute-care Medicaid services to offset an equal increase in long-term-care waiver strategies to avoid the need for transfers during fiscal year 2019 primarily to address the duplication of cash-adjustment savings in the starting point for funding. Effectively, those strategies were fully funded due to restrictions on transfers for non-entitlements with an offset to entitlement strategies to avoid increasing the overall level of funding;

- funding was increased by $3.2 million in All Funds, including $1.4 million in General Revenue Funds, to implement the provisions of House Bill 1486, Eighty-fifth Legislature, Regular Session, 2017, relating to the provision of peer specialists and peer services;

- funding levels were decreased by $1.0 billion in All Funds, including $0.4 billion in General Revenue Funds, for cost containment, including reducing the risk margin for Medicaid managed care;

- an additional decrease of $412.3 million in All Funds, including $175.0 million in General Revenue Funds, was made due to restrictions on the availability of General Revenue Funds; and

- fiscal year 2019 funding was decreased by $563.0 million in General Revenue Funds pursuant to House Bill 30, Eighty-fifth Legislature, First Called Session, 2017. The legislation requires HHSC to transfer $351.0 million in General Revenue Funds to the Texas Education Agency and $212.0 million in General Revenue Funds to the Teacher Retirement System. The legislation authorizes HHSC to identify the strategies and objectives from which those transfers would be made. It is assumed these transfers will be made from Medicaid client services.

In addition to items that result in All Funds increases and decreases to Medicaid for the 2018–19 biennium relative to the 2016–17 biennium, several factors result in shifts in how Medicaid is financed. A net more favorable FMAP and EFMAP, including a full biennium of the 23.0 percentage-point increase to EFMAP pursuant to the federal Patient Protection and Affordable Care Act (ACA), for fiscal years 2018 and 2019 relative to fiscal years 2016 and 2017 will result in a greater proportion of the program's projected costs being funded with Federal Funds. This federal funding will provide a savings to General Revenue Funds. Some of this savings will be offset by a loss of Federal Funds and an increase in General Revenue Funds due to the loss of some other enhanced matches for the 2018–19 biennium. The Balancing Incentive Program provided participating states an additional 2 percent federal match for some long-term-care services from federal fiscal years 2013 to 2015, which included one month of state fiscal year 2016. The Money Follows the Person demonstration provided an enhanced federal match for community services provided to certain persons transitioning from institutions. The enhanced match is available for one year following the transition and decreases the state share through FMAP by 50 percent. The demonstration was authorized through federal fiscal year 2016, but grant awards are available to states for four additional fiscal years after receipt of the award. It is assumed that the enhanced match will be available for eligible clients transitioning to the community through August 2017. The Community First Choice program was implemented in June 2015 and provides an additional 6 percent federal match for qualifying attendant and habilitation services. Growth in qualifying services is expected to occur during the 2018–19 biennium. In addition to adjustments in the proportion of the program funded with Federal Funds, a decrease of $105.8 million in Other Funds is due to decreased availability of balances in General Revenue–Dedicated Funds Account No. 5111, Trauma Facility and EMS, which were transferred from DSHS to HHSC to support increases to hospital payments for rural, trauma-designated, and safety-net hospitals. The decrease in Other Funds was offset by an increase in General Revenue Funds to maintain the increased payments for the 2018–19 biennium.

Appropriations are not expected to be sufficient to fully fund the program for the 2018–19 biennium. As mentioned previously, appropriations do not include funding for cost growth for either year of the biennium, caseload growth for the second year of the biennium, or the Health Insurance Providers Fee for fiscal year 2019. Appropriations also include a decrease that was not expected to be achieved through cost containment or other savings and the transfer of General Revenue Funds to education agencies. Additionally, savings expected from the transition to cash accounting for certain services were effectively duplicated for the second year of the biennium. Some of this supplemental risk will be offset by effectively assuming a less favorable than anticipated FMAP and EFMAP for the second year of the biennium and final federal fiscal year 2019 FMAP and EFMAP that are more favorable than was assumed during the appropriations process. Appropriations assume cost containment of at least $400.0 million will be fully achieved by HHSC. Finally, significant funding was transferred out of Medicaid to address disaster assistance needs related to Hurricane Harvey, and demands in the Medicaid program could be increased related to Hurricane Harvey.

CHILDREN'S HEALTH INSURANCE PROGRAM

Biennial funding for CHIP client services, not including CHIP Perinatal services, prescription drugs, or dental services totals $1.0 billion in All Funds, which includes $84.1 million in General Revenue Funds. General Revenue Funds represent approximately 8.1 percent of the total. Tobacco Settlement Receipts account for $71.6 million of General Revenue Funds supporting the CHIP program. Client enrollment and renewal fees and experience rebates contribute the remaining General Revenue Funds.

HHSC insures children who do not qualify for Medicaid with family income at or less than 206 percent of the federal poverty level (FPL), including a 5 percent income disregard. As of August 2017, 402,573 recipients were enrolled in CHIP. CHIP caseloads have decreased significantly from their peak in September 2013, primarily as a result of new eligibility thresholds established pursuant to the ACA, which resulted in Medicaid eligibility for children ages 6 to 18 at 100 percent to 138 percent of the FPL who were previously eligible for CHIP. However, caseloads have been increasing since implementation of the new thresholds was completed. Funding for CHIP client services has increased by $96.0 million in All Funds for the 2018–19 biennium, largely reflecting caseload growth and maintaining fiscal year 2017 average costs, which were greater than during fiscal year 2016, for a full biennium. General Revenue Funds have decreased by $2.9 million primarily as a result of net more favorable EFMAP—the federal matching rate for the CHIP program—and a decrease in the Health Insurance Providers Fee due to the moratorium for fee year 2017, which offset demand for General Revenue Funds due to increases in caseload and cost.

CHIP coverage is offered statewide through contracted managed care organizations. The state requires an annual enrollment fee for some families, and families enrolled in CHIP pay copayments for doctor's visits, prescription drugs, inpatient hospital care, and nonemergent 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 at or less than 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 noncitizen women who otherwise would 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 do not qualify for Medicaid. Pursuant to federal guidance, infants born to mothers at or less than 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 at the EFMAP rate. As of August 2017, 34,782 perinates and infants were enrolled in CHIP Perinatal. Biennial funding for CHIP Perinatal Services totals $338.4 million in All Funds, including $23.9 million in General Revenue Funds, a decrease of $5.4 million in All Funds ($4.4 million in General Revenue Funds) due to an anticipated decrease in caseload and a net more favorable EFMAP, offset by maintaining greater fiscal year 2017 average costs for a full biennium.

CHIP VENDOR DRUG PROGRAM

The CHIP Vendor Drug Program operates similarly to the Medicaid Vendor Drug Program. Prior authorization is required for prescribed drugs that are 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 2018–19 biennium, funding for CHIP prescription drugs, including those for perinatal clients, totals $387.6 million in All Funds, including $27.4 million in General Revenue Funds, an increase of $52.8 million in All Funds ($0.1 million in General Revenue Funds) due to a projected increase in caseload offset by a net more favorable EFMAP. The General Revenue Funds amount includes $11.5 million from vendor drug rebates.

CHIP DENTAL

Funding for CHIP Dental services for the regular and perinatal CHIP populations totals $252.0 million in All Funds, including $17.8 million in General Revenue Funds, an increase of $25.9 million in All Funds and a decrease of

$0.7 million in General Revenue Funds, due to projected increases in caseloads and maintaining greater fiscal year 2017 average costs for a full biennium, offset by a net more favorable EFMAP.

NON-MEDICAID SERVICES

BEHAVIORAL HEALTH SERVICES

HHSC provides behavioral 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 Youth Empowerment Services and Home and Community Based Services – Adult Mental Health waivers. When excluding Medicaid and CHIP estimated expenditures, biennial appropriations for behavioral health services at HHSC total $3.2 billion in All Funds, including $2.2 billion in General Revenue Funds and General Revenue–Dedicated Funds. Funding for these services increased by 11.6 percent, or $336.0 million in All Funds, from the 2016–17 biennial spending level.

COMMUNITY MENTAL HEALTH SERVICES FOR ADULTS AND CHILDREN

HHSC provides community mental health services to adults and children through contracts with local mental health authorities (LMHA). 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. HHSC funding targets priority populations that fit the following definitions:

- adults with severe and persistent mental illness, including schizophrenia, major depression, bipolar disorder, or another severely disabling mental health 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 symptoms of serious emotional, behavioral, or mental health 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 serious emotional disturbance.

Biennial funding for community mental health services totals $869.7 million for the 2018–19 biennium and provides for 89.4 full-time-equivalent (FTE) positions each fiscal year. This funding includes services for adults and totals $703.4 million in All Funds ($609.0 million in General Revenue Funds) and 75.8 FTE positions; funding also includes services for children and totals $166.4 million in All Funds ($124.1 million in General Revenue Funds) and 13.6 FTE positions. These amounts include $62.7 million in All Funds ($54.8 million in General Revenue Funds) to provide services to adults and children that are on the waiting list for community mental health services, $1.4 million in General Revenue Funds to fund additional residential treatment center beds for youths, and $2.0 million in General Revenue Funds to establish a onetime grant program for LMHAs to expand targeted case management and rehabilitative services for high-needs children in the foster care system.

Funding for community mental health crisis services includes $325.4 million in All Funds ($322.2 million in General Revenue Funds). HHSC contracts with LMHAs 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 28.6 percent, or $72.3 million in All Funds, from the 2016–17 biennial spending level. These amounts include $67.5 million in General Revenue Funds to fund grant programs for community behavioral health services and mental health jail diversion services.

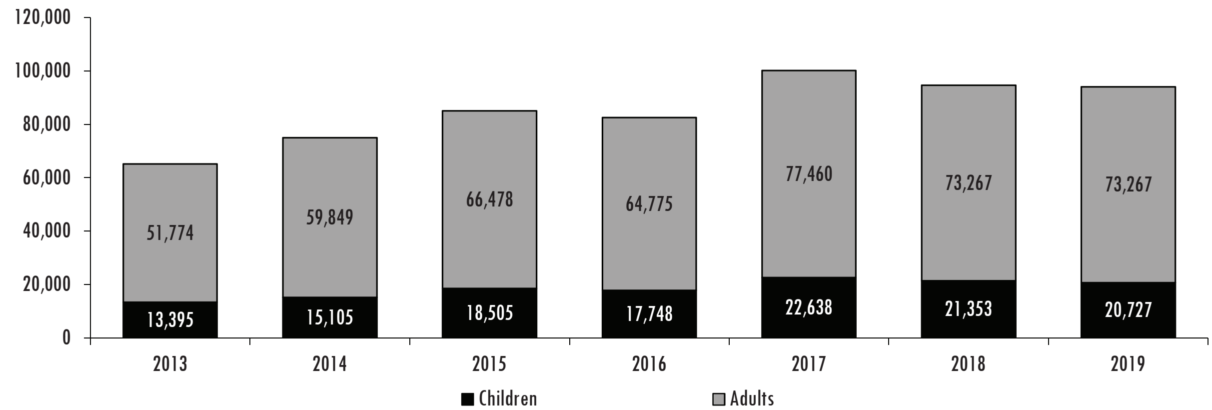
The amounts previously identified for all mental health services also include $38.0 million in All Funds ($30.4 million in General Revenue Funds) to provide mental health services to former indigent clients of the NorthSTAR behavioral health program, which was discontinued January 1, 2017.

Figure 140 shows the monthly average number of children and adults receiving community mental health services from fiscal years 2013 to 2019.

SUBSTANCE ABUSE PREVENTION, INTERVENTION, AND TREATMENT

HHSC is the designated state agency for the federal Substance Abuse Prevention and Treatment block grant (SABG). Federal maintenance of effort requirements stipulate that the state must maintain spending for substance abuse services at a level equal to the average of expenditures for the previous two fiscal years.

FIGURE 140
AVERAGE MONTHLY NUMBER OF CHILDREN AND ADULTS RECEIVING COMMUNITY MENTAL HEALTH SERVICES
FISCAL YEARS 2013 TO 2019



NOTE: Targets for fiscal years 2018 and 2019 are established in the Eighty-fifth Legislature, General Appropriations Act, 2018–19 Biennium.
SOURCES: Department of State Health Services; Health and Human Services Commission.

Prevention programs implement one or more of the SABG-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, and community collaboration.

Substance abuse intervention services include the Outreach, Screening, Assessment, and Referral programs, which provide referrals to treatment and other appropriate services, assist with transportation to services, and assist individuals in enrolling in community-based support services after receiving treatment. Other intervention services include outreach, human immunodeficiency virus (HIV) early intervention services, family services, and screening and assessment services.

HHSC gives comprehensive and appropriate treatment priority status to the needs of pregnant women and mothers, and substance users at risk of contracting HIV. Youth ages 13 to 17 who have a substance use or dependence disorder are also eligible to receive treatment service. **Figure 141** shows the monthly average number of youth and adults served in substance abuse treatment programs from fiscal years 2013 to 2019.

Biennial funding for substance abuse prevention, intervention, treatment, and grant monitoring totals $380.2 million in All Funds ($88.1 million in General Revenue Funds) and provides for 71.4 FTE positions for each fiscal year. These amounts include $6.3 million in All Funds ($0.7 million in General Revenue Funds) to provide substance abuse services for former indigent clients of the NorthSTAR behavioral health program.

BEHAVIORAL HEALTH WAIVERS

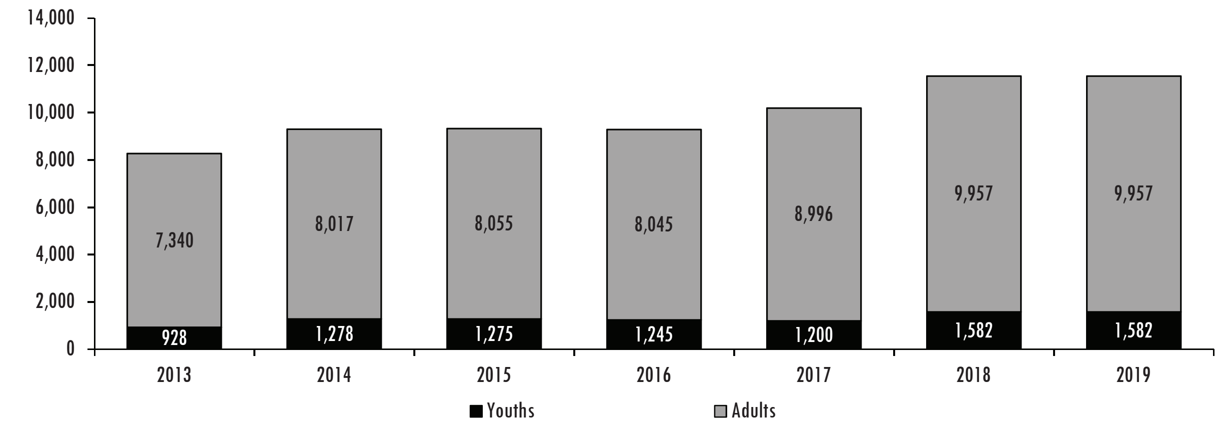
The 1915(i) Home and Community Based Services – Adult Mental Health program provides community-based services to divert adults with a serious mental illness from inpatient psychiatric settings. Services are provided in the individual's home or other community-based settings, and include psychosocial rehabilitation, employment, home delivered meals, and transportation services. Funding for the 2018–19 biennium totals $44.9 million in All Funds ($23.6 million in General Revenue Funds).

The 1915(c) Youth Empowerment Services waiver program provides home and community-based services to children ages 3 to 18 who exhibit symptoms of a serious emotional disturbance. Services include family supports, minor home modifications, specialized therapies, and respite care. Funding for the 2018–19 biennium totals $58.4 million in All Funds ($23.6 million in General Revenue Funds).

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

FIGURE 141
AVERAGE MONTHLY NUMBER OF YOUTH AND ADULTS SERVED IN TREATMENT PROGRAMS FOR SUBSTANCE ABUSE FISCAL YEARS 2013 TO 2019



NOTE: Targets for fiscal years 2018 and 2019 are established in the Eighty-fifth Legislature, General Appropriations Act, 2018–19 Biennium.
SOURCES: Department of State Health Services; Health and Human Services Commission.

such as therapeutic programming and skills building to reduce acute symptoms and restore their abilities to function in the community. HHSC also provides inpatient mental health services at the Rio Grande State Center.

Funding for the 2018–19 biennium totals $875.5 million in All Funds ($669.6 million in General Revenue Funds) and provides for 7,905.0 FTE positions each fiscal year. Appropriations include an increase of $24.8 million in General Revenue Funds to maintain fiscal year 2017 state hospital service levels, and an increase of $10.3 million in General Revenue Funds to expand maximum-security forensic bed capacity at the North Texas State Hospital – Vernon Campus. Funding for the 2018–19 biennium also includes $300.0 million in Other Funds from the ESF for new construction and significant repair projects at the state hospitals and other inpatient mental health facilities, and approximately $66.3 million in Other Funds from the ESF for deferred maintenance needs at the state hospitals.

MENTAL HEALTH COMMUNITY HOSPITALS

The Mental Health Community Hospitals support inpatient services at psychiatric facilities located throughout the state. The facilities provide services such as assessment, crisis stabilization, skills training, and medication management. Funds are allocated primarily to the community hospitals through performance contracts with LMHAs. The specific services vary by facility in accordance with the contracts between the facilities and the agency.

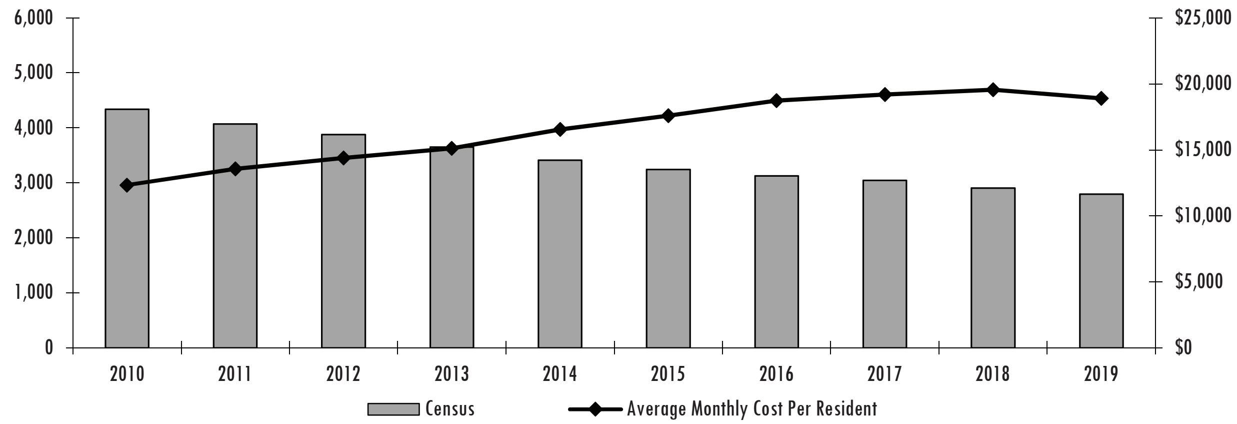
Appropriations for the 2018–19 biennium total $243.8 million in All Funds ($223.6 million in General Revenue Funds). The All Funds appropriation is $33.9 million, or 16.1 percent, more than the 2016–17 biennial spending level, due primarily to an increase of $20.7 million in All Funds for additional purchased community hospital beds.

OTHER FACILITIES

STATE SUPPORTED LIVING CENTERS

State Supported Living Centers (SSLC) are large, state-operated, intermediate-care facilities for individuals with intellectual disability (ICF/IID). 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. HHSC also operates the Rio Grande State Center in Harlingen to provide intellectual disability services, inpatient mental health services, and primary medical care to individuals living in the lower Rio Grande Valley. 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, 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

FIGURE 142
STATE SUPPORTED LIVING CENTERS AVERAGE MONTHLY CENSUS AND AVERAGE MONTHLY COST PER RESIDENT
FISCAL YEARS 2010 TO 2019



NOTES: Targets for fiscal years 2018 and 2019 are established in the Eighty-fifth Legislature, General Appropriations Act, 2018–19 Biennium.
SOURCES: Department of Aging and Disability Services; Health and Human Services Commission.

until substantial compliance with all settlement agreement provisions is achieved.

Direct appropriations for SSLCs for the 2018–19 biennium total $1.3 billion in All Funds ($568.6 million in General Revenue Funds) and provide for 12,915.0 FTE positions each fiscal year. This amount is a decrease of $87.0 million in All Funds and $43.7 million in General Revenue Funds from the 2016–17 biennium. The majority of the decrease is due to reallocation for the 2018–19 biennium of $74.8 million in All Funds, primarily for oversight and administration of the SSLC program, to other strategies at HHSC. Direct funding for the SSLCs reflects a decrease of $21.1 million in All Funds, due primarily to a projected decrease in the census. This decrease was offset by $22.7 million in All Funds ($9.8 million in General Revenue Funds) provided to partially address an agency request for additional funding for fiscal year 2018. The remainder of the agency's request for funding for fiscal year 2018 was addressed by shifting $11.8 million in All Funds ($5.0 million in General Revenue Funds) from fiscal year 2019 to fiscal year 2018. This movement results in a potential supplemental need for the SSLCs for fiscal year 2019. The remainder of the decrease from the 2016–17 to 2018–19 biennia ($13.7 million in All Funds) is due to supplemental funding provided for fiscal year 2017 in House Bill 2, Eighty-fifth Legislature, Regular Session, 2017.

As shown in **Figure 142**, the average monthly SSLC census has decreased steadily, and the average monthly cost typically has increased. From fiscal years 2010 to 2019, the average monthly census is projected to decrease by 35.6 percent. As the census has decreased, the average monthly cost per resident has increased, in part because of fixed overhead costs that are shared by a decreasing number of residents. The average monthly cost increased from $12,490 during fiscal year 2010 to $19,880 during fiscal year 2017. However, as shown in **Figure 142**, costs are projected to decrease for fiscal year 2019. This decrease is due to the funding decisions previously described, including the transfer of funding from fiscal year 2019 to fiscal year 2018.

OTHER CLIENT SERVICES

WOMEN'S HEALTH SERVICES

On July 1, 2016, HHSC consolidated the Expanded Primary Health Care Program and the Texas Women's Health Program into the Healthy Texas Women (HTW) Program, which provides family planning, preventive health services, and screening and treatment services for postpartum depression. HHSC also reconfigured the Family Planning program to offer additional services, including limited prenatal care. Funding for the 2018–19 biennium provides $284.6 million in All Funds, including $170.9 million in General Revenue Funds, for the Women's Health Services programs, which include HTW, Family Planning, and the Breast and Cervical Cancer Screening programs. Total funding includes an increase of $47.2 million in All Funds to serve additional clients in women's health programs.

Appropriations assume that HHSC will seek federal Medicaid matching funds for the HTW program. On June 30, 2017, HHSC submitted the HTW Section 1115 Demonstration Waiver application to the Centers for Medicare and Medicaid Services. The proposed effective date of the waiver is September 1, 2018, for a five-year period ending on August 31, 2023.

ALTERNATIVES TO ABORTION

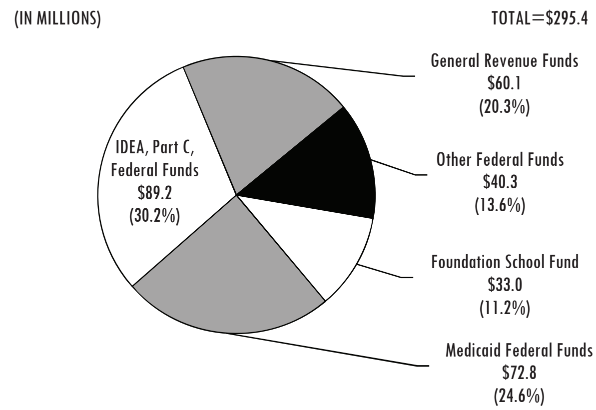
Alternatives to Abortion provides pregnancy support services, including information and referrals, which promote childbirth. Some material services, such as maternity clothes and car seats, are also available. HHSC provides grants or contracts with service providers to expand access to these types of 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).

EARLY CHILDHOOD INTERVENTION SERVICES

Early Childhood Intervention (ECI) Services are for eligible children younger than age three who have a disability or developmental delay. These services are provided through contracts with 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 also are provided for the family, including respite services, support groups, education, and counseling. HHSC also provides transition services that help families to access educational support as a child reaches age three and is no longer eligible for ECI. Appropriations for ECI client services total $295.4 million in All Funds, including $60.1 million in General Revenue Funds. This amount includes an increase from 2016–17 biennial amounts of $24.4 million in All Funds, which includes an increase of $27.8 million in All Funds for projected caseload increases, offset by a reallocation of $3.4 million in All Funds for state office expenditures to the ECI administrative and respite strategy at HHSC. **Figure 143** shows the distribution of appropriation sources for ECI client services. Additional and CHIP sources of funding for ECI services not shown in **Figure 143** include some therapy services funded through Medicaid client services and other funding sources that are not reflected in the General Appropriations Act, including third-party collections and local contributions.

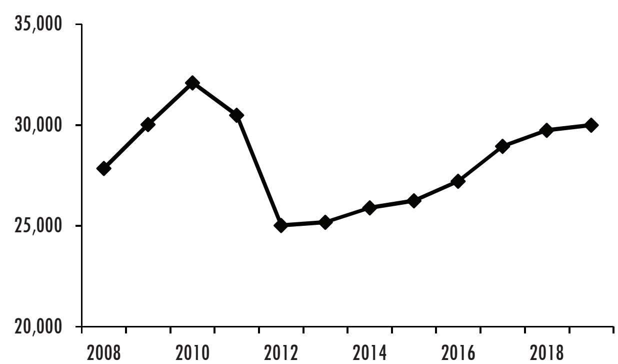
Eligibility requirements were narrowed for fiscal year 2012 in response to a decrease in funding that was due to the loss of onetime stimulus Federal Funds. **Figure 144** shows the historical changes in children served. The average monthly caseload has increased since fiscal year 2012 and is estimated to increase by 3.6 percent from fiscal years 2017 to 2019.

FIGURE 143
EARLY CHILDHOOD INTERVENTION PROGRAM APPROPRIATIONS BY FUND TYPE, 2018–19 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.

FIGURE 144
EARLY CHILDHOOD INTERVENTION PROGRAM AVERAGE MONTHLY CHILDREN SERVED FISCAL YEARS 2008 TO 2019



NOTES: Targets for fiscal years 2018 and 2019 are established in the Eighty-fifth Legislature, General Appropriations Act, 2018–19 Biennium.
SOURCES: Legislative Budget Board; Department of Assistive and Rehabilitative Services; Health and Human Services Commission.

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 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 $11.6 million in All Funds, including $10.0 million in General Revenue Funds.

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 Applied Behavioral Analysis (ABA) treatment. The Eighty-fourth Legislature, General Appropriations Act (GAA), 2016–17 Biennium, included a provision that phased out comprehensive ABA services and continued funding for focused ABA services. Comprehensive services are more intensive and broad, and focused services are less intensive and target specific behavioral issues. The Eighty-fifth Legislature, Regular Session, 2017, continued the focused ABA services for the 2018–19 biennium. Appropriations total $14.2 million in All Funds, including $14.2 million in General Revenue Funds.

CHILDREN WITH SPECIAL HEALTH CARE NEEDS

The Children with Special Health Care Needs (CSHCN) 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 family support services including respite care, vehicle and home modifications, and special equipment to eligible clients. Pursuant to Senate Bill 200, Eighty-fourth Legislature, 2015, the medical and dental services portion of the CSHCN program transferred to HHSC on September 1, 2016; DSHS continues to provide the case-management and family support services portions of the program.

Biennial appropriations total $61.0 million in All Funds, including $49.0 million in General Revenue Funds, and provide for 33.5 FTE positions.

CHILDREN'S DENTAL

Community-based dental services are provided to low-income children through performance contracts with local providers. Biennial appropriations total $13.7 million in Federal Funds.

KIDNEY HEALTH CARE, EPILEPSY, HEMOPHILIA, AND COMMUNITY PRIMARY CARE SERVICES

The Kidney Health Care program provides treatment for end-stage renal disease, and recipients must meet certain eligibility standards. Additional Specialty Care includes the Epilepsy Program and Hemophilia Assistance services. Community Primary Care Services include local clinics statewide that provide preventive and primary healthcare to the medically uninsured, underinsured, and indigent persons who are not eligible to receive the same services through other funding sources. Biennial appropriations for these programs total $69.9 million in All Funds, including $67.7 million in General Revenue Funds.

WIC

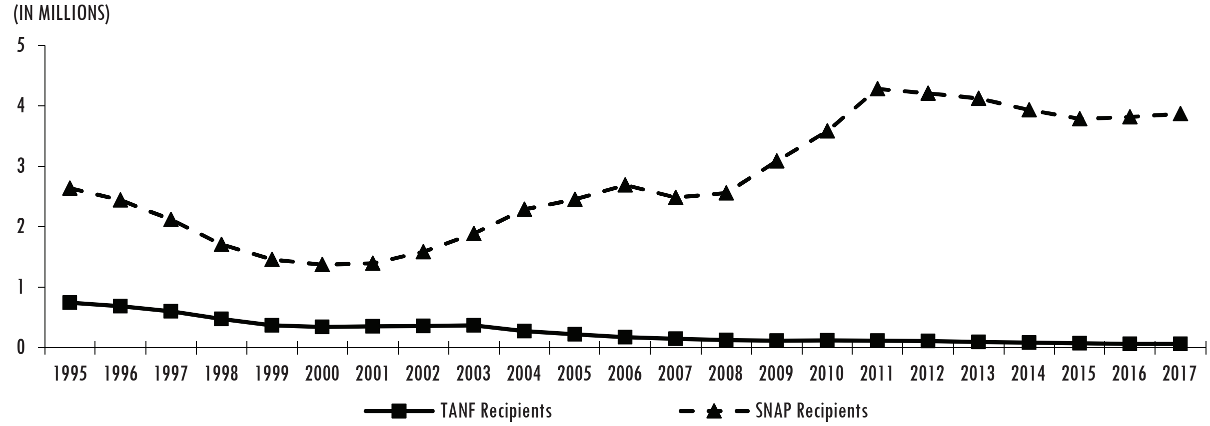
Nutrition services are delivered through the federally funded Special Supplemental Nutrition Program for Women, Infants, and Children (WIC). This program uses smart cards—which function similarly to debit cards—to provide food assistance through electronic benefits transfer for infants, young children, and low-income pregnant and postpartum women. The program also provides nutrition education to pregnant and postpartum women. WIC rebates are collected from manufacturers of infant formula and cereal.

WIC is appropriated $1.6 billion in All Funds, which includes $449.9 million in WIC rebates (Other Funds), and provides for 173.4 FTE positions.

TEMPORARY ASSISTANCE FOR NEEDY FAMILIES

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, DFPS, the Texas Education Agency, 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, the

FIGURE 145
TANF AND SNAP CASELOAD, FISCAL YEARS 1995 TO 2017



Notes:
(1) TANF=Temporary Assistance for Needy Families; SNAP=Supplemental Nutrition Assistance Program.
(2) Amounts shown for 2017 are estimated.
Sources: Legislative Budget Board; Health and Human Services Commission.

women's health program, community mental health services, mental health state hospitals, Child Protective Services, foster care payments, relative caregiver payments, and home visiting programs.

TANF grants provide time-limited cash assistance to families with children that have annual incomes of less than approximately 11 percent of the FPL ($2,256 for a family of three in 2018). 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 Eighty-fifth Legislature, GAA, 2018–19 Biennium, sets the maximum monthly cash grant for a family of three at no less than 17 percent of the FPL, adjusted annually. For fiscal year 2018, the maximum monthly cash grant for a family of three is estimated to be $289.

The length of time individuals may receive TANF cash assistance is limited by federal and state laws that emphasize helping clients 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. Appropriations for TANF cash assistance include $113.6 million in All Funds, including $101.0 million in General Revenue Funds. All Funds amounts are decreasing due to decreasing caseloads**. Figure 145** shows changes in the TANF caseload from fiscal years 1995 to 2017.

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 the U.S. President declares a disaster. Typically, 75.0 percent of the funding is provided by the Federal Emergency Management Agency, and state funds are provided for the remaining 25.0 percent.

Although money is not appropriated explicitly for disasters, the 2018–19 GAA authorizes the transfer of funding from one or more agencies to address funding needs in response to a disaster. HHSC transferred funding from the Medicaid program for fiscal year 2018 to address needs arising from Hurricane Harvey.

GUARDIANSHIP

HHSC services provided 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 DFPS and courts with jurisdiction of probate matters. Funding totals $17.6 million in All Funds ($3.2 million in General Revenue Funds) and provides an increase of $0.3 million from 2016–17 biennial spending levels to account for increased utilization of services due to referrals from DFPS.

INTELLECTUAL DISABILITY NON-MEDICAID COMMUNITY SERVICES

Non-Medicaid Services include services funded by both the state and federal government, including the U.S. Social Security Act, Title XX, Social Service Block Grant, and Federal Funds from the Older Americans Act. These services are 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 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 intellectual or developmental disabilities (IDD) priority population. Services include community supports, day habilitation, eligibility determination, employment services, respite, and certain therapies. Funding for these programs totals $407.1 million in All Funds ($144.2 million in General Revenue Funds) for the 2018–19 biennium. Funding for Non-Medicaid IDD Community Services provides an increase of $6.0 million from 2016–17 biennial spending levels for crisis respite, crisis intervention, and behavioral support services.

INDEPENDENT LIVING SERVICES – BLIND AND GENERAL

The Independent Living Services – Blind and General program provides services to individuals with significant disabilities that promote independence at home and in the community. HHSC contracts with 16 Centers for Independent Living to provide services, which include providing assistive technology and devices, such as hearing aids and prosthetics, to individuals with disabilities. Appropriations total $22.7 million in All Funds ($6.3 million in General Revenue Funds).

CENTERS FOR INDEPENDENT LIVING

Centers for Independent Living (CIL) 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 HHSC in the form of grants. HHSC-funded CILs submit yearly work plans and budgets to HHSC 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. HHSC contracts with providers for these services. HHSC is estimated to serve approximately 838 individuals in this program during each fiscal year. Appropriations total $47.8 million in All Funds ($47.6 million in General Revenue Funds).

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. Appropriations total $57.7 million in All Funds ($22.3 million in General Revenue Funds). This funding is estimated to provide services to 71,500 survivors of family violence and their dependents during each year of the biennium.

COURT APPOINTED SPECIAL ADVOCATES AND CHILDREN'S ADVOCACY CENTER PROGRAMS

The Court Appointed Special Advocates (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 Children's Advocacy Center (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 $53.6 million in All Funds. This amount is a $0.5 million increase for both CASA and CAC from 2016–17 biennial spending levels.

OTHER PROGRAM AREAS

ELIGIBILITY DETERMINATION

HHSC is responsible for determining eligibility for Temporary Assistance for Needy Families (TANF), Children's Health Insurance Program (CHIP), Supplemental Nutrition Assistance Program (SNAP), and Medicaid benefits, and provides outreach and application assistance, develops and implements policy, and provides training for state eligibility determination staff, oversight, and quality assurance for eligibility and enrollment functions.

HHSC also provides state oversight staff and administers the contract for the operation of the Lone Star electronic benefits transfer card system, which issues TANF and SNAP benefits to eligible recipients.

Biennial appropriations for eligibility determination functions total $1.2 billion in All Funds ($532.8 million in General Revenue Funds), which provides for 9,141.1 FTE positions for each year of the 2018–19 biennium.

In addition to eligibility determination functions for TANF, CHIP, SNAP, and Medicaid, HHSC also provides functional eligibility determinations and information for certain individuals living in the community who otherwise would be eligible for Medicaid-funded nursing facility services through state staff and through contracts with area agencies on aging and local authorities. 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. The eligibility and administration activities program provides administration of community services, functional and financial eligibility determinations, program enrollment, and utilization reviews of certain programs. The local authority administrative activities program assists members of the IDD priority population access appropriate services and supports. The IDD priority population identified as most in need of services is defined in the Texas Health and Safety Code, Chapter 531. Funding for long-term care intake and access totals $557.8 million in All Funds ($257.0 million in General Revenue Funds), which provides for 1,300.4 FTE positions for each fiscal year of the 2018–19 biennium.

TEXAS INTEGRATED ELIGIBILITY REDESIGN SYSTEM

Texas utilizes the Texas Integrated Eligibility Redesign System (TIERS) to make eligibility determinations and enroll clients in Medicaid, CHIP, SNAP, and TANF. Appropriations to support TIERS total $392.6 million in All Funds ($122.4 million in General Revenue Funds), which supports 264.0 FTE positions for each fiscal year.

ABSTINENCE EDUCATION

Through the Abstinence Education Program, HHSC 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 $16.8 million in All Funds and include 8.8 FTE positions. This amount includes $15.8 million in federal funding for abstinence education.

DEAF AND HARD OF HEARING SERVICES

The agency provides services to persons who are deaf or 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. HHSC contracts with community-based councils 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. HHSC provides education and training to individuals who are deaf or hard of hearing and their families, businesses and educational organizations in the community, service providers, interpreters, and the 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, large-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 $9.3 million in All Funds ($5.5 million in General Revenue Funds).

REGULATION, CREDENTIALING, AND QUALITY

Staff in the healthcare facility and community-based regulation program license and regulate nursing facilities, ICFs/IID, assisted living facilities, day activity and health services facilities, home and community support services agencies, Medicaid waiver program providers, and healthcare facilities. 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 $189.7 million in All Funds, including $43.1 million in General Revenue Funds and $28.3 million in General Revenue–Dedicated Funds, and provides for 1,413.4 FTE positions.

The credentialing and certification program certifies the employability of individuals who work in the facilities and agencies that HHSC regulates. 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 $7.2 million in All Funds, including $5.2 million in General Revenue Funds, and provides for 78.2 FTE positions.

The long-term-care quality outreach program conducts quality-monitoring activities in long-term-care facilities. Funding totals $13.2 million in All Funds ($3.5 million in General Revenue Funds) and provides for 56.2 FTE positions.

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 information about child-care services that are available throughout the state.

Pursuant to Senate Bill 200, Eighty-fourth Legislature, 2015, all child-care regulatory functions were to be transferred to HHSC from DFPS beginning in fiscal year 2018. However, the enactment of House Bill 5, Eighty-fifth Legislature, Regular Session, 2017, reversed a portion of this consolidation to require the retention of investigations of alleged abuse, neglect, or exploitation occurring at a child-care facility, including a residential child-care facility, at DFPS. Although the full appropriation for child-care regulation resides at HHSC, the two agencies have been charged with transferring the related child-care investigation funding and FTE positions appropriation to DFPS as soon as possible after the enactment of the legislation.

Appropriations total $88.3 million in All Funds, including $43.8 million in General Revenue Funds, and provide for 694.8 FTE positions.

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 or Supplemental Security Income. DDS is funded completely by the U.S. Social Security Administration. Appropriations total $230.4 million in All Funds (all Federal Funds) and provide for 875.4 FTE positions.

TEXAS CIVIL COMMITMENT OFFICE

The Texas Civil Commitment Office is an independent agency responsible for providing monitoring and treatment of civilly committed sexually violent offenders. It is attached administratively to HHSC. Appropriations for the 2018–19 biennium for the treatment and supervision of sexually violent offenders total $33.1 million ($33.0 million in General Revenue Funds) and provides for 35.0 FTE positions. Funding includes $2.6 million in General Revenue Funds to support projected caseload growth for the 2018–19 biennium.

OTHER PROGRAMS

The Eighty-fifth Legislature, Regular Session, 2017, maintained a variety of other grant programs and client outreach and coordination services. A few of these programs are the Umbilical Cord Blood Bank grant program, the Office for the Prevention of Developmental Disabilities, and the Healthy Marriage Program. New appropriations include $300.0 million from the Economic Stabilization Fund for new construction projects at the state hospitals and other state-funded, inpatient mental health facilities, and $158.6 million from the ESF for deferred maintenance projects at the state hospitals and SSLCs.

ADMINISTRATION

MEDICAID AND CHIP CONTRACTS AND ADMINISTRATION

HHSC performs administrative functions for Medicaid, including maintaining the contract for a claims administrator, supporting the Medicaid Management Information System, and contracting with an enrollment broker. Biennial funding for Medicaid-related contracts and administration totals $1.3 billion in All Funds, including $387.6 million in General Revenue Funds, which supports 806.1 FTE positions for each fiscal year. Similar administrative functions for the CHIP program total $30.3 million in All Funds ($2.1 million in General Revenue Funds), which supports 60.0 FTE positions for each fiscal year.

SYSTEM OVERSIGHT AND PROGRAM SUPPORT

Funding for internal central administrative functions for all HHSC programs, including accounting, budget, contract and grant administration, internal audit, external relations, and legal services totals $121.3 million in All Funds, including $48.0 million in General Revenue Funds and $0.2 million in General Revenue–Dedicated Funds. This funding includes central administrative functions for programs that transferred to HHSC from DADS, DARS, DFPS, and DSHS pursuant to Senate Bill 200, Eighty-fourth Legislature, 2015.

HHSC also provides oversight and centralized financial policy, consolidated system support, and regional system support for regional offices for all health and human services agencies, including by contract for DFPS. House Bill 5, Eighty-fifth Legislature, Regular Session, 2017, separates DFPS from the leadership structure of the Health and Human Services system. However, the legislation directs HHSC to provide certain administrative support services by contract, including payroll, procurement, information resources, rate setting, purchasing, and contracting. HHSC bills the other health and human services agencies for their shares of costs of the systemwide projects through a federally approved cost-allocation plan; payments from the other health and human services agencies are received as Interagency Contracts.

In addition, HHSC provides project management, application development and support, network management, help desk services, Internet security, and information resource procurement review to the health and human services agencies. The agency maintains the Health and Human Services Administrative System (HHSAS) on behalf of all the health and human services agencies. HHSC is a hub agency for the Centralized Accounting and Payroll/Personnel System (CAPPS), an enterprise resource planning system implemented by the Comptroller of Public Accounts (CPA), and uses HHSAS as the foundation for CAPPS-related upgrades. Ongoing costs associated with system upgrades, license maintenance through CPA, and the migration of data from the CPA Data Center to new infrastructure at the San Angelo and Austin State Data Centers are included in agency appropriations.

SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM

HHSC administers SNAP in Texas. SNAP helps low-income families with net monthly income of less than 100 percent of the FPL and countable resources of less than $2,250 to $3,500, depending on family size and composition, to purchase food. SNAP benefits are federally funded and are not appropriated directly to HHSC. 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. **Figure 145** shows changes in SNAP caseload from fiscal years 1995 to 2017.

OFFICE OF THE INSPECTOR GENERAL

The Office of the Inspector General (OIG) provides audit, regulatory, and enforcement functions for the HHS system. OIG is charged with protecting the integrity of the Texas Medicaid program, SNAP, TANF, WIC, CHIP, and other programs through investigation of allegations of provider and recipient fraud, waste, and abuse; audit of contracts, providers, and administrative services and functions; and inspection of HHS programs, systems, and functions. OIG serves as an independent office within the HHS system, and the Inspector General is appointed by the Governor. Biennial funding for OIG totals $126.2 million in All Funds, including $45.1 million in General Revenue Funds, which supports 736.3 FTE positions each fiscal year.

SIGNIFICANT LEGISLATION

House Bill 2, Regular Session, 2017 – Relating to making supplemental appropriations and giving direction and adjustment authority regarding appropriations. The legislation increased HHSC's appropriation authority for fiscal year 2017 by $2.4 billion in All Funds, including $822.8 million in General Revenue Funds, to fund a projected shortfall in Medicaid client services, including $29.2 in General Revenue Funds transferred from the Department of Family and Protective Services; $4.5 million in General Revenue Funds for the Early Childhood Intervention Program; and $2.4 million in General Revenue Funds for comprehensive rehabilitation services. The legislation also transferred $72.5 million in TANF federal funding from DFPS to HHSC to be returned to the balance of TANF funds. The legislation appropriated $11.3 million in General Revenue Funds in additional funding for State Supported Living Centers and $2.4 million in General Revenue Funds to repair tornado damage at the Mexia State Supported Living Center to the Department of Aging and Disability Services (DADS). DADS was abolished on September 1, 2017, and this funding is reflected at HHSC.

House Bill 10, Regular Session, 2017 – Relating to access to and benefits for mental health conditions and substance use disorders. The legislation requires HHSC to designate an ombudsman for behavioral health access to care. The ombudsman would be attached administratively to the HHSC Office of the Ombudsman. The legislation also establishes a mental health condition and substance use disorder parity work group at the HHSC Office of Mental Health Coordination.

House Bill 13, Regular Session, 2017 – Relating to the establishment of a matching grant program to support community mental health programs for individuals experiencing mental illness and the coordination of certain behavioral health grants. The legislation requires HHSC to establish a matching grant program to support community mental health programs with varying levels of local matching funds based on county size. HHSC received $30.0 million in General Revenue Funds for the 2018–19 biennium to fund the required grants.

Senate Bill 292, Regular Session, 2017 – Relating to the establishment of a grant program to reduce recidivism, arrest, and incarceration of individuals with mental illness. The legislation requires HHSC to establish a grant program to reduce recidivism, arrest, and incarceration among individuals with mental illness and to provide a grant to a county-based community collaborative in the most populous county in the state for the same purpose. The legislation requires different levels of local matching funds depending on population. HHSC received $37.5 million in General Revenue Funds for the 2018–19 biennium to fund the required grants.

House Bill 1486, Regular Session, 2017 – Relating to peer specialists, peer services, and the provision of those services within the medical assistance program. The legislation requires HHSC to develop and adopt rules establishing training, certification, and service requirements for peer specialists with stakeholder input. The legislation also requires HHSC to include coverage for peer services provided by Medicaid-certified peer specialists, to the extent permitted by federal law. HHSC received $3.3 million in All Funds, including $1.5 million in General Revenue Funds, to implement the legislation's provisions.

House Bill 2379, Regular Session, 2017 – Relating to the functions and administration of the Health and Human Services Commission and the Office of Inspector General in relation to fraud, waste, and abuse in health and human services. The legislation clarifies the administrative support functions related to legal services that HHSC would provide to the OIG, expands the definition of the technology that OIG utilizes to identify and deter fraud in Medicaid, and clarifies the process for managed care organizations (MCO) and OIG in relation to payment recovery efforts from fraud and abuse investigations. The legislation authorizes MCOs to retain one-half of payment recovery efforts collected from providers that the MCOs identified were paid as a result of fraud or abuse and requires that the other one-half is remitted to OIG and deposited to the General Revenue Fund in the state Treasury.

House Bill 30, First Called Session, 2017 – Relating to the transfer of certain appropriations to the Texas Education Agency and the Teacher Retirement System of Texas and the adjustment of appropriation for public school finance. The legislation transfers $351.0 million in unencumbered General Revenue Funds appropriations from HHSC to the Texas Education Agency for several initiatives and $212.0 million in unencumbered General Revenue Funds appropriations to the Teacher Retirement System of Texas to increase recruitment and retention of school teachers and provide support to participants in the Texas Public School Employees Group Insurance Program.

Senate Bill 17, First Called Session, 2017 – Relating to maternal health and safety, pregnancy-related deaths, and maternal morbidity, including postpartum depression. The legislation requires HHSC to post information on its website regarding best practices for screening pregnant women for substance use, a list of substance use treatment resources offered by the state, and educational materials regarding opioid drug use during pregnancy. HHSC also is required to submit a report on efforts taken to reduce the incidence of pregnancy-related deaths.

6. AGENCIES OF EDUCATION

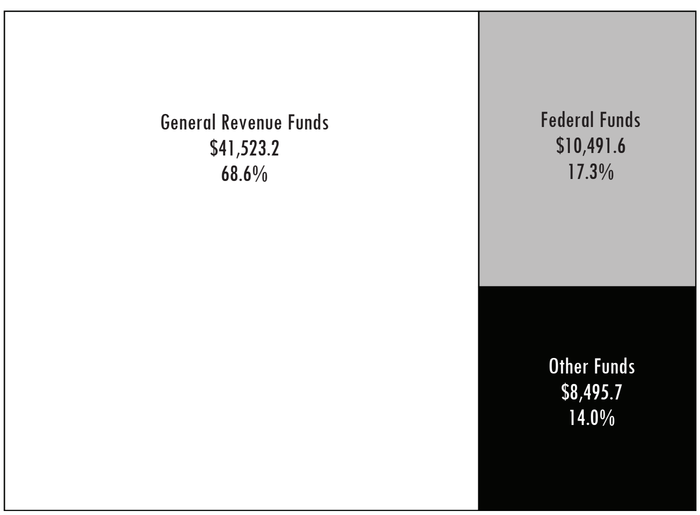
PUBLIC EDUCATION

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

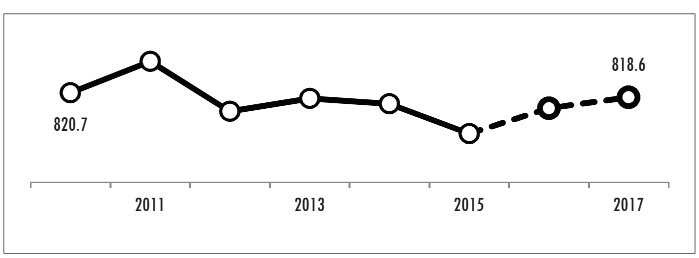
FIGURE 146
ARTICLE III – AGENCIES OF EDUCATION—PUBLIC EDUCATION, BY METHOD OF FINANCE

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

SHARE OF FUNDING BY METHOD OF FINANCE (IN MILLIONS)



FULL-TIME-EQUIVALENT POSITIONS



SIGNIFICANT DEVELOPMENTS

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

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

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

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

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

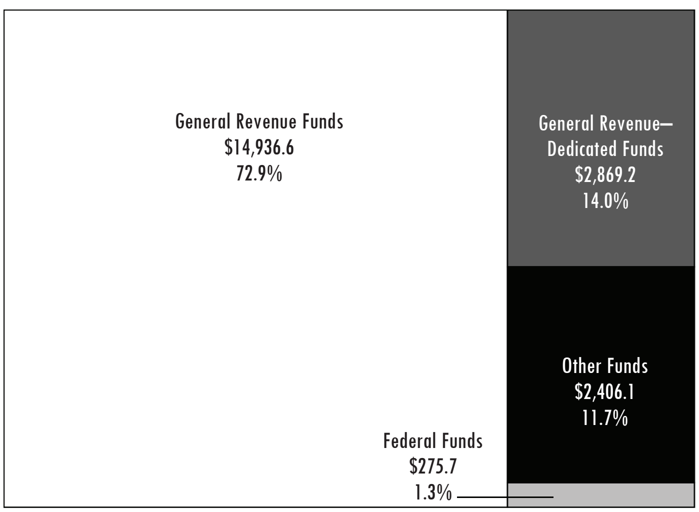
HIGHER EDUCATION

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

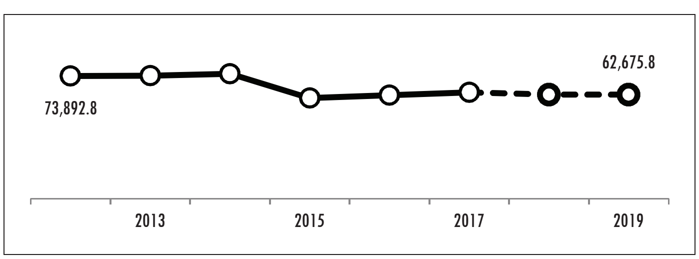
FIGURE 147
ARTICLE III – AGENCIES OF EDUCATION—HIGHER EDUCATION, BY METHOD OF FINANCE

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

SHARE OF FUNDING BY METHOD OF FINANCE (IN MILLIONS)



FULL-TIME-EQUIVALENT POSITIONS



SIGNIFICANT DEVELOPMENTS

Higher education formulas are supported by **$7.2 billion** in General Revenue Funds, a decrease of **$2.9 million** from the 2016–17 biennium.

Appropriations include **$859.8 million in General Revenue Funds** for **non-formula support** items at all institutions of higher education, a decrease of **$244.9 million** from the 2016–17 biennium.

Appropriations include **$175.9 million** in **hold harmless funding** for various institutions of higher education.

Higher Education Coordinating Board appropriations for the **TEXAS Grants program** total **$786.5 million**, which includes an increase of **$71.5 million** in General Revenue Funds.

Appropriations include **$243.4 million** to support research to institutions through **the Texas Research University Fund, the Core Research Support Fund, and the Comprehensive Research Fund**.

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

FIGURE 148
ARTICLE III – EDUCATION APPROPRIATIONS BY AGENCY OR GROUP, ALL FUNDS

(IN MILLIONS)

FUNCTION	EXPENDED/BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE
Public Education				
Texas Education Agency	$54,720.3	$55,358.6	$638.3	1.2%
School for the Blind and Visually Impaired	$52.2	$53.6	$1.4	2.7%
School for the Deaf	$59.9	$76.1	$16.3	27.2%
Subtotal, Public Education (3)	**$54,832.3**	**$55,488.3**	**$656.0**	**1.2%**
Public Higher Education				
General Academic Institutions	$7,164.4	$7,210.9	$46.5	0.6%
Health Related Institutions	$3,165.5	$3,161.7	($3.7)	(0.1%)
Texas A&M Service Agencies	$1,016.4	$1,003.0	($13.4)	(1.3%)
Higher Education Coordinating Board	$1,706.2	$1,575.2	($131.0)	(7.7%)
Higher Education Fund	$656.3	787.5	$131.3	20.0%
Available University Fund	$1,713.3	$1,800.5	$87.2	5.1%
Available National Research University Fund	$52.5	$46.3	($6.2)	(11.8%)
Support for Military and Veterans Exemptions	$20.1	$47.3	$27.2	135.7%
Article III, Special Provisions	$0.0	$0.0	$0.0	N/A
Two-year Institutions				
Public Community/Junior Colleges	$1,778.6	$1,794.5	$15.9	0.9%
Lamar Lower-level Institutions	$69.5	$67.7	($1.8)	(2.6%)
Texas State Technical Colleges	$190.4	$192.8	$2.4	1.2%
Subtotal, Two-year Institutions	**$2,038.4**	**$2,055.0**	**$16.5**	**0.8%**
Subtotal, Public Higher Education (3)	**$17,533.1**	**$17,687.4**	**$154.3**	**0.9%**
Teacher Retirement System	$4,435.2	$5,398.3	$963.2	21.7%
Optional Retirement Program	$334.4	$344.6	$10.2	3.1%
Higher Education Employees Group Insurance Contributions	$1,377.9	$1,412.2	$34.3	2.5%
Retirement and Group Insurance	$86.0	$93.9	$8.0	9.3%
Social Security and Benefit Replacement Pay	$621.2	$660.4	$39.2	6.3%
Subtotal, Employee Benefits	**$6,854.6**	**$7,909.5**	**$1,054.9**	**15.4%**
Bond Debt Service Payments	$23.0	$20.8	($2.2)	(9.6%)
Lease Payments	$4.5	$0.4	($4.1)	(91.1%)
Subtotal, Debt Service	**$27.5**	**$21.2**	**($6.3)**	**(23.0%)**
Less Interagency Contracts	$107.4	$108.3	$0.9	0.8%
Total, All Functions	**$79,140.1**	**$80,998.0**	**$1,857.9**	**2.3%**

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) Subtotals do not include employee benefits or debt service, and include Interagency Contracts.
SOURCE: Legislative Budget Board.

MAJOR FUNDING

The Eighty-fifth Legislature, Regular Session, 2017, appropriated $81.0 billion in All Funds for education for the 2018–19 biennium. This amount is an increase of $1.9 billion, or 2.3 percent from the 2016–17 biennial spending level.

PUBLIC EDUCATION

Agencies of public education, excluding the Teacher Retirement System and Optional Retirement Program, were appropriated $55.5 billion in All Funds for the 2018–19 biennium. This amount is an increase of $656.0 million, or 1.2 percent, from the 2016–17 biennial spending level. Included in these amounts are $43.0 billion in All Funds for state aid to school districts and charter schools through the Foundation School Program (FSP). The All Funds increase is attributable primarily to the following changes:

- $150.0 million to fund a new hardship grant program for districts that would otherwise experience a significant revenue loss;
- $75.0 million for school districts experiencing rapid property value decreases;
- $60.0 million for an increase in the guaranteed yield for the Existing Debt Allotment;
- $60.0 million for charter school facilities;
- $47.5 million for the New Instructional Facilities Allotment; and
- $41.0 million for an increase in the small district adjustment for districts of less than 300 square miles.

FSP appropriations are supported by a $300.0 million distribution from the Permanent School Fund to the Available School Fund, authorized by the School Land Board.

Agencies of public education were appropriated $41.6 million in Other Funds from the Economic Stabilization Fund, including $25.0 million for federal E-rate Program grants to schools, $14.6 million for facilities at Texas School for the Deaf, and $2.0 million for facilities at Texas School for the Blind.

General Revenue Funds appropriations for public education decreased by $1.0 billion, or 2.7 percent from the 2016–17 biennium. This decrease is attributable to projected increases in Other Funds, including recapture payments, and a $251.3 million, or 12.0 percent decrease in funding to the Texas Education Agency for non-FSP programs and administration.

HIGHER EDUCATION

Appropriations to support higher education total $20.5 billion in All Funds for the 2018–19 biennium, an increase of $243.3 million from the 2016–17 biennial spending level. This amount includes $14.9 billion in General Revenue Funds, $2.9 billion in General Revenue–Dedicated Funds, and $2.7 billion in Federal Funds and Other Funds.

Higher education formulas are supported by $7.2 billion in General Revenue Funds and $1.5 billion in General Revenue–Dedicated Funds, which are primarily from statutory tuition. Included in this amount is a decrease of $2.9 million in General Revenue Funds and an increase of $124.9 million in General Revenue–Dedicated Funds from

FIGURE 149
ALL FUNDS FORMULA APPROPRIATIONS AND INSTRUCTION AND OPERATIONS FORMULA RATES
2016–17 AND 2018–19 BIENNIA

	APPROPRIATED		BIENNIAL	PERCENTAGE	I&O RATE (1)	
INSTITUTIONS	2016–17	2018–19	CHANGE	CHANGE	2016–17	2018-19
General Academic Institutions	$4,676.3	$4,751.7	$75.3	1.6%	$55.39	$55.82
Lamar State Colleges	$34.7	$35.8	$1.1	2.9%	$3.53	$3.53
Texas State Technical Colleges (2)	$109.9	$110.8	$0.9	0.8%	35.5%	27.6%
Health Related Institutions (3)	$1,997.7	$2,019.5	$21.7	1.1%	$9,829	$9,431
Public Community and Junior Colleges	$1,764.6	$1,741.7	($22.9)	(1.3%)	$2.69 per contact hour; $172.58 per success point	$2.70 per contact hour; $171.56 per success point

NOTES:
(1) I&O= Instruction and Operations.
(2) Texas State Technical College rate reflects returned value percentage.
(3) Formula amounts for the health related institutions include amounts appropriated to the Texas Higher Education Coordinating Board for Baylor College of Medicine.
(4) Formula amounts do not include Board Authorized Tuition.
SOURCE: Legislative Budget Board.

FIGURE 150
NON-FORMULA SUPPORT ITEM GENERAL REVENUE FUNDS APPROPRIATIONS, 2016–17 AND 2018–19 BIENNIA

INSTITUTIONS	APPROPRIATED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Academic Institutions	$568.6	$410.2	($158.4)	(27.9%)
Lamar State Colleges	$14.5	$9.2	($5.3)	(36.5%)
Texas State Technical Colleges	$24.6	$17.4	($7.2)	(29.4%)
Health Related Institutions	$465.5	$395.9	($69.5)	(14.9%)
Public Community and Junior Colleges	$31.6	$27.1	($4.4)	(14.1%)

NOTE: Health related institutions include The University of Texas Rio Grande Valley School of Medicine.
SOURCE: Legislative Budget Board.

statutory tuition. **Figure 149** shows the biennial change in All Funds formula appropriations for the different types of institutions. The increase in formula appropriations primarily reflects the funding of enrollment growth in the various institutions' funding formulas. **Figure 149** also shows the Instruction and Operations formula rates for the different types of institutions for the 2016–17 and 2018–19 biennia.

Funding for institutions of higher education includes funding for non-formula support items, which are direct appropriations for projects specifically identified by the Legislature for support. This non-formula support item funding for the 2018–19 biennium includes General Revenue Funds appropriations shown in **Figure 150**.

Funding for institutions of higher education also includes hold harmless funding to ensure that no institution had a General Revenue Funds decrease greater than 10.0 percent compared to 2016–17 biennial levels. This funding includes $140.6 million in General Revenue Funds for various general academic institutions and system offices, and $35.3 million in General Revenue Funds for various health related institutions.

Funding also reflects direct support for research at general academic institutions through various funding formulas including:

- $125.2 million in General Revenue Funds, which is a decrease of $13.9 million from the 2016–17 biennium, for the Texas Research University Fund to the two eligible institutions, The University of Texas at Austin and Texas A&M University;
- $105.4 million in General Revenue Funds, which is a decrease of $11.7 million from the 2016–17 biennium, for Core Research Support to the state's eight emerging research universities; and
- $12.8 million in General Revenue Funds, which is a decrease of $1.4 million from the 2016–17 biennium, for the Comprehensive Research Fund to institutions not eligible for either the Texas Research University Fund or Core Research Support.

Funding for the Higher Education Coordinating Board for the 2018–19 biennium includes a decrease of $131.0 million in All Funds from the 2016–17 biennium. Appropriations for the 2018–19 biennium include the following:

- $786.5 million for the TEXAS Grants program, which is a $71.5 million increase in General Revenue Funds;
- $88.5 million and $7.5 million, respectively, for the Texas Educational Opportunity Grant (TEOG) Public Community College Program and the TEOG State and Technical Colleges Program, a total increase of $2.0 million from the 2016–17 biennium;
- $171.8 million for the Tuition Equalization Grants program, which is a decrease of $20.5 million from the 2016–17 biennium;
- $35.0 million for the Texas Research Incentive Program, which is a decrease of $103.1 million in All Funds; and
- $97.1 million for the Graduate Medical Education Expansion program, which is an increase of $44.1 million in All Funds from the 2016–17 biennium.

Finally, appropriations for the Texas A&M System agencies for the 2018–19 biennium totals $1.0 billion in All Funds, which represents a decrease of $13.4 million from the 2016–17 biennium. This funding includes $357.1 million in General Revenue Funds, a decrease of $0.7 million from the 2016–17 biennium.

EMPLOYEE BENEFITS

Appropriations to agencies of education for employee benefits and payroll-related costs total $7.9 billion, an increase of $1.1 billion from the 2016–17 biennial spending levels. The increase is attributable primarily to significant funding increases for the TRS-Care Program and anticipated growth in public education and higher education payrolls.

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

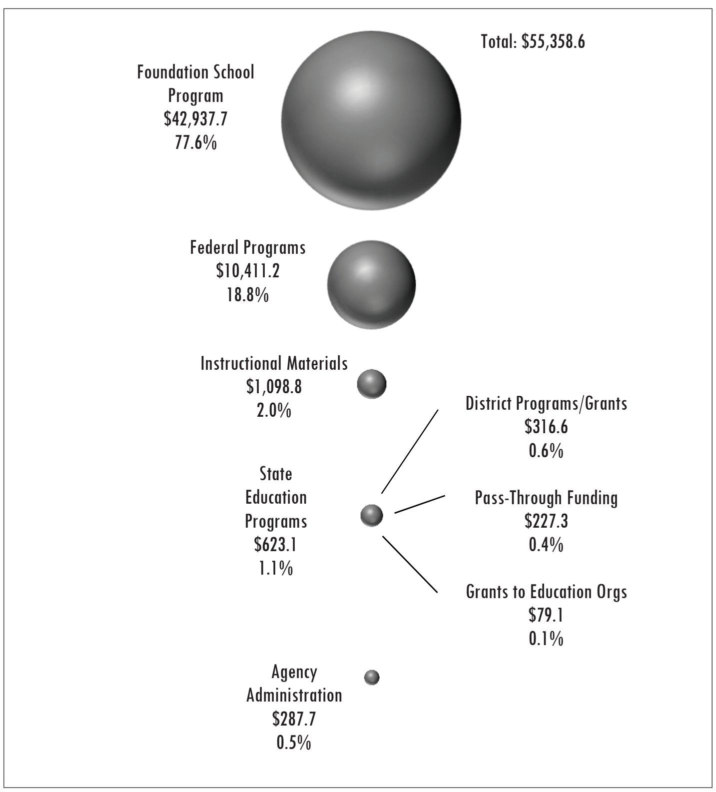
FIGURE 151
TEXAS EDUCATION AGENCY BY METHOD OF FINANCE

(IN MILLIONS)

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

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2018	881.0
2019	885.0

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

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

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

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

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

MAJOR FUNDING

Funding for the Texas Education Agency (TEA) for the 2018–19 biennium includes entitlement increases of $433.5 million from pre-existing current law obligations through the Foundation School Program (FSP). These increases include the following amounts: $150.0 million for financial hardship grants, $75.0 million for Loss Due to Property Value Decline, $60.0 million for charter school facilities, $60.0 million for the Existing Debt Allotment, $47.5 million for the New Instructional Facilities Allotment, and $41.0 million for the small district adjustment affecting districts with less than 300 square miles (see the Significant Legislation section). These increases from current law are in addition to funding pre-existing statutory entitlements associated with student growth, and increases to the value of local tax effort (see the Foundation School Program section). FSP appropriations are supported by a $300.0 million distribution from the Permanent School Fund to the Available School Fund, authorized by the School Land Board.

In addition to the FSP, TEA administers several state and federally funded educational grant and support programs. The 2018–19 biennial appropriation for non-FSP programs and administration is $1.8 billion in General Revenue Funds, a decrease of $251.3 million (12.0 percent) from 2016–17 biennial spending levels. The decrease is attributable to $317.6 million in decreases to numerous programs, offset by increases of $65.8 million for new program funding and a 2016–17 biennial base decrease of $0.5 million. The All Funds 2018–19 biennial appropriation for non-FSP programs and administration is $12.4 billion, an increase of $53.7 million (0.4 percent) from 2016–17 biennial spending levels. This increase is attributable primarily to a $280.0 million increase in Federal Funds and an increase of $25.0 million in Other Funds from the Economic Stabilization Fund, partially offset by a $251.3 million General Revenue Funds decrease.

Figure 152 shows the change in public education revenue since fiscal year 2010 in current and constant dollars, using compounded state population and inflation growth, and the number of students in average daily attendance (ADA).

HURRICANE HARVEY

Subsequent to the Eighty-fifth Legislature, Regular Session, 2017, and First Called Session, 2017, Hurricane Harvey made landfall in Texas, causing significant damage to affected regions. Effects to school districts that may result in additional costs include facilities damage, missed class days, and displaced students. Although cost estimates relating to Hurricane Harvey are not yet available, TEA has statutory and appropriation authority to provide relief to affected school districts. The Texas Education Code authorizes TEA to pay disaster remediation costs in certain circumstances, and to make other FSP adjustments for districts affected by a disaster. Additionally, the Eighty-fifth Legislature, General Appropriations Act (GAA), 2018–19 Biennium, Article IX, Section 14.04, authorizes TEA to transfer fiscal year 2019 appropriations to fiscal year 2018 if fiscal year 2018 appropriations are insufficient to pay disaster related costs.

PROGRAMS

The agency carries out its responsibilities through seven major program areas: (1) Foundation School Program; (2) instructional materials; (3) district programs and grants; (4) grants to education organizations; (5) pass-through funding; (6) federal education programs; and (7) agency administration.

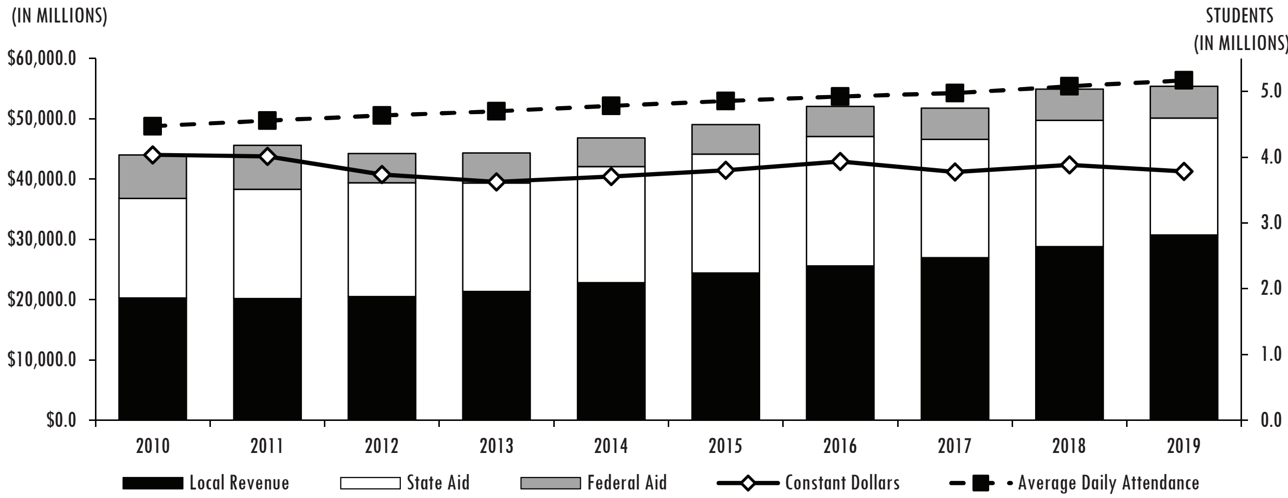
FOUNDATION SCHOOL PROGRAM

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. FSP is not only the largest appropriation item for TEA, accounting for 77.6 percent of the agency's 2018–19 biennial All Funds appropriation, it is also the largest single appropriation item in the state budget from General Revenue Funds and General Revenue–Dedicated Funds. The 2018–19 GAA, Article III, TEA, Strategies A.1.1, FSP – Equalized Operations and A.1.2, FSP – Equalized Facilities, address FSP appropriations, and set-aside appropriations in other strategies address programs that are funded statutorily from the FSP.

All Funds appropriations to FSP for the 2018–19 biennium are $43.0 billion, representing a $584.6 million increase compared to the 2016–17 biennial spending level. Appropriations of General Revenue Funds account for $34.8 billion of this total, a $0.8 billion decrease from the 2016–17 biennium. The decrease is attributable primarily to rising property values (see the State and Local Revenue Contribution section).

Figure 153 shows the major cost drivers for FSP for the 2018–19 biennium, compared to the 2016–17 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 $1,216.9 million in General Revenue Funds. The largest cost driver in the system is the

FIGURE 152
PREKINDERGARTEN TO GRADE 12 PUBLIC EDUCATION FUNDING IN ACTUAL AND CONSTANT DOLLARS
FISCAL YEARS 2010 TO 2019



YEAR	ACTUAL DOLLARS: LOCAL REVENUE	ACTUAL DOLLARS: STATE AID (3)	ACTUAL DOLLARS: FEDERAL AID	TOTAL ACTUAL DOLLARS	TOTAL CONSTANT DOLLARS (2)	AVERAGE DAILY ATTENDANCE
2010	$20,285.5	$16,526.1	$7,195.9	$44,007.4	$44,007.4	4,470,146
2011	$20,189.0	$18,115.2	$7,310.5	$45,614.7	$43,744.3	4,555,707
2012	$20,486.4	$18,889.5	$4,842.2	$44,218.2	$40,735.5	4,632,151
2013	$21,357.8	$17,972.4	$4,968.8	$44,299.0	$39,535.7	4,697,243
2014	$22,816.5	$19,233.6	$4,763.1	$46,813.2	$40,404.9	4,778,014
2015	$24,432.0	$19,687.0	$4,925.5	$49,044.6	$41,466.7	4,853,101
2016	$25,606.7	$21,441.6	$4,997.1	$52,045.4	$42,904.6	4,922,493
2017	$26,961.1	$19,627.2	$5,190.1	$51,778.4	$41,185.5	4,972,376
2018 (1)	$28,782.8	$20,932.0	$5,200.2	$54,915.0	$42,342.1	5,075,941
2019 (1)	$30,724.0	$19,388.5	$5,267.0	$55,379.5	$41,245.2	5,166,298

NOTES:
(1) Amounts for fiscal years 2018 and 2019 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 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.

projected increase of about 82,500 students in average daily attendance per year, at an estimated cost to the state of $2.7 billion for the 2018–19 biennium. Other factors resulting in increased state cost compared to the 2016–17 biennium include $1.1 billion in increased formula costs due to growth in the golden penny yield. (See the Foundation School Program Structure section.) In addition to these costs, the 2018–19 biennial budget includes 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 during the following school year based on actual data. The cost of settle-up for the 2018–19 biennium, along with other previously unaccounted for costs and adjustments is anticipated to be $453.6 million greater for the 2018–19 biennium than it was during the 2016–17 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 $3.5 billion for the 2018–19 biennium. Additional State

FIGURE 153
MAJOR FOUNDATION SCHOOL PROGRAM (FSP) COST DRIVERS AND LEGISLATIVE ACTIONS, 2018–19 BIENNIUM

CURRENT LAW OBLIGATIONS AND COST DRIVERS GREATER THAN 2016–17 BIENNIUM	GENERAL REVENUE FUNDS (IN MILLIONS)
Projected Student Enrollment Growth:	$2,650.0
Fiscal Year 2018 – 82,000 Fiscal Year 2019 – 83,000	
Projected School District Property Value and Revenue Increase:	($3,480.0)
Tax Year 2016 – 5.13% Tax Year 2017 – 7.04% Tax Year 2018 – 6.77%	
Increase in Austin ISD Yield Growth	$1,050.0
Savings Due to ASATR Expiration	($750.0)
Settle-up and Other Costs (e.g., enrichment tax effort, prior year, and other adjustments)	$453.6
Recapture Increase Greater Than Base	($1,252.8)
Property Tax Relief Fund Decreases Compared to Base	$112.3
Total, 2018–19 Biennial Cost Drivers	**($1,216.9)**
LEGISLATIVE ACTIONS	
Funding for ISDs with Rapid Property Value Decline	$75.0
New Instructional Facilities Allotment	$47.5
Financial Hardship Grants	$150.0
Charter School Facilities	$60.0
Increase in Existing Debt Allotment Yield	$60.0
Small-sized District Adjustment	$41.0
Total, Legislative Actions	**$433.5**
Total, Net FSP Comparison to 2016–17 Biennial Base, General Revenue Funds	**($783.4)**

NOTES:
(1) Legislative actions include actions of the Eighty-fifth Legislature, Regular Session, 2017.
(2) ISD=independent school district; ASATR=Additional State Aid for Tax Reduction.
SOURCE: Legislative Budget Board.

Aid for Tax Reduction (ASATR), which held districts harmless for property tax relief legislation enacted in 2006, expired in fiscal year 2017, saving the state $750.0 million for the 2018–19 biennium.

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 the Foundation School Fund, 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 FSP. For the 2018–19 biennium, recapture revenue is anticipated to grow by $1,252.8 million, which in turn decreases the anticipated draw from General Revenue Funds by the same amount to support FSP. Recapture is a financing mechanism to reduce a district's property wealth per weighted student to a statutorily determined level. Conversely, revenue from the Property Tax Relief Fund is anticipated to decrease by $112.3 million, which in turn increases the anticipated draw from General Revenue Funds by the same amount.

In addition, the Legislature increased 2018–19 FSP funding by $433.5 million greater than the amount anticipated to be necessary to fund the pre-existing current law entitlement. The Eighty-fifth Legislature, Regular Session, 2017, authorized entitlement increases of $75.0 million for districts experiencing rapid property value decreases, and $47.5 million for the New Instructional Facilities Allotment.

The Eighty-fifth Legislature, First Called Session, 2017, further increased the entitlement by $311.0 million, including increases of $150.0 million to fund financial hardship grants, $60.0 million to fund instructional facilities at charter schools, $60.0 million to increase the yield of the Existing Debt Allotment, and $41.0 million for the small-sized district adjustment for districts that have an average daily attendance of less than 1,600 and that contain less than 300 square miles. Costs resulting from the small-sized district adjustment are projected to increase gradually to an estimated $125.0 million for fiscal year 2022.

FUNDING SOURCES

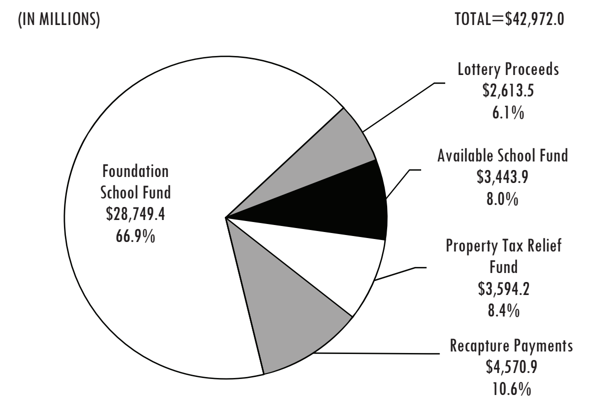
Figure 154 shows all the sources that fund FSP for the 2018–19 biennium. General Revenue Funds contribute an estimated 81.0 percent of the FSP appropriation through three sources: the Available School Fund (ASF), Texas Lottery proceeds, and the Foundation School Fund, which is an amount distributed from the state's General Revenue Funds sufficient to fulfill the state's FSP funding obligation. An additional $3.6 billion is projected to come from the Property Tax Relief Fund (PTRF), made up of certain revenue generated by the state's franchise tax, tobacco taxes, and a tax on used car sales. Additionally, wealth-equalizing recapture payments, budgeted as Appropriated Receipts, from property-wealthy school districts are estimated to generate $4.6 billion and are used to offset the state cost of the school finance system. Recapture payments are intended to reduce inequities among school districts with regard to access to public education revenue. Statute requires that recapture payments be used only as a source of funding for the FSP; they are not spent for any other purpose.

As sources of funding 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 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 greater than estimated, the General Revenue Funds draw through the Foundation School Fund decreases; conversely, if revenue is less than expected, the General Revenue Fund cost increases.

STATE AND LOCAL REVENUE CONTRIBUTION

The 2018–19 biennial FSP appropriation, in combination with an estimated $59.5 billion in local property tax revenue, represents the $97.6 billion total FSP entitlement for the 2018–19 biennium, as shown in **Figure 155**.

FIGURE 154
FOUNDATION SCHOOL PROGRAM APPROPRIATIONS BY FUNDING SOURCE, 2018–19 BIENNIUM



SOURCE: Legislative Budget Board.

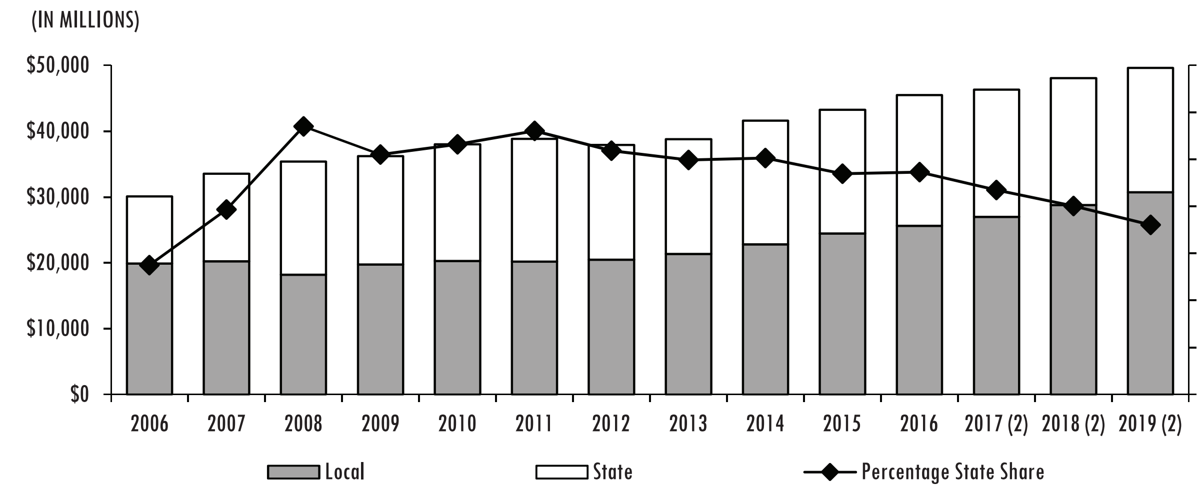
FSP is a shared funding model, depending on contributions from state and local revenue sources to fund the level of entitlement generated by the statutory formulas. As such, fluctuations in local property tax revenue partially determine the amount of state funding needed to fund district entitlement 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 during fiscal years 2007 and 2008. The Legislature replaced the lost local revenue with state aid. As **Figure 155** shows, this reform increased the state share from 33.8 percent for fiscal year 2006 to 48.5 percent for fiscal year 2008. From fiscal years 2009 to 2014, fluctuations in the rate of district property value growth and changes to state aid entitlement generally offset each other, keeping the state share of the FSP between 45.0 percent and 48.0 percent. However, since fiscal year 2014, local revenue driven by strong property value growth has outpaced both FSP entitlement increases and additional property tax relief, resulting in a steady decline in state share, which is projected to decrease to 38.0 percent for fiscal year 2019.

FOUNDATION SCHOOL PROGRAM STRUCTURE

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

FIGURE 155
STATE AND LOCAL FOUNDATION SCHOOL PROGRAM FUNDING AND STATE SHARE PERCENTAGE
FISCAL YEARS 2006 TO 2019



NOTES:
(1) During fiscal years 2010 and 2011, $1,625.0 million in funds identified as state dollars were financed with State Fiscal Stabilization Funds, provided in accordance with the federal American Recovery and Reinvestment Act of 2009.
(2) Amounts for fiscal years 2017 to 2019 are estimated.
(3) Local share amounts shown include recapture revenue.
SOURCE: Legislative Budget Board.

revenue entitlement, local tax revenue, and state aid is determined. The formulas are established by the 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 majority of district entitlement for maintenance and operations is provided through Tier 1 and is provided through the funding formula element called the Basic Allotment, which is an amount of total state and local funding that the state guarantees to districts per student in average daily attendance (ADA). This Basic Allotment is then adjusted for 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).

Because 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 typically equals approximately 1.36 WADA, although this ratio may vary by district as each has different student and district characteristics that 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, typically is used as the basis of comparison for FSP funding, because it incorporates the student and district formula adjustments that drive the FSP entitlement.

During 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 commonly is referred to as a district's revenue target. If a district's compressed local revenue and state aid through the Basic Allotment would not generate sufficient funding to meet this revenue target, the state would provide 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 expired in statute at the end of fiscal year 2017, after the Legislature began phasing out this funding stream during fiscal year 2013. The total amount of funding that moved through the hold harmless ASATR during the 2016–17 biennium was $750.0 million. The Legislature appropriated $150.0 million for hardship grants for the 2018–19 biennium to distribute to districts affected primarily by the loss of ASATR funding.

The final major funding formula for maintenance and operations entitlement is the $0.17 enrichment tier, or Tier 2, established during 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 $0.01 per WADA as the Austin Independent School District (ISD) (estimated to be $99.41 for fiscal year 2017 and increasing to $106.28 for fiscal year 2019) for the first $0.06 levied greater than the district's compressed tax rate. Revenue generated greater than the Austin ISD yield is not subject to recapture. These $0.06 are referred to as golden pennies. The remaining $0.11 are equalized at $31.95 per $0.01 per WADA, are subject to recapture if they are greater 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. IFA equalizes interest-and-sinking tax effort at $35.00 per $0.01 per student in ADA. House Bill 30, Eighty-fifth Legislature, First Called Session, 2017, provides $60.0 million for the 2018–19 biennium to increase the guaranteed yield of EDA to an estimated $37.00 per $0.01 per student in ADA. The legislation also provides facilities funding for charter schools equal to a statewide total of $60.0 million per fiscal year, beginning in fiscal year 2019.

Although the basic structure of IFA and EDA is similar, some key differences separate the two programs. IFA funding is limited to instructional facilities, whereas district debt service for any type of facility is potentially eligible for EDA support. IFA is a sum-certain appropriation, and the Legislature makes specific appropriation decisions regarding new grant awards. In contrast, debt service is eligible automatically for EDA funding in a given biennium if the district made a payment during the previous biennium. EDA assistance is restricted to $0.29 of tax effort. The Legislature did not appropriate any funding for new grants through the Instructional Facilities Allotment for the 2018–19 biennium.

Total state aid for facilities programs is $1,331.0 million for the 2018–19 biennium.

RECAPTURE REVENUE

In an effort to address inequities among school districts in terms of access to revenue for public education, the Texas Education Code, Chapter 41, requires school districts with local property values per student greater than statutorily established Equalized Wealth Levels (EWL) to exercise one of five options to reduce property wealth per WADA. This system is referred to as recapture. Most school districts subject to recapture opt to remit tax revenues associated with property value greater than EWL directly to the state. Recapture revenue is used only as a method of financing the state's FSP obligations, and it is not used for any other non-FSP related appropriation.

The EWL applicable to a district's compressed M&O tax levy is tied statutorily to the basic allotment and is, therefore, established at $514,000 per WADA for each fiscal year of the 2018–19 biennium. The EWL applicable to any copper pennies that a district opts to levy in Tier 2 is $319,500. Revenues associated with golden pennies levied in Tier 2 are not subject to recapture, meaning that districts retain 100.0 percent of those tax revenues locally.

For fiscal years 2004 to 2019, **Figure 156** shows the total recapture revenue, the percentage of recapture as a percentage of total M&O revenue, and the total number of districts paying recapture. Although the total amount of recapture revenue has increased during the 16 years shown, the percentage of total M&O revenue that recapture revenue contributes has stayed within a range of 3.0 percent to 5.0 percent until fiscal year 2019, when it is anticipated to reach 6.0 percent.

FIGURE 156
RECAPTURE REVENUE, FISCAL YEARS 2004 TO 2019

YEAR	TIER 1 EQUALIZED WEALTH LEVEL	TOTAL RECAPTURE PAID (IN MILLIONS)	RECAPTURE AS A PERCENTAGE OF TOTAL M&O REVENUE	DISTRICTS PAYING RECAPTURE	PERCENTAGE OF TOTAL ADA
2004	$305,000	$1,065.7	4%	125	11.1%
2005	$305,000	$1,114.3	4%	128	12.3%
2006	$305,000	$1,305.5	5%	142	12.5%
2007	$319,500	$1,455.6	4%	150	12.7%
2008	$364,500	$1,140.4	3%	178	13.2%
2009	$374,200	$1,463.5	4%	191	17.5%
2010	$476,500	$1,051.2	3%	201	11.4%
2011	$476,500	$1,045.3	3%	213	12.6%
2012	$476,500	$1,089.8	3%	222	13.6%
2013	$476,500	$1,069.3	3%	216	12.2%
2014	$495,000	$1,212.8	3%	226	12.3%
2015	$504,000	$1,492.6	3%	241	14.1%
2016	$514,000	$1,587.5	4%	231	14.7%
2017 (1)	$514,000	$1,731.8	4%	234	16.7%
2018 (1)	$514,000	$2,047.0	5%	191	17.4%
2019 (1)	$514,000	$2,507.8	6%	213	22.7%

NOTES:
(1) Amounts shown for fiscal years 2017 to 2019 are estimated.
(2) M&O=maintenance and operations; ADA=average daily attendance.
(3) Figure shows Tier 1 and Tier 2 recapture. For fiscal year 2018, 135 districts are anticipated to pay recapture at the Tier I level (some of which also pay Tier 2 recapture); and 56 districts are anticipated to pay recapture only at the Tier 2 level. For fiscal year 2019, these amounts are projected to be 156 and 57, respectively.
SOURCE: Legislative Budget Board.

CHARTER SCHOOL FUNDING

Charter schools are not authorized to levy local property taxes. Therefore, the entire FSP entitlement for a charter school is provided as state aid.

The charter school Tier 1 entitlement is determined by multiplying counts of students enrolled in general and targeted education programs by applicable program weights and the state average of school district adjusted allotments. Enrichment funding provided through Tier 2 for charter schools is calculated using the state average number of enrichment pennies levied by school districts with taxing authority.

Figure 157 shows, from fiscal years 2010 to 2019, charter school state aid, the percentage of total state aid, charter school average daily attendance, and the percentage of total ADA made up by charter schools.

TECHNOLOGY AND INSTRUCTIONAL MATERIALS

Aside from the FSP, the largest state-funded public education program appropriation is for technology and instructional materials. For the 2018–19 biennium, appropriations for technology and instructional materials total $1,098.8 million to be distributed through the Technology and Instructional Materials Allotment. Previously called the Instructional Materials Allotment (IMA), House Bill 3526, Eighty-fifth Legislature, Regular Session, 2017, renamed the allotment to the Technology and Instructional Materials Allotment to better align the terminology with the allowable materials that districts and charters may purchase with the funds. The Technology and Instructional Materials Allotment provides each school district and charter school with an account into which funding is deposited based on average daily attendance.

The 2018–19 biennial appropriation represents a decrease of $65.0 million (5.6 percent) from the 2016–17 base spending level. The 2018–19 biennial funding is based on a distribution rate of 44.3 percent of the Permanent School Fund (PSF) to the Available School Fund (ASF). This funding provides districts and charters the same funding as provided by 2016–17 biennial IMA appropriations,

FIGURE 157
CHARTER SCHOOL STATE AID AND AVERAGE DAILY ATTENDANCE, FISCAL YEARS 2010 TO 2019

YEAR	STATE AID (IN MILLIONS)	PERCENTAGE OF TOTAL STATE SHARE	AVERAGE DAILY ATTENDANCE (ADA)	PERCENTAGE OF TOTAL ADA
2010	$937.2	5.3%	103,404	2.3%
2011	$1,057.8	5.7%	116,968	2.6%
2012	$1,172.1	6.7%	139,049	3.0%
2013	$1,327.1	7.6%	161,846	3.4%
2014	$1,561.3	8.3%	183,228	3.8%
2015	$1,793.2	9.5%	207,003	4.3%
2016	$2,030.9	10.2%	226,771	4.6%
2017 (1)	$2,265.0	11.8%	251,917	5.1%
2018 (1)	$2,658.0	14.1%	287,926	5.7%
2019 (1)	$3,109.0	16.8%	329,991	6.4%

NOTE: Amounts shown for fiscal years 2017 to 2019 are estimated.
SOURCE: Legislative Budget Board.

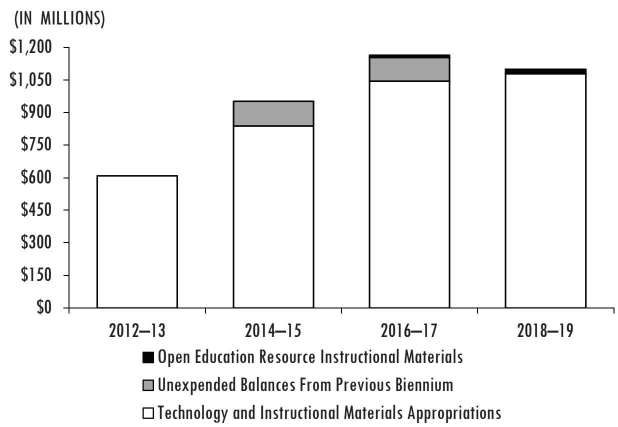
increased by 1.7 percent for each fiscal year for student growth. The 2016–17 biennial base funding for instructional materials was larger than 2016–17 biennial appropriations due to unexpended balances carried forward between biennia. For fiscal year 2016, TEA reported $109.0 million in unexpended district and charter balances carried forward from the 2014–15 biennium, in addition to the 2016–17 biennial appropriations.

Out of technology and instructional materials funding, $20.0 million is provided for the development of open-source instructional materials. Beginning with the 2018–19 biennium, House Bill 3526 and Senate Bill 810, Eighty-fifth Legislature, Regular Session, 2017, require the Commissioner of Education to develop and maintain a web portal to assist school districts and charter schools in selecting instructional materials. The legislation also makes the expenses associated with the web portal's development an allowable expense of technology instructional materials funding.

Figure 158 shows an overview of technology and instructional materials funding from the 2012–13 to the 2018–19 biennia.

Beginning in the 2016–17 biennium, House Bill 1474, Eighty-fourth Legislature, 2015, changed the Instructional Materials Allotment from an annual allocation to a biennial allocation. Pursuant to this legislation, the allocation provides funding to school districts and charter schools for instructional material and technology purchases for two full school years instead of one.

FIGURE 158
TECHNOLOGY AND INSTRUCTIONAL MATERIALS FUNDING
2012–13 TO 2018–19 BIENNIA



SOURCE: Legislative Budget Board.

DISTRICT PROGRAMS AND GRANTS

TEA awards grants and distributes funds for numerous programs to school districts and charter schools. The 2018–19 biennial appropriation for district programs and grants is $316.6 million. The following programs are among the more significant.

E-RATE CLASSROOM CONNECTIVITY

Appropriations include $25.0 million from the Economic Stabilization Fund (Other Funds) for the E-Rate Classroom

Connectivity program to provide funding to school districts and charters for qualifying special construction school projects in accordance with the federal E-Rate Infrastructure Program. The $25.0 million in state funding will assist districts and charters with financing the local funding requirements to receive additional federal funding through the E-Rate Infrastructure program for fiscal year 2018. The 2018–19 GAA, Article III, TEA, Rider 69, requires the Commissioner of Education to distribute the funding to support projects that build high-speed broadband infrastructure to and within schools and requires the agency to report on the funding's status by August 1, 2018.

GRANTS FOR STUDENTS WITH AUTISM AND STUDENTS WITH DYSLEXIA

House Bill 21, Eighty-fifth Legislature, First Called Session, 2017, established two grant programs to provide additional funding for districts and charter schools that provide innovative services to students with autism and dyslexia. For both programs, the Commissioner may provide awards to 10 grantees. Program enrollment typically is limited to students who are ages three to eight or are enrolled in prekindergarten to grade three. Each program was appropriated $20.0 million for the 2018–19 biennium, pursuant to House Bill 30, Eighty-fifth Legislature, First Called Session, 2017, with funding to be distributed evenly through the biennium.

PROGRAMS TARGETING HIGH SCHOOL STUDENTS

The 2018–19 GAA, Article III, TEA, Riders 48, 49, and 67, directs funding for three programs targeted at high school students: Texas Science, Technology, Engineering, and Mathematics (T-STEM), Early College High School (ECHS), and Pathways in Technology Early College High School (P-TECH).

TEA, Rider 48, directs $3.0 million to support the T-STEM program. The grant program supports middle schools and high schools that focus 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 of school.

The ECHS program is funded at $6.0 million for the 2018-19 biennium. ECHS provides grants to support districts and charter schools partnering with institutions of higher education to enable students to earn high school diplomas and at least 60.0 hours of college credit each simultaneously at no additional cost to the students.

Senate Bill 22, Eighty-Fifth Legislature, Regular Session, 2017, established the P-TECH program. P-TECH provides a pathway for students to earn postsecondary degrees in addition to their high school diplomas. TEA, Rider 67, directs $5.0 million to support the P-TECH program for the 2018–19 biennium. From this funding, the agency may use 3.0 percent ($150,000) for administration of the program.

TEACHER ACADEMIES

Appropriations for teacher academies are $24.9 million for the 2018–19 biennium, a decrease of $29.9 million from 2016–17 biennial spending levels. Established by the Eighty-fourth Legislature, 2015, the teacher academies include Math Achievement Academies, Literacy Achievement Academies, Reading-to-Learn Academies, and Reading Excellence Teams. Eligible teachers attending the academies receive stipends for their attendance. The 2018–19 GAA, Article III, TEA, Rider 61, directs $9.0 million to TEA to provide Math Academies for teachers of kindergarten to grade three with a curriculum focused on core numeracy skills. The 2018–19 GAA, Article III, TEA, Rider 62, directs $9.0 million to TEA to provide Literacy Academies for teachers of kindergarten to grade three with a curriculum focused on how to teach core reading and writing skills. The math and literacy academies support teacher training and the implementation of scientific, research-based programs that support students in their development in the primary grades.

Reading-to-Learn Academies are funded at $5.5 million for the 2018–19 biennium. The 2018–19 GAA, Article III, TEA, Rider 64, directs the Commissioner to provide funding for academies for teachers of grades four and five with a curriculum focused on teaching strategies to improve comprehension across all subjects.

Reading Excellence Teams are funded at $1.4 million for the 2018–19 biennium. The 2018–19 GAA, Article III, TEA, Rider 63, directs funding to eligible schools with unsatisfactory scores on early reading assessments to have highly trained reading instruction specialists assist classrooms of kindergarten to grade three with instruction.

PREKINDERGARTEN FUNDING

Appropriations for the 2018–19 biennium for prekindergarten education total $1,606.9 million, a decrease of $86.5 million from the 2016–17 biennium. For the 2018–19 biennium, prekindergarten education is funded through the Foundation School Program (FSP) and the

Texas School Ready! grant program. Appropriations for the High Quality Prekindergarten Grant program and supplemental prekindergarten funding were not included in the 2018–19 GAA, and funding for the Early Childhood School Readiness Program was decreased. The result is a biennial decrease of $151.5 million in prekindergarten grant funding, offset partially by a $65.0 million increase in FSP prekindergarten funding.

The state funds half-day prekindergarten for eligible students through the FSP. School districts that identify 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 $1,580 million for the 2018–19 biennium. The 2018–19 GAA, Article III, TEA, Rider 78, directs the Commissioner to ensure that school districts and charter schools that receive these funds use no less than 15.0 percent of their entitlement, estimated at $236.0 million statewide, to implement prekindergarten consistent with the requirements of a High-Quality Prekindergarten program, as established by the Texas Education Code.

The 2018–19 GAA, Article III, TEA, Rider 42, authorizes the allocation of $3.5 million in General Revenue Funds for the Early Childhood School Readiness program for the 2018–19 biennium. The GAA requires TEA to distribute funds to the Children's Learning Institute at the University of Texas Health Science Center at Houston to support high-quality early childhood education programs. In addition to the appropriations directed to the TEA, the 2018–19 GAA, Article VII, Texas Workforce Commission, Rider 27, directs $11.7 million for each fiscal year of the biennium to integrated school readiness models through the Early Childhood School Readiness program.

STUDENT SUCCESS INITIATIVE

The Student Success Initiative (SSI) is TEA's primary instructional intervention program related to student performance on state assessments. Appropriations for SSI total $11.0 million, a $20.7 million decrease from the 2016–17 biennium. 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 2018–19 GAA, Article III, TEA, Rider 43, requires the Commissioner to award grants to schools that have high percentages of students who do not perform satisfactorily on relevant state assessments, and that serve certain neighborhoods to implement a comprehensive support program that increases the number of students performing on grade level by leveraging academic, community, and governmental support. In addition, 2018–19 GAA, Article III, TEA, Rider 76, directs $1.0 million for the 2018–19 biennium to agency administrative support for the SSI.

EDUCATOR QUALITY INITIATIVES

The Educator Quality and Leadership program is funded at $29.0 million for the 2018–19 biennium, a $3.0 million decrease compared to 2016–17 biennial funding. The program provides grants to school districts to improve educator quality and effectiveness through 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 Funds Account No. 5135, Educator Excellence Innovation, and directing program appropriations as General Revenue Funds.

The 2018–19 GAA, Article III, TEA, Rider 41, Educator Quality and Leadership, requires the Commissioner of Education to spend $29.0 million for the 2018–19 biennium for certain initiatives that systematically transform educator quality and effectiveness statewide and ensure that funds directed by the rider maximize the receipt of federal grant funding for similar purposes. Additionally, Rider 41 directs portions of the appropriation to be used toward funding the following for the 2018–19 biennium: $5.0 million to implement standards on educator quality; $2.0 million to support Humanities Texas, a nonprofit organization providing professional development for teachers in their first or second years of service; and $14.5 million for innovative programs that support educator development or increase achievement outcomes, such as Math Innovation Zones and Replicating Great Options.

TEXAS GATEWAY AND ONLINE RESOURCES

Texas Gateway and Online Resources, previously called 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. Texas Gateway uses existing and new professional development resources and builds professional learning communities where educators can collaborate and participate in online learning opportunities. The appropriation to support Texas Gateway for the 2018–19 biennium is $15.0 million in General Revenue Funds, a $3.0 million decrease from 2016–17 biennial funding. From the total funding, $3.0 million for each fiscal year of the biennium is directed to the hosting and maintenance of online educator and student educational resources and the secure provisioning of user accounts. The 2018–19 GAA, Article III, TEA, Rider 53, directs that, from the $15.0 million Texas Gateway appropriation, $1.5 million for each fiscal year of the biennium is used for the Lesson Study Initiative for teacher development of best-practice lessons and supporting tools; $2.0 million for each fiscal year of the biennium is used to reimburse districts for costs related to students taking On Ramps Dual Enrollment courses; and $1.0 million for each fiscal year of the biennium is used for professional development provided by UTeach, a science, technology, engineering, and mathematics teacher preparation program offered by The University of Texas.

SCHOOL IMPROVEMENT AND GOVERNANCE SUPPORT

Appropriations for School Improvement and Governance Support total $2.85 million for the 2018–19 biennium, a $0.65 million decrease compared to the 2016–17 biennium. The 2018–19 GAA, Article III, TEA, Rider 44, requires the Commissioner to direct funding to provide campus, charter, and district intervention; governance and turnaround assistance services to districts and campuses with identified student performance or financial concerns; and technical or governance assistance to charter schools. In addition, TEA, Rider 74, directs $0.65 million for the 2018–19 biennium to agency administrative support for school improvement and governance.

GRANTS TO EDUCATION ORGANIZATIONS

In addition to providing funds to school districts and charter schools, TEA provides funds to organizations providing educational services. The 2018–19 biennial appropriation for grants to education organizations is $79.1 million. The following programs are among the more significant.

COMMUNITIES IN SCHOOLS

The Communities in Schools (CIS) program, which is affiliated with a national nonprofit organization and administered at the state level by TEA, operates in 27 communities across Texas. The program's goals include improving school attendance, academic achievement, and addressing the 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 2018–19 biennial appropriations include $31.0 million in General Revenue Funds and $7.8 million of federal funding for Temporary Assistance for Needy Families to support the program.

TEACH FOR AMERICA

Appropriations for Teach for America (TFA) are $11.0 million for the 2018–19 biennium, a decrease of $1.0 million from 2016–17 biennial levels. Funding is directed to support the provision of at least 1,800 TFA public school employees in Texas schools, with a prioritization on employment of mathematics teachers. The 2018–19 GAA, Article III, TEA, Rider 47, also requires TFA to work jointly with TEA and representatives of districts that employ TFA teachers on implementing 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.

PASS-THROUGH FUNDING

TEA provides pass-through funding to other state entities and governmental organizations for education programs. The 2018–19 biennial appropriation for pass-through funding is $227.3 million. Among the more significant programs are the following programs.

REGIONAL EDUCATION SERVICE CENTERS

The appropriation to support core services at Regional Education Service Centers (ESC) is $23.8 million for the 2018–19 biennium, a decrease of approximately $1.3 million from the 2016–17 biennial spending level. The 2018–19 GAA, Article III, TEA, Rider 34, directs the Commissioner to determine a formula by which these funds are distributed to the 20 ESCs to favor those serving rural areas and small-sized schools.

WINDHAM SCHOOL DISTRICT FUNDING

The Windham School District (WSD) provides educational programming for inmates in the adult correctional system in Texas. The funding to support this function is provided through TEA; however, the agency does not have oversight of WSD operations. The appropriation to support WSD for the 2018–19 biennium is $104.4 million, an increase of

$1.4 million from the 2016–17 biennial spending level. Those funds support high school, vocational, and technical education programs in the prison system. The 2018–19 GAA, Article III, TEA, Rider 71, also directs WSD to allocate $1.4 million of the total funding for the 1.5 percent employer retirement contribution to the Teacher Retirement System for school districts that do not participate in Social Security.

AGENCY ADMINISTRATION

Appropriations to TEA for agency administration for the 2018–19 biennium total $287.7 million in All Funds, including $172.6 million in General Revenue Funds. Administrative appropriations represent an increase of $9.8 million, 3.5 percent, in All Funds. The increase is attributable primarily to additional administrative funding for numerous programs. Appropriations for the 2018–19 biennium for agency administration include new administrative funding to support protecting students from inappropriate educator relationships; school improvement and governance; student and teacher data privacy and cybersecurity; and the Student Success Initiative.

METHODS OF FINANCING PUBLIC EDUCATION

The TEA budget includes General Revenue Funds, 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.

GENERAL REVENUE FUNDS

AVAILABLE SCHOOL FUND

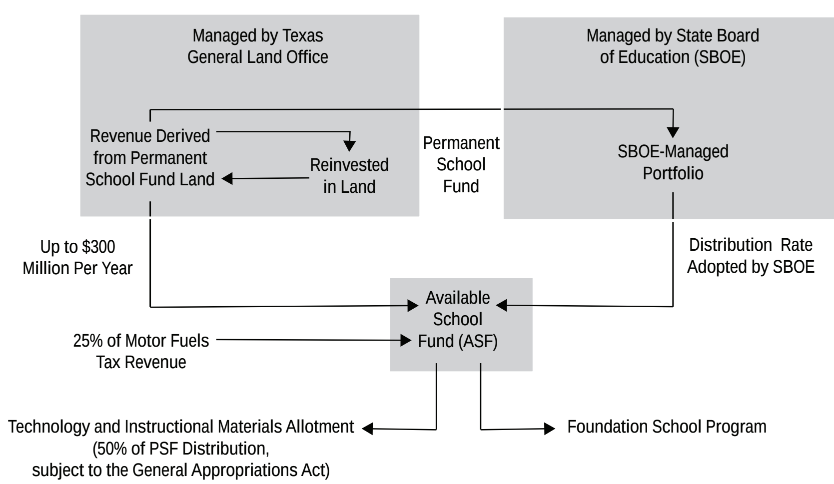
The Available School Fund (ASF) is a constitutionally dedicated fund for the support of the public education system. It is funded from distributions from returns on investment of the Permanent School Fund (PSF) and also receives 25.0 percent of the state's motor fuels tax revenue (see the Other Funds section). Before each legislative session, SBOE sets an assumed rate of total return on all PSF investment assets that determines the amount to be distributed to ASF. ASF funds the state's technology and instructional materials purchases through a transfer to the state Technology and Instructional Materials Fund and an annual per capita distribution to school districts. The per capita distribution is a method of finance for the FSP.

TECHNOLOGY AND INSTRUCTIONAL MATERIALS FUND

Transfers from the Available School Fund provide funding for the Technology and Instructional Materials Fund. The Technology and Instructional Materials Fund provides school districts with funding for textbooks and other instructional materials. Statute specifies that 50.0 percent, or an alternate amount specified in the General Appropriations Act, of the amount transferred from the PSF to the ASF shall be deposited into the Technology and Instructional Materials Fund during each biennium.

Figure 159 shows the allocation of funds related to the PSF to the ASF. The total rate of return that SBOE adopts each biennium is based on the average market value of the PSF for

FIGURE 159
ALLOCATION OF FUNDS FROM PERMANENT SCHOOL FUND TO AVAILABLE SCHOOL FUND, 2018–19 BIENNIUM



SOURCE: Legislative Budget Board.

the preceding 16 fiscal quarters. The rate 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 subsequent 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 2018–19 biennium, the adopted rate of 3.7 percent is projected to yield about $1,233.0 million per fiscal year.

In addition to motor fuels tax revenue and PSF distributions from the SBOE-controlled portion of the PSF, the General Land Office (GLO) also has the authority to, at its discretion, directly transfer up to $300.0 million per year directly from the PSF to the ASF. In spring 2017, the GLO's School Land Board resolved to transfer $300.0 million for the 2018–19 biennium from the PSF to the ASF.

Figure 160 shows the revenue and expenditures of the ASF for fiscal years 2012 to 2019.

LOTTERY PROCEEDS

Since 1997, net proceeds from the sale of Texas Lottery games, after paying the cost of administering the lottery and awarding prizes, are dedicated statutorily to funding the FSP. For the 2018–19 biennium, lottery proceeds account for $2.6 billion of the $43.0 billion in state funds appropriated to fund the FSP, a decrease of $44.0 million compared to the 2016–17 biennial amount.

FOUNDATION SCHOOL FUND

The Foundation School Fund is an account within the General Revenue Fund that is used exclusively to fund public education. It is appropriated primarily as a method of financing the FSP; however, some appropriations for programs outside the FSP are made from the Foundation School Fund. For the 2018–19 biennium, $29.1 billion from the Foundation School Fund is appropriated to TEA, of which $28.7 billion is appropriated for the FSP.

FUND 1

For the 2018–19 biennium, TEA's appropriations include approximately $341.2 million in other General Revenue Funds (Fund 1) to support certain programs outside the FSP and agency administration.

OTHER FUNDS

PERMANENT SCHOOL FUND

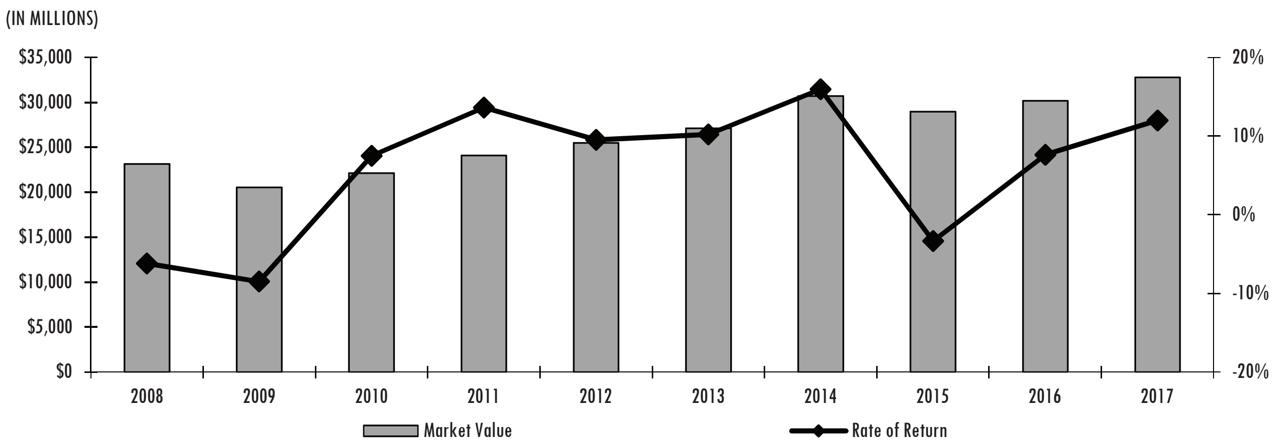
A unique aspect of public school funding in Texas is the provision of state funds from the Permanent School

FIGURE 160
AVAILABLE SCHOOL FUND, FISCAL YEARS 2012 TO 2019

	REVENUES (IN MILLIONS)			EXPENDITURES (IN MILLIONS)		
YEAR	MOTOR FUELS TAX	INVESTMENT INCOME	DIRECT TRANSFERS FROM GENERAL LAND OFFICE	TECHNOLOGY AND INSTRUCTIONAL MATERIALS ALLOTMENT TRANSFERS	TOTAL PER CAPITA APPORTIONMENT	PSF TOTAL RATE OF RETURN
2012	$772.7	$1,020.9	$0.0	$598.5	$1,118.0	4.2%
2013	$791.1	$1,020.9	$300.0	$10.0	$2,174.0	4.2%
2014	$809.7	$838.7	$0.0	$419.3	$1,229.4	3.3%
2015	$843.1	$838.7	$0.0	$419.3	$1,242.3	3.3%
2016	$858.8	$1,055.1	$0.0	$1,054.9	$854.4	3.5%
2017	$873.2	$1,055.1	$0.0	$0.0	$1,923.1	3.5%
2018 (1)	$884.5	$1,232.8	$150.0	$1,091.1	$1,177.0	3.7%
2019 (1)	$895.5	$1,232.8	$150.0	$12.3	$2,266.9	3.7%

NOTES:
(1) Amounts for fiscal years 2018 and 2019 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) House Bill 1474, Eighty-fourth Legislature, 2015, changed the distribution from the ASF to the Technology and Instructional Materials Allotment to occur only during the first year of the biennium, rather than annually.
SOURCES: Legislative Budget Board; Comptroller of Public Accounts; Texas Education Agency.

FIGURE 161
PERMANENT SCHOOL FUND FAIR MARKET VALUE AND TOTAL RATE OF RETURN
FISCAL YEARS 2008 TO 2017



NOTES: Data shown represents the portion of the Permanent School Fund managed by the State Board of Education. Fiscal year 2017 data is preliminary.
SOURCE: Texas Education Agency.

Fund, 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 managed primarily 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. 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, enabling districts to earn high bond ratings, which translate 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. In 2014, the Texas Education Agency issued the first charter school bond guarantees. Since first issuance, the capacity to guarantee bonds for charter schools was met, and the State Board for Education voted to increase the capacity multiplier for charter schools to enable additional loan guarantee for charter schools.

Figure 161 shows the changes to the fair market value and rate of return of PSF for fiscal years 2008 to 2017.

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 PSF. For the 2018–19 biennium, the total administrative appropriation from PSF is $60.7 million.

PROPERTY TAX RELIEF FUND

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. PTRF is funded with revenues resulting from a package of legislation that was 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 PTRF are essentially the amounts generated by the authorized change in those taxes, with the greatest contributions coming from the franchise tax. For the 2018–19 biennium, PTRF accounts for $3.6 billion in state funds appropriated to fund the FSP, a projected increase of $261.3 million from the 2016–17 biennial spending level.

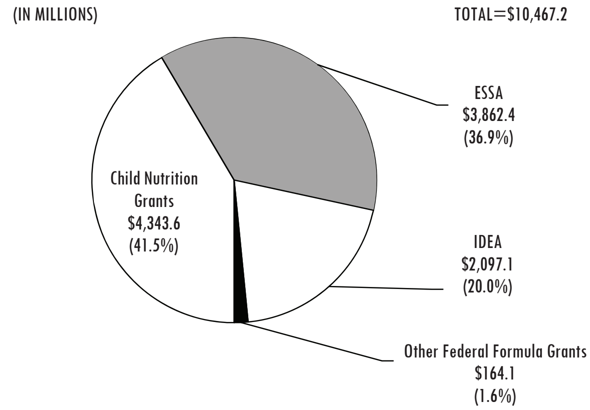
APPROPRIATED RECEIPTS

The final estimated method of finance supporting FSP is Appropriated Receipts, which for TEA consists entirely of revenue from school districts subject to wealth-equalization recapture. For the 2018–19 biennium, recapture receipts account for $4.6 billion of the FSP appropriation, a $1.2 billion increase from the 2016–17 biennium. All recapture payments support the Foundation School Program; statute prohibits the use of recapture for any other purpose.

FEDERAL FUNDS

Federal Funds appropriations for the 2018–19 biennium are estimated to be $10.5 billion, $280.0 million higher than the 2016–17 biennium. **Figure 162** shows appropriations of Federal Funds to TEA for the 2018–19 biennium. The $280.0 million net increase includes a $229.8 million increase for the Child Nutrition Program, a $47.2 million increase in funding related to the federal Individuals with Disabilities Education Act, and a $2.3 million decrease in Every Student Succeeds Act (ESSA) grants. ESSA, enacted in December 2015, supersedes the No Child Left Behind Act and authorizes federal education programs for four years beginning in federal fiscal year 2017.

FIGURE 162
FEDERAL EDUCATION FORMULA FUNDING IN TEXAS 2018–19 BIENNIUM



NOTE: Federal appropriations for the 2018–19 biennium are projected amounts.
SOURCE: Legislative Budget Board.

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 2018–19 biennium are shown in **Figure 163**. The 2018–19 biennial projections include a March 2017 update of estimates prepared by the Texas Education Agency for the Eighty–fifth Legislature, Regular Session, 2017. Charter school ADA is included in the counts shown in **Figure 163**. For school year 2018–19, charter school ADA is projected to be 329,991.

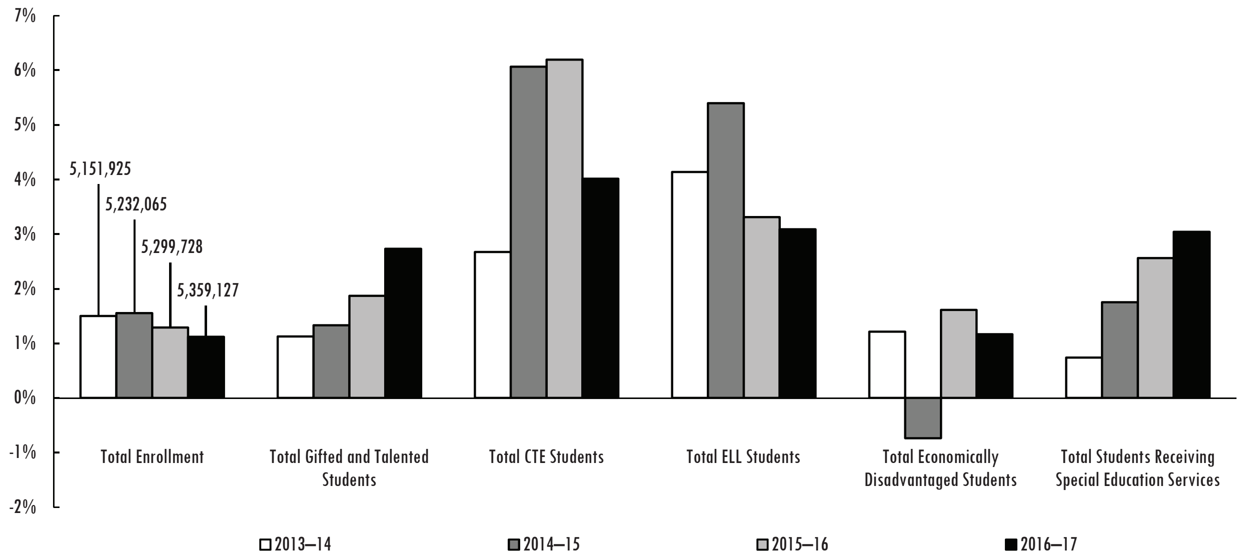
FIGURE 163
TEXAS PUBLIC SCHOOL AVERAGE DAILY ATTENDANCE FISCAL YEARS 2008 TO 2019

FISCAL YEAR	SCHOOL YEAR	TOTAL ADA	PERCENTAGE CHANGE
2008	2007–08	4,315,132	1.6%
2009	2008–09	4,396,423	1.9%
2010	2009–10	4,470,146	1.7%
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	4,853,101	1.6%
2016	2015–16	4,922,493	1.4%
2017	2016–17	4,972,376	1.0%
2018	2017–18	5,075,941	2.1%
2019	2018–19	5,166,298	1.8%

NOTES:
(1) Amounts for fiscal years 2018 and 2019 are projected.
(2) Average daily attendance (ADA) counts include charter schools, and exclude all state-administered schools.
SOURCES: Legislative Budget Board; Texas Education Agency.

During most of the 1990s, the ADA growth rate averaged 2.0 percent. The following decade showed smaller growth rates, interrupted by spikes in growth during 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 one contributing factor in student population growth rates may be economic conditions, which may render private schooling and home schooling as more or less viable options for more Texas families. For the 2018–19 biennium, it is estimated the ADA growth rate will be 2.1 percent for fiscal year 2018 and 1.8 percent for fiscal year 2019.

FIGURE 164
ENROLLMENT TRENDS OF CERTAIN TEXAS STUDENT POPULATIONS
SCHOOL YEARS 2013–14 TO 2016–17



SOURCE: Texas Education Agency.

FIGURE 165
TEXAS PUBLIC SCHOOL EMPLOYEES BY FUNCTION
SCHOOL YEARS 2006–07, 2011–12, AND 2016–17

	2006–07		2011–12		2016–17	
FUNCTION	**FTE POSITIONS**	**PERCENTAGE OF TOTAL**	**FTE POSITIONS**	**PERCENTAGE OF TOTAL**	**FTE POSITIONS**	**PERCENTAGE OF TOTAL**
Instructional						
Teachers	311,654	50.6%	324,213	50.7%	352,809	49.9%
Classroom Support	66,268	10.8%	63,265	9.9%	74,081	10.5%
Total, Instructional	**377,921**	**61.4%**	**387,478**	**60.6%**	**426,890**	**60.4%**
Noninstructional						
Administrative Staff	20,631	3.5%	25,159	3.9%	28,215	4.0%
Nonclassroom support	48,615	7.9%	53,802	8.4%	65,412	9.3%
Auxiliary Staff	167,537	27.2%	172,779	27.0%	185,820	26.3%
Total, Noninstructional	**237,783**	**38.6%**	**251,740**	**39.4%**	**279,447**	**39.6%**
Total, FTE Positions	**615,783**		**639,218**		**706,337**	
Ratio of Instructional to Noninstructional	1.6		1.5		1.5	

NOTES:
(1) FTE=full-time-equivalent.
(2) The instructional function includes professional staff reported with a Classroom ROLE-ID code in the Public Education Information Management System (PEIMS). The noninstructional function includes professional staff reported with a Non-Classroom ROLE-ID code in PEIMS and auxiliary staff reported without a specific ROLE-ID. The instructional and noninstructional functions shown may differ from other staff groupings included in Texas Education Agency reports. Instructional support includes roles that provide direct services to students in a classroom setting, such as paraprofessional staff and certain therapists.
(3) Nonclassroom support includes roles that provide support services primarily outside the classroom such as librarians, counselors, diagnosticians, supervisors, and other professional roles.
(4) Auxiliary staff includes roles such as bus drivers, cafeteria workers, janitorial services, and grounds services.
SOURCE: Texas Education Agency.

The Foundation School Program provides weighted funding for certain student populations. **Figure 164** shows enrollment trends for various student populations that drive FSP funding. The highlighted populations include gifted and talented students, students participating in career and technology education programs, English language learner (ELL) students, economically disadvantaged students, and students receiving special education services. From fiscal years 2014 to 2017, overall enrollment increased every year, although at a slightly slower rate during the last several years. During fiscal year 2014, growth in the number of special education students was less than total enrollment growth, but it now has surpassed total enrollment growth. The number of gifted and talented students has also increased during each fiscal year. The number of students participating in career and technology programs greatly increased during fiscal years 2015 and 2016, with a smaller increase during fiscal year 2017. Growth in the number of ELL students has outpaced total enrollment growth during each fiscal year, but it was particularly large during fiscal year 2015. The number of economically disadvantaged students decreased during fiscal year 2015, but increased during other years.

TEXAS PUBLIC SCHOOL EMPLOYEES

For school year 2016–17, Texas public schools employed 706,337 full-time-equivalent positions. Of those positions, about half were teachers. **Figure 165** shows public school employees by function and subdivides those functions into instructional and noninstructional roles. Instructional roles are defined as functions that primarily serve students in the classroom. **Figure 165** shows that about three-fifths of public education employees are in this instructional category, and those proportions have been similar for at least the past 10 school years.

STATE BOARD FOR EDUCATOR CERTIFICATION

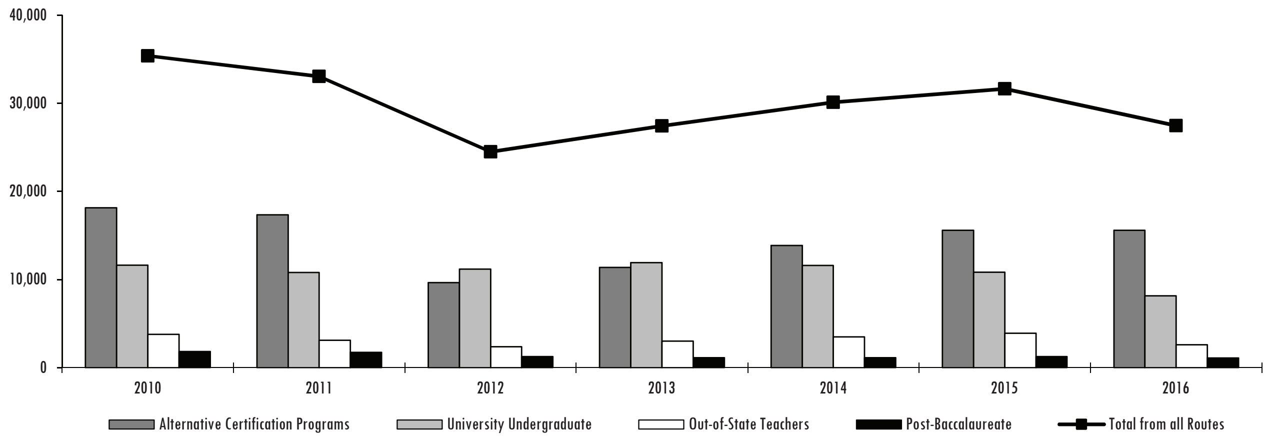
The State Board for Educator Certification (SBEC), an appointed board whose functions are carried out within TEA's Educator Leadership and Quality Division, oversees a range of teacher credentialing, recruitment and retention, and activities related to professional conduct. This oversight includes the accreditation of more than 135 educator preparation programs that offer more than 260 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, for the education of students with limited English proficiency, and the Texas Assessment of Sign Communication, for the education of students with hearing impairment. The Eighty-fifth Legislature, Regular Session, 2017, passed several bills that made changes to educator preparation programs (see the Significant Legislation section).

Figure 166 shows the number of individuals that were issued initial teaching certificates from fiscal years 2010 to 2016. Beginning in fiscal year 2011, the issuance of initial teaching certificates decreased, including a 7.0 percent decrease in initial teaching certificates during fiscal year 2011 and a 26.0 percent decrease during fiscal year 2012. Following the decreases during fiscal years 2011 and 2012, the number of initial teaching certificates increased by 12.0 percent during fiscal year 2013, 10.0 percent during fiscal year 2014, and 4.0 percent during fiscal year 2015. However, the trend reversed in fiscal year 2016 when the number of individuals that were issued initial teaching certificates decreased by 13.0 percent. Furthermore, the total number of initial certificates issued during fiscal year 2016 is 22.0 percent less than the total from fiscal year 2010. As **Figure 166** shows, the decreases during fiscal years 2011, 2012, and 2016 are reflected in each certification route except the university undergraduate route in fiscal year 2012, but most significantly in alternative certification programs. During fiscal year 2016, the most significant decrease in certification route was the university undergraduate route.

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 program and then pass the relevant certification examinations. However, the proportion of

FIGURE 166
INITIAL TEACHING CERTIFICATES ISSUED BY CERTIFICATION ROUTE
FISCAL YEARS 2010 TO 2016



NOTE: Number of certificates does not include renewals, temporary credentials, or professional certifications.
SOURCE: Texas Education Agency.

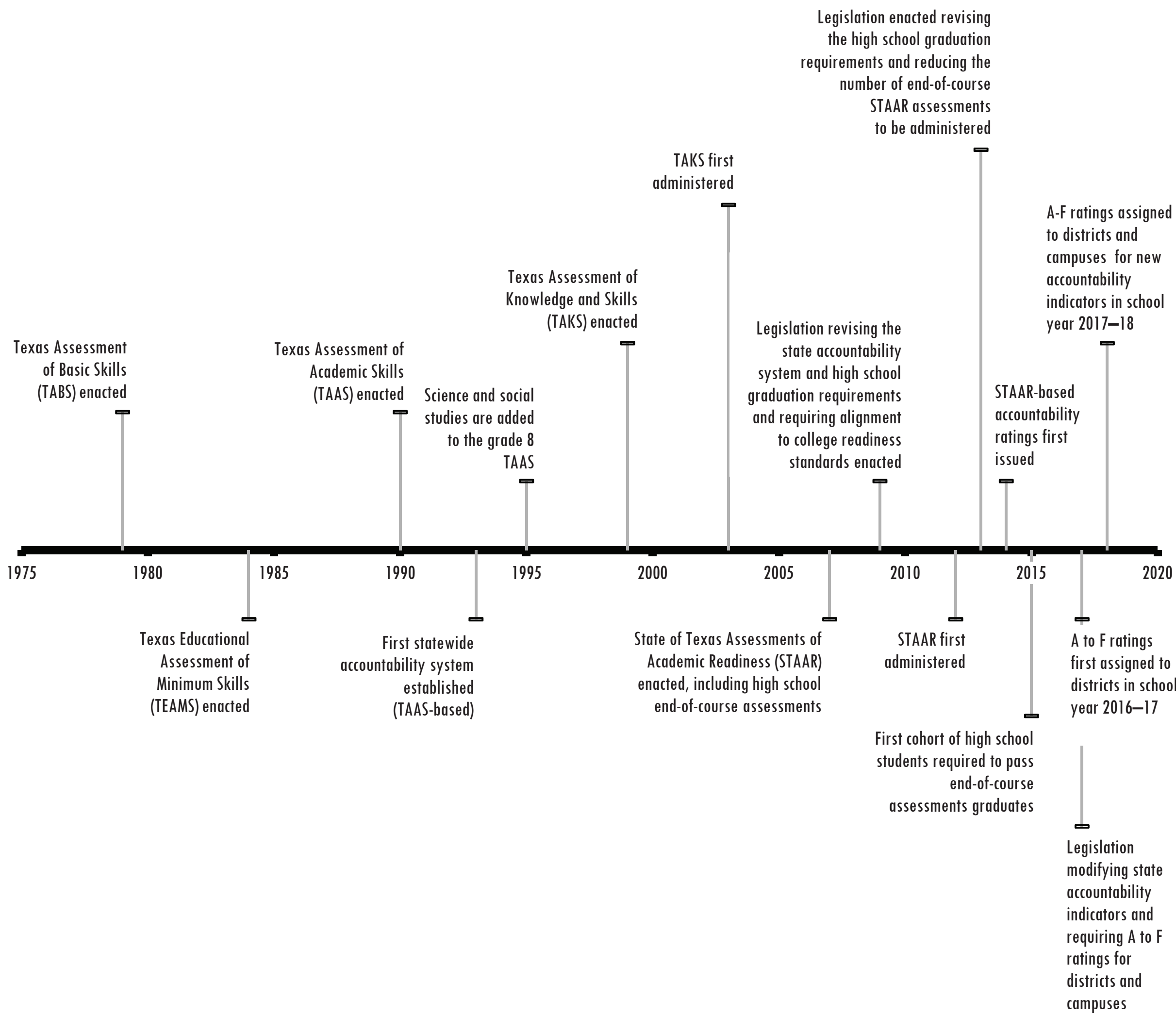
initial certifications earned through Texas Alternative Certification Programs (ACP) increased significantly and, in fiscal year 2005, surpassed those earned through undergraduate certification. ACPs enable individuals who meet certain educational criteria to become certified as educators in approximately 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 during the same fiscal year. This trend reversed during fiscal year 2012 when the number of individuals that received initial teaching certificates through a traditional undergraduate or graduate program surpassed the number of individuals that received certificates through ACPs for the first time since fiscal year 2005. However, during fiscal year 2014, the proportion of initial teacher certificates granted to ACP participants again outpaced those awarded to individuals pursuing certification through undergraduate programs, increasing to approximately 46.0 percent of the total number of new initial certificates in 2014. By fiscal year 2016, approximately 57.0 percent of the total number of new initial certificates were awarded to individuals pursuing certification through ACPs compared with 30.0 percent granted to individuals pursuing certification through undergraduate programs during the same fiscal year.

FIGURE 167
KINDERGARTEN TO GRADE 12 PUBLIC SCHOOL ESTIMATED EXPENDITURES PER ENROLLED PUPIL IN THE 15 MOST POPULOUS STATES, SCHOOL YEAR 2016–17

STATE	TOTAL PER PUPIL	NATIONAL RANKING
New York	$22,659	2
New Jersey	$20,556	6
Massachusetts	$18,072	7
Michigan	$15,981	11
Pennsylvania	$15,139	12
Illinois	$13,875	15
California	$11,743	21
Virginia	$11,141	26
Ohio	$10,333	32
Washington	$10,119	34
Texas	$9,336	36
Florida	$9,277	37
Georgia	$9,013	40
North Carolina	$8,940	43
Arizona	$7,501	48
U.S. Average	**$11,984**	
U.S. Median	**$11,141**	

NOTE: U.S. average and median calculations and ranking include the District of Columbia.
SOURCE: National Education Association.

FIGURE 168
TEXAS PUBLIC EDUCATION ASSESSMENT AND ACCOUNTABILITY SYSTEM
CALENDAR YEARS 1979 TO 2019



SOURCE: Legislative Budget Board.

PUBLIC SCHOOL EXPENDITURES COMPARED TO OTHER STATES

A comparison of estimated public school expenditures per student during school year 2016–17 is shown in **Figure 167** for the 15 most populous states. Texas spent an estimated $9,336 per student in current dollars during school year 2016–17, compared with a national average of $11,984 and a national median of $10,419, ranking the state forty-fifth in the nation and twelfth among the 15 most populous states. The state's estimated spending level for school year 2016–17 is less than all of its four contiguously neighboring states, except Oklahoma; during school year 2016–17, Louisiana spent $11,495 per student, New Mexico spent $10,785, Arkansas spent $9,749, and Oklahoma spent $8,164 per student. The amounts shown in **Figure 167** are not adjusted for cost-of-education differences across states.

PUBLIC SCHOOL ACCOUNTABILITY FOR STUDENT PERFORMANCE

Texas has been a national leader in statewide assessment and accountability for student performance in public education. **Figure 168** 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, 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). TAAS 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 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 in the federal No Child Left Behind Act of 2001 (NCLB). The system was amended to incorporate performance on the alternative assessments for special education students and to use longitudinal completion rates instead of annual dropout rates.

In accordance with the more rigorous standards of the amended system, fewer districts and campuses initially achieved the recognized and exemplary ratings. For example, in 2007, 2,997 campuses earned these ratings, which was 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.

During 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 assessments in grades three to eight in reading, mathematics, science, social studies, and writing. STAAR also 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 lower grades with achievement of standards on end-of-course assessments in high school.

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.

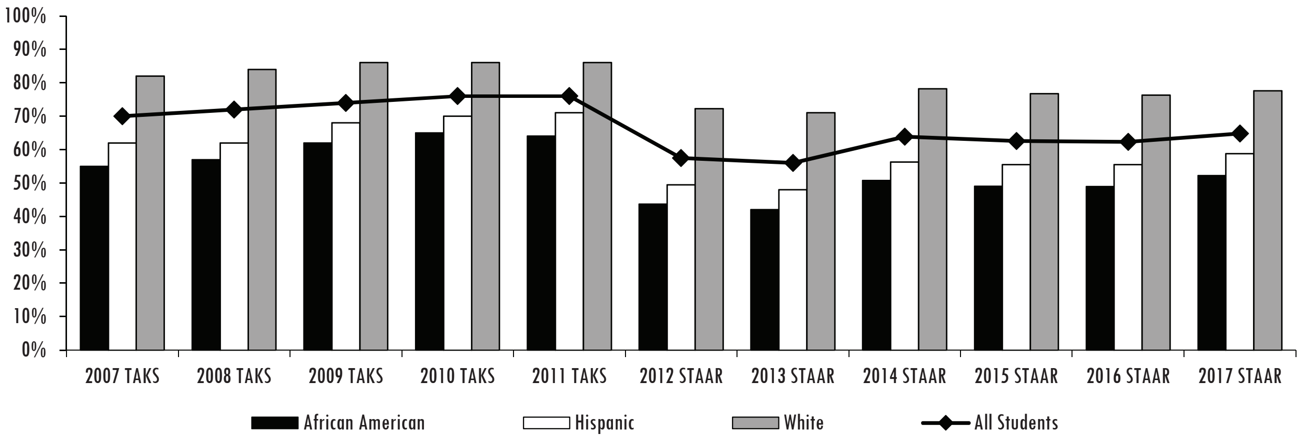
House Bill 2804, Eighty-fourth Legislature, 2015, modified the indicators by which districts and campuses must be evaluated in accordance with the state accountability system. Beginning in school year 2017–18, the legislation establishes five domains of indicators for district and campus accountability and requires certain percentages of the overall performance rating be attributed to the five domains. The legislation requires the accountability system to assign ratings of A to F to each of these domains and to each district and campus. The legislation also established the Texas Commission on Next Generation Assessments and Accountability, which developed recommendations for new systems of student assessment and public school accountability.

The Eighty-fifth Legislature, Regular Session, 2017, further modified the state accountability system indicators for districts and campuses. House Bill 22, Eighty-fifth Legislature, Regular Session, 2017, restructures and reduces the achievement indicators from a five-domain system (Student Achievement, Student Progress, Closing Performance Gaps, Postsecondary Readiness, and Community and Student Engagement) to a three-domain system (Student Achievement, Student Progress, and Closing the Gaps). The legislation also requires the TEA to determine the feasibility of incorporating indicators that account for extracurricular and cocurricular student activity as part of the accountability system. Additionally, The legislation changes the way the overall grade for campuses and districts are calculated; delays the implementation of the letter rating for campuses until school year 2019–20; and establishes a local accountability plan to enable districts to rate campuses using locally developed domains and accountability measures.

STUDENT PERFORMANCE ON STATE ASSESSMENTS

School year 2002–03 was the first year the TAKS exams were administered. STAAR exams, including end-of-course

FIGURE 169
STUDENTS PASSING ALL TESTS, BY ETHNICITY, ACADEMIC YEARS 2007 TO 2017



NOTE: TAKS=Texas Assessments of Knowledge and Skills; STAAR=State of Texas Assessments of Academic Readiness.
SOURCE: Texas Education Agency.

exams, replaced TAKS during school year 2011–12. Following the introduction of TAKS in 2003, student performance overall and disaggregated by ethnicity decreased until 2005. Subsequently, as shown in **Figure 169**, overall performance and the disaggregated performance of White, Hispanic, and African American students all began an upward trend that was sustained through 2011. The achievement gap among these student groups also decreased from 2007 to 2011.

Similarly to the trend following the introduction of TAKS, student performance overall and disaggregated by ethnicity initially decreased following the introduction of the STAAR assessments. In addition, the achievement gap among White, African American, and Hispanic students increased. In 2011, White students passed at a rate of 22.0 percentage points higher than African American students. Following the introduction of the STAAR assessment, this performance gap increased to 29.0 percentage points. Since 2012, the performance gap among these student groups has decreased slightly; during 2017, White students passed at a rate 25.0 percentage points higher than African American students. Similarly, the difference between White students' TAKS passing rate and that of Hispanic students decreased to 15.0 percentage points by 2011. Following the introduction of the STAAR assessments, this performance gap increased to 23.0 percentage points. Since 2012, the gaps among these student groups has decreased; for 2017, the performance gaps among these groups decreased to 19.0 percent.

TEXAS STUDENTS' PERFORMANCE COMPARED TO THE U.S.

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 170** shows NAEP scores in grades four and eight, comparing reading and math results for Texas and the U.S. for 2005 and 2015. In math, Texas students consistently have exceeded the national average scale score. However, Texas reading scores for both years are slightly less than the national average, except for grade four reading, which was slightly higher than the average. NAEP is not aligned necessarily 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

House Bill 21, First Called Session, 2017 – Transfer of appropriations for Foundation School Program changes and establishment of the Dyslexia and Autism Grant programs. The legislation makes multiple changes affecting public education and transfers a total of $523.0 million in General Revenue Funds of 2018–19 biennial appropriations from the Health and Human Services Commission to other agencies. The legislation provides the

FIGURE 170
NATIONAL ASSESSMENT OF EDUCATIONAL PROGRESS (NAEP), NATIONAL COMPARISON TO TEXAS STUDENTS' PERFORMANCE ON SELECTED ASSESSMENTS, 2005 AND 2015

		2005 AVERAGE SCALE SCORE			2015 AVERAGE SCALE SCORE		
SUBJECT	RACE/ETHNICITY	U.S.	TEXAS	TEXAS RANK AMONG STATES 2005	U.S.	TEXAS	TEXAS RANK AMONG STATES 2015
Grade 4 Math	All	238	242	9	240	244	11
	African American	220	228	2	224	233	2
	Asian or Pacific Islander	251	264	1	257	271	2
	Hispanic	226	235	2	230	239	4
	White	246	254	2	248	255	4
Grade 4 Reading	All	219	219	29	221	218	37
	African American	200	206	9	206	205	21
	Asian or Pacific Islander	229	234	9	239	248	3
	Hispanic	203	210	10	208	210	18
	White	229	232	6	232	235	9
Grade 8 Math	All	279	281	21	281	284	21
	African American	255	264	4	260	267	6
	Asian or Pacific Islander	295	308	3	306	312	9
	Hispanic	262	271	3	270	277	4
	White	289	295	4	292	298	5
Grade 8 Reading	All	262	258	29	264	261	38
	African American	243	246	11	248	251	8
	Asian or Pacific Islander	271	280	6	280	283	11
	Hispanic	246	248	16	253	252	34
	White	271	270	21	274	274	18

NOTE: Rankings for the American Indian/Native American category are not shown because the sample size in Texas was insufficient to permit a reliable estimate.
SOURCE: U.S. Department of Education.

Texas Education Agency with a total of $311.0 million in General Revenue Funds to implement the following changes and new programs:

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

The legislation establishes two separate programs to provide grants to charters and school districts providing innovative services to dyslexic and autistic students. The legislation also establishes the Texas Commission on Public School Finance, which is charged with developing and reporting recommendations on statutory changes to improve the public school finance system by December 31, 2018.

House Bill 30, First Called Session, 2017 – Transfer of appropriations for the Dyslexia and Autism Grant programs. The legislation transfers $40.0 million in General Revenue Funds appropriations from the Health and Human

Services Commission to the Texas Education Agency for the administration of two grant programs established by House Bill 21, Eighty-fifth Legislature, First Called Session, 2017. The legislation specifies that $20.0 million is to be used to award grants for school districts and charter schools that provide innovative services to students with autism, and that $20.0 million is to be used to award grants to school districts and charter schools that provide innovative services to students with dyslexia.

House Bill 22, Regular Session, 2017 – Modifications to the state accountability system. The legislation reduces the domains of achievement indicators on which school districts and campuses are evaluated. The legislation requires the Commissioner of Education to study the feasibility of incorporating an indicator that accounts for extracurricular and cocurricular student activity. The legislation also revises how the Commissioner assigns an overall performance rating for a district or campus, establishes certain criteria for an overall or domain performance rating of D, and provides for interventions and sanctions for a district or campus assigned that rating. Additionally, the legislation authorizes a local accountability system in which school districts and open-enrollment charter schools assign A to F campus performance ratings.

Senate Bill 22, Regular Session, 2017 – Pathways in Technology Early College High School. The legislation establishes the Pathways in Technology Early College High School (P-TECH) program, which establishes a pathway for high school students into community colleges and industry. P-TECH enables students to complete a six-year program to achieve a high school diploma and an associate's degree, industry certification, or two-year postsecondary certificate. The legislation establishes a grant program to help school districts and charter schools implement the P-TECH program.

House Bill 3526, Regular Session, 2017 – Technology and instructional materials allotment. The legislation changes the name of the Instructional Materials Allotment to the Technology and Instructional Material Allotment and makes similar changes to the fund and account. The legislation requires the Commissioner of Education to develop and maintain a web portal to assist school districts and open-enrollment charter schools in selecting instructional materials and authorizes those expenses to be paid from the Technology and Instructional Materials Fund. In addition, the legislation authorizes the Commissioner to establish a grant program for awards to districts and charter schools to implement a technology-lending program to provide students access to equipment necessary to access and use electronic instructional materials.

Senate Bill 693, Regular Session, 2017 – Three-point seat belt in school buses. The legislation requires certain multifunction school activity buses and school-chartered buses, purchased in model year 2018 or later, to be equipped with a three-point seat belt for each passenger, including the operator. The legislation waives the seat belt requirement for districts if the district's board of trustees determines that its budget does not enable the district to purchase a bus that is equipped with three-point seat belts and votes to approve that determination in a public meeting.

Senate Bill 1839, Regular Session, 2017 – Preparation, certification, and classification of and professional development for public school educators. The legislation requires TEA to work with the State Board for Educator Certification (SBEC) and Educator Preparation Programs (EPP) to determine data to share with EPPs for program improvement. The legislation also requires digital learning training and evaluation for EPPs, authorizes no face-to-face observations for nonteacher certifications, and permits up to 15.0 hours of field-based experience to come from serving as a long-term substitute. Additionally, the legislation requires SBEC to establish an early childhood certificate for an educator with certain specialty training focusing on prekindergarten to grade three.

House Bill 3349, Regular Session, 2017 – Abbreviated educator preparation program in trade and industrial workforce training. The legislation requires SBEC to develop through rule an abbreviated EPP in trade and industrial workforce training that must include at least 80.0 hours of classroom instruction in pedagogy, developing lesson plans, developing tests, classroom management, and federal and state laws. The legislation also requires SBEC to establish a probationary and standard trade and industrial workforce training certificate.

TEXAS SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED

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

ESTABLISHED: 1856

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

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

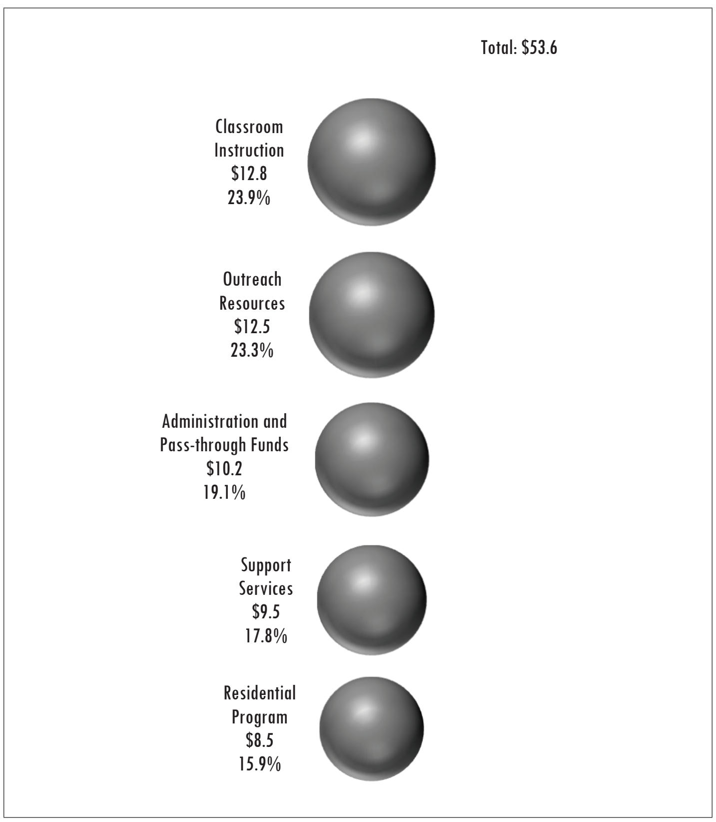
FIGURE 171
TEXAS SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED BY METHOD OF FINANCE

(IN MILLIONS)

METHOD OF FINANCE	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$30.4	$31.3	$0.9	3.0%
General Revenue–Dedicated Funds	$0.0	$0.0	$0.0	N/A
Federal Funds	$10.8	$4.5	($6.2)	(57.9%)
Other Funds	$11.0	$17.8	$6.8	61.3%
Total, All Methods of Finance	**$52.2**	**$53.6**	**$1.4**	**2.7%**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2018	371.5
2019	376.5

INSTITUTION PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

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

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

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

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

MAJOR FUNDING

Funding appropriated to the Texas School for the Blind and Visually Impaired (TSBVI) for the 2018–19 biennium reflects an All Funds increase of $1.4 million, or 2.7 percent. This increase is primarily attributable to an appropriation of $2.0 million in Other Funds from the Economic Stabilization Fund. This appropriation is intended for construction of a Residential Administration and Weekends Home Transportation Facility. The $2.0 million appropriated for facilities construction will be transferred to the Texas Facilities Commission to implement the plan.

Additionally, $0.6 million in General Revenue Funds and 4.0 full-time-equivalent (FTE) positions are appropriated to offset expiring unexpended balances and to meet growing service demands in the school's core programs. An additional $0.3 million in General Revenue Funds and 5.0 FTE positions are appropriated for fiscal year 2019 to implement the Centralized Accounting and Payroll/Personnel System.

Funding increases are offset by a reduction of approximately $1.5 million in Federal Funds and Other Funds due to unexpended balances (UB) of funds received in previous biennia being carried forward and encumbered or expended during the 2016–17 biennium. These UB funds, included in the 2016–17 biennial base, contribute significantly to the biennial change for these methods of finance (MOF), because the agency's appropriations do not reflect the UB of these funds for the 2018–19 biennium. TSBVI's UB amount in Federal Funds consists mainly of funds received as part of the Medical Assistance Program for School Health and Related Services (SHARS). During fiscal years 2014 and 2015, the school's collections of SHARS funds increased due to cost settlement reports allowing for personal care as a health-related service. The school's UB amount in Other Funds consists mainly of Appropriated Receipts from local school district payments pursuant to the Texas Education Code, Section 30.003, which increased during previous biennia due to adjustments in the way school district payments were made to cover the costs of districts' students who attend TSBVI.

Funding for the 2018–19 biennium also reflects a method of finance adjustment that reduces Federal Funds by $5.7 million and increases Other Funds by the same amount to account more accurately for appropriations from each MOF. The Texas Health and Human Services Commission (HHSC) receives approximately $5.5 million from SHARS funds and $0.3 million from Medicaid Administration Reimbursement from the federal government each biennium and transfers the funds to TSBVI. These funds, appropriated to TSBVI as Federal Funds through the 2016–17 biennium, are shown for the 2018–19 biennium as Interagency Contracts (Other Funds) in TSBVI's bill pattern, because HHSC already reports these amounts as Federal Funds.

In addition, $0.1 million in General Revenue Funds is provided for fiscal year 2018 for professional salary increases, pursuant to the statutory requirement that these salaries align with those adopted by Austin Independent School District.

PROGRAMS

TSBVI staff work in conjunction with local school districts and the state's 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 five major program areas.

OUTREACH RESOURCES

The Outreach Resources program, which includes Outreach Development and Training for Schools and Families, provides training services for parents and professionals statewide, including information related to adapted materials, technology, student transition and assessment, and individual consultations for blind and visually impaired students. TSBVI maintains extensive resources that are accessed internationally. Outreach staff offer online and live presentations related to many aspects of visual impairment and deaf-blindness, including assessment, programming, adapted materials, mobility, and assistive technology. Individual consultations support students who are blind and visually impaired in their local communities, and TSBVI visits districts across the state upon request. During the 2016–17 school year, TSBVI conducted 234 conferences and workshops for 5,949 participants. TSBVI indirectly serves most of the state's 11,530 students who are visually impaired or deaf-blind through collaboration with regional Education Service Centers to support school districts and families across the state.

The TSBVI Curriculum Department provides evaluation and instructional support to classroom teachers and residential instructors on campus. In addition, the department develops and provides instructional materials sold worldwide and used by families and professionals serving students with visual impairments, blindness, and deaf-blindness.

TSBVI Short-term Programs offer three-day to five-day classes on campus and online that emphasize adaptive technology, math tools, social interaction, travel, and independent living. During the 2016–17 school year, 268 students were served by Short-term Programs. Summer programs emphasize real-life skills such as personal care, home care, money management, and travel. The calendar year 2017 summer program served 345 students.

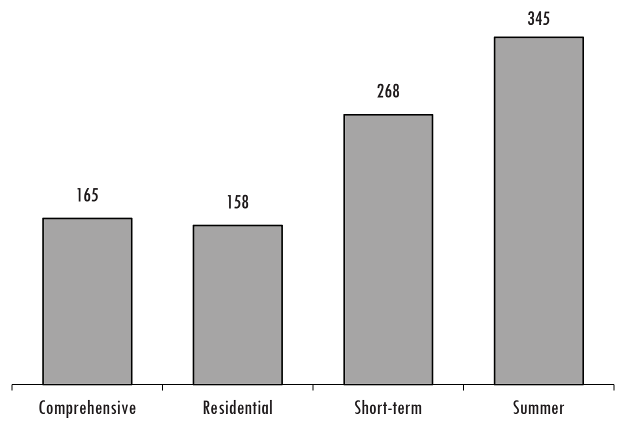
In addition, Professional Education in Visual Impairment is a collaborative teacher preparation program among TSBVI and Texas Tech and Stephen F. Austin universities that provides tuition stipends to educate qualified specialists for blind and visually impaired students. Funding appropriated for Outreach Resources totals $12.5 million in All Funds.

CLASSROOM INSTRUCTION

Classroom Instruction provides comprehensive Instructional Services (early childhood through high school) during the regular school year for students ages five to 21 who are blind, deaf-blind, or visually impaired, who need specialized and intensive services related to their visual impairments, and for whom an appropriate education is not available in their local schools. The school's 45-acre campus is located in Austin. 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.

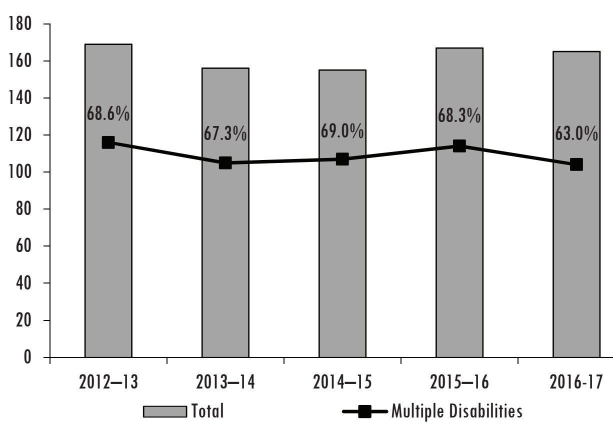
Local school districts that place students at TSBVI are required by the Texas Education Code to share the cost of educating those students. In accordance with federal law, the local (home) school district is responsible for providing a free appropriate public education (FAPE) that addresses the intensive 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(s) or guardians. TSBVI cannot accept direct referrals from parents or guardians. **Figure 172** shows the number of students enrolled in comprehensive, residential, short-term, and summer programs at TSBVI during fiscal year 2017.

FIGURE 172
STUDENTS SERVED BY PROGRAMS AT THE TEXAS SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
2016–17 SCHOOL YEAR



NOTE: The Texas School for the Blind and Visually Impaired (TSBVI) indicates substantial overlap among certain programs shown, such as among Comprehensive and Residential programs, as a result of TSBVI students enrolling in multiple programs that the school offers.
SOURCE: Texas School for the Blind and Visually Impaired.

FIGURE 173
TEXAS SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED STUDENTS WITH MULTIPLE DISABILITIES COMPARED TO TOTAL STUDENT POPULATION IN THE SCHOOL YEAR COMPREHENSIVE PROGRAM
SCHOOL YEARS 2012–13 TO 2016–17



SOURCE: Texas School for the Blind and Visually Impaired.

During the 2016–17 school year, the school's comprehensive programs served 154 students plus an additional 11 postsecondary students during the fiscal year. **Figure 173** shows the number of students with multiple disabilities, including deaf-blindness, autism, cerebral palsy, and other disabilities. During the last five school years, the percentage of students with multiple disabilities typically has ranged from two-thirds to three-fourths of the total student population. Funding appropriated for Classroom Instruction totals $12.8 million in All Funds.

STUDENT SUPPORT SERVICES

Student Support Services provides related services for visually impaired students including orientation and mobility, social work, physical therapy, occupational therapy, and speech therapy. Support Services includes Student Transportation. Funding appropriated for Support Services totals $9.5 million in All Funds.

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 165 students served in the Classroom Instruction program during fiscal year 2017, 158 were residential program students. Funding appropriated for Residential Programs totals $8.5 million in All Funds.

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 warehouse functions, mail services, data processing and repairs, telephone and utilities, and federal Americans with Disabilities Act accommodations. Funding appropriated for School Administration totals $8.2 million in All Funds.

TRANSFER OF FUNDING FOR CONSTRUCTION OF FACILITIES

All powers, duties, functions, programs, and activities relating to the maintenance and management of physical facilities at TSBVI, including grounds maintenance and custodial services, were transferred to the Texas Facilities Commission (TFC) by Senate Bill 1457, Eighty-third Legislature, Regular Session, 2013, and Senate Bill 836, Eighty-fourth Legislature, 2015. However, for the Eighty-fifth Legislature, Regular Session, 2017, the Office of the Governor directed and TFC requested TSBVI to request funding for facilities related to new construction and capital improvement projects, with the intent to subsequently transfer any appropriated funds to TFC to implement the plans. Funding appropriated for facilities totals $2.0 million in Other Funds from the Economic Stabilization Fund for demolition of several aging structures on the TSBVI campus and for construction of a Residential Administration and Weekends Home Transportation Facility. The funds will be transferred to TFC for fiscal year 2018. TFC estimates that bidding, contracting, and design will occur during fiscal year 2018, that construction will commence during fiscal year 2019, and that the project will be completed by the end of fiscal year 2020.

TEXAS SCHOOL FOR THE DEAF

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

ESTABLISHED: 1856

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

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

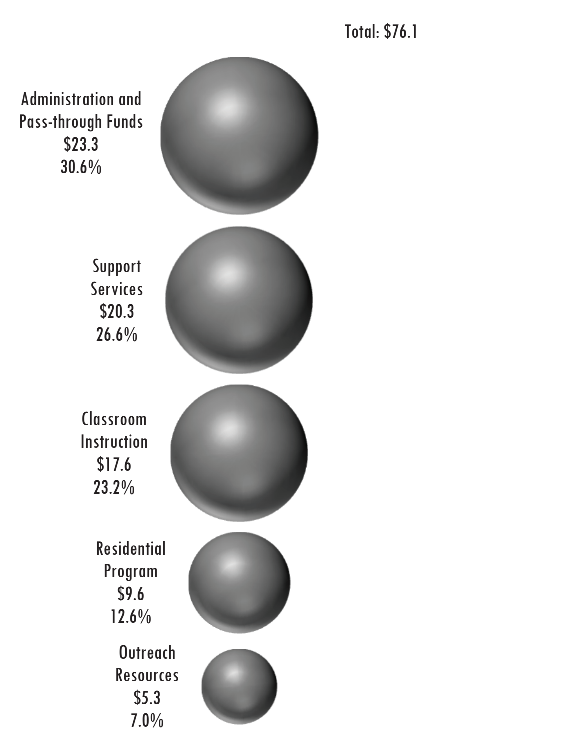
FIGURE 174
TEXAS SCHOOL FOR THE DEAF BY METHOD OF FINANCE

(IN MILLIONS)

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

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2018	442.1
2019	442.1

INSTITUTION PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

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

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

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

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

SOURCE: Legislative Budget Board.

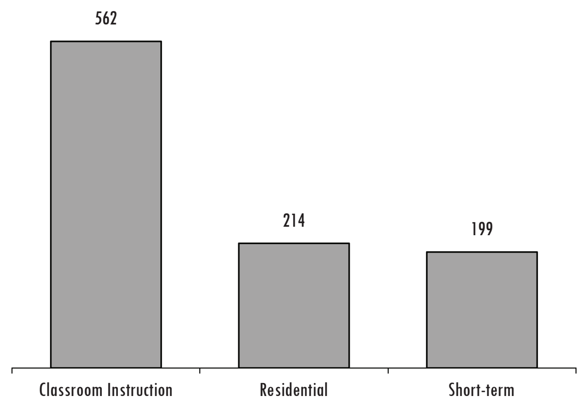
MAJOR FUNDING

Funding appropriated for the Texas School for the Deaf (TSD) for the 2018–19 biennium reflects an All Funds increase of $16.3 million, or 27.2 percent. This increase is primarily attributable to an appropriation of $14.6 million in Other Funds from the Economic Stabilization Fund for construction of a Toddler Learning Center and Central Service Center. This construction is part of the Texas Facilities Commission's (TFC) Campus Master Plan for TSD. These funds will be transferred to TFC to implement the plans. Other funding changes that contribute to the All Funds increase include the following: net increases of $0.6 million of General Revenue Funds supporting 8.5 full-time-equivalent (FTE) positions for instructional and support services and staff to meet service demands at the school and to replace expiring Unexpended Balances; $0.2 million in General Revenue Funds to implement the Centralized Accounting and Payroll/Personnel System; and $1.0 million in Other Funds (Appropriated Receipts) due to anticipated increases of local revenue from school districts to cover the districts' costs of students attending TSD. These increases are partially offset by decreases in transportation funding, due to onetime funding during the 2016–17 biennium to replace several aging vehicles.

Texas School for the Deaf's funding increases are significantly offset by large unexpended balances (UB) of Appropriated Receipts (Other Funds) carried forward and encumbered or expended during the 2016–17 biennium. These UB funds, included in the 2016–17 biennial base, are not included in the agency's appropriations for the 2018–19 biennium. TSD's UB of Appropriated Receipts consisted mainly of local school district payments pursuant to the Texas Education Code, Section 30.003. TSD's increase of Appropriated Receipts and growth of the associated UB resulted from adjustments during previous biennia in the way school district payments were made to TSD. These unexpended balances of Appropriated Receipts have been spent down and, in some cases, committed to ongoing expenses, including new staff. Various financial exigencies resulted for the school when the UB were depleted, including TSD's decision to suspend summer programs in 2017. Additional General Revenue Funds appropriated to TSD for the 2018–19 biennium are intended partly to offset expiring UB funds and to maintain staff, operations, and summer programs at the school.

Funding for the 2018–19 biennium also reflects a method of finance (MOF) adjustment that decreases Federal Funds by $1.5 million and increases Other Funds by the same amount to more accurately categorize the MOF of certain funds that the school receives. The Texas Health and Human Services Commission (HHSC) receives approximately $1.4 million in School Health and Related Services funds and $0.1 million in Medicaid Administration Reimbursements from the federal government each biennium and transfers these funds to TSD. These funds, appropriated to TSD as Federal Funds through the 2016–17 biennium, are shown as Interagency Contracts (Other Funds) in TSD's bill pattern for the 2018–19 biennium, because HHSC already shows these amounts as Federal Funds.

FIGURE 175
STUDENT ENROLLMENT AT TEXAS SCHOOL FOR THE DEAF 2016–17 SCHOOL YEAR



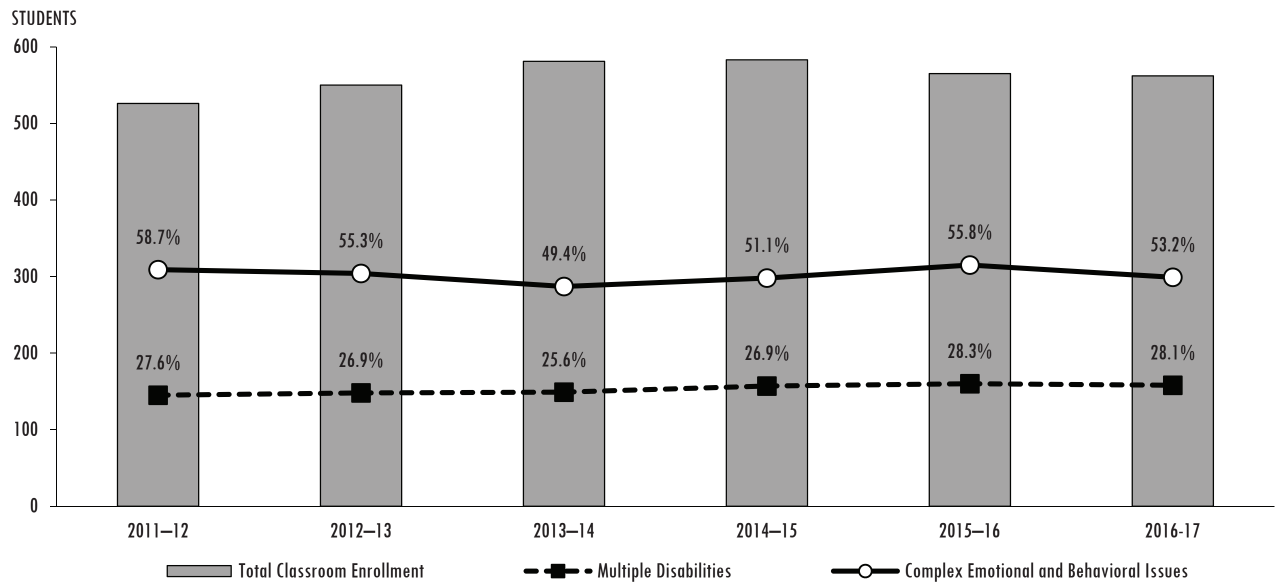
NOTE: Short-term programs exclude summer programs for the 2016–17 school year; summer programs were canceled in 2017 due to financial exigencies at the school. During the 2015–16 school year, short-term and summer programs served 436 students. Summer programs will resume during the 2018–19 biennium.
SOURCE: Texas School for the Deaf.

In addition, $0.1 million in General Revenue Funds is provided for fiscal year 2018 for professional salary increases, pursuant to the statutory requirement that these salaries align with those adopted by the Austin Independent School District.

PROGRAMS

TSD operates a 67.5-acre campus located in Austin and provides students who are deaf or hard of hearing with early childhood education, academic and career training from kindergarten to high school, and transitional post-secondary services. **Figure 175** shows the number of students enrolled in the school's comprehensive, residential, and short-term programs. A comprehensive program of extracurricular and

FIGURE 176
TEXAS SCHOOL FOR THE DEAF STUDENTS WITH MULTIPLE DISABILITIES AND COMPLEX EMOTIONAL AND BEHAVIORAL ISSUES COMPARED TO TOTAL CLASSROOM ENROLLMENT
SCHOOL YEARS 2011–12 TO 2016–17



NOTES:
(1) The category for multiple disabilities includes students who are identified as having learning disability, intellectual disability, medical disability, educational disability, orthopedic impairment, visual impairment, other health impairment, autism, or deaf-blindness. Multiple disabilities excludes speech impairment.
(2) The category for complex emotional and behavior issues includes students who have a behavior intervention plan, those receiving psychiatric services or medical monitoring, and those receiving intensive Counseling Services. The metric excludes Health Services, Physical Therapy, Occupational Therapy, Speech Therapy, Orientation and Mobility, Adapted Physical Education, and one-on-one Personal Care Services.
SOURCE: Texas School for the Deaf.

cocurricular services includes athletics, intramural sports, and Special Olympics training 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.

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, behavioral support, speech therapy, audiology, interpreting services, health services, physical therapy, and occupational therapy.

The number of students with complex emotional and behavioral issues in addition to their deafness represents approximately one-half of student enrollment. These students include those with multiple disabilities. In addition to deafness, these students may have visual impairments, physical impairments, cognitive or developmental impairments, autism spectrum disorders, or other health impairments. Some students may have significant psychological, emotional, or behavioral issues that require intervention plans. Students with multiple disabilities and complex emotional and behavioral problems increase the scope and degree of services the school is required to deliver, and this increase has accordingly contributed to service costs for TSD. **Figure 176** shows the number of students with multiple disabilities and complex behavioral issues in addition to their deafness compared to total student enrollment.

The Career Center and Career Technical Education programs provide hands-on technical training to 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, post-secondary preparation, independent living skills, and social and emotional development.

During the 2016–17 biennium, TSD's Career Technical Education program received a grant from the Texas Workforce Commission to collaborate with Austin Community College to upgrade the school's welding and computer science programs, which provide vocational training for TSD students.

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 and return home on the weekends to locations across the state. Transportation services also include athletics and extracurricular activities. Funding appropriated for programs included in Support Services totals $20.3 million in All Funds.

CLASSROOM INSTRUCTION

Classroom Instruction includes the Instructional Services (Parent/Infant through High School) program, which provides comprehensive educational services during the school year for persons age 21 or younger who are deaf or hard of hearing and who may have multiple disabilities. Students may be referred to TSD through the admission, review, and dismissal (ARD) process by their local school districts or by their parents. Early childhood intervention programs may refer children younger than age three, and students ages 18 or older may refer themselves for admission.

The Texas Education Code requires local school districts to share in the cost of educating students attending TSD. When the local school district makes a referral on the student's behalf, the district conducts an ARD meeting, which includes parents and local school district representatives. When a parent referral is made, TSD staff conducts the ARD meeting, and the district is encouraged to attend.

Classroom Instruction includes academic, career, life skills, and related services. During the 2016–17 school year, TSD served 562 students in school year programs. Funding appropriated for Classroom Instruction totals $17.6 million in All Funds.

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 school year, approximately 40.0 percent of TSD students live on campus while attending classes, and the remainder are nonresidential students who attend classes as day students and live in Austin and surrounding areas. During the 2016–17 school year, 214 students were enrolled in the school's residential program. Funding appropriated for Residential Programs totals $9.6 million in All Funds.

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 $8.7 million in All Funds.

OUTREACH RESOURCES

Outreach Resources provide a variety of programs and resources for students, families, professionals, and school districts such as retreats, distance learning opportunities, sign language instruction, parent mentoring, and summer programs. During fiscal year 2016, 436 students were served on campus in summer and short-term programs. Summer programs were canceled in 2017 due to financial exigencies related to the expiration of UB funds, but other short-term programs continued to operate, serving 199 students during fiscal year 2017. TSD also trained 531 deaf education teachers, ASL teachers, and interpreters in three weeks of sign language immersion workshops during fiscal year 2017. In addition, the school served 13,755 parents and professionals and 1,451 students throughout Texas in workshops, conferences, consultations, and technical outreach. Through distance learning programs, TSD provides services to 214 students and 182 adults. More than 3.0 million individuals received technical service through emails, phone calls, publications, social media, and website visits. Funding appropriated for Outreach Resources totals $5.3 million in All Funds. Following the unexpected cancelation of summer programs in 2017, the Legislature provided additional funding to offset the expiration of UB funds. The Eighty-fifth Legislature, General Appropriations Act, 2018–19 Biennium, Article III, TSD, Rider 4, requires that a portion of the additional funding must be used to provide for the continuation of summer programs at the school during the 2018–19 biennium.

TRANSFER OF FUNDING FOR CAMPUS CONSTRUCTION PROJECTS

All powers, duties, functions, programs, and activities relating to the maintenance and management of physical facilities at TSD, including grounds maintenance and custodial services, were transferred to the Texas Facilities Commission by Senate Bill 1457, Eighty-third Legislature, Regular Session, 2011, and Senate Bill 836, Eighty-fourth Legislature, 2015. However, for the Eighty-fifth Legislature, Regular Session, 2017, the Office of the Governor directed and TFC requested that TSD request funding for facilities related to new construction and capital improvement projects, with the intent to subsequently transfer any appropriated funds to TFC to implement the plans. Funding appropriated for facilities totals $14.6 million in Other Funds from the Economic Stabilization Fund for fiscal year 2018 for construction of a Toddler Learning Center and Central Service Center, as described in the Texas Facilities Commission's Campus Master Plan for Texas School for the Deaf. The funds will be transferred to TFC for fiscal year 2018, with design and construction scheduled to commence during fiscal year 2018. The project is expected to be completed by the end of fiscal year 2021.

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

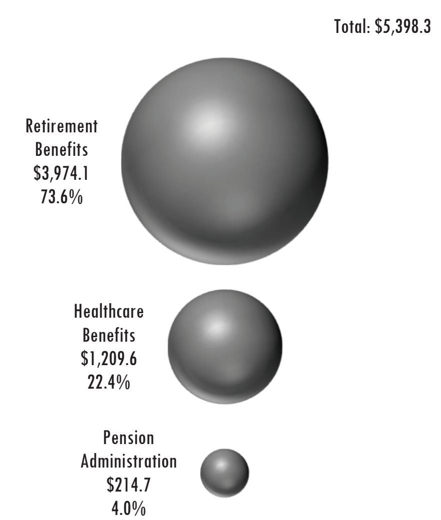
FIGURE 177
TEACHER RETIREMENT SYSTEM BY METHOD OF FINANCE

(IN MILLIONS)

METHOD OF FINANCE	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$4,127.4	$5,078.0	$950.5	23.0%
General Revenue–Dedicated Funds	$86.4	$97.5	$11.1	12.8%
Federal Funds	$0.0	$0.0	$0.0	N/A
Other Funds	$221.4	$222.9	$1.6	0.7%
Total, All Methods of Finance	**$4,435.2**	**$5,398.3**	**$963.2**	**21.7%**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2018	524.3
2019	524.3

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

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

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

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

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

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

MAJOR FUNDING

Funding appropriated to the Teacher Retirement System of Texas (TRS) for the 2018–19 biennium reflects an All Funds increase of $963.2 million, or 21.7 percent. Of this amount, $628.7 million is attributable to increased state funding for TRS-Care, the healthcare program for retired employees of public education. This increase is due to an increase of the state contribution rate from 1.0 percent to 1.25 percent of payroll, additional onetime funding provided to maintain solvency and affordability of the program, and other funding sufficient to cover projected payroll growth for the 2018–19 biennium. The remainder of the 2018–19 biennial increase is due primarily to the projected growth of public education and higher education payroll on which state contributions are due for public education and higher education retirement.

Appropriations include funding sufficient to provide a 6.8 percent state contribution rate to the Pension Trust Fund for public education and higher education employees, and a 1.25 percent state contribution rate to the TRS-Care Trust Fund, for each fiscal year of the 2018–19 biennium. Appropriations are based on growth assumptions of 3.5 percent of payroll for eligible public education employees, and 2.9 percent of payroll (a composite-weighted average) for eligible higher education employees whose salaries are covered by state funds, for each fiscal year of the 2018–19 biennium.

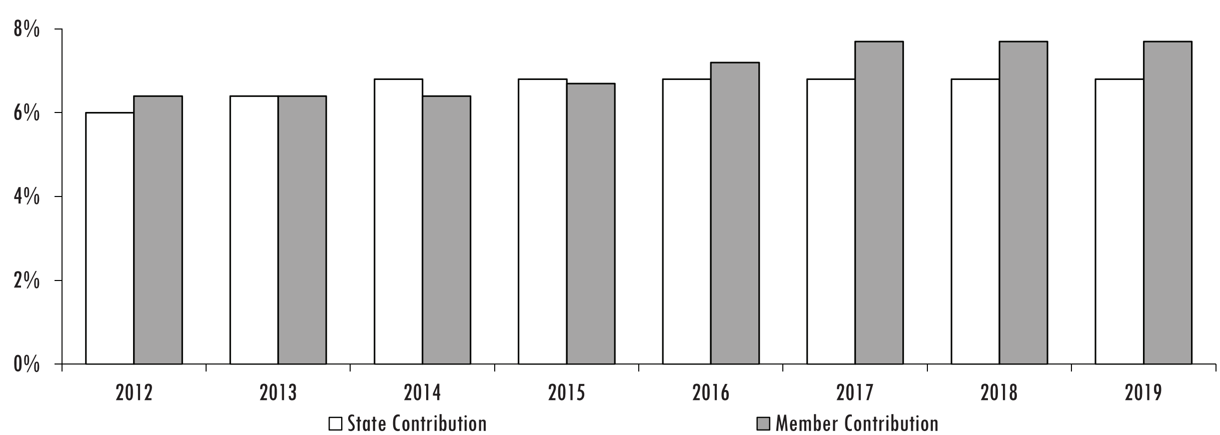
PROGRAMS

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, 2017, TRS had approximately 1.5 million members, including 864,261 active members, 407,768 retirement recipients, and 273,028 inactive vested and nonvested members. 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 Program, a defined-contribution, 403(b) plan administered by the Texas Higher Education Coordinating Board. Funding for TRS retirement contributions for the 2018–19 biennium totals $4.0 billion in All Funds.

Retirement benefits are financed by member and state contributions based on employee payroll, investment earnings of the pension trust fund, and local employer contributions in some circumstances. Appropriation amounts are estimated and based on a state contribution rate of 6.8 percent of eligible salary for each fiscal year of the 2018–19 biennium. The employee contribution rate is 7.7 percent of salary. School districts that do not participate in Social Security contribute an additional 1.5 percent of salary. State retirement contributions to 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. An additional limit to state retirement contributions applies for each community and junior college. The limit is based on the growth in each college's staff size in proportion to changes in student enrollment. **Figure 178** shows the contribution rates for fiscal years 2012 to 2019.

FIGURE 178
TEACHER RETIREMENT SYSTEM STATE AND MEMBER CONTRIBUTION RATES, FISCAL YEARS 2012 TO 2019



SOURCE: Teacher Retirement System.

The payroll growth rate is another significant factor in determining state funding requirements, because state contributions for retirement and retiree health are based on a percentage of active employee salary. Estimated payroll growth during the 2016–17 biennium was 2.0 percent for public education and 4.0 percent for higher education. Actual payroll growth, however, averaged 3.8 percent for public education during each fiscal year of the 2016–17 biennium. This growth was driven by population growth, rising student enrollment, and the increase of educational staff in school districts across the state. The assumed growth rate of public education payroll for the 2018–19 biennium is 3.5 percent for each fiscal year.

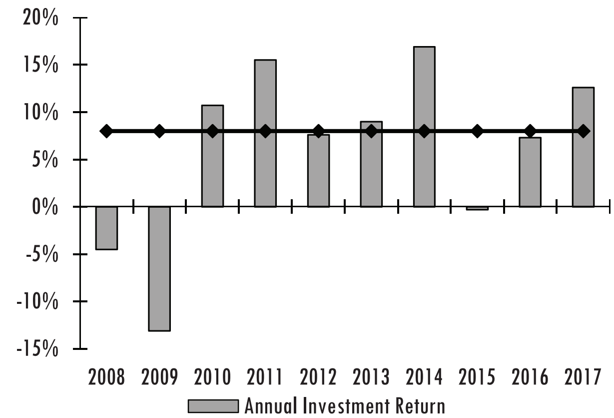
In higher education, actual payroll growth has averaged 5.8 percent annually during the last five years. However, institutions of higher education have the flexibility to pay salaries from local funds that are not subject to state-matching contributions, such as tuition and grants. The result is that state contributions for higher education retirement can fluctuate considerably. The assumed growth rate of higher education retirement contributions made from state funds—General Revenue Funds and General Revenue–Dedicated Funds—for the 2018–19 biennium is 2.9 percent for each fiscal year of the biennium, based on recent growth trends of payroll covered by each method of finance.

Investment earnings play a major role in determining the health of the pension trust fund, accounting for approximately 63.0 percent of fund revenues during the long term. TRS manages assets across a diversified portfolio allocation that includes global equity, stable value, and real return. The annual return on investment for fiscal year 2016 was 7.3 percent. The fiscal year 2017 return on investment was 12.6 percent, increasing the net value of assets to $146.1 billion at the end of fiscal year 2017. The annual actuarial assumed rate of return is 8.0 percent. The three-year, five-year, and 10-year returns as of August 31, 2017, are 6.4 percent, 9.0 percent, and 5.8 percent, respectively. **Figure 179** shows the annual rate of return on investments since fiscal year 2008.

ADMINISTRATIVE OPERATIONS

The Pension Trust Fund finances administrative operations for the retirement programs and investment management. Funding for the 2018–19 biennium totals $214.7 million in Other Funds from the Pension Trust Fund and 524.3 full-time-equivalent (FTE) positions. This amount reflects increased TRS membership, changes in asset management, and the continued implementation of the major technology initiative, TRS Enterprise Application Modernization (TEAM). Phase 1 of the TEAM project, which includes systems and applications related to employer reporting, cash receipts, member account maintenance, and annuity payroll, began October 2, 2017. Phase 2, which includes all remaining functionality, is expected to be complete by fall 2019.

FIGURE 179
TEACHER RETIREMENT SYSTEM TRUST FUND'S ACTUAL ANNUAL RETURN ON INVESTMENT COMPARED TO ASSUMED ANNUAL RETURN
FISCAL YEARS 2008 TO 2017



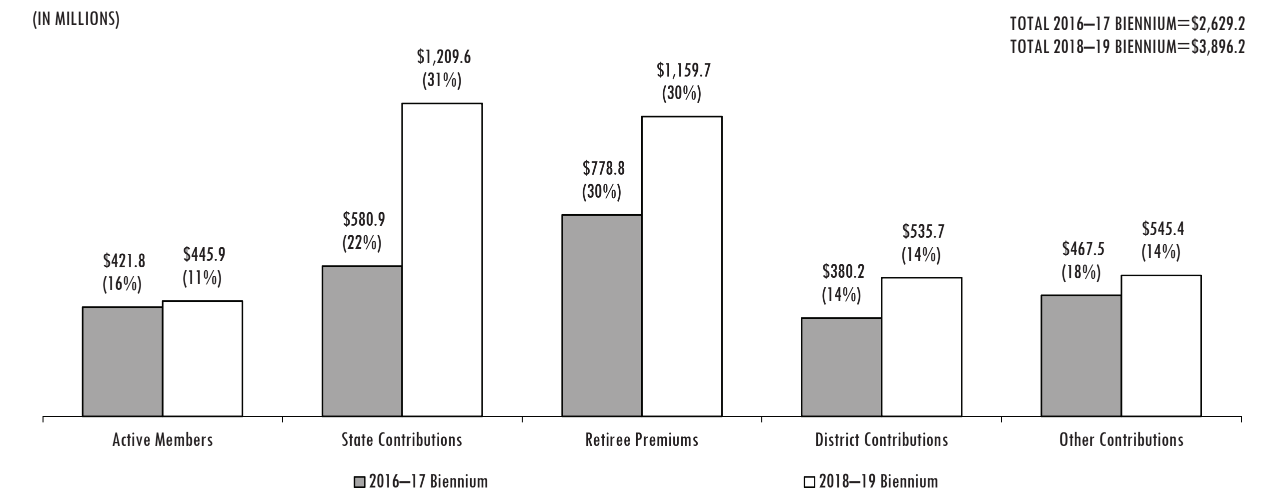
NOTE: The 10-year average annual return for fiscal years 2008 to 2017 is 5.8 percent.
SOURCE: Teacher Retirement System.

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 the 403(b) program, 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 2017 is $9.5 million, supporting 69.0 FTE positions. The positions supported by nonappropriated funds are not counted against the FTE position cap that the Legislature established for the agency.

RETIREE HEALTHCARE

Health coverage through TRS-Care is available for eligible retirees and their dependents. The TRS-Care program is funded by participant premiums, federal subsidies, and regular payroll contributions from the state, active employees, and school districts. TRS-Care was not prefunded like the

FIGURE 180
TRS-CARE CONTRIBUTIONS BY SOURCE, 2016–17 AND 2018–19 BIENNIA



NOTES:
(1) State contributions include payroll contributions and onetime additional funding. Payroll contributions are based on a statutory contribution rate of 1.0 percent of payroll for the 2016–17 biennium, and 1.25 percent for the 2018–19 biennium, pursuant to House Bill 3976, Eighty-fifth Legislature, Regular Session, 2017.
(2) District contributions include district payments to the Teacher Retirement System (TRS) for a surcharge owed on return-to-work employees.
(3) Other contributions include Federal Medicare Part D plan subsidies, investment income from assets held in trust, and amounts received by TRS from local school districts for payments from federal funding and private grants, pursuant to the Texas Insurance Code, Section 1575.252. Other contributions for fiscal year 2017 include $15.7 million redirected to TRS-Care from fiscal year 2016 settle-up funds, pursuant to the Eighty-fourth Legislature, General Appropriations Act, 2016–17 Biennium, Article III, TRS, Rider 14, which authorizes settle-up dollars owed by TRS to the state to be redirected to TRS-Care between the first and second years of the biennium.
SOURCE: Teacher Retirement System.

retirement plan; it is funded on a pay-as-you-go basis. Funding for retiree healthcare for the 2018–19 biennium totals $1.2 billion in General Revenue Funds, an increase of $628.7 million from 2016–17 biennial funding, due to statutory changes, additional onetime appropriations and transfers by the Eighty-fifth Legislature, Regular Session and First Called Session, 2017, and funding for projected payroll growth. As shown in **Figure 180**, TRS-Care funding increases include the following amounts: $167.4 million in General Revenue Funds to increase the statutory state contribution rate from 1.0 percent to 1.25 percent of payroll; $182.6 million in net onetime General Revenue Funds appropriated by the Eighty-fifth Legislature, Regular Session, 2017; and $212.0 million in onetime General Revenue Funds transferred to TRS-Care by the Eighty-fifth Legislature, First Called Session, 2017.

The remaining $66.7 million consists of estimated General Revenue Funds to cover projected payroll growth for the 2018–19 biennium. The Eighty-fifth Legislature, General Appropriations Act (GAA), 2018–19 Biennium, Article III, TRS, Rider 9, increases the school district contribution rate to TRS-Care from 0.55 percent to 0.75 percent of public education payroll, providing an additional $133.9 million of projected revenue to the TRS-Care Fund. This increased district contribution, combined with the additional state funding, provides TRS-Care with net additional funding of $695.9 million for the 2018–19 biennium, in addition to the regular program funding required by statute as of January 2017.

Figure 180 shows the shares of TRS-Care contributions by source for the 2016–17 biennium, prior to reforms, compared to projected contributions for the 2018–19 biennium pursuant to House Bill 3976, Eighty-fifth Legislature, Regular Session, 2017. As of August 31, 2017, TRS-Care had 268,427 total participants. Of this number, 204,987 are retirees; the remainder are dependents, surviving spouses, and surviving dependent children.

ACTIVE MEMBER HEALTHCARE

TRS administers TRS-ActiveCare, which is a group healthcare program for active employees of local public schools. Statute requires certain minimum funding by the state and local school districts. Monthly premiums cover the remainder of program costs. 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 1,218 school districts, charter schools, and regional education service centers eligible to participate in TRS-ActiveCare, 90.0 percent, or 1,095 entities, participate. As of August 31, 2017, TRS served 492,317 participants, consisting of 305,234 employees and 187,083 dependents, in the TRS-ActiveCare program.

TRS-CARE REFORM

House Bill 3976, Eighty-fifth Legislature, Regular Session, 2017, implemented significant reforms to ensure the solvency of the TRS-Care Trust Fund. In January 2017, TRS-Care faced a funding shortfall projected to reach from $1.1 billion to $1.4 billion by the end of the 2018–19 biennium and more than $3.0 billion by the end of fiscal year 2021, growing geometrically thereafter as rising healthcare costs continued to outpace revenues by ever increasing margins.

Two separate but related features of the program's structure caused this shortfall, or unfunded liability. First, funding provided to the TRS-Care program by regular contributions from the state, school districts, and active employees is based on public education payroll, which grows at a modest rate. Program costs are linked to higher rates of healthcare and prescription drug inflation, causing a large and growing disjuncture between the program's revenues and costs. Second, at the same time that healthcare costs were outpacing payroll contributions, the General Appropriations Act directed TRS for several biennia not to increase retiree premiums, and statute directed TRS to provide a basic health plan at no cost to the retiree, resulting in insufficient revenue from monthly premium contributions paid by TRS-Care participants. These provisions, intended to keep retiree healthcare affordable while a long-term solution was found, had the consequence of reducing the program's capacity to generate revenue and offset costs, and therefore caused the funding shortfall to grow.

The program rapidly depleted its fund because TRS was required to provide increasingly expensive health coverage to a growing number of retirees, because most contributions to TRS-Care are related to public education payroll, and because TRS was prevented by statute from raising premium rates to cover the costs of that health insurance. TRS-Care expenditures began to outpace revenue during fiscal year 2012. TRS projected that the fund would run out of money by fiscal year 2016 and, thereafter, would accrue a large, unfunded liability without legislative action. As a result of this projected shortfall for fiscal year 2016, the Eighty-fourth Legislature, 2015, provided a onetime supplemental appropriation of $768.1 million for fiscal year 2015 to maintain the fund's solvency through the 2016–17 biennium. The Legislature also established a joint interim committee to study TRS health benefit plans to examine options for TRS-Care reform, to be revisited by the Eighty-fifth Legislature, Regular Session, 2017.

By January 2017, the TRS-Care Fund was projected to become insolvent by August 31, 2017, and to incur a large shortfall by the end of the 2018–19 biennium. House Bill 3976, Eighty-fifth Legislature, Regular Session, 2017, authorizes funding changes and structural reforms sufficient to keep the TRS-Care program solvent. The legislation eliminates the statutory requirement that TRS provide a basic plan at no cost. Simultaneously, the Legislature removed the rider from the General Appropriations Act that directed TRS not to increase retiree premiums. Finally, the legislation directs TRS to establish and collect payments for the share of total costs allocated to participants. These changes lend force to TRS's responsibility as the fiduciary of the program to set premium rates and plan structure as needed to maintain the fund's solvency, thereby eliminating TRS-Care's unfunded liability.

House Bill 3976, Eighty-fifth Legislature, Regular Session, 2017, makes broader changes to TRS-Care by phasing out existing plan options and replacing them with three new plans and new premium rates. The legislation requires TRS to offer a Medicare Advantage plan and a Medicare prescription drug plan for participants eligible to enroll in Medicare. The legislation also requires TRS to provide a high-deductible plan for participants not eligible to enroll in Medicare. The legislation permits, but does not require, TRS to make another health benefit plan available to Medicare-eligible members. The legislation also grants exemptions from premium contributions until the 2022 plan year for disability retirees who meet certain criteria, and expands enrollment options to enable retirees and their dependents to enroll during a period when the retiree becomes eligible for Medicare upon reaching age 65, in addition to the previous enrollment period that begins upon the member's retirement. To the extent that the program has available funds, the legislation directs TRS to consider implementing a plan structure for non-Medicare members that provides assistance in the payment of preventive care, including generic preventive maintenance drugs.

FIGURE 181
MAJOR TRS-CARE FUNDING AND LEGISLATIVE ACTIONS, 2018–19 BIENNIUM

2016–17 BIENNIUM CURRENT LAW OBLIGATIONS AND 2018–19 BIENNIUM PAYROLL GROWTH	GENERAL REVENUE FUNDS (IN MILLIONS)
2016–17 biennial base funding level, based on a state contribution rate of 1.0 percent of payroll	$580.9
Projected 2018–19 biennial payroll growth, based on public education growth assumption of 3.5 percent during each fiscal year of the biennium	$66.7
Subtotal, 2018–19 biennial current law obligations and projected payroll growth, reflected in Senate Bill 1 as Introduced, Eighty-fifth Legislature, Regular Session, 2017	**$647.6**
ACTIONS OF THE EIGHTY-FIFTH LEGISLATURE, REGULAR SESSION, 2017	
House Bill (HB) 3976, increased state contribution rate from 1.0 percent to 1.25 percent of payroll	$167.4
Onetime funding appropriated by the Eighty-fifth Legislature, Regular Session, 2017	$208.8
Reductions for cost containment pursuant to the 2018–19 GAA, Article III, TRS, Rider 20	($26.2)
Subtotal, additional state funding appropriated by the Eighty-fifth Legislature, Regular Session, 2017	**$350.0**
ACTIONS OF THE EIGHTY-FIFTH LEGISLATURE, FIRST CALLED SESSION, 2017	
HB 21, transfer of General Revenue Funds from HHSC to TRS-Care	$212.0
Subtotal, additional General Revenue Funds transferred by the Eighty-fifth Legislature, First Called Session, 2017	**$212.0**
Total, 2018–19 State Funding For TRS-Care	**$1,209.6**

Notes:
(1) Amounts shown do not include the increase of the school district contribution rate from 0.55 percent to 0.75 percent of payroll, pursuant to the Eighty-fifth Legislature, General Appropriations Act (GAA), 2018–19 Biennium, Article III, Teacher Retirement System (TRS), Rider 9, which is expected to provide an additional $133.9 million to TRS-Care in the 2018–19 biennium. Amounts shown also do not include other revenue from district contributions, premium contributions, active employee contributions, reimbursements from school districts from federal funding and private grants, investment income, or other nonappropriated revenues.
(2) HHSC=Health and Human Services Commission.
Sources: Teacher Retirement System; Legislative Budget Board.

Alongside these reforms, House Bill 3976, Eighty-fifth Legislature, Regular Session, 2017, increases funding to the TRS-Care program to reduce financial effects on participants. The legislation raises the statutory state contribution rate from 1.0 percent to 1.25 percent of payroll, which increases ongoing revenue to the program and is expected to provide TRS-Care with an additional $167.4 million for the 2018–19 biennium, an amount expected to rise thereafter in proportion to statewide payroll growth in public education. In conjunction with House Bill 3976, the Eighty-fifth Legislature, Regular Session, 2017, increased the school district contribution rate to TRS-Care from 0.55 percent to 0.75 percent of payroll, as specified in the 2018–19 GAA, Article III, TRS, Rider 9. This contribution rate is expected to provide an additional $133.9 million to TRS-Care for the 2018–19 biennium. The Legislature also provided net onetime additional funding of $182.6 million to the TRS-Care program to offset costs and keep premium rates affordable. In total, including the school district contribution rate increase, the Eighty-fifth Legislature, Regular Session, 2017, provided net additional funding to the TRS-Care program that totals $483.9 million for the 2018–19 biennium, in addition to the funding the Legislature was committed to provide based on law at the time the Legislature convened. House Bill 21, Eighty-fifth Legislature, First Called Session, 2017, subsequently transferred an additional $212.0 million in General Revenue Funds to the TRS-Care program, bringing total additional funding to $695.9 million for the 2018–19 biennium. **Figure 181** shows major funding and legislative actions that affect TRS-Care for the 2018–19 biennium.

Although House Bill 3976, Eighty-fifth Legislature, Regular Session, 2017, eliminates the statutory requirements driving TRS-Care's unfunded liability and adds significant funding to the program, discussions of TRS-Care continue to employ terminology related to a funding shortfall or unfunded liability. However, the TRS-Care Trust Fund no longer faces a funding shortfall or unfunded liability of the kind that existed before enactment of House Bill 3976. Such terminology describes the cost of maintaining current benefits in the future, which is a measure of how much funding is needed to continue offering the same premiums and benefits while keeping the program solvent.

RETIREE HEALTH PREMIUMS

Health insurance premium rates will rise for many TRS-Care participants for the 2018–19 biennium because, without premium increases, the costs of health benefits continue to exceed the revenues to the plan, even with the additional funding provided. Before the enactment of House Bill 3976, Eighty-fifth Legislature, Regular Session, 2017, TRS was prohibited by statute and by the GAA from raising premiums. However, the agency was able to provide a basic plan at no cost and to keep premiums low for its other health plans by spending down the corpus of the TRS-Care Trust Fund. With the fund depleted and the removal of the prohibitions on premium increases, TRS can only offer subsidized premium rates and benefits to the extent allowed by other sources of funding from the state, school districts, and active employees. These changes entail additional costs for retired participants in the program in the form of higher premiums and, in some cases, reduced benefits.

The changes affecting TRS-Care participants, either directly through premium increases or indirectly through benefit reductions, are indicated by comparing the TRS-Care shortfall at the beginning of the Eighty-fifth Legislature, Regular Session, 2017, with the funding appropriated to address the shortfall for the 2018–19 biennium. The TRS-Care shortfall, which represented the cost of maintaining 2016–17 biennial benefits and premium rates through the 2018–19 biennium, was projected to range from $1.1 billion to $1.4 billion. Additional funding provided by the Legislature, however, equals $350.0 million in General Revenue Funds from the Eighty-fifth Legislature, Regular Session, 2017; $212.0 million in General Revenue Funds from the Eighty-fifth Legislature, First Called Session, 2017; and $133.9 million from increasing the school district contribution rate, for a total of $695.9 million of additional funding for the 2018–19 biennium. The difference between the $1.1 billion to $1.4 billion needed to maintain 2016–17 biennial benefits and the $695.9 million provided to TRS-Care by the Eighty-fifth Legislature, Regular and First Called Sessions, 2017, will be achieved through a combination of premium rate increases and benefit reductions. The TRS Board of Trustees will determine this combination to best minimize effects on participants in the TRS-Care program.

SIGNIFICANT LEGISLATION

House Bill 3976, Regular Session, 2017 – TRS-Care reform. The legislation makes significant changes to the health benefit plans available to retirees. (See the TRS-Care Reform section.)

Senate Bill 1663, Regular Session, 2017 – TRS Administration of Systems and Programs. The legislation amends and clarifies various statutes governing TRS administration, including changes related to contributions, benefits, late fees, eligibility, reporting, and creditable service. The legislation also grants additional authority for investment decisions of the board, and establishes a Sunset review for TRS in 2025.

Senate Bill 1664, Regular Session, 2017 – TRS Administration of Systems and Programs. The legislation amends and clarifies the governing statutes of TRS, including provisions related to U.S. Internal Revenue Service Code compliance, statutory corrections, and certain benefit changes. The legislation also provides TRS members additional time to purchase sick and personal leave credit at retirement, and clarifies the statutory provision that board certifications of the state contribution to the Optional Retirement Program refer to the Higher Education Coordinating Board rather than the Teacher Retirement System Board.

Senate Bill 1665, Regular Session, 2017 – Investment Authority of TRS. The legislation clarifies and extends authorization for the use of derivatives and external managers in the investment of Pension Trust Fund assets, and repeals the Sunset dates on these authorities.

House Bill 21, First Called Session, 2017 – Transfer of funds from the Health and Human Services Commission (HHSC) to the TRS-Care program. The legislation transfers $212.0 million in General Revenue Funds appropriations for the 2018–19 biennium from HHSC to TRS to provide support to participants in the TRS-Care program. The legislation directs TRS to use the funds to reduce costs for participants by lowering premiums and deductibles and enhancing coverage of prescriptions drugs during plan years 2018 and 2019; and to reduce the premium rates and maximum out-of-pocket costs for an enrolled adult child with a mental disability or physical incapacity during those plan years. The legislation increases the net total additional funding to TRS-Care provided by the Eighty-fifth Legislature, Regular and First Called Sessions, 2017, to $695.9 million, which includes state and school district contributions.

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

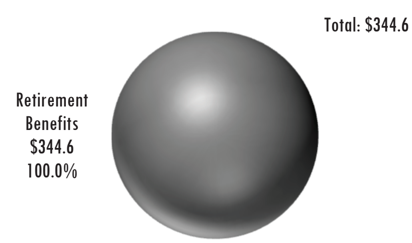
FIGURE 182
OPTIONAL RETIREMENT PROGRAM BY METHOD OF FINANCE

(IN MILLIONS)

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

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2018	0.0
2019	0.0

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

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

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

SOURCE: Legislative Budget Board.

MAJOR FUNDING

Estimated appropriations for the state contribution to the Optional Retirement Program (ORP) increased by $10.2 million and total $344.6 million in All Funds for the 2018–19 biennium. This amount is based on an assumed decrease of 1.0 percent for each year of the biennium for ORP member payroll covered by General Revenue Funds, and a 3.0 percent growth for each year of the biennium for the portion of ORP member payroll covered by General Revenue–Dedicated Funds, based on historic trends.

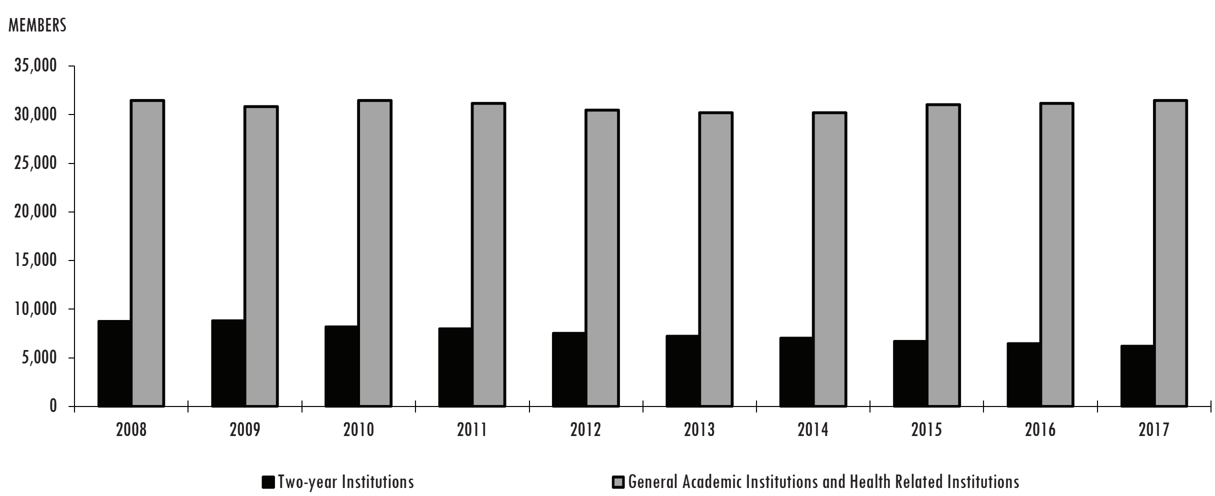
PROGRAMS

ORP is funded by tax-deferred contributions made by the state and employees. As specified in the Eighty-fifth Legislature, General Appropriations Act, 2018–19 Biennium, Article III, ORP, Rider 2, the state contribution rate for the 2018–19 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. 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 Teacher Retirement System (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 2017, 6,172 employees of two-year institutions and 31,443 university and health-related institution employees participated in the program. **Figure 183** shows a 10-year trend in ORP membership for two-year institutions compared to four-year and health-related institutions.

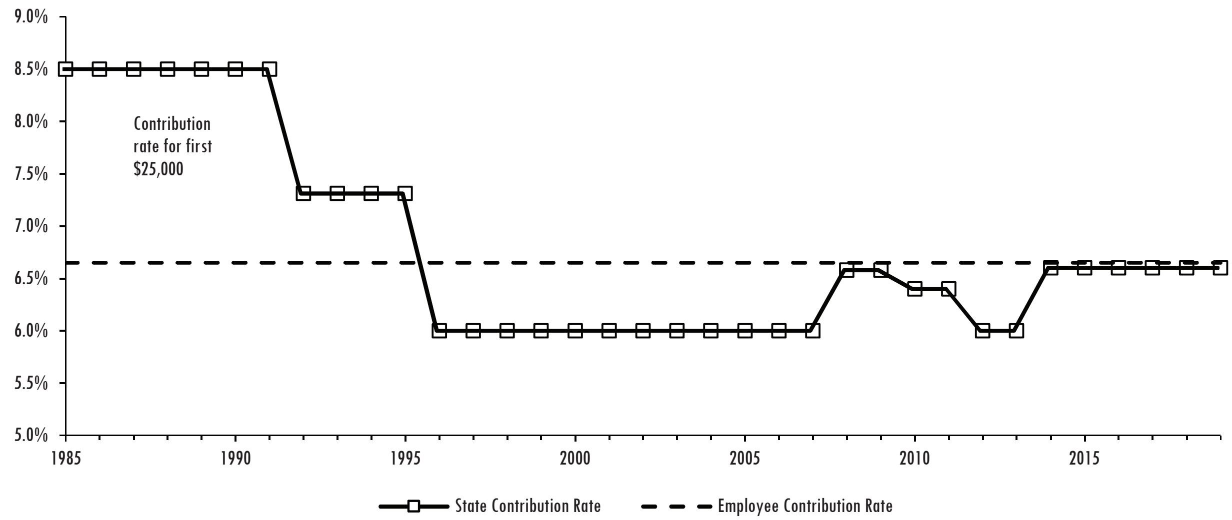
ORP features one-year vesting and is a portable benefit that enables participants to maintain their retirement savings after separation from employment in Texas public higher education. Participants who terminate state employment before meeting the ORP vesting requirement forfeit employer contributions made during that period of employment. Employee contribution amounts are based on a percentage of the employee's salary, which is 6.65 percent, as established by the Texas Legislature. All contributions are invested by the employee through individual investment contracts, 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

FIGURE 183
OPTIONAL RETIREMENT PROGRAM MEMBERSHIP FROM TWO-YEAR INSTITUTIONS COMPARED TO GENERAL ACADEMIC AND HEALTH RELATED INSTITUTIONS
FISCAL YEARS 2008 TO 2017



SOURCE: Texas Higher Education Coordinating Board.

FIGURE 184
OPTIONAL RETIREMENT PROGRAM STATE AND EMPLOYEE CONTRIBUTION RATES
FISCAL YEARS 1985 TO 2019



SOURCE: Texas Higher Education Coordinating Board.

disability retirement benefits or death and survivor benefits. **Figure 184** shows the state and employee contribution rates since 1985.

Each institution's governing board administers its 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 contributed. The defined contribution plan enables participants to manage their personal investment accounts; therefore, 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

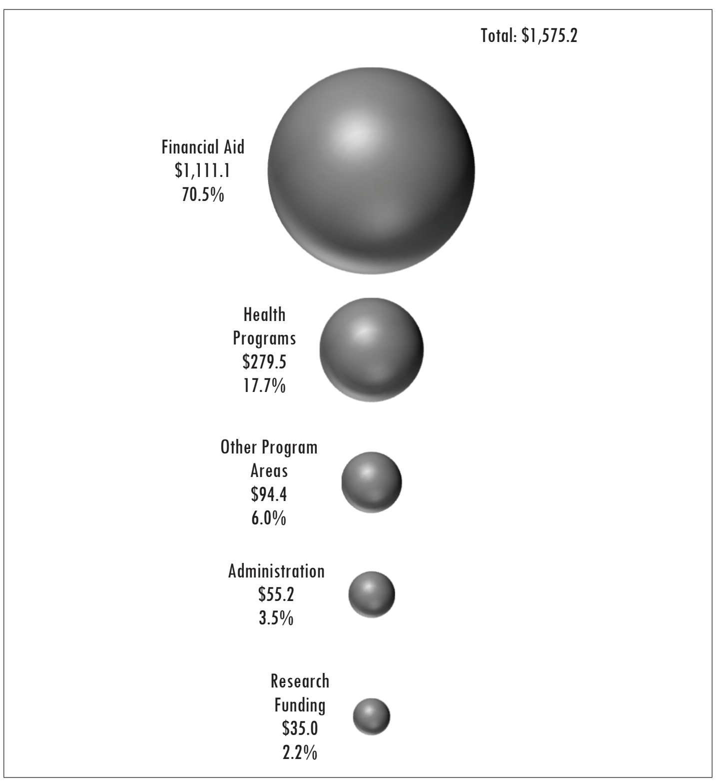
FIGURE 185
HIGHER EDUCATION COORDINATING BOARD BY METHOD OF FINANCE

(IN MILLIONS)

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

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2018	264.9
2019	264.9

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

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

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

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

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

MAJOR FUNDING

Funding for the Texas Higher Education Coordinating Board (THECB) for the 2018–19 biennium totals $1,575.2 million, which is a decrease of $131.0 million from the previous biennium. This funding includes decreases of $103.1 million in research programs, $30.2 million in financial aid programs, $14.4 million in other programs, and $0.7 million in administration. These decreases are offset by an increase of $17.1 million in health programs. General Revenue–Dedicated Funds appropriations total $45.3 million, a decrease of $78.2 million from 2016–17 biennial funding levels, due primarily to funding for the B-On-Time Program, which includes $18.2 million from Account No. 5103, B-On-Time, to support renewal awards for students attending public institutions of higher education, a decrease of $43.5 million from 2016–17 biennial levels. Appropriations for the Physician Education Loan Repayment Program includes $25.4 million in General Revenue–Dedicated Funds Account No. 5144, Physician Education Loan Repayment, a decrease of $8.5 million from 2016–17 biennial levels. Appropriations from General Revenue–Dedicated Funds Account No. 5111, Trauma and EMS ($17.3 million), and from the General Revenue–Dedicated Emerging Technology Fund ($9.0 million) were discontinued.

PROGRAMS

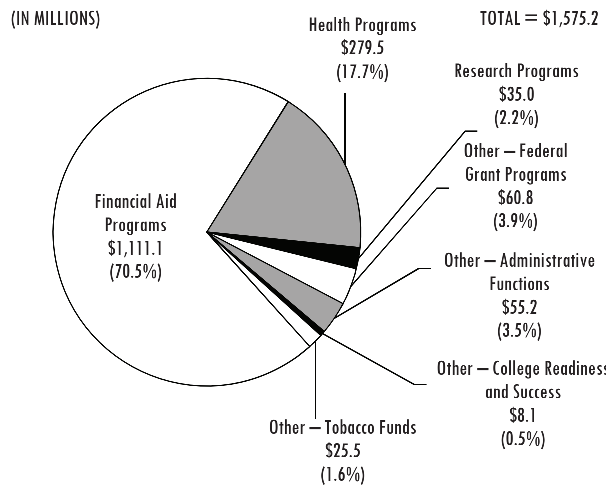
The agency carries out its responsibilities through three major program areas: (1) financial aid, which includes grant and scholarship funding for students attending public and private institutions of higher education; (2) research programs; and (3) health programs, which includes Graduate Medical Education (GME) programs, loan repayment programs for healthcare professionals, and funding for Baylor College of Medicine.

The remaining funding includes programs aimed at increasing student participation and access, federally funded programs, and programs supported by tobacco funds and administrative functions. **Figure 186** shows the agency's appropriations by program areas.

FINANCIAL AID

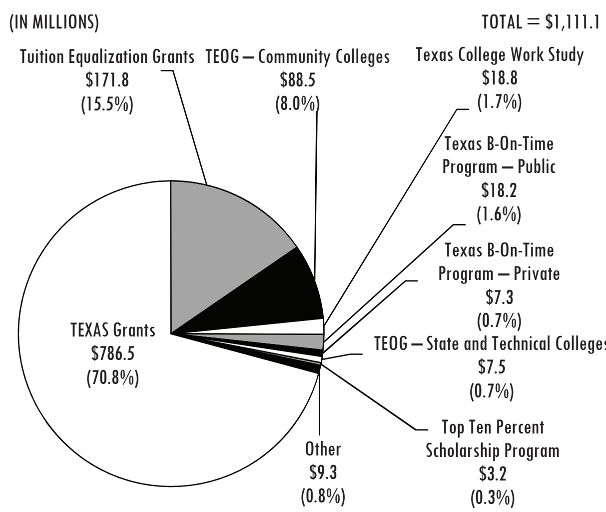
Financial aid constitutes 70.5 percent of the funding appropriated to THECB in All Funds and 77.1 percent in General Revenue Funds and General Revenue–Dedicated Funds. This area includes programs that provide financial assistance to students attending public and private institutions of higher education. **Figure 187** shows the appropriations to these programs. The largest financial aid program is the

FIGURE 186
TEXAS HIGHER EDUCATION COORDINATING BOARD APPROPRIATIONS, 2018–19 BIENNIUM



SOURCE: Legislative Budget Board.

FIGURE 187
TEXAS HIGHER EDUCATION COORDINATING BOARD FINANCIAL AID PROGRAMS, 2018–19 BIENNIUM



NOTES:
(1) TEXAS Grants=Towards EXcellence, Access and Success Grants; (TEOG)=Texas Educational Opportunity Grant.
(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.

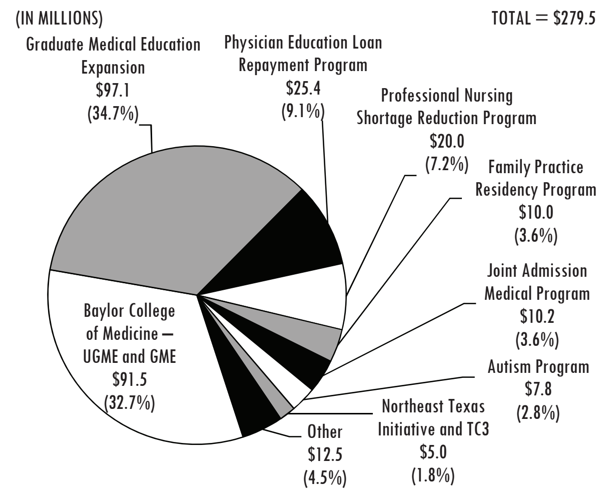
SOURCE: Legislative Budget Board.

Towards EXcellence, Access and Success (TEXAS) Grant Program. Appropriations for this program total $786.5 million, a $71.5 million increase in General Revenue Funds. Appropriations to the B-On-Time Public program total $18.2 million, a decrease of $43.5 million in General Revenue–Dedicated Funds to support renewal awards. Appropriations to the B-On-Time Private program, which support students attending private institutions, total $7.3 million in General Revenue Funds, a decrease of $11.5 million, and will support renewal students only. Appropriations to the Tuition Equalization Grant Program total $171.8 million in General Revenue Funds, a decrease of $20.5 million.

Appropriations to the Texas Educational Opportunity Grant (TEOG) Public Community College Program and the Texas Educational Opportunity Grants (TEOG) State and Technical Colleges Program are $88.5 million and $7.5 million, respectively, a total increase of $2.0 million from the previous biennium. The TEOG Public Community College Program awards grants to students attending public community colleges. The TEOG State and Technical Colleges Program awards 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 2016–17 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 $3.3 million, which is a decrease of $15.0 million, and supports renewal students in the program during the 2018–19 biennium. These programs are supported by appropriations from General Revenue Funds.

During the 2016–17 biennium, the Texas Science, Technology, and Math (T-STEM) Challenge Scholarship Program was supported by $7.0 million in donations from the Texas Guaranteed Student Loan Corporation. This funding was discontinued for the 2018–19 biennium. 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 $2.7 million in General Revenue Funds, which is a decrease of $1.8 million. Appropriations for the Math and Science Scholars Loan Repayment Program total $2.6 million, which maintains the 2016–17 biennial funding levels. Appropriations for the Texas Armed Scholarships Program total $2.7 million, a decrease of $2.7 million.

FIGURE 188
TEXAS HIGHER EDUCATION COORDINATING BOARD HEALTH PROGRAMS APPROPRIATIONS 2018–19 BIENNIUM



NOTES:
(1) UGME=undergraduate medical education program; GME=graduate medical education program; TC3=Texas Community College Consortium.
(2) Other includes Physician and Nursing Trauma Care Program ($4.3 million), Nursing Faculty Loan Repayment Program ($3.0 million), Preceptorship Program ($3.0 million), Mental Health Care Professionals Loan Repayment Program ($2.1 million), and Other Loan Repayment Program ($0.2 million).
SOURCE: Legislative Budget Board.

Appropriations for the Educational Aide Program total $1.0 million, a decrease of $0.5 million from 2016–17 biennial funding levels. Appropriations for license plate programs total $0.5 million, which maintains the 2016-17 biennial funding levels. Appropriations for the Border Faculty Loan Repayment Program were discontinued for the 2018–19 biennium.

HEALTH PROGRAMS

Appropriations for the health-related programs, which include funding for Baylor College of Medicine, total $279.5 million for the 2018–19 biennium, an increase of $17.1 million. **Figure 188** 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 $97.1 million, which is an increase of $44.1 million. This increase includes $22.3 million in General Revenue Funds and $21.8 million in anticipated distributions from the Permanent Fund Supporting Graduate Medical Education. During the 2016–17 biennium, the program was supported exclusively with appropriations from General Revenue Funds. Senate Bill 18, Eighty-fourth Legislature, 2015, established the Permanent Fund Supporting Graduate Medical Education, supported by a transfer of funds from the Texas Medical Liability Joint Underwriting Association. 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 grant awards during fiscal year 2015. THECB was appropriated $10.0 million for the Family Practice Residency Program for the 2018–19 biennium, a decrease of $6.8 million. 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, which maintains 2016–17 biennial funding levels. The program provides stipends to medical students who participate in the program as incentive for them to pursue careers in the primary care field. Funding for the Primary Care Innovation Grant Program was discontinued for the 2018–19 biennium, resulting in a decrease of $2.1 million in General Revenue Funds.

Appropriations for Autism Programs total $7.8 million, which maintains 2016–17 biennial funding levels. These programs support autism research centers at institutions of higher education that currently provide evidence-based behavioral services and training.

The Sixty-first Legislature, Regular Session, 1969, 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 that 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-fifth Legislature, Regular Session, 2017, provided Baylor College of Medicine with $76.1 million in General Revenue Funds for the 2018–19 biennium, a decrease of $1.9 million. Baylor College of Medicine also receives funding for GME totaling $15.4 million in General Revenue Funds for the 2018–19 biennium, a decrease of $0.2 million.

Appropriations to the Joint Admission Medical Program (JAMP) total $10.2 million in General Revenue Funds, which maintains 2016–17 biennial funding levels. 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 $20.0 million, a decrease of $13.5 million in General Revenue Funds. The program includes three initiatives: (1) $3.3 million per fiscal year to institutions with nursing programs, based on increases in numbers of nursing students graduating; (2) $4.6 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 $2.1 million per fiscal year to programs with graduation rates of 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.

Appropriations for the Physician Education Loan Repayment Program is $25.4 million, a decrease of $8.8 million in funding from the General Revenue–Dedicated Funds Account No. 5144, Physician Education Loan Repayment. The program provides loan repayment assistance to qualified physicians that practice in designated health professional shortage areas or provide specified service levels for persons enrolled in Medicaid or the Texas Women's Health Program.

Two new health programs received appropriations from the Eighty-fifth Legislature, Regular Session, 2017. Appropriations to the Nursing Faculty Loan Repayment Program and the Northeast Texas Initiative and Texas Community College Consortium total $3.0 million and $5.0 million, respectively.

RESEARCH PROGRAMS

Appropriations to the Texas Research Incentive Program, which matches certain gifts at emerging research universities, total $35.0 million in General Revenue Funds, which is a decrease of $94.1 million in General Revenue Funds and

$9.0 million in onetime revenue from the Emerging Technology Fund, which was not continued for the 2018–19 biennium. During the 2014–15 biennium, appropriations for the program were $35.6 million in General Revenue Funds. During the 2016–17 biennium, appropriations were $129.1 million in General Revenue Funds and $9.0 from the Emerging Technology Fund.

OTHER PROGRAM AREAS

Appropriations to the Developmental Education Program total $2.7 million in General Revenue Funds. Of this amount, $0.4 million will be transferred to The University of Texas at Austin for the Mathways project, which is a partnership among the university and community colleges intended to improve student success. Appropriations for the Advise TX program total $4.0 million, which maintains 2016–17 biennial funding levels. Funding for the Accelerate Texas Community College Grant program, Centers for Teacher Education program, Texas Teacher Residency Program, and Engineering Recruitment Program was discontinued for the 2018–19 biennium.

FEDERAL GRANT PROGRAMS

Other program areas include several programs that are supported by federal funding. The total funding to the agency for the 2018–19 biennium is $60.8 million in Federal Funds, which is a decrease of $5.7 million due to the discontinuation of the Improving Teacher Quality State Grant Program, which is the largest federal program. Total funding for the program is $55.1 million for the 2018–19 biennium. The federal Carl D. Perkins Vocational and Technical Education Act funds this program 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

Other program areas include several programs that are supported by 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 programs that address minority health issues. These grants also may be awarded to institutions 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 $26.3 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 2018–19 biennium.

ADMINISTRATIVE FUNCTIONS

THECB has two administrative functions: Coordinate and Planning for Higher Education, and Agency Operations. The Coordinate and Planning Higher Education function 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 Agency Operations function includes the Commissioner of Higher Education's Office, accounting services, and network operations. Total funding for these functions for the 2018–19 biennium is $55.2 million in All Funds, a decrease of $0.4 million. This decrease primarily is due to the discontinuation of funding ($1.4 million) for the Centralized Accounting and Payroll/Personnel System and decreases in administrative funding ($1.3 million) offset by increases for information technology security upgrades ($0.4 million), fields of study ($0.4 million), oversight of for-profit institutions ($0.5 million), educational resources ($0.3 million), and increases in student loan funds ($0.8 million).

SIGNIFICANT LEGISLATION

House Bill 1638 – Statewide Goals for Dual Credit Programs. The legislation requires the Texas Education Agency and Higher Education Coordinating Board to develop statewide goals for dual-credit programs by August 31, 2018.

Senate Bill 802 – Transfer of Course Credit. The legislation requires the Higher Education Coordinating Board to conduct a study and issue a report regarding best practices in the transfer of course credit among public institutions of higher education by November 1, 2018.

Senate Bill 810 – Open Educational Resources. The legislation establishes a grant program administered by the Higher Education Coordinating Board to encourage the use of open educational resources at public institutions of higher education. The legislation also requires the agency to conduct a study to determine the feasibility of establishing a state repository of open educational resources. The Eighty-fifth Legislature, Regular Session, 2017, appropriated $0.2 million in General Revenue Funds to the Higher Education Coordinating Board to establish the grant program, and $0.1 million in General Revenue Funds for fiscal year 2018 to conduct the study.

Senate Bill 1066 – Meeting the Graduate Medical Education Needs of New Medical Degree Programs Offered by Public Institutions of Higher Education. The legislation requires institutions beginning a doctor of medicine (M.D.) or doctor of osteopathic (D.O.) degree program to submit to a plan to the Higher Education Coordinating Board regarding additional first-year residency positions for those students. The plan must propose an increase in the number of first-year residency positions that, when combined with the total number of existing first-year residency positions in the state, will be sufficient to reasonably accommodate the number of anticipated graduates from all M.D. and D.O. programs offered in the state.

GENERAL ACADEMIC INSTITUTIONS

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

ESTABLISHED: Various

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

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

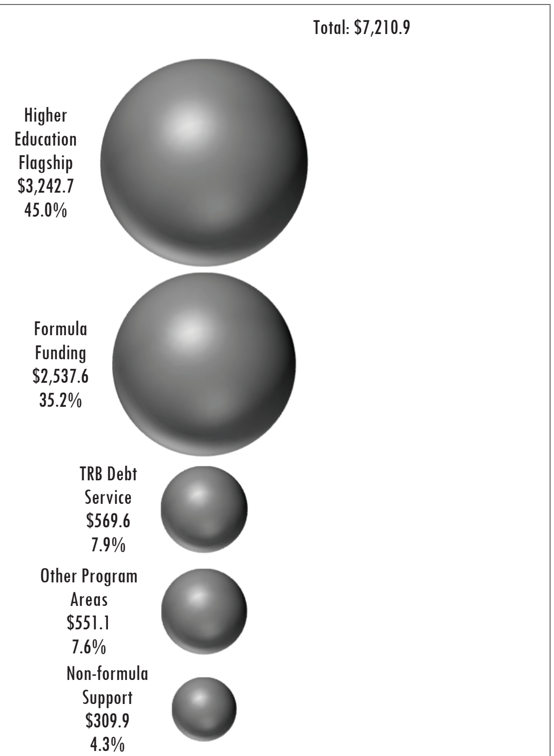
FIGURE 189
GENERAL ACADEMIC INSTITUTIONS BY METHOD OF FINANCE

(IN MILLIONS)

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

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2018	43,182.0
2019	43,182.0

INSTITUTION PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

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

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

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

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

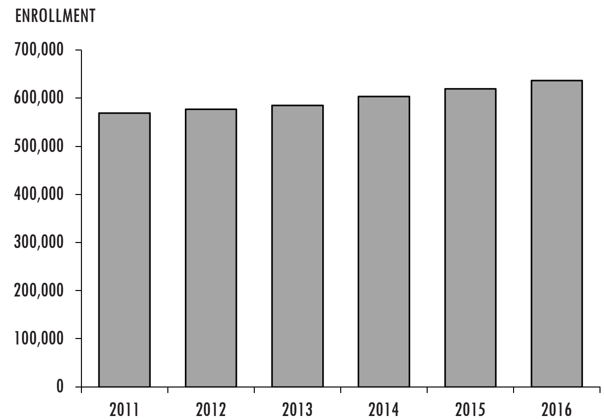
MAJOR FUNDING

Appropriations for the 2018–19 biennium for the general academic institutions total $7.2 billion in All Funds, an increase of $46.7 million from 2016–17 biennial funding levels. Appropriations of General Revenue Funds for the 2018–19 biennium total $5.0 billion, an increase of $45.1 million. General Revenue–Dedicated Funds include income from tuition and student fees and total $2.2 billion for the 2018–19 biennium. Appropriations for the general academic institutions also include $7.1 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 Support for 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) non-formula support funding; (3) other program areas; (4) tuition revenue bond debt service; and (5) research funding. **Figure 190** shows the enrollment trend from academic years 2011 to 2016 at the general academic institutions. **Figure 191** shows the appropriations of General Revenue Funds by function for the general academic institutions and the six university system offices. **Figure 192** shows the All Funds appropriation level for each of the general academic systems.

FIGURE 190
GENERAL ACADEMICS INSTITUTIONS HEADCOUNT ACADEMIC YEARS 2011 TO 2016

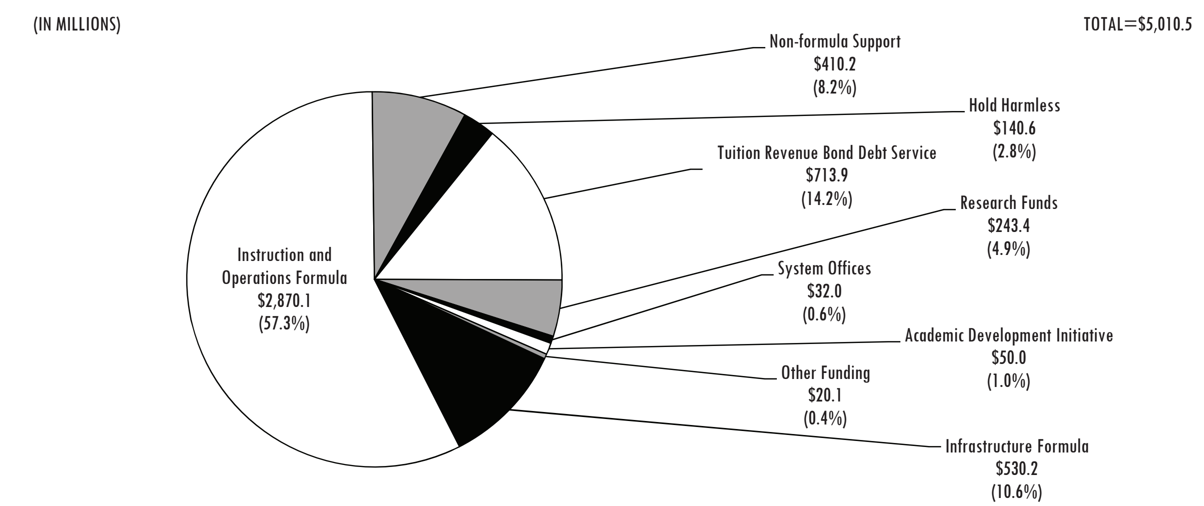


SOURCE: Texas Higher Education Coordinating Board.

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 2018–19 biennium is

FIGURE 191
GENERAL ACADEMIC INSTITUTIONS GENERAL REVENUE FUNDS APPROPRIATIONS BY FUNCTION, 2018–19 BIENNIUM



SOURCE: Legislative Budget Board.

FIGURE 192
ALL FUNDS APPROPRIATIONS FOR GENERAL ACADEMIC INSTITUTIONS AND SYSTEM OFFICES, 2018–19 BIENNIUM

INSTITUTION	APPROPRIATIONS (IN MILLIONS)	INSTITUTION	APPROPRIATIONS (IN MILLIONS)
The University of Texas at Arlington	$367.4	Midwestern State University	$58.2
The University of Texas at Austin	$823.3	Stephen F. Austin State University	$113.5
The University of Texas at Dallas	$328.8	Texas Southern University	$158.5
The University of Texas at El Paso	$229.2	Texas Woman's University	$154.4
The University of Texas Rio Grande Valley	$256.3	**Subtotal, Independent Universities**	**$484.6**
The University of Texas of the Permian Basin	$79.9		
The University of Texas at San Antonio	$285.1	University of North Texas	$332.9
The University of Texas at Tyler	$94.6	University of North Texas at Dallas	$56.7
The University of Texas System Office	$20.8	University of North Texas System Office	$12.3
Subtotal, The University of Texas System	**$2,485.4**	**Subtotal, University of North Texas System**	**$401.9**
Texas A&M University	$842.1	Texas Tech University	$435.6
Texas A&M University at Galveston	$52.7	Angelo State University	$80.0
Prairie View A&M University	$131.1	Texas Tech University System Office	$2.7
Tarleton State University	$122.6	**Subtotal, Texas Tech University System**	**$518.4**
Texas A&M University – Central Texas	$37.7		
Texas A&M University – Corpus Christi	$131.0	Lamar University	$136.5
Texas A&M University – Kingsville	$125.0	Sam Houston State University	$175.6
Texas A&M University – San Antonio	$68.7	Texas State University	$322.1
Texas A&M International University	$81.3	Sul Ross State University	$28.0
West Texas A&M University	$92.3	Sul Ross State University Rio Grande College	$11.3
Texas A&M University – Commerce	$122.2	Texas State University System Office	$2.7
Texas A&M University – Texarkana	$45.1	**Subtotal, Texas State University System**	**$676.1**
Texas A&M University System Office	$1.5	**Total**	**$7,211.1**
Subtotal, Texas A&M University System	**$1,853.2**		
University of Houston	$486.7		
University of Houston – Clear Lake	$87.0		
University of Houston – Downtown	$84.2		
University of Houston – Victoria	$38.1		
University of Houston System Office	$95.3		
Subtotal, University of Houston System	**$791.3**		

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

based on the most recent expenditure study from the Texas Higher Education Coordinating Board (THECB). The Eighty-fifth Legislature, Regular Session, 2017, continues 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-fifth Legislature, Regular Session, 2017, provides I&O formula funding at a rate of $55.82 per weighted semester credit hour for the 2018–19 biennium. Appropriations for the 2018–19 biennium through the I&O formula total $4.0 billion in General Revenue Funds and General Revenue–Dedicated Funds (Other Educational and General Income) across the general academic institutions. Additionally, I&O is augmented by $235.2 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 41.1 percent of infrastructure funding is allocated for utilities, and the remaining 58.9 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-fifth Legislature, 2017, provides an Infrastructure Support rate of $5.41 per predicted square foot. Appropriations to the general academic institutions from the Infrastructure Support formula total $748.3 million in General Revenue Funds and General Revenue–Dedicated Funds for the 2018–19 biennium.

Figure 193 shows the General Revenue Funds formula funding amounts by institution.

FIGURE 193
GENERAL ACADEMIC INSTITUTIONS GENERAL REVENUE FUNDS FORMULA FUNDING, 2018–19 BIENNIUM

INSTITUTION	FUNDING (IN MILLIONS)
The University of Texas at Arlington	$170.8
The University of Texas at Austin	$387.2
The University of Texas at Dallas	$140.7
The University of Texas at El Paso	$114.5
The University of Texas Rio Grande Valley	$122.7
The University of Texas of the Permian Basin	$18.1
The University of Texas at San Antonio	$141.3
The University of Texas at Tyler	$43.4
Subtotal, The University of Texas System	**$1,138.7**
Texas A&M University	$500.3
Texas A&M University at Galveston	$22.5
Prairie View A&M University	$36.9
Tarleton State University	$62.2
Texas A&M University – Central Texas	$13.8
Texas A&M University – Corpus Christi	$49.2
Texas A&M University – Kingsville	$37.9
Texas A&M University – San Antonio	$21.8
Texas A&M International University	$32.9
West Texas A&M University	$44.8
Texas A&M University – Commerce	$66.8
Texas A&M University – Texarkana	$9.5
Subtotal, Texas A&M University System	**$898.5**
University of Houston	$256.1
University of Houston – Clear Lake	$36.4
University of Houston – Downtown	$45.2
University of Houston – Victoria	$19.0
Subtotal, University of Houston System	**$356.7**
Midwestern State University	$25.5
Stephen F. Austin State University	$56.9
Texas Southern University	$44.2
Texas Woman's University	$77.0
Subtotal, Independent Institutions	**$203.6**
University of North Texas	$176.7
University of North Texas at Dallas	$16.5
Subtotal, University of North Texas System	**$193.2**
Texas Tech University	$235.7
Angelo State University	$30.2
Subtotal, Texas Tech University System	**$265.9**
Lamar University	$69.9
Sam Houston State University	$94.3
Texas State University	$163.0
Sul Ross State University	$11.2
Sul Ross State University Rio Grande College	$5.3
Subtotal, Texas State University System	**$343.7**
Total, General Academic Institutions	**$3,400.3**

SOURCE: Legislative Budget Board.

NON-FORMULA SUPPORT

General academic institutions also receive funding through non-formula support. Similarly to other institutions of higher education, the Eighty-fifth Legislature, Regular Session, 2017, replaces special item support with non-formula support. Non-formula support items include Institutional Enhancement and direct appropriations to institutions for projects that are not funded by formula but are identified specifically by the Legislature for support. Appropriations to the general academic institutions and six university system offices for non-formula support funding total $422.8 million in General Revenue Funds and General Revenue–Dedicated Funds for the 2018–19 biennium, a decrease of $165.7 million from the 2016–17 biennium.

In addition to the 4.0 percent reductions submitted by each institution: (1) non-formula support items that received formula funding or were downward expansion were decreased

10.0 percent from requested levels; (2) previously revenue-neutral items were decreased 10.0 percent from 2016–17 biennial funding levels; (3) institutional enhancement item funding was maintained at requested levels; and (4) all other non-formula support items were decreased 5.0 percent from requested levels. Non-formula support items that were identified as startup or generating formula funding that first were funded before fiscal year 2010 were decreased by an additional 50.0 percent. All non-formula support items were decreased by $158.0 million across the board; then a 90.0 percent hold harmless was applied.

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, Texas Public Education Grants, and hold harmless funding. 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 is funded at institution-requested levels. System office operations funding is provided at four of the six system offices and totals $11.0 million in General Revenue Funds. The University of Texas System Administration and the Texas A&M University System Administrative and General Offices are not provided direct appropriations for system office operations but receive support through the Available University Fund. Appropriations for the Academic Development Initiative are provided to Prairie View A&M University and Texas Southern University and total $50.0 million for the 2018–19 biennium, the same level as for the 2016–17 biennium.

HOLD HARMLESS

The Eighty-fifth Legislature, Regular Session, 2017, provides $140.6 million in General Revenue Funds as hold harmless funding to various general academic institutions and system offices. Hold harmless funding provides that no institution receives less than a 10.0 percent decrease in General Revenue Funds and General Revenue–Dedicated funds from 2016–17 biennial formula, special item, and trusteed 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 $713.9 million for the 2018–19 biennium. Appropriations for the 2018–19 biennium include $142.0 million greater than 2016–17 biennial amounts across the general academic institutions and system offices to annualize the debt service related to the authorized projects, pursuant to 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 in the Higher Education Coordinating Board's accountability system and have total annual research expenditures in an average annual amount of no less than $450.0 million for three consecutive fiscal years. Institutions that are 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 $125.2 million in General Revenue Funds for the 2018–19 biennium.

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 $105.4 million for the 2018–19 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 $12.8 million in General Revenue Funds for the 2018–19 biennium.

State support for research at general academic institutions is not limited solely to appropriations made directly in their bill patterns. (See the National Research University Fund and the Texas Higher Education Coordinating Board section regarding the Texas Research Incentive Program and Chapter 4 – General Government, Governor's University Research Initiative.)

SIGNIFICANT LEGISLATION

Senate Bill 802 – Transfer of Course Credit. The legislation requires the Texas Higher Education Coordinating Board to conduct a study and issue a report regarding best practices in the transfer of course credit among public institutions of higher education by November 1, 2018.

Senate Bill 810 – Open Educational Resources. The legislation establishes a grant program administered by the Texas Higher Education Coordinating Board to encourage the use of open educational resources at public institutions of higher education and requires THECB to conduct a study to determine the feasibility of establishing a state repository of open educational resources. The Legislature appropriates $0.2 million in General Revenue Funds to the Texas Higher Education Coordinating Board to establish the grant program and $0.1 million in General Revenue Funds for fiscal year 2018 to conduct the study.

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

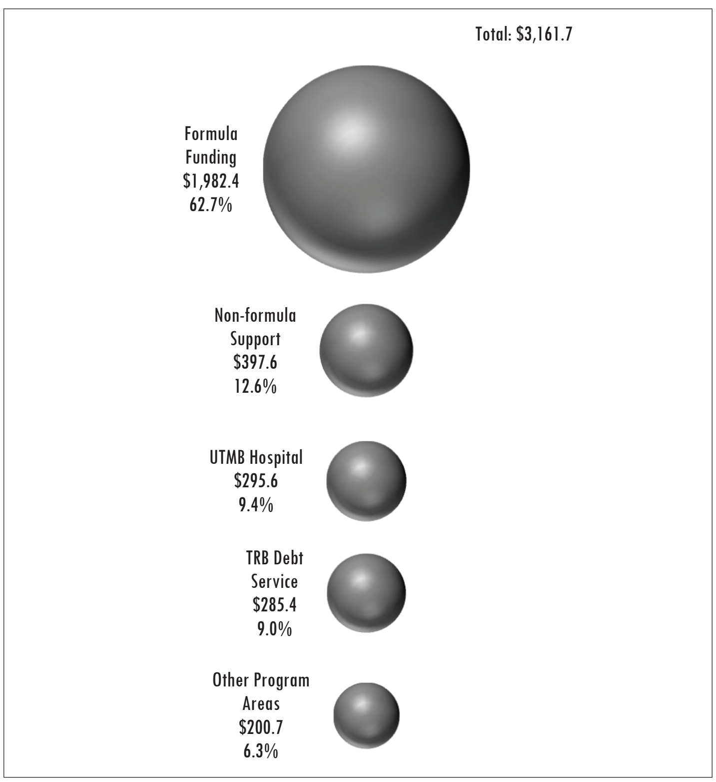
FIGURE 194
HEALTH RELATED INSTITUTIONS BY METHOD OF FINANCE

(IN MILLIONS)

METHOD OF FINANCE	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$2,810.8	$2,855.0	$44.2	1.6%
General Revenue–Dedicated Funds	$206.0	$203.3	($2.7)	(1.3%)
Federal Funds	$0.0	$0.0	$0.0	N/A
Other Funds	$148.7	$103.5	($45.3)	(30.4%)
Total, All Methods of Finance	**$3,165.5**	**$3,161.7**	**($3.7)**	**(0.1%)**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2018	13,036.8
2019	13,036.8

INSTITUTION PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

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

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

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

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

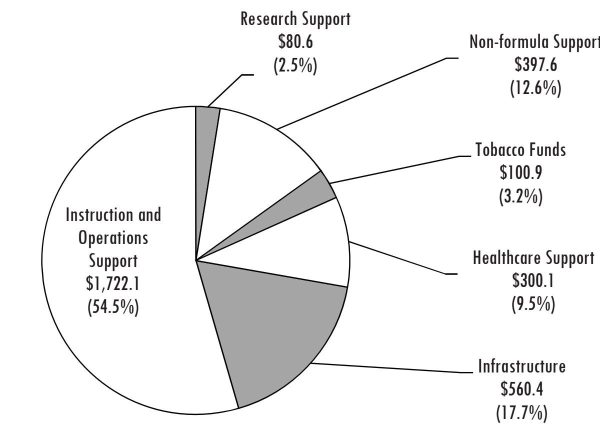
NOTE: UTMB=University of Texas Medical Branch at Galveston; TRB=Tuition Revenue Bond.
SOURCE: Legislative Budget Board.

MAJOR FUNDING

Appropriations for the 2018–19 biennium for the health related institutions total $3,161.7 million in All Funds, a decrease of $3.7 million from the 2016–17 biennial funding level. Appropriations of General Revenue Funds for the 2018–19 biennium total $2,855.0 million, an increase of $44.2 million from the 2016–17 biennial funding level. General Revenue Funds and General Revenue–Dedicated Funds appropriations total $3,058.3 million, or 96.7 percent of total appropriations for the 2018–19 biennium. General Revenue–Dedicated Funds include income from tuition and student fees. Appropriations for health related institutions also include $103.5 million in Other Funds, which are primarily tobacco settlement endowment funds. **Figure 195** shows appropriations for the health related institutions by goal, and **Figure 196** shows the distribution of funding among the institutions.

Patient income, which is revenue that is generated through the operation of a hospital, clinic, or dental clinic (inpatient

FIGURE 195
HEALTH RELATED INSTITUTIONS APPROPRIATIONS BY GOAL AND FROM SPECIAL PROVISIONS, ALL FUNDS 2018–19 BIENNIUM



SOURCE: Legislative Budget Board.

FIGURE 196
COMPARISON OF HEALTH RELATED INSTITUTIONS APPROPRIATIONS, 2016–17 AND 2018–19 BIENNIA

(IN MILLIONS)	GENERAL REVENUE FUNDS			ALL FUNDS		
INSTITUTION	2016–17 BIENNIUM	2018–19 BIENNIUM	PERCENTAGE CHANGE	2016–17 BIENNIUM	2018–19 BIENNIUM	PERCENTAGE CHANGE
UT Southwestern Medical Center	$312.4	$318.6	2.0%	$339.8	$344.6	1.4%
UT Medical Branch at Galveston	$530.4	$525.8	(0.9%)	$576.0	$560.5	(2.7%)
UT Health Science Center at Houston	$339.8	$348.6	2.6%	$395.7	$403.6	2.0%
UT Health Science Center at San Antonio	$269.1	$271.5	0.9%	$323.2	$321.5	(0.5%)
UT M.D. Anderson Cancer Center	$375.7	$385.8	2.7%	$398.9	$404.9	1.5%
UT Health Science Center at Tyler	$92.9	$86.2	(7.2%)	$99.6	$92.9	(6.7%)
UT Austin Dell Medical School	$0	$11.4	N/A	$0.1	$12.1	14,857.2%
UT Rio Grande Valley School of Medicine	$61.5	$53.5	(13.0%)	$64.0	$56.7	(11.5%)
Texas A&M University System Health Science Center	$275.8	$288.0	4.4%	$316.8	$326.1	2.9%
University of North Texas Health Science Center at Fort Worth	$172.5	$176.9	2.5%	$205.8	$204.0	(0.9%)
Texas Tech University Health Sciences Center	$248.6	$258.0	3.8%	$291.8	$292.7	0.3%
Texas Tech University Health Sciences Center at El Paso	$132.0	$130.8	(1.0%)	$153.9	$142.0	(7.7%)
Total	**$2,810.8**	**$2,855.0**	**1.6%**	**$3,165.5**	**$3,161.7**	**(0.1%)**

NOTE: UT = The University of Texas System.
SOURCE: Legislative Budget Board.

and outpatient charges), is not appropriated to the health related institutions. This revenue is shown in informational riders in the General Appropriations Act for the affected institutions, which continue to receive this funding.

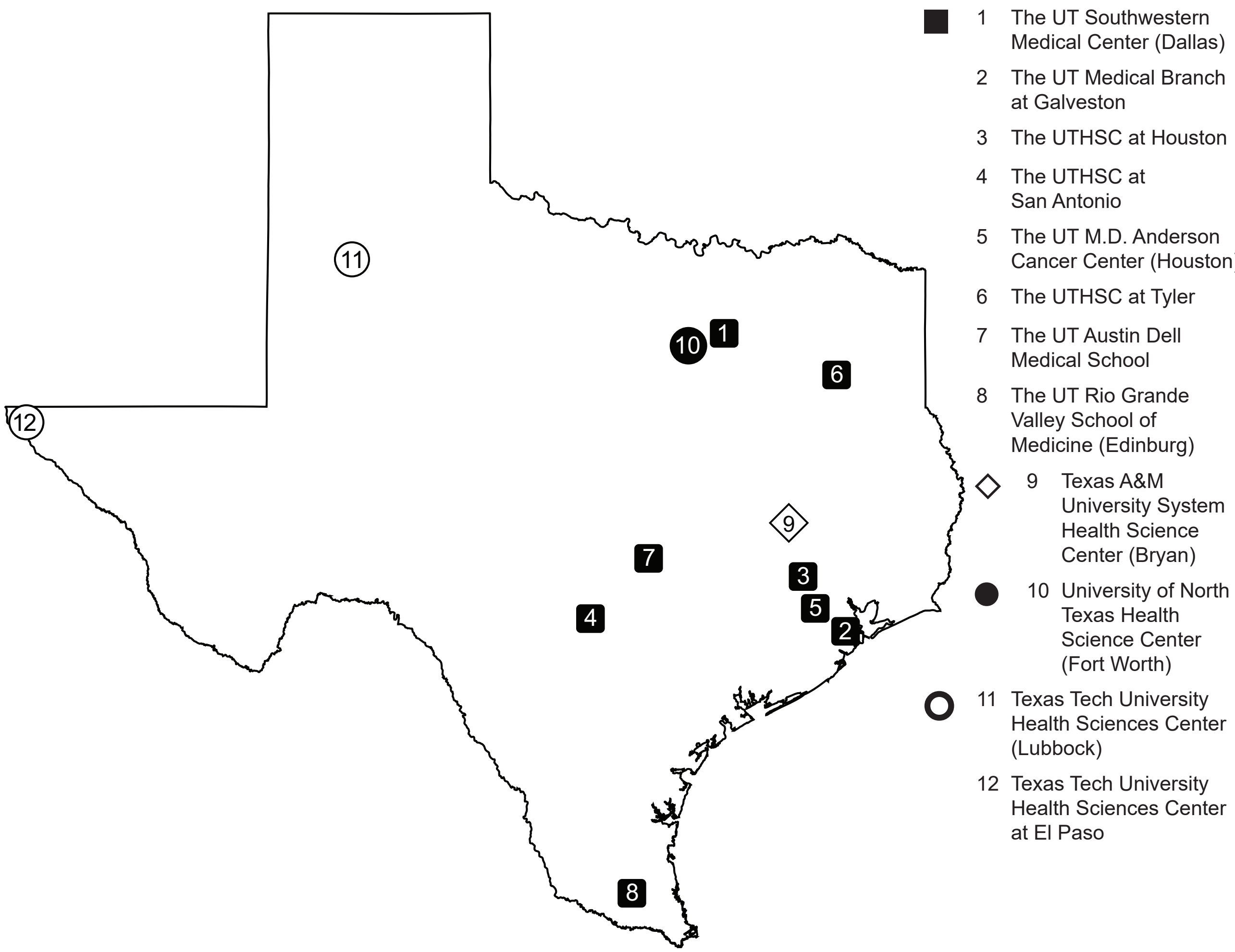
The Texas Higher Education Coordinating Board (THECB) contracts with Baylor College of Medicine (BCM), a private institution, to provide funding for its undergraduate and graduate medical students. BCM receives funding based on the average cost per undergraduate medical student enrolled at The University 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 $76.1 million in General Revenue Funds for the 2018–19 biennium, a decrease of $1.9 million from the 2016–17 biennial funding levels. Appropriations of General Revenue Funds for BCM's graduate medical education total $15.4 million for the 2018–19 biennium and are funded through the Graduate Medical Education formula.

Figure 197 shows the locations of the health related institutions' main campuses.

PROGRAMS

State funding for health related institutions includes appropriations to 12 institutions. Included in these appropriations is funding for two new medical schools, The

FIGURE 197
HEALTH RELATED INSTITUTION LOCATIONS, OCTOBER 2017



NOTE: Map shows the location of the main campus for each health related institution and does not include any regional campuses operated by the institutions.
SOURCE: Legislative Budget Board.

University of Texas (UT) at Austin Dell Medical School and The University of Texas Rio Grande Valley (UTRGV) School of Medicine, included in the bill pattern of UT Austin and UTRGV, respectively. 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 2018–19 biennium total $1,982.4 million in All Funds, an increase of $35.2 million from 2016–17 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 62.7 percent of All Funds appropriations to the institutions for the 2018–19 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 an institution's estimated tuition income is funded with General Revenue Funds. For the 2018–19 biennium, appropriations of General Revenue Funds for formula funding totaled $1,828.3 million, an increase of $22.3 million from the 2016–17 biennial funding levels.

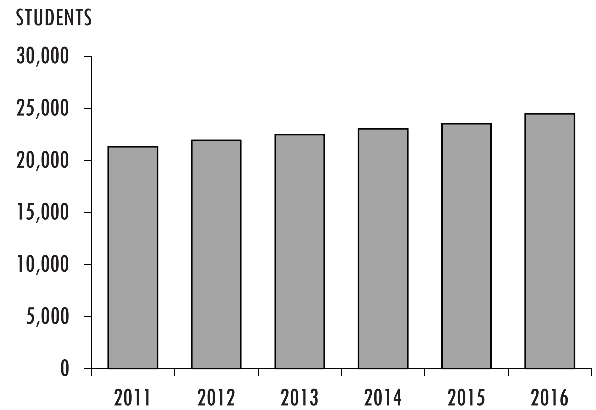
INSTRUCTION AND OPERATIONS SUPPORT

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 2018–19 biennium total $1,236.3 million, an increase of $22.5 million from the 2016–17 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 2018–19 biennium account for 88.9 percent, or $1,099.6 million of the formula; General Revenue–Dedicated Funds (mostly tuition and fees) account for 11.1 percent.

In addition, instructional programs at remote locations and the main campus at The University of Texas Health Science Center at Tyler with enrollments of less than 200 students at 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, and programs that have small enrollments receive more additional funding per student.

Figure 198 shows the total fall headcount at health related institutions from 2011 to 2016.

FIGURE 198
HEALTH RELATED INSTITUTIONS FALL HEADCOUNT ACADEMIC YEARS 2011 TO 2016



SOURCE: Texas Higher Education Coordinating Board.

INFRASTRUCTURE SUPPORT

All of the health related institutions are responsible for maintaining physical facilities and equipment, providing 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 2018–19 biennium total $267.6 million, an increase of $2.2 million from the 2016–17 biennial funding levels. General Revenue Funds for the 2018–19 biennium account

FIGURE 199
HEALTH RELATED INSTITUTIONS EXPENDITURES FOR RESEARCH AND DEVELOPMENT, FISCAL YEARS 2013 TO 2016

(IN MILLIONS)

INSTITUTION	2013	2014	2015	2016	PERCENTAGE CHANGE
UT Southwestern Medical Center	$404.3	$396.2	$402.7	$431.7	6.8%
UT Medical Branch at Galveston	$144.7	$141.0	$137.9	$145.2	0.3%
UT Health Science Center at Houston	$220.1	$221.4	$220.4	$223.0	1.3%
UT Health Science Center at San Antonio	$156.4	$143.8	$141.3	$168.4	7.7%
UT M.D. Anderson Cancer Center	$670.6	$736.2	$780.6	$787.3	17.4%
UT Health Science Center at Tyler	$11.6	$11.0	$12.2	$12.6	8.9%
UT Austin Dell Medical School	N/A	N/A	N/A	$4.2	N/A
UT Rio Grande Valley School of Medicine	N/A	N/A	N/A	$13.9	N/A
Texas A&M University System Health Science Center	$75.4	$100.6	$91.3	$112.5	49.2%
University of North Texas Health Science Center	$40.8	$39.2	$39.2	$44.6	9.2%
Texas Tech University Health Sciences Center	$61.0	$61.0	$40.1	$39.9	(34.6%)
Texas Tech University Health Sciences Center at El Paso	N/A	N/A	$18.8	$17.4	N/A
Total	**$1,785.0**	**$1,850.3**	**$1,884.5**	**$2,000.6**	**12.1%**

NOTES:
(1) UT = The University of Texas System.
(2) Percentage change shows 2016 relative to 2013.
SOURCE: Texas Higher Education Coordinating Board.

for 93.5 percent, or $250.1 million of the formula; General Revenue–Dedicated Funds (mostly statutory tuition and fees) account for 6.5 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 2018–19 biennium total $80.6 million in General Revenue Funds, an increase of $6.1 million from 2016–17 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 $200.6 million for fiscal year 2016. This amount represents an increase of 12.1 percent from fiscal year 2013. **Figure 199** shows the expenditures for research and development at each institution for fiscal years 2013 to 2016.

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 2018–19 biennium total $74.7 million in General Revenue Funds, an increase of $4.5 million from the 2016–17 biennial funding levels. In addition to this funding, $15.4 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 in filling vacant residency positions and 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. Appropriations for the Cancer Center Operations formula for the 2018–19 biennium total $264.8 million in General Revenue Funds, equal to the 2016–17 biennial funding levels. For the 2018–19 biennium, funding is based on the number of Texas cancer patients served during fiscal year 2016. 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 2018–19 biennium total $58.4 million in General Revenue Funds, equal to the 2016–17 biennial funding levels. For the 2018–19 biennium, funding is based on the number of chest disease patients served during fiscal year 2016.

NON-FORMULA SUPPORT

Health related institutions also receive funding through non-formula support. Non-formula support provides direct appropriations to institutions for projects that the Legislature specifically identified for support. This support includes funding for projects in the areas of public service, research, residency programs, instructions and operations, and healthcare. Non-formula support appropriations for the 2018–19 biennium total $395.9 million in General Revenue Funds, a decrease of $69.5 million from the 2016–17 biennial funding levels. In addition to the 4.0 percent reductions submitted by each institution, funding was affected by the following factors: (1) non-formula support items that receive formula funding were decreased at least 10.0 percent from requested levels; (2) previously revenue-neutral items were decreased 10.0 percent from 2016–17 biennial funding levels; (3) institutional enhancement and behavioral health item funding was maintained at requested levels; and (4) all other special items were decreased at least 5.0 percent from requested levels. Non-formula support funding also includes $4.0 million for an Integrated Care Study for Veterans with post-traumatic stress disorder at UTHSC at Houston and $8.8 million for the Barshop Institute at UTHSC at San Antonio.

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 2018–19 biennium total $295.6 million, a decrease of $8.9 million from the 2016–17 biennial funding levels.

UTMB and the Texas Tech University Health Sciences Center also provide healthcare for all 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 range of healthcare services, including psychiatric 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 UTMB campus. 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 that is associated with tuition revenue bonds. Appropriations for the 2018–19 biennium for TRB debt service to health related institutions

FIGURE 200
TOBACCO SETTLEMENT ENDOWMENTS AND PERMANENT FUNDS FOR HEALTH RELATED INSTITUTIONS, 2018–19 BIENNIUM

(IN MILLIONS)

INSTITUTION/FUND	ENDOWMENT	APPROPRIATION
UT Southwestern Medical Center	$50.0	$6.1
UT Medical Branch at Galveston	$25.0	$3.1
UT Health Science Center at Houston	$25.0	$3.1
UT Health Science Center at San Antonio	$200.0	$24.5
UT M.D. Anderson Cancer Center	$100.0	$12.2
UT Health Science Center at Tyler	$25.0	$3.1
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	$3.1
Texas Tech University Health Sciences Center El Paso	$25.0	$2.8
Subtotal, Individual Endowments	**$525.0**	**$62.9**
Permanent Health Fund for Higher Education	$350.0	$38.0
Total Endowments/Funds	**$875.0**	**$100.9**

NOTE: UT = The University of Texas System.
SOURCE: Legislative Budget Board.

total $285.4 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.

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 200** shows the tobacco settlement endowments and related appropriations for the institutions. Estimated appropriations from the endowments to the institutions total $100.9 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 in the following distribution: 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 that are conducted by the institution for which the fund was established.

DENTAL CLINIC OPERATIONS

Three institutions receive appropriations to support dental clinic operations: UTHSC at San Antonio, UTHSC at Houston, and Texas A&M University Health Science Center. Appropriations for the 2018–19 biennium total $4.5 million in General Revenue Funds.

HOLD HARMLESS

Three institutions receive hold harmless funding: UT Southwestern, UTMB, and UTHSC at San Antonio. Appropriations for the 2018–19 biennium total $35.3 million in General Revenue Funds.

SIGNIFICANT LEGISLATION

Senate Bill 1066 – Meeting the graduate medical education needs of new medical degree programs offered by public institutions of higher education. The legislation requires institutions beginning a new doctor of medicine (M.D.) or doctor of osteopathic medicine (D.O.) degree program to submit a plan to THECB regarding additional first-year residency positions for those students. The plan must propose an increase in the number of first-year residency positions that, when combined with the total number of existing first-year residency positions in the state, will be sufficient to reasonably accommodate the number of anticipated graduates from all M.D. and D.O. programs offered in the state.

House Bill 1913 – Allowable degrees offered by University of North Texas Health Science Center. The legislation authorizes the University of North Texas Health Science Center at Fort Worth to offer an M.D. degree program.

PUBLIC COMMUNITY/JUNIOR COLLEGES

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

ESTABLISHED: Various

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

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

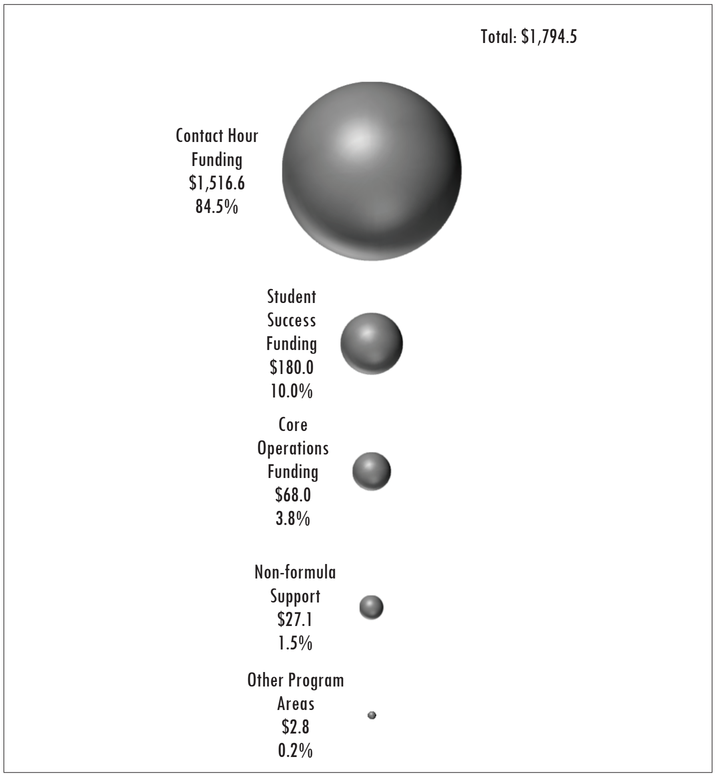
FIGURE 201
PUBLIC COMMUNITY/JUNIOR COLLEGES BY METHOD OF FINANCE

(IN MILLIONS)

METHOD OF FINANCE	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$1,778.6	$1,794.5	$15.9	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	**$1,778.6**	**$1,794.5**	**$15.9**	**0.9%**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2018	N/A
2019	N/A

INSTITUTION PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



Source: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

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

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

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

MAJOR FUNDING

Appropriations for the 2018–19 biennium for Texas public community colleges total $1,794.5 million in General Revenue Funds. This amount is an increase of $15.9 million, or 0.9 percent, from the 2016–17 biennial funding level. Formula funding appropriations for the 2018–19 biennium through the community colleges' outcomes-based model total $1,764.6 million, which is an increase of $22.9 million, or 1.32 percent, from the 2016–17 biennial funding level.

The majority of the total appropriations, approximately 98.3 percent, are allocated through the outcomes-based formula. Of the remainder of the appropriations, $27.1 million supports 11 existing non-formula support items, and $2.8 million is provided for bachelor of applied technology (BAT) programs at three districts. **Figure 202** shows the 2018–19 biennial appropriations compared with the 2016–17 biennial funding level for the community colleges.

In addition to state appropriations, community colleges are supported by other institutional revenues, primarily local tax revenue and tuition and fees. **Figure 203** shows the proportion of these three major revenue sources since fiscal year 2009. During fiscal year 2009, General Revenue Funds, tuition and fee revenue, and local tax revenue respectively contributed 35.2 percent, 22.5 percent, and 42.3 percent of major operating revenue. However, for fiscal year 2016, General Revenue Funds, tuition and fee revenue, and local tax revenue respectively contributed 28.8 percent, 23.8 percent, and 47.4 percent of major operating revenues. These amounts show an increase in the percentage of major operating revenues for community colleges that are generated by local taxes and tuition and fees.

FIGURE 202
PUBLIC COMMUNITY/JUNIOR COLLEGE GENERAL REVENUE FUND APPROPRIATIONS, 2016–17 AND 2018–19 BIENNIA

(IN MILLIONS)

PUBLIC COMMUNITY OR JUNIOR COLLEGE	2016–17 BIENNIUM	2018–19 BIENNIUM	DIFFERENCE	PERCENTAGE CHANGE
Alamo Community College	$128.8	$127.9	($0.9)	(0.7%)
Alvin Community College	$14.4	$15.9	$1.5	10.1%
Amarillo College	$27.6	$27.0	($0.6)	(2.0%)
Angelina College	$14.8	$14.9	$0.2	1.1%
Austin Community College	$93.5	$92.9	($0.6)	(0.7%)
Blinn College	$48.3	$47.2	($1.1)	(2.2%)
Brazosport College	$11.5	$10.9	($0.6)	(4.9%)
Central Texas College	$37.1	$33.2	($3.9)	(10.4%)
Cisco Junior College	$10.4	$10.0	($0.4)	(3.7%)
Clarendon College	$5.1	$5.7	$0.5	10.4%
Coastal Bend College	$12.8	$14.3	$1.5	11.5%
College of the Mainland	$11.7	$12.2	$0.5	4.5%
Collin County Community College	$67.5	$71.0	$3.5	5.2%
Dallas County Community College	$174.7	$179.3	$4.6	2.6%
Del Mar College	$29.1	$31.7	$2.7	9.2%
El Paso Community College	$64.2	$63.6	($0.6)	(1.0%)
Frank Phillips College	$4.9	$5.3	$0.4	8.1%
Galveston College	$7.3	$8.2	$0.8	11.6%
Grayson County College	$15.2	$14.3	($0.9)	(5.6%)
Hill College	$13.8	$13.4	($0.4)	(2.7%)
Houston Community College	$140.0	$136.2	($3.8)	(2.7%)
Howard College	$20.1	$19.4	($0.7)	(3.6%)
Kilgore College	$20.0	$19.5	($0.5)	(2.5%)

FIGURE 202 (CONTINUED)
PUBLIC COMMUNITY/JUNIOR COLLEGE GENERAL REVENUE FUND APPROPRIATIONS, 2016–17 AND 2018–19 BIENNIA

(IN MILLIONS)

PUBLIC COMMUNITY OR JUNIOR COLLEGE	2016–17 BIENNIUM	2018–19 BIENNIUM	DIFFERENCE	PERCENTAGE CHANGE
Laredo Community College	$20.7	$20.9	$	(1.0%)
Lee College	$18.2	$19.8	$1.6	9.1%
Lone Star College System	$148.2	$155.9	$7.7	5.2%
McLennan Community College	$24.2	$24.7	$0.5	2.0%
Midland College	$16.0	$16.9	$0.9	5.7%
Navarro College	$30.5	$28.1	($2.4)	(8.0%)
North Central Texas College	$22.4	$21.6	($0.8)	(3.6%)
Northeast Texas Community College	$9.2	$9.5	$0.3	3.4%
Odessa College	$15.2	$16.7	$1.5	9.9%
Panola College	$9.4	$10.1	$0.8	8.3%
Paris Junior College	$17.0	$15.6	($1.4)	(7.9%)
Ranger College	$7.2	$7.8	$0.6	8.8%
San Jacinto College	$73.0	$77.6	$4.6	6.3%
South Plains College	$27.9	$27.2	($0.7)	(2.4%)
South Texas College	$77.2	$80.5	$3.3	4.3%
Southwest Texas Junior College	$14.0	$14.9	$0.9	6.9%
Tarrant County College	$112.6	$110.7	($1.9)	(1.7%)
Temple College	$15.3	$14.1	($1.2)	(7.5%)
Texarkana College	$13.9	$14.4	$0.5	3.7%
Texas Southmost College	$12.3	$10.5	($1.8)	(15.0%)
Trinity Valley Community College	$22.3	$23.5	$1.2	5.3%
Tyler Junior College	$33.3	$33.5	$0.2	0.7%
Vernon College	$11.2	$11.2	$0.0	0.0%
Victoria College	$11.6	$11.2	($0.3)	(2.8%)
Weatherford College	$18.0	$16.9	($1.1)	(5.9%)
Western Texas College	$7.1	$7.8	$0.7	9.4%
Wharton County Junior College	$18.2	$18.7	$0.5	2.9%
Total	**$1,778.6**	**$1,794.5**	**$15.9**	**0.9%**

Source: Legislative Budget Board.

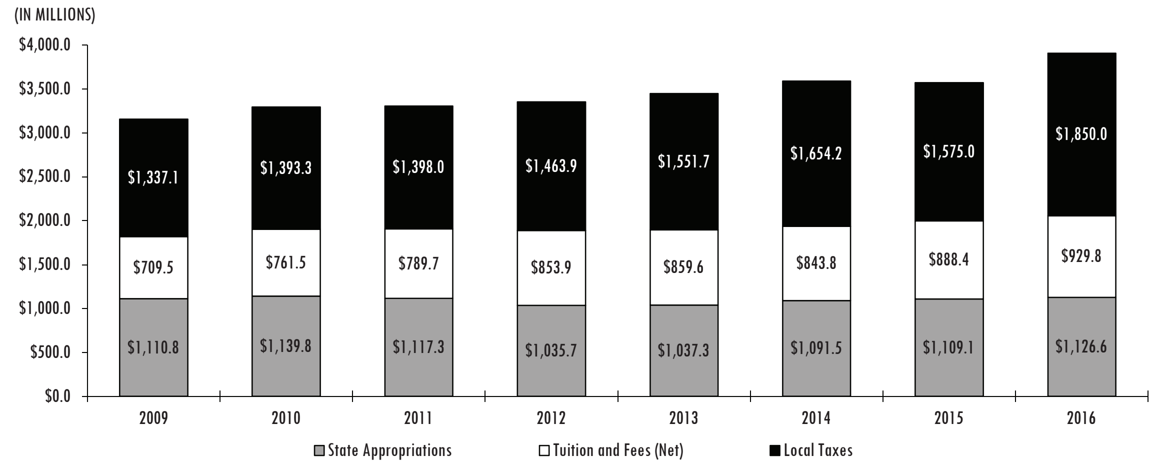
PROGRAMS

Community colleges receive state funding through three major funding areas: (1) formula funding, including core operations, student success, and contact hours; (2) non-formula support funding; and (3) other funding.

FORMULA FUNDING – CORE OPERATIONS, STUDENT SUCCESS, CONTACT HOURS

Beginning with 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 $1.4 million in General Revenue Funds for core operations for a total of $68.0 million to help cover basic operating costs regardless of the geographic location or institutional size. This core operations funding replaced the small institution supplement that previously was part of the formula funding. Before the Eighty-fifth Legislature, Regular

FIGURE 203
COMMUNITY COLLEGES MAJOR ANNUAL OPERATING REVENUE SOURCES (TAX, TUITION AND FEES, AND STATE REVENUES) FISCAL YEARS 2009 TO 2016



SOURCE: Texas Higher Education Coordinating Board.

Session, 2017, funding for student success points and contact hours was distributed with 90 percent based on contact hours and 10 percent based on success points, after core operations were funded. The Eighty-fifth Legislature, Regular Session, 2017, discontinued this 90/10 formula funding allocation. For the 2018–19 biennium, student success points funding is $180.0 million, an increase of $10.8 million from the 2016–17 biennium. Contact hour funding totals $1,516.6 million, a decrease of $5.9 million from the 2016–17 biennium.

The total number of student success points is based on each community college district's points earned from a three-year average. The three years used for the 2018–19 biennium student success component are fiscal years 2014, 2015, and 2016. **Figure 204** shows the student success metrics and points earned for each student meeting the metric.

FIGURE 204
COMMUNITY COLLEGES STUDENT SUCCESS POINTS METRICS INSTRUCTION AND ADMINISTRATION FUNDING (OUTCOMES-BASED MODEL), 2018–19 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 letter 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, bachelor's degree, or 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, bachelor's degree, or certificate recognized for this purpose by the Texas Higher Education Coordinating Board in a critical field, including STEM fields or allied health	2.25

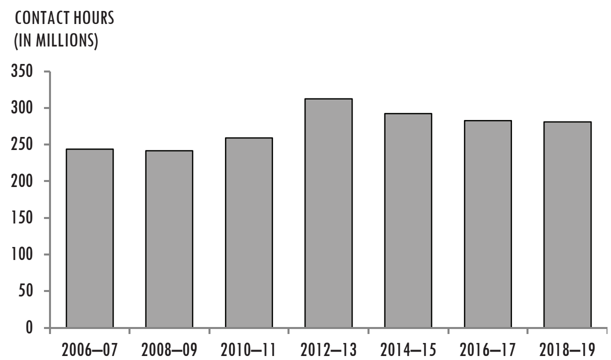
SOURCE: Eighty-fifth Legislature, General Appropriations Act, 2018–19 Biennium, Article III, Public Community/Junior Colleges, Rider 19.

Figure 205 shows the total number of contact hours generated since the 2006–07 base year. As shown in **Figure 205**, total base year contact hours have decreased by 3.9 percent since the 2014–15 base academic year. **Figure 206** shows the change in enrollment at community colleges since fall 2006 in relation to the change in enrollment during the same period experienced by general academic institutions. Student enrollment at community colleges is countercyclical to the direction of the economy. When the economy is in a downturn, student enrollment at community colleges typically increases. When the economy improves, student enrollment typically decreases.

NON-FORMULA SUPPORT

Community colleges also receive appropriations for non-formula support, which totals $27.1 million for the 2018–19 biennium, a decrease of $4.4 million from the 2016–17 biennium. The Eighty-fifth Legislature, 2017, maintained the 2016–17 biennial funding level of $5.3 million in General Revenue Funds for the Southwest Collegiate Institute for the Deaf at Howard College. The non-formula support item Import/Export Training Center at Laredo Community College and the Small Business Development Center at Dallas Community College were decreased 10.0 percent from 2016–17 biennial funding levels. All other non-formula support items were decreased 5.0 percent from requested levels. Funding for the 4-Year Degree Program at Brazosport College and the onetime Central Plant and Heating, Ventilation, and Air Conditioning Upgrades at Howard College were not requested for the 2018–19 biennium.

FIGURE 205
COMMUNITY COLLEGES TOTAL CONTACT HOURS BASE ACADEMIC YEARS 2006–07 TO 2018–19



SOURCE: Texas Higher Education Coordinating Board.

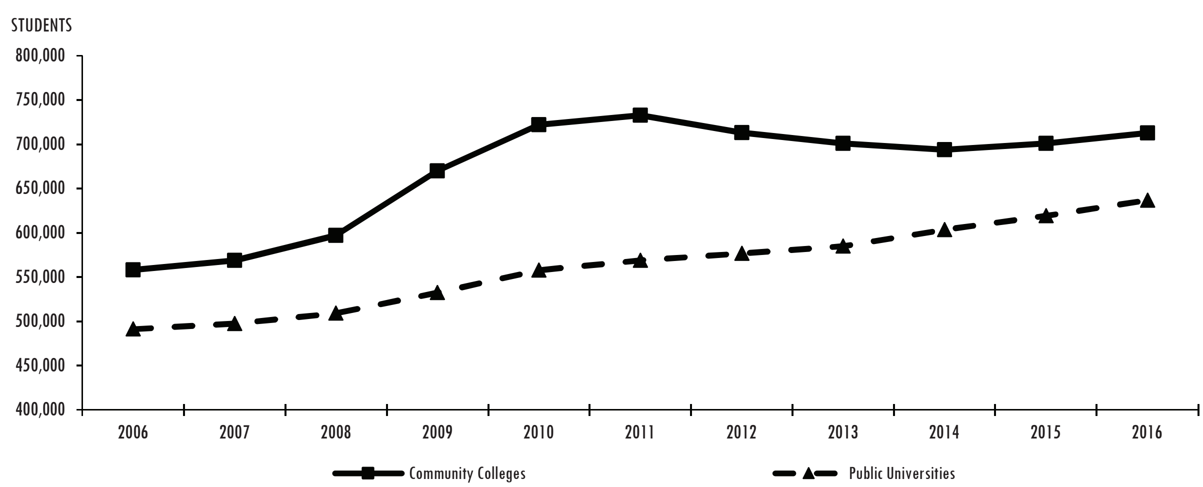
OTHER FUNDING

Other funding to community colleges includes appropriations for BAT programs. Appropriations for BAT programs offered at Brazosport College, Midland College, and South Texas College total $2.8 million for the 2018–19 biennium, an increase of $0.6 million from the 2016–17 biennium. BAT programs are funded at the same Instruction and Operations General Revenue Funds rate used for the general academic institutions.

SIGNIFICANT LEGISLATION

House Bill 2994 – Workforce Continuing Education. The legislation authorizes contact hours attributable to the enrollment of a student in a workforce continuing education

FIGURE 206
PUBLIC INSTITUTIONS OF HIGHER EDUCATION STUDENT HEADCOUNT, FISCAL YEARS 2004 TO 2016



SOURCE: Texas Higher Education Coordinating Board.

course to be included in formula funding. The provisions of the legislation authorize those hours to be eligible for formula funding regardless of whether tuition and fees were wholly or partially waived. The legislation also authorizes a community college to waive all or part of the tuition and fees charged for a workforce continuing education course for certain students if all or a portion of the costs are covered by local entities, or if the course is taught in a federal correctional facility. The contact hours earned by students whose tuition and fees are waived would be eligible for formula funding.

Senate Bill 2118 – Baccalaureate Degree Programs. The legislation authorizes the Texas Higher Education Coordinating Board (THECB) to authorize baccalaureate degree programs in applied science, applied technology, and applied nursing at a public community or junior college that previously participated in a pilot project. The legislation also authorizes THECB to authorize baccalaureate degree programs at a public junior college that already offers a degree program in applied science, including a degree in applied science with an emphasis in early childhood education, applied technology, or nursing. The legislation would limit the ability of junior colleges to offer baccalaureate degree programs to districts that received a positive assessment of overall financial health made from THECB and have a taxable property valuation of no less than $6.0 billion, or to those that have a service area adjoining the Trinity River and that has boundaries contiguous with two counties that each have a population greater than 1.0 million.

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

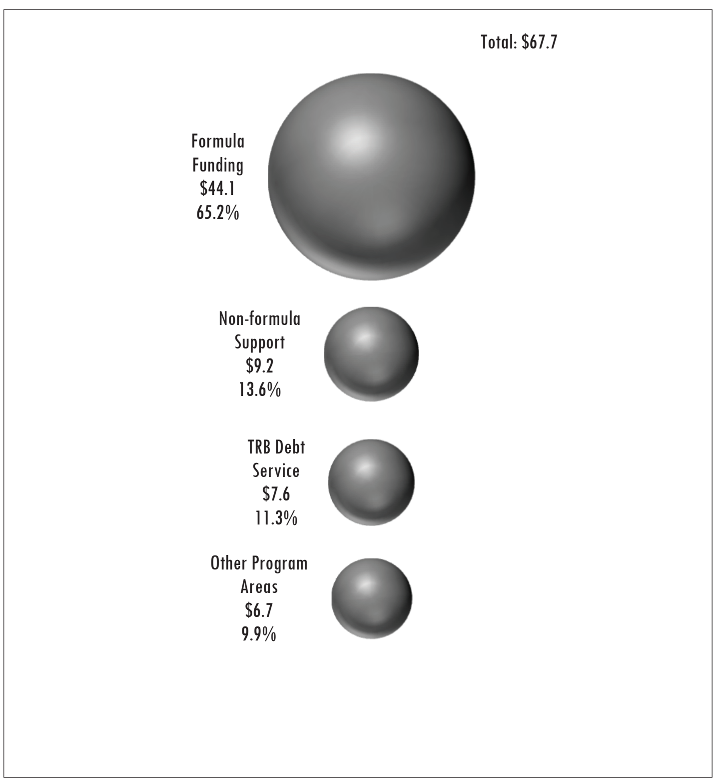
GOVERNANCE: Texas State University System—nine-member board of regents appointed by the Governor with advice and consent of the Senate

FIGURE 207
LAMAR STATE COLLEGES BY METHOD OF FINANCE

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

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2018	507.6
2019	507.6

INSTITUTION PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



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

SIGNIFICANT DEVELOPMENTS

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

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

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

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 2018–19 biennium includes an increase of $1.0 million in General Revenue Funds formula funding offset by a decrease of $0.2 million in statutory tuition. Additionally, the Lamar State Colleges receive a decrease of $6.8 million in non-formula support compared to 2016–17 biennial special item funding.

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) non-formula support funding; (3) other program areas; and (4) tuition revenue bond debt service. **Figure 208** 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-fifth Legislature, Regular Session, 2017, provides I&A formula funding at a rate of $3.53 per contact hour for the 2018–19 biennium, which maintains the rate from the 2016–17 biennium. Appropriations for the I&A formula total $27.2 million in General Revenue Funds across the three institutions. The I&A formula is augmented by $8.4 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 the biennium for schools with a headcount of less than 5,000 students is $750,000. The Infrastructure formula is allocated based on predicted square feet, and the Eighty-fifth Legislature, Regular Session, 2017, provided funding to support a rate of $5.41 per predicted square foot. Appropriations to the Lamar State Colleges from the Infrastructure formula total $8.6 million for the 2018–19 biennium.

NON-FORMULA SUPPORT

Similarly to other institutions of higher education, the Eighty-fifth Legislature, Regular Session, 2017, replaces special item support with non-formula support. Non-formula support includes Institutional Enhancement and direct appropriations to institutions for projects that are identified specifically by the Legislature for support. Appropriations to the Lamar State Colleges for non-formula support funding total $9.2 million for the 2018–19 biennium. This amount is a decrease of $5.3 million from 2016–17 biennial amounts, which included $1.5 million in hold harmless funding to Lamar State College – Port Arthur and $1.1 million to Lamar State College – Orange for damages related to Hurricane Ike, which caused damages in Texas in September 2008. All decreases to non-formula support items followed the same methodology used for the general academic institutions, health related institutions, and public community and junior colleges.

OTHER PROGRAMS

Other program funding for the Lamar State Colleges includes funding for staff group insurance, Texas Public Education Grants, and hold harmless funding. Institutions are appropriated 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

FIGURE 208
LAMAR STATE COLLEGES ALL FUNDS APPROPRIATIONS, 2016–17 AND 2018–19 BIENNIA

(IN MILLIONS)

INSTITUTION	2016–17 BIENNIUM	2018–19 BIENNIUM	DIFFERENCE	PERCENTAGE CHANGE
Lamar Institute of Technology	$24.1	$24.5	$0.4	1.6%
Lamar State College – Orange	$21.3	$20.6	($0.7)	(3.2%)
Lamar State College – Port Arthur	$24.0	$22.5	($1.5)	(6.2%)
Total	**$69.5**	**$67.7**	**($1.8)**	**(2.6%)**

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

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 at the Lamar State Colleges total $6.7 million for the 2018–19 biennium. Of that amount, $2.6 million is hold harmless funding.

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 total $7.6 million for the 2018–19 biennium. Appropriations for the 2018–19 biennium include $1.6 million greater than 2016–17 biennial amounts across the three institutions to annualize the debt service due to authorized projects, pursuant to House Bill 100, Eighty-Fourth Legislature, 2015.

TEXAS STATE TECHNICAL COLLEGES

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

ESTABLISHED: 1965–2015

AUTHORIZING STATUTE: The Texas Education Code, §135.01

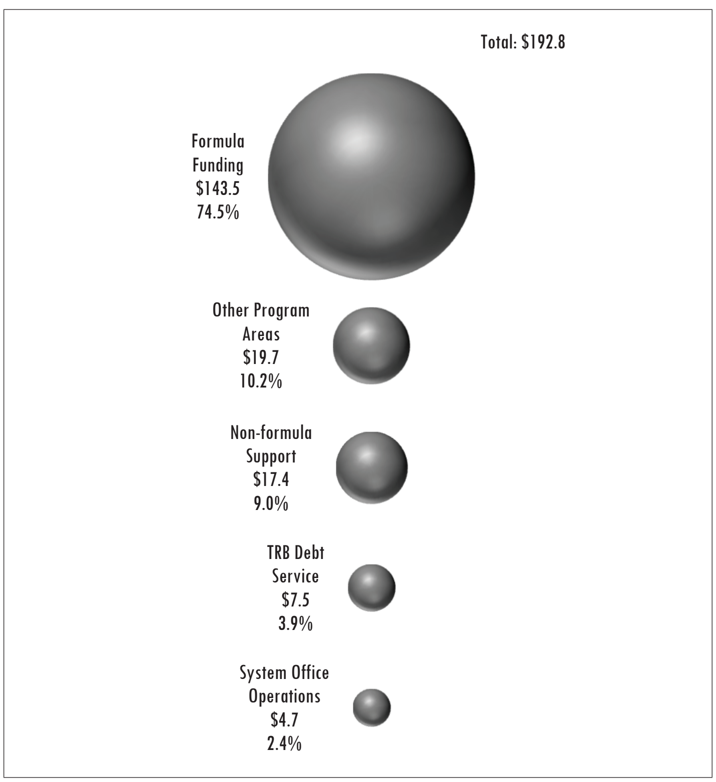
GOVERNANCE: Texas State Technical College System—nine-member board of regents appointed by the Governor with the advice and consent of the Senate

FIGURE 209
TEXAS STATE TECHNICAL COLLEGES BY METHOD OF FINANCE

METHOD OF FINANCE	EXPENDED/ BUDGETED 2016–17 (IN MILLIONS)	APPROPRIATED 2018–19 (IN MILLIONS)	BIENNIAL CHANGE (IN MILLIONS)	PERCENTAGE CHANGE
General Revenue Funds	$141.3	$139.1	($2.2)	(1.5%)
General Revenue–Dedicated Funds	$49.1	$53.6	$4.6	9.3%
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	**$190.4**	**$192.8**	**$2.4**	**1.2%**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2018	1,467.6
2019	1,467.6

INSTITUTION PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



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

SIGNIFICANT DEVELOPMENTS

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

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

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

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

MAJOR FUNDING

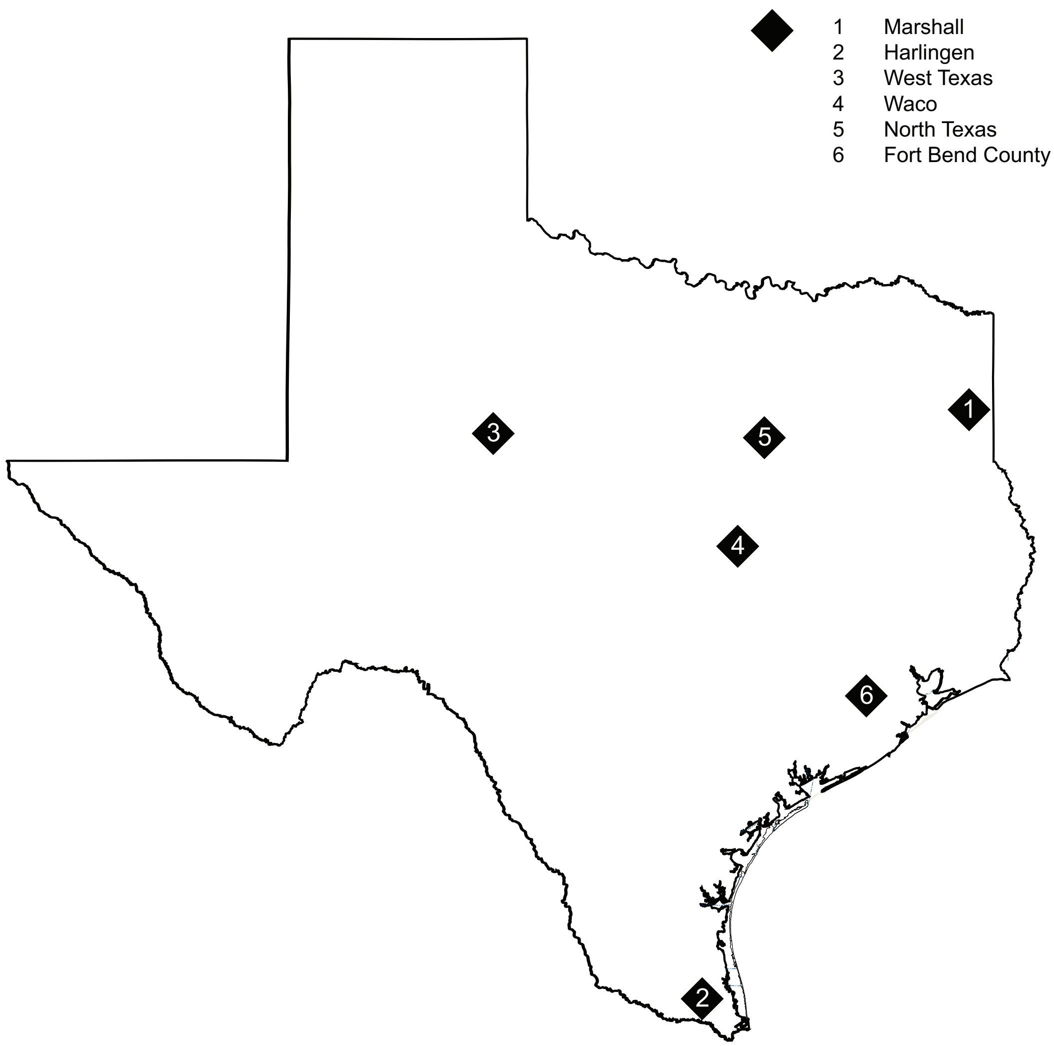
Institutions within the Texas State Technical College System (TSTC) receive appropriations providing state support, but unlike community colleges, they do not have local taxing authority. Appropriations for TSTCs for the 2018–19 biennium include a $0.9 million increase in formula funding, a $5.9 million increase in tuition revenue bond debt service, $2.3 million in Hold Harmless funding, offset by a decrease of approximately $8.0 million in non-formula support. Additionally, appropriations for TSTCs include $4.2 million in statutory tuition. TSTC System Administration is located in Waco with campuses in Harlingen, Marshall, Waco, West Texas, Ellis County, and Fort Bend County, shown in **Figure 210**.

PROGRAMS

TSTC System Administration and its component institutions carry out their responsibilities through five major program areas: (1) formula funding; (2) non-formula support funding; (3) other program areas; (4) system office operations; and (5) tuition revenue bond debt service.

Figure 211 shows the All Funds appropriation level for each of the colleges and the system administration. The significant biennial difference shown for TSTC System Administration is due primarily to appropriations associated with TSTC – Fort Bend County and TSTC – North Texas being added to the system administration during the 2016–17 biennium.

FIGURE 210
TEXAS STATE TECHNICAL COLLEGES, 2017



SOURCE: Legislative Budget Board.

FIGURE 211
TEXAS STATE TECHNICAL COLLEGES (TSTC) ALL FUNDS APPROPRIATIONS, 2016–17 AND 2018–19 BIENNIA

(IN MILLIONS)

INSTITUTION	2016–17 BIENNIUM	2018–19 BIENNIUM	DIFFERENCE	PERCENTAGE CHANGE
TSTC System Administration	$12.9	$7.7	($5.2)	(40.6%)
TSTC – Harlingen	$52.4	$52.6	$0.2	0.4%
TSTC – West Texas	$27.9	$27.6	($0.3)	(1.2%)
TSTC – Marshall	$18.5	$15.5	($3.0)	(16.4%)
TSTC – Waco	$78.6	$70.2	($8.4)	(10.7%)
TSTC – Fort Bend County	$0.0	$11.5	$11.5	N/A
TSTC – North Texas	$0.0	$7.7	$7.7	N/A
Total	**$190.4**	**$192.8**	**$2.4**	**1.2%**

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

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-fifth Legislature, Regular Session, 2017, continues 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 compared to minimum wage to determine the additional estimated direct and indirect values that an individual generates for the state after attending a TSTC institution. For the 2018–19 biennium, the cohort of students who completed at least nine semester credit hours at TSTC during fiscal years 2010 and 2011 generated approximately $340.2 million in returned value to the state. TSTCs are appropriated 27.6 percent of this amount, or $94.0 million in General Revenue Funds, for I&A funding for the 2018–19 biennium. I&A is augmented by $32.1 million in appropriated tuition and fee revenues.

In addition to I&A formula amounts, TSTCs and 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 the biennium for schools with a headcount of less than 5,000 students is $750,000. The Infrastructure formula is based on predicted square feet, and the Eighty-fifth Legislature, Regular Session, 2017, provides a rate of $5.41 per predicted square foot. Appropriations to TSTCs from the Infrastructure formula total $16.9 million for the 2018–19 biennium.

NON-FORMULA SUPPORT

Similarly to other institutions of higher education, the Eighty-fifth Legislature, Regular Session, 2017, replaced special item support with non-formula support. Non-formula support includes Institutional Enhancement and direct appropriations to institutions or the system office for projects that are identified specifically by the Legislature for support. Total appropriations to the system office and its component institutions for non-formula support funding totals $17.4 million in General Revenue Funds for the 2018–19 biennium. All decreases to non-formula support items followed the same methodology used for the general academic institutions, health related institutions, and public community and junior colleges.

OTHER PROGRAMS

Other program funding for TSTCs includes staff group insurance, workers' compensation insurance, Texas Public Education Grants, and hold harmless funding. 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 $19.7 million for the 2018–19 biennium, of which $2.3 million is hold harmless funding.

SYSTEM OFFICE OPERATIONS

TSTC institutions are governed 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 for financial and reporting requirement duties for all institutions within the TSTC System. Appropriations for system office operations for the 2018–19 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 TSTC total $7.5 million for the 2018–19 biennium.

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

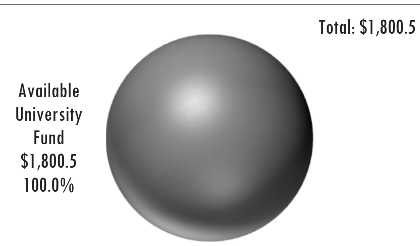
FIGURE 212
AVAILABLE UNIVERSITY FUND BY METHOD OF FINANCE

(IN MILLIONS)

METHOD OF FINANCE	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$0.0	$0.0	$0.0	N/A
General Revenue–Dedicated Funds	$0.0	$0.0	$0.0	N/A
Federal Funds	$0.0	$0.0	$0.0	N/A
Other Funds	$1,713.3	$1,800.5	$87.2	5.1%
Total, All Methods of Finance	**$1,713.3**	**$1,800.5**	**$87.2**	**5.1%**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2018	0.0
2019	0.0

FUND PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

Appropriations include an **$87.2 million increase** in Other Funds **based on anticipated market value growth of** the Permanent University Fund (PUF) and assumed board-approved distribution rates from PUF to AUF **for the 2018–19 biennium.**

The Texas Constitution requires PUF distributions to AUF that result in a stable income stream into AUF while maintaining PUF's purchasing power. The estimated **PUF market value was $19.9 billion as of August 31, 2017.**

Riders in the 2018–19 General Appropriations Act **provide reporting and notification requirements** regarding the uses of AUF.

The **AUF bill pattern does not include any full-time-equivalent (FTE) positions**. FTE positions paid with AUF appropriations are included in the bill patterns of the eligible universities.

SOURCE: Legislative Budget Board.

MAJOR FUNDING

Funding for the Available University Fund (AUF) for the 2018–19 biennium totals an estimated $1.8 billion in All Funds, which includes an increase of $87.2 million from the 2016–17 biennium. The increase in Other Funds is based on anticipated market value growth of the Permanent University Fund (PUF) and assumed board-approved distribution rates from PUF to the Available University Fund (AUF) for the 2018–19 biennium.

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 PUF in 1876 by appropriating land grants previously given to UT plus 1.0 million acres. In 1883, 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.

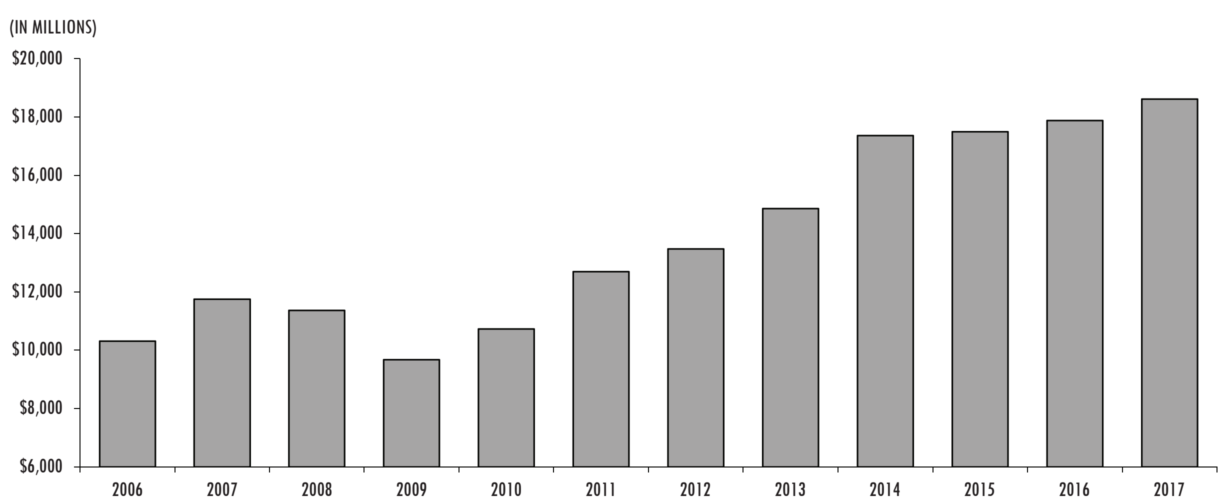
PUF's 2.1 million acres produce two sources of income: surface and mineral. The Texas Constitution requires all surface lease income to be deposited to AUF. Mineral income and income from the sale of PUF lands remain in PUF and are invested in equity, fixed-income, and derivative securities. Proposition 17, 1999, amended the Texas Constitution to authorize the UT Board of Regents to use a total return on investment assets from PUF to be distributed to AUF. Pursuant to the Texas Constitution, the distribution determination must provide AUF with a stable, annual income stream while maintaining PUF's purchasing power. The estimated market value of the PUF corpus as of August 31, 2016, was $17.9 billion, reflecting growth of approximately 73.4 percent since fiscal year 2006. **Figure 213** shows the annual market value of the PUF corpus since fiscal year 2006. The value of PUF fluctuates relative to market volatility, as shown by the decrease in the market value following the 2008 financial crisis and then subsequent increases when the markets began to improve.

Surface and investment income is distributed from the PUF into AUF for use by the TAMU and UT systems. The Texas Constitution designates two-thirds of AUF for the UT System and one-third for the TAMU System. The first obligation of any income earned by 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 214** shows that excellence funding is estimated to total $449.6 million for fiscal year 2019.

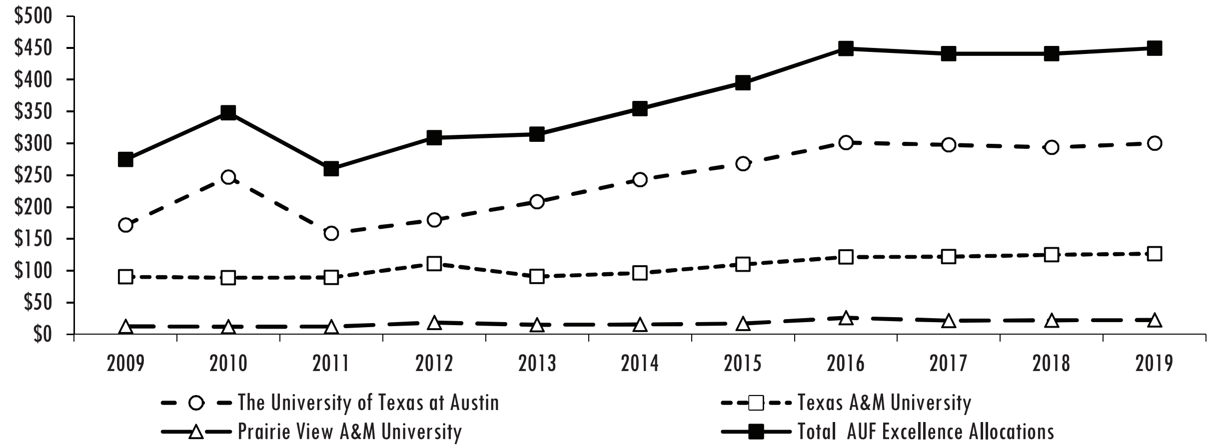
The two systems' respective governing boards determine the allocation of PUF bond proceeds among their component institutions. The UT System is authorized to issue PUF

FIGURE 213
MARKET VALUE OF THE PERMANENT UNIVERSITY FUND, FISCAL YEARS 2006 TO 2017



SOURCE: University of Texas Investment Management Company.

FIGURE 214
AVAILABLE UNIVERSITY FUND ALLOCATIONS FOR EXCELLENCE, FISCAL YEARS 2009 TO 2019



NOTE: Amounts for fiscal years 2017 to 2019 are estimated.
SOURCES: Legislative Budget Board; The University of Texas System; Texas A&M University System.

bonds up to a total amount not to exceed 20.0 percent of the book value of PUF; the TAMU System is authorized to issue up to 10.0 percent of the book value of the fund.

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 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, 2016–17 Biennium, established in riders new reporting and notification requirements regarding the uses of AUF. A new annual report, due no later than December 1 of each fiscal year, requires additional information regarding AUF support and maintenance allocations and expenditures for system office operations and initiatives by activity. Each activity reported must include purpose, authority, objects of expense, and full-time-equivalent positions, 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 explanations 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 act on system initiatives. Additional notification-related details are explained by rider.

The final new rider requirement established during the 2016–17 biennium indicates that 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

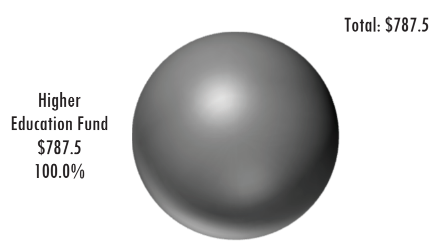
FIGURE 215
HIGHER EDUCATION FUND BY METHOD OF FINANCE

(IN MILLIONS)

METHOD OF FINANCE	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$656.3	$787.5	$131.3	20.0%
General Revenue–Dedicated Funds	$0.0	$0.0	$0.0	N/A
Federal Funds	$0.0	$0.0	$0.0	N/A
Other Funds	$0.0	$0.0	$0.0	N/A
Total, All Methods of Finance	**$656.3**	**$787.5**	**$131.3**	**20.0%**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2018	0.0
2019	0.0

FUND PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

The 2018–19 biennial HEF appropriations reflect a **$131.3 million increase** in General Revenue Funds **due to the biennialization of** 2016–17 HEF appropriations.

Beginning in fiscal year 2016, two universities were **added** to the group of **eligible institutions—University of North Texas at Dallas** and **Texas Tech University Health Sciences Center El Paso**.

Annual appropriation amounts for HEF-eligible institutions of higher education are listed in **the Texas Education Code, Chapter 62, Subchapter B**.

SOURCE: Legislative Budget Board.

MAJOR FUNDING

Funding for the Higher Education Fund (HEF) for the 2018–19 biennium includes an increase of $131.3 million from the 2016–17 biennium due to the biennialization of 2016–17 appropriations. The HEF appropriation for fiscal year 2017 ($393.8 million in General Revenue Funds) is maintained for each fiscal year of the 2018–19 biennium.

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 that are 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. The Seventy-third Legislature, 1993, increased the formula allocation to $175.0 million each year starting in fiscal year 1996. The Seventy-sixth Legislature, 1999, adopted a new allocation for the $175.0 million distributed to universities 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 Legislature also reallocated the appropriations of General Revenue Funds starting in fiscal year 2006 based on recommendations from THECB.

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 at El Paso), and two universities were discontinued from the HEF distribution (University of Texas – Pan American and University of Texas at Brownsville). **Figure 216** shows each eligible institution's annual allocations for fiscal years 2009 to 2020.

FIGURE 216
ANNUAL HIGHER EDUCATION FUND ALLOCATIONS TO ELIGIBLE INSTITUTIONS, FISCAL YEARS 2009 TO 2020

(IN MILLIONS)

INSTITUTION (BY SYSTEM)	2009 TO 2010	2011 TO 2015	2016	2017 TO 2020
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 at 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 216 (CONTINUED)
ANNUAL HIGHER EDUCATION FUND ALLOCATIONS TO ELIGIBLE INSTITUTIONS, FISCAL YEARS 2009 TO 2020

(IN MILLIONS)

INSTITUTION (BY SYSTEM)	2009 TO 2010	2011 TO 2015	2016	2017 TO 2020
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 be used only by eligible universities for the support and maintenance of educational and general activities that promote increased research capacity.

ESTABLISHED: 2009

AUTHORIZING STATUTE: The Texas Constitution, Article VII, §20

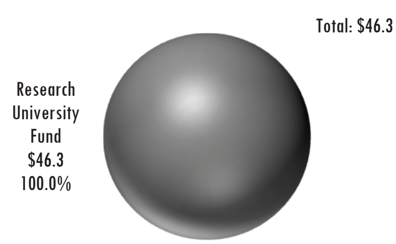
GOVERNANCE: The Texas Legislature governs the Available National Research University Fund (ANRUF); eligible institutions' boards of regents oversee ANRUF-funded activities

FIGURE 217
AVAILABLE NATIONAL RESEARCH UNIVERSITY FUND BY METHOD OF FINANCE

	(IN MILLIONS)			
METHOD OF FINANCE	**EXPENDED/ BUDGETED 2016–17**	**APPROPRIATED 2018–19**	**BIENNIAL CHANGE**	**PERCENTAGE CHANGE**
General Revenue Funds	$0.0	$0.0	$0.0	N/A
General Revenue–Dedicated Funds	$0.0	$0.0	$0.0	N/A
Federal Funds	$0.0	$0.0	$0.0	N/A
Other Funds	$52.5	$46.3	($6.2)	(11.8%)
Total, All Methods of Finance	**$52.5**	**$46.3**	**($6.2)**	**(11.8%)**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2018	0.0
2019	0.0

FUND PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

Funds available for distribution to eligible research universities for the 2018–19 biennium **decreased by $6.2 million** from the previous biennium.

Eligibility requirements are pursuant to the **Texas Education Code, §62.145**. The Texas Higher Education Coordinating Board determines eligibility.

University of Houston and **Texas Tech University** are **eligible to receive ANRUF** distributions.

SOURCE: Legislative Budget Board.

MAJOR FUNDING

Appropriations for the 2018–19 biennium total $46.3 million in estimated National Research University Fund (NRUF) proceeds that are available to eligible research universities through the Available National Research University Fund (ANRUF). The 2018–19 biennial appropriation represents a decrease of $6.2 million in All Funds from the 2016–17 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 originally was intended to become a permanent endowment to support institutions that are not eligible for the Permanent University Fund. 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 Eighty-first Legislature, 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.

The constitution, Article VII, 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 fund's purchasing power.

House Bill 1000, Eighty-second Legislature, Regular Session, 2011, established 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 following:

- 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 for institutions 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. For the 2016–17 biennium, Texas Tech University and University of Houston were the only emerging research universities in Texas eligible to receive ANRUF appropriations. These institutions' eligibility continues for the 2018–19 biennium. In July 2017, THECB reported that The University of Texas at Dallas could be eligible to receive ANRUF distributions beginning in fiscal year 2018 following receipt and verification of necessary data by the THECB and an audit by the State Auditor's Office confirming the data.

SUPPORT FOR MILITARY VETERANS EXEMPTIONS

PURPOSE: To assist public institutions of higher education to offset the waived tuition and fee revenue from the Hazlewood Legacy Program. In accordance with the Hazlewood Legacy Program, qualifying veterans may assign unused hours of their state tuition exemption to a dependent that meets eligibility requirements.

ESTABLISHED: 2013

AUTHORIZING STATUTE: The Texas Education Code, §54.3411

GOVERNANCE: The Texas Legislature governs the Permanent Fund Supporting Military Veterans Exemptions (MVE) and the General Revenue Fund, which are both used to support the Hazlewood Legacy Program; the Texas Treasury Safekeeping Trust Company administers the MVE.

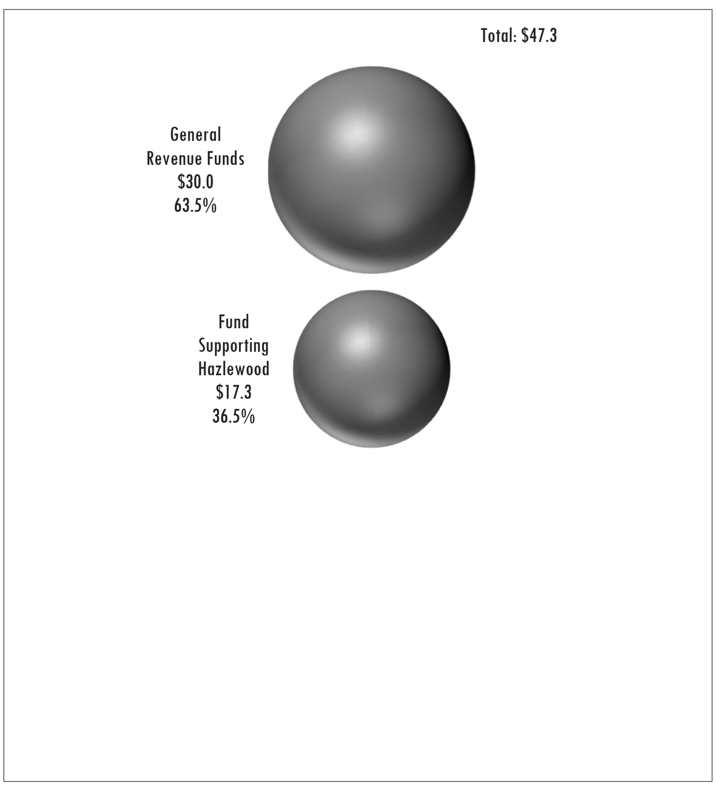
FIGURE 218
SUPPORT FOR MILITARY VETERANS EXEMPTIONS BY METHOD OF FINANCE

(IN MILLIONS)

METHOD OF FINANCE	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$0.0	$30.0	$30.0	N/A
General Revenue–Dedicated Funds	$0.0	$0.0	$0.0	N/A
Federal Funds	$0.0	$0.0	$0.0	N/A
Other Funds	$20.1	$17.3	($2.8)	(13.9%)
Total, All Methods of Finance	**$20.1**	**$47.3**	**$27.2**	**135.7%**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2018	0.0
2019	0.0

FUND PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

Appropriations include **a $2.8 million decrease** in Other Funds from the MVE, due to **lower expected market returns and a reduced distribution rate from 4.5 percent for fiscal year 2016 to 3.5 percent for fiscal years 2017 to 2019.**

The MVE was **established to assist public institutions of higher education to offset the waived tuition and fee revenue** from the Hazlewood Legacy Program.

The Texas Treasury Safekeeping Trust Company determines the amount available for distribution from the MVE in accordance with policy adopted by the Texas Comptroller of Public Accounts.

General Revenue Funds appropriated to the **Texas Veterans Commission** for the 2016–17 biennium for the **Hazlewood Legacy Program** were moved to this Article III bill pattern for the 2018–19 biennium.

SOURCE: Legislative Budget Board.

MAJOR FUNDING

Funding for the Support for Military and Veterans Exemptions for the 2018–19 biennium totals $47.3 million in All Funds, which includes a net increase of $27.2 million from the 2016–17 biennium for this Article III bill pattern. The net increase is the result of two issues:

- $2.8 million decrease in Other Funds from the Permanent Fund for Military and Veterans Exemptions (MVE) due to lower expected market returns and a reduced distribution rate from 4.5 percent for fiscal year 2016 to 3.5 percent for fiscal years 2017 to 2019; and
- $30.0 million in General Revenue Funds appropriated to the Texas Veterans Commission (TVC) for the 2016–17 biennium for the Hazlewood Legacy Program were moved to this Article III bill pattern for the 2018–19 biennium.

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. Although the Legislature appropriated no initial funding to the MVE, the fund 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 the MVE in accordance with policy adopted by the Texas Comptroller of Public Accounts.

In accordance with the program, 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 authorize veterans to receive the benefit while enrolled in 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 in 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 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 program 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.

Hazlewood Legacy Program 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 program 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 program benefits at a time.

Senate Bill 1158, Eighty-third Legislature, Regular Session, 2013, transferred the administrative responsibility for the Hazlewood Legacy Program from the Texas Higher Education Coordinating Board to the Texas Veterans Commission (TVC).

Although TVC maintains administrative responsibility for the program, $30.0 million in General Revenue Funds for Hazlewood Legacy Program reimbursements appropriated to the TVC for the 2016–17 biennium were moved to this Article III bill pattern for the 2018–19 biennium.

TEXAS A&M AGRILIFE RESEARCH

PURPOSE: To conduct research and oversee regulatory programs for the benefit of the agricultural industry and consumers of agricultural products. To ensure that environmental and natural resources are maintained and enhanced, and that a safe supply of agricultural products is available.

ESTABLISHED: 1887

AUTHORIZING STATUTE: The Texas Education Code, Chapter 88

GOVERNANCE: Texas A&M University System Board of Regents—nine members appointed by the Governor with the advice and consent of the Senate

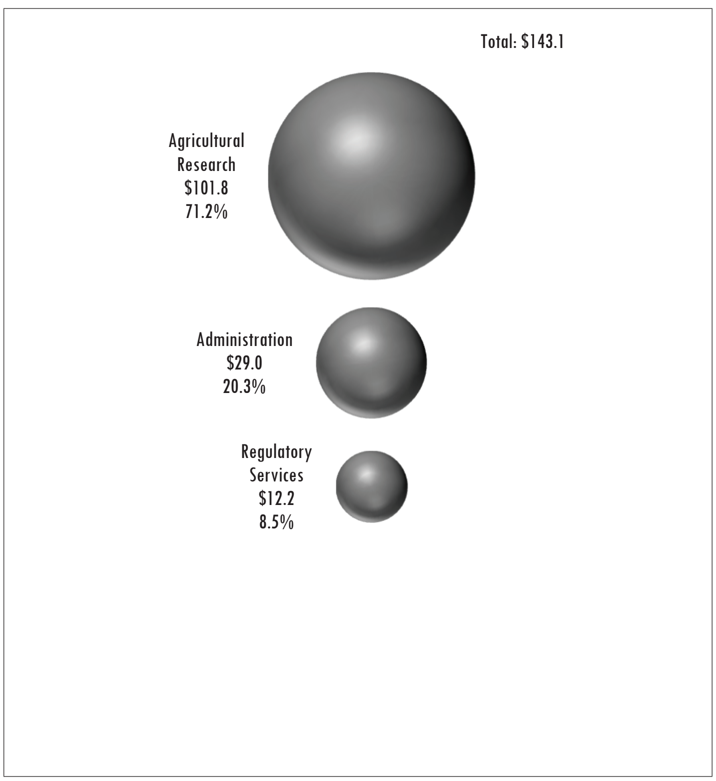
FIGURE 219
TEXAS A&M AGRILIFE RESEARCH BY METHOD OF FINANCE

(IN MILLIONS)

METHOD OF FINANCE	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$113.3	$110.1	($3.3)	(2.9%)
General Revenue–Dedicated Funds	$0.9	$0.9	($0.0)	(4.0%)
Federal Funds	$18.3	$18.3	$0.0	0.0%
Other Funds	$14.5	$13.8	($0.7)	(5.0%)
Total, All Methods of Finance	**$147.1**	**$143.1**	**($4.0)**	**(2.7%)**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2018	759.1
2019	759.1

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

Appropriations include a **$4.5 million decrease** in General Revenue Funds and General Revenue–Dedicated Funds related to the agency's indirect administration, agricultural and life sciences research, feedyard beef cattle production research, and honeybee regulation program.

During fiscal year 2017, **as a result of its research, the agency completed and produced 1,902 publications** that were recognized by scientist peer groups as professional journals of record.

As part of its regulatory services during fiscal year 2017, the agency **inspected more than 301,000 bee colonies** for disease **to maintain the health and quality of bees in Texas.**

Source: Legislative Budget Board.

MAJOR FUNDING

Funding for the Texas A&M AgriLife Research (TAR) for the 2018–19 biennium includes:

- a $3.8 million decrease in General Revenue Funds and General Revenue–Dedicated Funds and 36.3 full-time-equivalent (FTE) positions related to the agency's indirect administration, agricultural and life sciences research, and honeybee regulation program;
- a $0.7 million decrease in General Revenue Funds and 3.5 FTE positions for feedyard beef cattle production research; and
- a $1.2 million increase in General Revenue Funds for infrastructure support within Brazos County to align with the general academic institutions' Infrastructure Formula rate and updated data.
- Additionally, appropriations for the 2018–19 biennium include a decrease of 230.6 FTE positions from the 2016–17 biennial position cap. This decrease primarily represents an adjustment to TAR's FTE position cap authority to realign the agency's position cap to its appropriations.

PROGRAMS

TAR conducts research activities at 13 major research and extension centers throughout the state to address Texas' geographic diversity and corresponding plant and animal variety. 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 that 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 2018–19 biennial operating budget of approximately $0.5 million, which is supported partially 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 TAR administers 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 that the products conform to state commercial feed and fertilizer codes. FFCS licenses distributors of feed and registers all fertilizer distributors and manufacturers and distributors of ammonium nitrate materials. 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 AAS analysis. OTSC's 2018–19 biennial operating budget is approximately $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

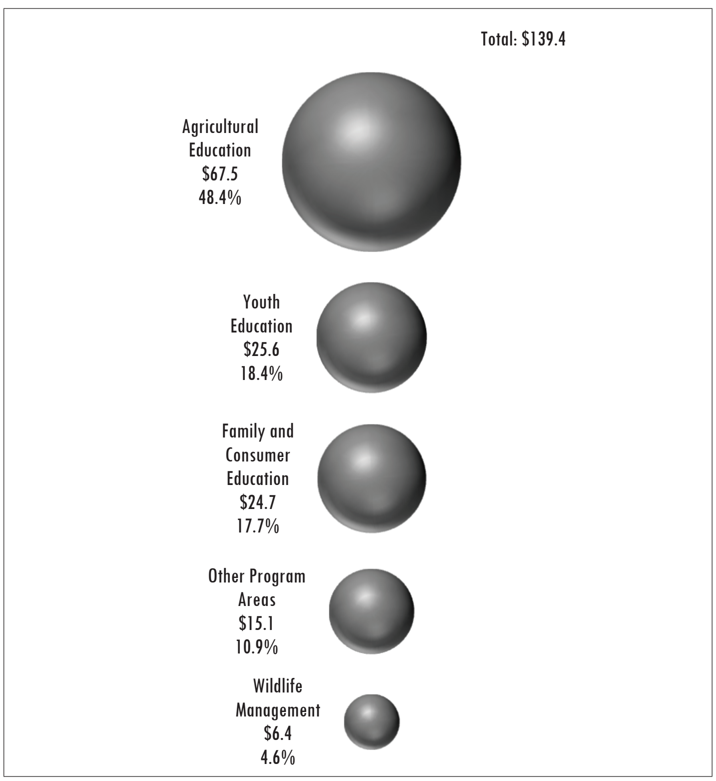
FIGURE 220
TEXAS A&M AGRILIFE EXTENSION SERVICE BY METHOD OF FINANCE

(IN MILLIONS)

METHOD OF FINANCE	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$89.0	$88.1	($0.9)	(1.0%)
General Revenue–Dedicated Funds	$0.0	$0.0	$0.0	N/A
Federal Funds	$26.8	$26.8	$0.0	0.0%
Other Funds	$23.4	$24.5	$1.0	4.4%
Total, All Methods of Finance	**$139.3**	**$139.4**	**$0.1**	**0.1%**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2018	990.6
2019	990.6

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

Appropriations include a **$3.5 million decrease** in General Revenue Funds and 50.0 full-time-equivalent positions related to the agency's **indirect administration, education programs, youth leadership activities, and livestock and crop protection programs.**

The agency reported more than **13.6 million individual contacts statewide in which agricultural educational material and training were provided** during fiscal year 2017.

The agency reported approximately **3.8 million individual contacts statewide in which health and safety educational material and training were provided** during fiscal year 2017.

SOURCE: Legislative Budget Board.

MAJOR FUNDING

Funding for the Texas A&M AgriLife Extension Service (TAES) for the 2018–19 biennium includes:

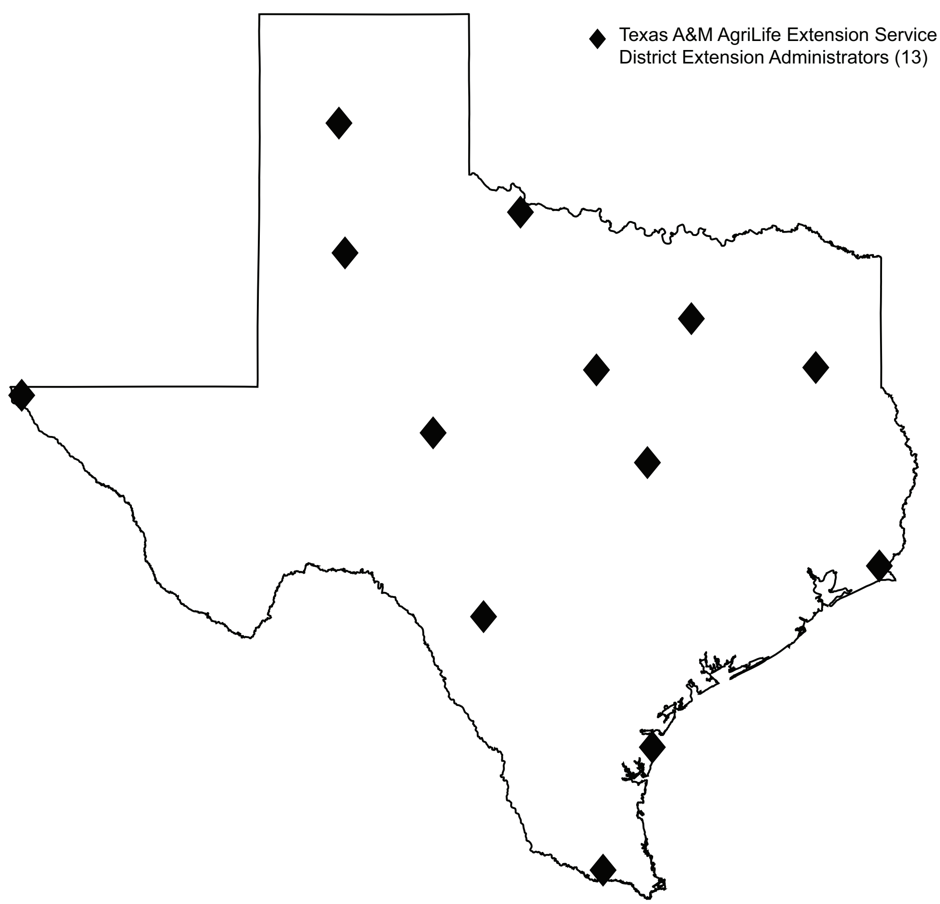
- a $4.6 million decrease in General Revenue Funds and Other Funds and 50.0 full-time-equivalent (FTE) positions related to the agency's indirect administration, education programs, youth leadership activities, and livestock and crop protection programs;
- a $1.2 million increase in General Revenue Funds related to the Surplus Agricultural Products Grant Program, which previously was funded at the Texas Department of Agriculture;
- a $0.9 million increase in General Revenue Funds related to the Feral Hog Abatement Program, which previously was funded at the Texas Department of Agriculture; and
- a $0.2 million increase in General Revenue Funds for infrastructure support within Brazos County to align with the general academic institutions' Infrastructure Formula rate and updated data.

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 Texas 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 510 county extension agents, along with program specialists located in research and

FIGURE 221
TEXAS A&M AGRILIFE EXTENSION SERVICE DISTRICT EXTENSION ADMINISTRATORS, FISCAL YEAR 2017



SOURCE: Texas A&M University System.

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, as shown in **Figure 221**. 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.

Two programs, the Surplus Agricultural Products Grant Program ($1.2 million) and the Feral Hog Abatement Program ($0.9 million), are funded at TAES for the 2018–19 biennium. The Surplus Agricultural Products Grant Program was established to provide surplus agricultural products to food banks and other charitable organizations that serve needy or low-income individuals to help offset the costs of harvesting, gleaning, and transporting Texas products to Texas food banks. The Feral Hog Abatement Program is a partnership between TAES' Wildlife Services, Texas Parks and Wildlife Department, and Tarleton University and provides funding for the development of long-term feral hog abatement technologies and test control methods. These programs previously were funded at the Texas Department of Agriculture.

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

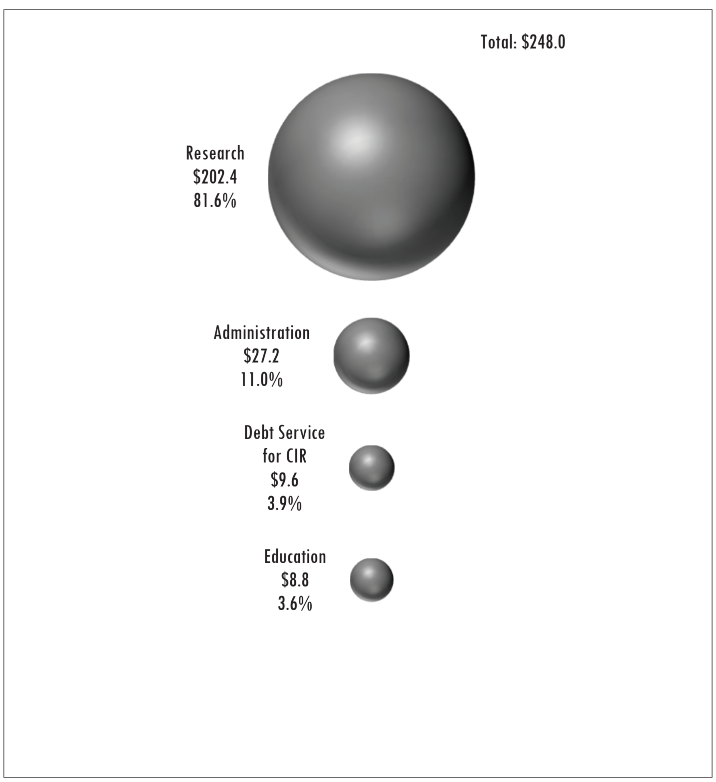
FIGURE 222
TEXAS A&M ENGINEERING EXPERIMENT STATION BY METHOD OF FINANCE

(IN MILLIONS)

METHOD OF FINANCE	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$38.5	$43.2	$4.6	12.0%
General Revenue–Dedicated Funds	$0.9	$0.9	($0.0)	(4.0%)
Federal Funds	$90.0	$90.0	$0.0	0.0%
Other Funds	$115.1	$114.0	($1.2)	(1.0%)
Total, All Methods of Finance	**$244.6**	**$248.0**	**$3.4**	**1.4%**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2018	842.4
2019	842.4

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



NOTE: CIR=Center for Infrastructure Renewal.
SOURCE: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

A $4.6 million increase in General Revenue Funds is appropriated for biennialized debt service costs **for the agency's Center for Infrastructure Renewal.**

A $1.0 million increase in General Revenue Funds is appropriated for the agency's **Nuclear Power Institute.**

MAJOR FUNDING

Funding for the Texas A&M Engineering Experiment Station (TEES) for the 2018–19 biennium includes:

- a $4.6 million increase in General Revenue Funds for biennialized debt service costs for the agency's Center for Infrastructure Renewal;
- a $1.0 million increase in General Revenue Funds for the Nuclear Power Institute, which is intended to develop the nuclear power workforce through partnerships with several universities, industry, governmental agencies, high schools, middle schools, teachers, and civic leaders;
- a $1.0 million decrease in General Revenue Funds due to completion of the Prevention of Wildfires Caused by Power Lines pilot project; and
- a $0.1 million decrease in General Revenue Funds and General Revenue–Dedicated Funds related to research and workforce development programs.

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. 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 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 among industries, communities, and academic institutions. These collaborations help the state to be competitive for federal grants and provide 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 four South Texas engineering programs (Texas A&M – Kingsville, Texas A&M – Corpus Christi, Texas A&M International University, and The University of Texas Rio Grande Valley) to form the South Texas Engineering Alliance and the South Texas–Coastal Bend STEM Coalition. The group focuses on student recruitment and working 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; the majority of these funds are 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.

TEXAS A&M TRANSPORTATION INSTITUTE

PURPOSE: To solve transportation problems through research, to transfer technology and knowledge to the transportation industry and traveling public, and to develop diverse human resources to meet transportation challenges.

ESTABLISHED: 1950

AUTHORIZING STATUTE: The Texas Education Code, Chapter 88

GOVERNANCE: The Texas A&M University System Board of Regents—nine members appointed by the Governor with advice and consent of the Senate

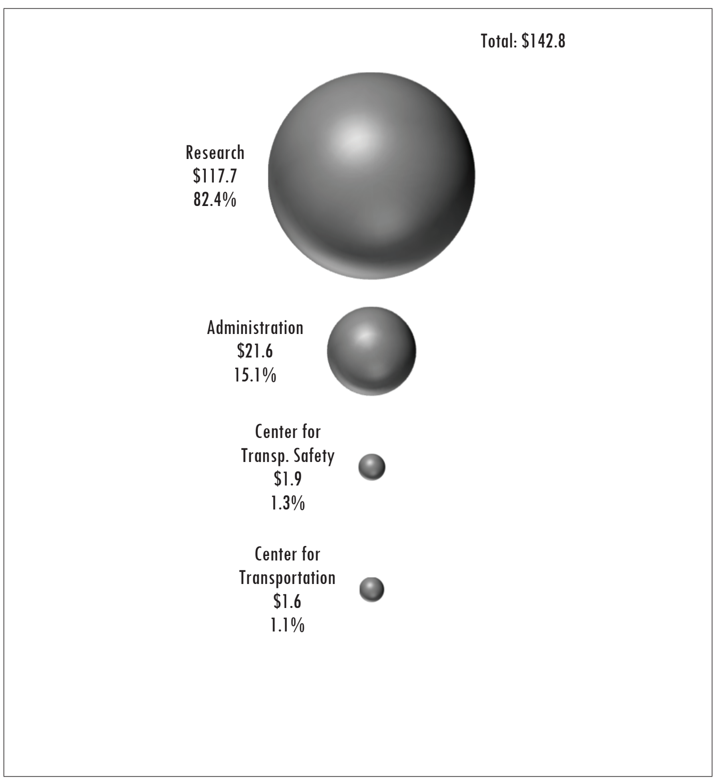
FIGURE 223
TEXAS A&M TRANSPORTATION INSTITUTE BY METHOD OF FINANCE

(IN MILLIONS)

METHOD OF FINANCE	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$18.7	$15.1	($3.6)	(19.2%)
General Revenue–Dedicated Funds	$0.0	$0.0	$0.0	N/A
Federal Funds	$28.5	$30.7	$2.1	7.5%
Other Funds	$92.0	$97.0	$5.0	5.5%
Total, All Methods of Finance	**$139.3**	**$142.8**	**$3.6**	**2.6%**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2018	419.7
2019	419.7

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

The agency's **Transportation Policy Research Center** appropriations **($3.3 million and 15 full-time-equivalent positions)** were eliminated.

As of August 31, 2017, more than 932,000 **agency-patented roadway safety devices** (e.g., guardrail terminals and crash cushions) have been **installed throughout the U.S.**

The agency's **research expenditures for fiscal year 2017** were $58.9 million.

SOURCE: Legislative Budget Board.

MAJOR FUNDING

Funding for the Texas A&M Transportation Institute (TTI) for the 2018–19 biennium includes:

- a $3.3 million decrease in General Revenue Funds and 15.0 full-time-equivalent (FTE) positions, which eliminates state appropriations for the agency's Transportation Policy Research Center;
- a $0.4 million decrease in General Revenue Funds related to the agency's research programs and operations of its Center for International Intelligent Transportation and Transportation Safety Center;
- a $7.2 million increase in Interagency Contracts (Other Funds), Federal Funds, Appropriated Receipts, and indirect cost recovery; and
- a $0.1 million decrease in General Revenue Funds for infrastructure support within Brazos County to align with the general academic institutions' Infrastructure Formula rate and updated data.

PROGRAMS

TTI's goals are to anticipate, identify, and solve transportation problems; disseminate research results 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. CPW provides maritime interests with research, development, technology transfer, and education programs.

During the 2016–17 biennium, TTI provided analysis of state transportation policies and the economic impact of those policies, primarily through its Transportation Policy Research Center. For the 2018–19 biennium, state appropriations of $3.3 million and 15.0 FTE positions were eliminated.

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 40.0 percent of TTI's funding is from Interagency Contracts, with TxDOT providing most of those contracts.

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

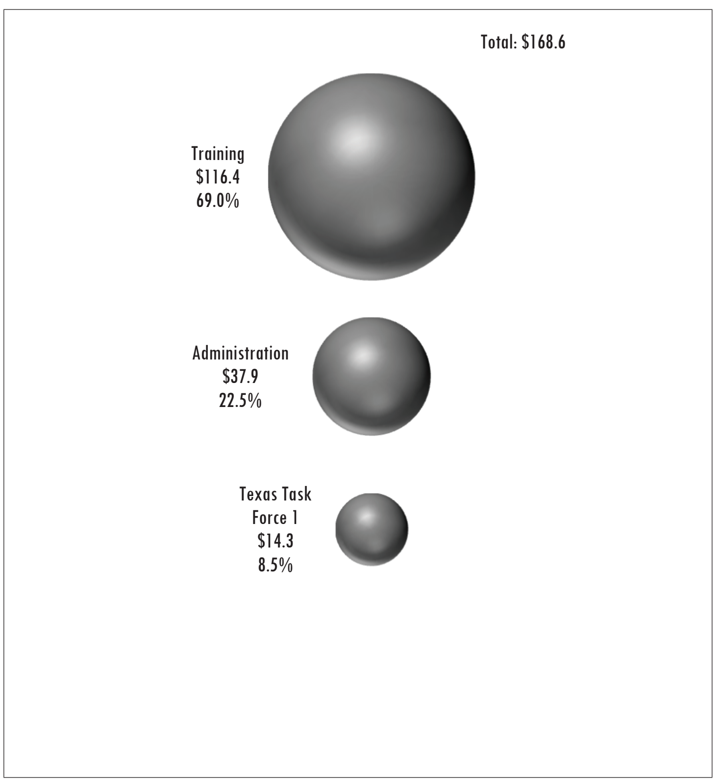
FIGURE 224
TEXAS A&M ENGINEERING EXTENSION SERVICE BY METHOD OF FINANCE

(IN MILLIONS)

METHOD OF FINANCE	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$15.8	$17.6	$1.8	11.3%
General Revenue–Dedicated Funds	$0.0	$0.0	$0.0	N/A
Federal Funds	$42.1	$41.6	($0.5)	(1.3%)
Other Funds	$111.5	$109.4	($2.1)	(1.9%)
Total, All Methods of Finance	**$169.5**	**$168.6**	**($0.9)**	**(0.5%)**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2018	543.0
2019	543.0

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 **$2.0 million decrease** in Appropriated Receipts (Other Funds).

The agency provided **more than 1.4 million contact hours of training to public-sector students** during fiscal year 2016 in areas such as emergency response, public works, law enforcement, transportation, and water and wastewater treatment.

Texas Task Force 1 spent **more than 129,000 hours on emergency response deployments** during fiscal year 2016, primarily due to state flooding. The agency received $2.0 million in General Revenue Funds for Texas Task Force 2 operational readiness for the 2018–19 biennium.

MAJOR FUNDING

Funding for the Texas A&M Engineering Extension Service (TEEX) for the 2018–19 biennium includes:

- a $0.5 million decrease in General Revenue Funds that affects upgrades and expansion of TEEX's infrastructure and facilities and improvements in training and curriculum;
- a $0.3 million increase in General Revenue Funds for infrastructure support within Brazos County to align with the general academic institutions' Infrastructure Formula rate and updated data;
- a $2.0 million increase in General Revenue Funds for Texas Task Force 2 operational readiness; and
- a $2.6 million decrease in Federal Funds, indirect cost recovery, and Appropriated Receipts, which consists primarily of $2.0 million less revenue received from basic and advanced training that TEEX provides.

PROGRAMS

The agency provides public-sector and private-sector training, 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. During fiscal year 2016, TEEX provided more than 151,000 contact hours of technical assistance, and more than 1.4 million student contact hours of public-sector training.

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 fire training provider for the state. 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 training facility for search and rescue operations.

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. TX-TF1 is Texas' only statewide search and rescue team, directed by the Texas Division of Emergency Management. The task force 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 in New York after it was attacked September 11, 2001; recovery efforts during the Columbia space shuttle disaster in 2003; and rescue missions after Hurricanes Ike (2008), Katrina (2005), Rita (2005), and Harvey (2017). TX-TF1 typically is reimbursed from the state and the federal governments for costs associated with each deployment following each response activation. For the 2018–19 biennium, TEEX was appropriated $2.0 million in General Revenue Funds for Texas Task Force 2 (TX-TF2) operational readiness. TX-TF2 is primarily a regional urban search and rescue response team for all hazardous disasters in the North Central Texas area. TX-TF2's mission is to provide a coordinated effort including the necessary personnel and equipment to locate, extricate, rescue, and provide immediate medical treatment to victims trapped as a result of a natural or man-made disaster; and to assist first responders when their capabilities are exceeded.

TEEX also operates the National Emergency Response and Rescue Training Center, part of the National Domestic Preparedness Consortium. The center is intended to provide homeland security training in incident management and unified command to elected officials and emergency response personnel, covering 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

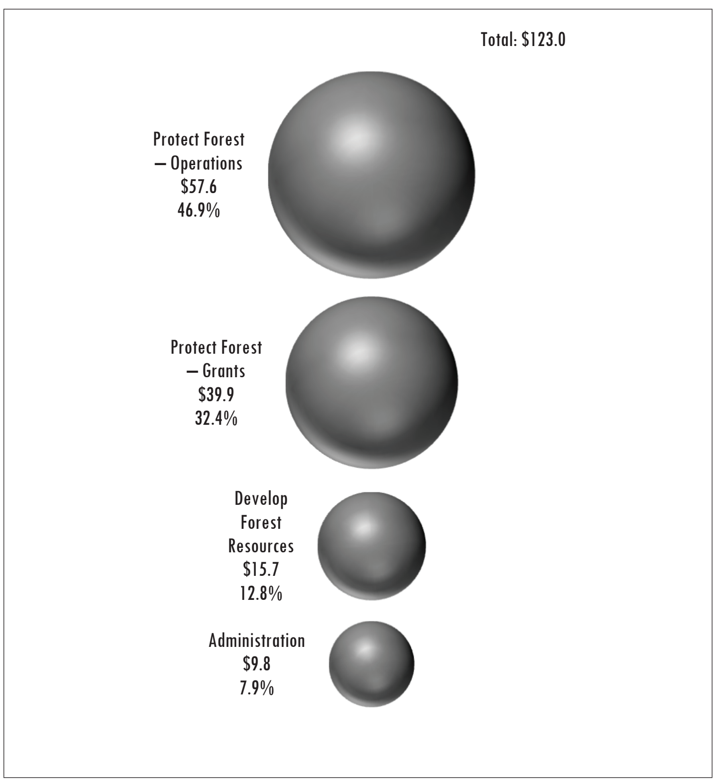
FIGURE 225
TEXAS A&M FOREST SERVICE BY METHOD OF FINANCE

(IN MILLIONS)

METHOD OF FINANCE	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$64.4	$65.6	$1.2	1.8%
General Revenue–Dedicated Funds	$65.1	$49.0	($16.0)	(24.6%)
Federal Funds	$6.5	$6.9	$0.4	5.7%
Other Funds	$1.5	$1.5	$0.0	0.5%
Total, All Methods of Finance	**$137.5**	**$123.0**	**($14.5)**	**(10.5%)**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2018	501.1
2019	501.1

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

Appropriations include a **$14.0 million decrease** in General Revenue–Dedicated Funds **for grants to rural volunteer fire departments**.

The agency **provided more than 62,000 hours of training** to firefighters and emergency responders during fiscal year 2016.

During fiscal year 2016, agency employees worked **more than 132,500 hours** preparing for and participating **in emergency response activities**.

SOURCE: Legislative Budget Board.

MAJOR FUNDING

Funding for the Texas A&M Forest Service (TFS) for the 2018–19 biennium includes:

- a $14.0 million decrease in General Revenue–Dedicated Funds Account No. 5064, Volunteer Fire Department Assistance Account (Account No. 5064), for grants to rural volunteer fire departments;
- a $0.9 million decrease in General Revenue Funds related to replacements for the agency's firefighting equipment (dozers and trucks); and
- a $0.4 million increase in Federal Funds.

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 the agency's 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.

The Texas Legislature historically appropriates funding as needed to TFS for wildfire costs that the state incurs. 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 the state for eligible costs, whether as part of a presidential disaster declaration or through the Fire Management Assistance Grant Program. The state 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. For fiscal year 2017, TFS received a supplemental appropriation of $7.5 million in General Revenue Funds for the purpose of paying for, or reimbursing payments made for, costs that TFS incurs associated with responding to weather-related emergencies.

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.

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

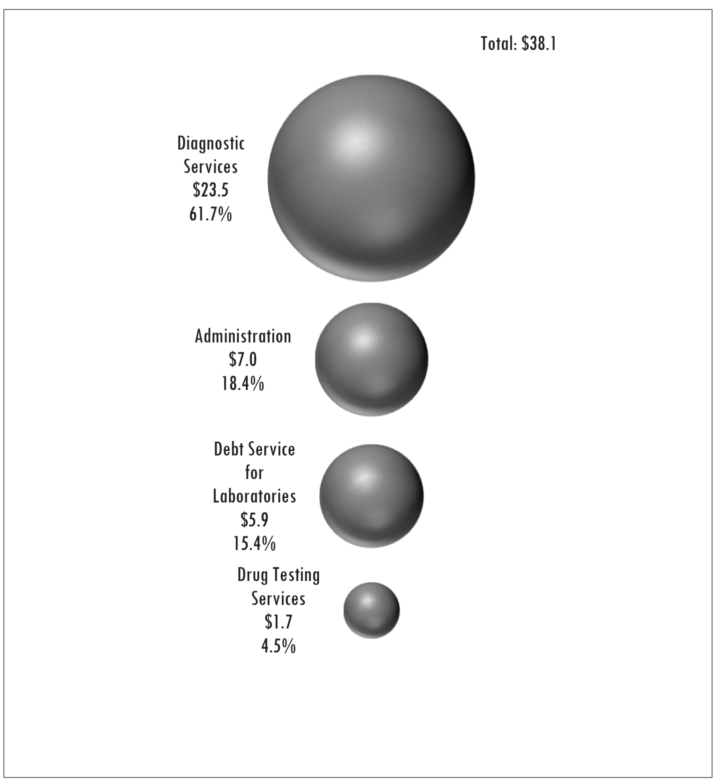
FIGURE 226
TEXAS A&M VETERINARY MEDICAL DIAGNOSTIC LABORATORY BY METHOD OF FINANCE

(IN MILLIONS)

METHOD OF FINANCE	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$17.9	$17.4	($0.6)	(3.1%)
General Revenue–Dedicated Funds	$0.0	$0.0	$0.0	N/A
Federal Funds	$0.5	$0.7	$0.1	23.5%
Other Funds	$20.8	$20.0	($0.8)	(3.6%)
Total, All Methods of Finance	**$39.3**	**$38.1**	**($1.2)**	**(3.0%)**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2018	161.0
2019	161.0

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

The agency submitted and examined **142,297 diagnostic cases during fiscal year 2017.**

The agency performed **more than 783,000** analytical and diagnostic **tests during fiscal year 2017**.

Fees generate 52.5 percent of the agency's total appropriation.

SOURCE: Legislative Budget Board.

MAJOR FUNDING

Funding for the Texas A&M Veterinary Medical Diagnostic Laboratory (TVMDL) for the 2018–19 biennium includes:

- a $0.4 million decrease in General Revenue Funds that affects TVMDL's services in testing, surveillance, and response to high-consequence disease events; and
- a $0.1 million decrease in General Revenue Funds related to debt service requirements for TVMDL laboratories.

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 included in 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 agency's 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 that provide health benefits coverage to higher education employees: The University of Texas (UT) System, the Texas A&M University (TAMU) System, and the Employees Retirement System (ERS).

ESTABLISHED: Various

AUTHORIZING STATUTE: The Texas Insurance Code, Chapter 1601 (UT and TAMU systems) and Chapter 1551 (ERS institutions)

GOVERNANCE: ERS, UT System, and TAMU System

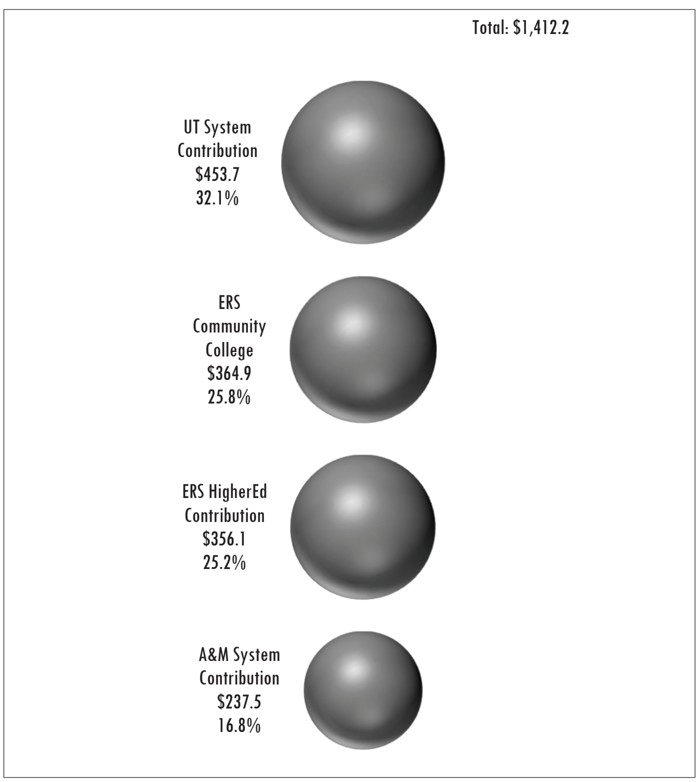
FIGURE 227
HIGHER EDUCATION EMPLOYEES GROUP INSURANCE BY METHOD OF FINANCE

(IN MILLIONS)

METHOD OF FINANCE	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$1,377.9	$1,412.2	$34.3	2.5%
General Revenue–Dedicated Funds	$0.0	$0.0	$0.0	N/A
Federal Funds	$0.0	$0.0	$0.0	N/A
Other Funds	$0.0	$0.0	$0.0	N/A
Total, All Methods of Finance	**$1,377.9**	**$1,412.2**	**$34.3**	**2.5%**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2018	N/A
2019	N/A

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

State institutions of higher education are funded at **74.3 percent** to **74.7 percent** of full ERS premium rates.

Community college districts are funded at **50.0 percent** of full ERS premium rates.

The **number of participants** (actives, retirees, and dependents) in the group insurance programs for the UT System, TAMU System, and ERS **totaled approximately 450,000** for fiscal year 2017.

Due to decreases in enrollment, **18 community colleges** received an employee-level **hold harmless** through the benefits petition process.

SOURCE: Legislative Budget Board.

MAJOR FUNDING

Appropriations for Higher Education Employees Group Insurance (HEGI) for the 2018–19 biennium total $1,412.2 million in General Revenue Funds, an increase of $34.3 million from the 2016–17 biennium. The 2018–19 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. Premium contributions for general state employees are funded at 100.0 percent of the Employee Retirement System (ERS) premium rates. However, contributions for employees of state institutions of higher education are funded at 74.3 percent to 74.7 percent of full ERS premium rates, and contributions at local community college districts are funded at 50.0 percent of full ERS premium rates. HEGI premium rates are increased by 4.57 percent for fiscal year 2018, relative to fiscal year 2017 contribution rates. The fiscal year 2019 premium contribution rates are increased by 4.56 percent, relative to fiscal year 2018 contribution rates, to fund fiscal year 2019 appropriations.

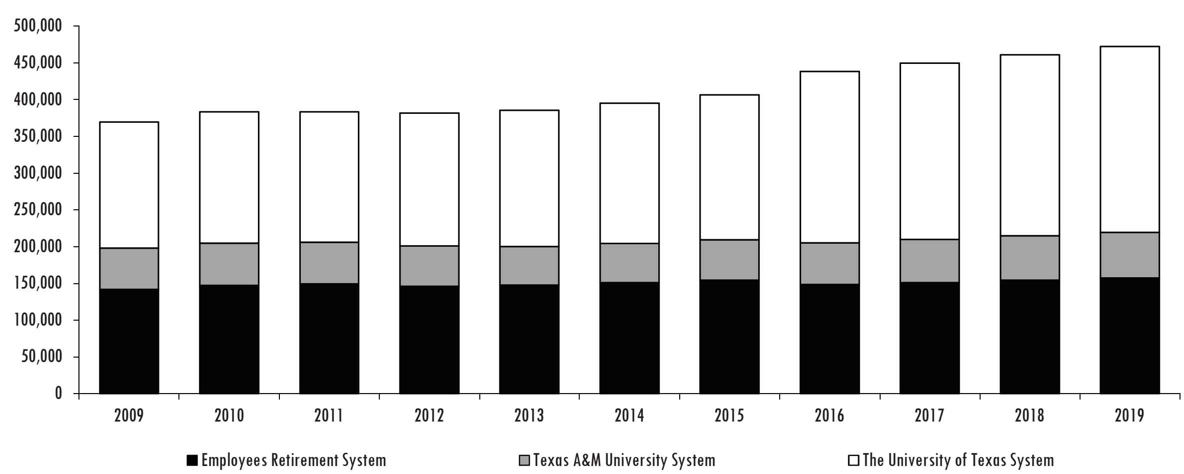
For the 2018–19 biennium, an institution's allocation of General Revenue Funds is based on the number of employees at the institution enrolled in the health insurance program as of December 1, 2016. Funding is based on a sum-certain appropriation methodology in which state contributions to individual institutions are capped at the respective institution's line-item amount and wherein additional costs, if any, must be borne by individual institutions out of other appropriated or local funds. However, the Eighty-fifth Legislature, General Appropriations Act (GAA), 2018–19 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 228** shows each system's participants (actives, retirees, and dependents) from fiscal years 2009 to 2019.

The insurance contribution policy for ERS-covered institutions is the same as for 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 and TAMU systems, the state and university systems also pay the employee-only premium in full and half the difference between the employee-only premium and the premium for dependent coverage. Employees of the UT System and TAMU System receive benefits similar to those offered to general state employees by ERS.

FIGURE 228
HIGHER EDUCATION EMPLOYEE HEALTH INSURANCE TOTAL PARTICIPATION, FISCAL YEARS 2009 TO 2019



NOTE: Amounts for fiscal years 2018 and 2019 are estimated.
SOURCES: Employees Retirement System; Texas A&M University System; The University of Texas System.

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 whose salaries are 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 2018–19 biennium, the stepped hold harmless appropriation was maintained from the 2016–17 biennium through the benefits petition process for those colleges that experienced a decrease in enrollment, wherein the level of hold harmless for employee levels is based on the decrease in enrollment at each institution. **Figure 229** 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 level of hold harmless. Similarly, a community college that experienced a 4.0 percent decrease in contact hours received a 98.0 percent employee level of hold harmless.

FIGURE 229
COMMUNITY COLLEGE STEPPED EMPLOYEE HOLD HARMLESS LEVELS, 2016–17 BIENNIUM

PERCENTAGE DECREASE IN CONTACT HOURS	HOLD HARMLESS LEVEL
2.0% to 5.0%	98.0%
5.0% to 10.0%	95.0%
10.0% to 15.0%	90.0%
More than 15.0%	85.0%

SOURCE: Legislative Budget Board.

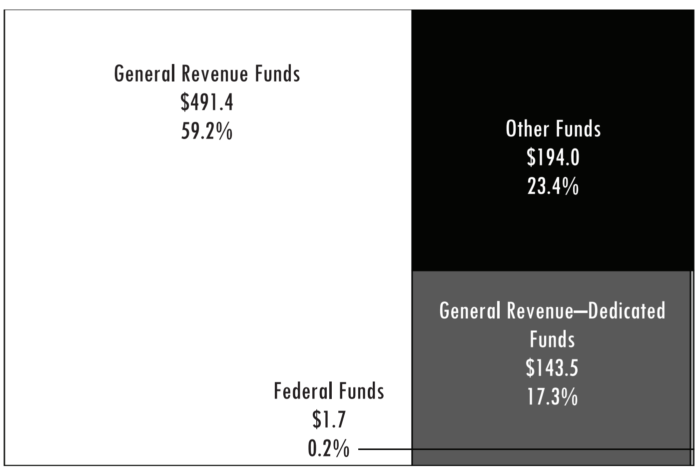
7. JUDICIARY

The Judiciary is one of the three branches of state government. Appropriations for the Judiciary support operation and administration of the state's court system, which includes the Supreme Court of Texas, the Court of Criminal Appeals, 14 Courts of Appeals, and 2,725 trial courts. Appropriations for the courts and six judicial branch agencies include funding for access to the courts for low-income Texans, judicial education, e-filing, fair defense for indigents, review of allegations of judicial misconduct or disability, publicly available legal resources, prosecutor pay and expenses, juror pay, and nonresident witness expenses.

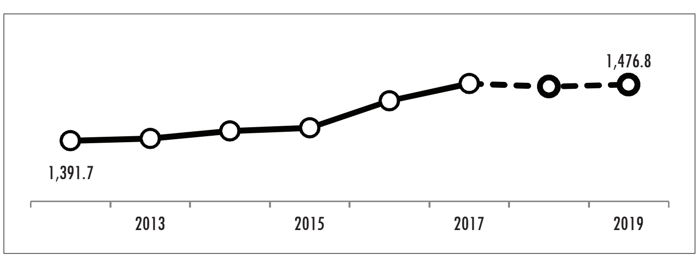
FIGURE 230
ARTICLE IV – JUDICIARY, BY METHOD OF FINANCE

	(IN MILLIONS)			
METHOD OF FINANCE	EXPENDED/BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$503.3	$491.4	($11.9)	(2.4%)
General Revenue–Dedicated Funds	$143.2	$143.5	$0.3	0.2%
Federal Funds	$3.3	$1.7	($1.6)	(48.7%)
Other Funds	$163.5	$194.0	$30.5	18.6%
Total, All Methods of Finance	**$813.3**	**$830.6**	**$17.3**	**2.1%**

SHARE OF FUNDING BY METHOD OF FINANCE



FULL-TIME-EQUIVALENT POSITIONS



SIGNIFICANT DEVELOPMENTS

Funding to provide **basic civil legal services** to eligible recipients totals **$79.6 million, an increase of 20.0 percent,** due primarily to additional civil penalties resulting from a settlement between the State of Texas and the Volkswagen Group automotive manufacturing company.

Judicial Education appropriations total $26.7 million, an increase of 36.4 percent, primarily due to a new $5 civil filing fee pursuant to Senate Bill 42, Eighty-fifth Legislature, Regular Session, 2017, which is anticipated to generate $10.0 million in revenues for the 2018–19 biennium.

The Texas Forensic Science Commission is administratively attached to the Office of Court Administration, pursuant to Senate Bill 1124, Eighty-fifth Legislature, Regular Session, 2017, resulting in an **increase of $1.2 million**. The commission previously was attached to Sam Houston State University, whose funding was reduced in a like amount.

Five new district courts and three new statutory county courts will be established during the 2018–19 biennium, pursuant to Senate Bill 1329, Eighty-fifth Legislature, Regular Session, 2017, resulting in an increase of $1.4 million.

NOTES: Excludes Interagency Contracts. Full-time-equivalent positions show actual positions for fiscal years 2012 to 2017 and appropriated positions for fiscal years 2018 and 2019.
SOURCES: Legislative Budget Board; State Auditor's Office.

FIGURE 231
ARTICLE IV – JUDICIARY APPROPRIATIONS BY AGENCY, ALL FUNDS

(IN MILLIONS)

FUNCTION	EXPENDED/BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE
Supreme Court of Texas	$82.6	$95.8	$13.2	16.0%
Court of Criminal Appeals	$32.4	$39.9	$7.5	23.1%
First Court of Appeals District, Houston	$9.4	$9.4	($0.0)	(0.2%)
Second Court of Appeals District, Fort Worth	$7.3	$7.3	$0.0	0.0%
Third Court of Appeals District, Austin	$6.1	$6.1	$0.0	0.1%
Fourth Court of Appeals District, San Antonio	$7.3	$7.3	$0.0	0.1%
Fifth Court of Appeals District, Dallas	$12.9	$12.9	$0.1	0.5%
Sixth Court of Appeals District, Texarkana	$3.3	$3.3	($0.0)	(0.1%)
Seventh Court of Appeals District, Amarillo	$4.1	$4.1	($0.0)	(0.1%)
Eighth Court of Appeals District, El Paso	$3.4	$3.4	$0.0	0.2%
Ninth Court of Appeals District, Beaumont	$4.2	$4.1	($0.0)	(0.0%)
Tenth Court of Appeals District, Waco	$3.4	$3.4	($0.0)	(0.0%)
Eleventh Court of Appeals District, Eastland	$3.3	$3.3	($0.0)	(0.0%)
Twelfth Court of Appeals District, Tyler	$3.1	$3.3	$0.2	5.8%
Thirteenth Court of Appeals District, Corpus Christi-Edinburg	$6.1	$6.1	$0.0	0.1%
Fourteenth Court of Appeals District, Houston	$9.7	$9.7	($0.0)	(0.2%)
Office of Court Administration, Texas Judicial Council	$162.2	$156.9	($5.3)	(3.3%)
Office of Capital Writs	$2.8	$2.7	($0.1)	(4.2%)
Office of the State Prosecuting Attorney	$0.9	$0.9	($0.0)	(0.0%)
State Law Library	$2.1	$2.0	($0.1)	(5.0%)
State Commission on Judicial Conduct	$2.3	$2.3	$0.0	0.3%
Judiciary Section, Comptroller's Department	$313.5	$315.3	$1.8	0.6%
Subtotal, Judiciary	**$682.3**	**$699.5**	**$17.2**	**2.5%**
Employee Benefits and Debt Service	$152.1	$154.8	$2.7	1.8%
Less Interagency Contracts	$21.1	$23.7	$2.6	12.5%
Total, All Functions	**$813.3**	**$830.6**	**$17.3**	**2.1%**

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-fifth Legislature, 2017, appropriated $830.6 million in All Funds for the Judiciary, an increase of $17.3 million, or 2.1 percent, from the 2016–17 biennium.

APPELLATE COURT FUNDING

Appropriations for all of the appellate courts, including the Supreme Court of Texas (SCOT), the Court of Criminal Appeals (CCA), and the 14 appellate courts, total $219.5 million in All Funds, an increase of $20.9 million, or 10.5 percent. The increase is primarily for the following:

- the SCOT Basic Civil Legal Services Program provides grants to nonprofit organizations that provide free civil legal services to low-income Texans. Program funding totals $79.6 million in All Funds, an increase of $13.3 million, or 20.1 percent. Of the total funding, $33.3 million is from civil penalties resulting from a settlement between the State of Texas and the Volkswagen Group automotive manufacturing company;

- the SCOT Court Improvement Program provides funding for the Permanent Judicial Commission for Children, Youth, and Families, an organization whose goal is to improve the child welfare system by increasing public awareness of challenges faced by participating children and families and to act as a collaborative partner among system stakeholders. Program funding totals $3.2 million in All Funds, which includes an increase of $2.0 million in General Revenue Funds offsetting a like decrease in Federal Funds; and
- the 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 $26.7 million in All Funds, which includes a net increase of $7.1 million, or 36.4 percent.

JUDICIAL BRANCH AGENCIES

Judicial branch agencies include the Office of Court Administration (OCA), the Office of Capital and Forensic Writs, the Office of the State Prosecuting Attorney, the State Law Library, the State Commission on Judicial Conduct, and the Judiciary Section of the Comptroller's Department. Appropriations for these agencies total $480.0 million in All Funds, a decrease of $3.7 million, or 0.8 percent. This decrease primarily includes the following changes:

- appropriations for the OCA decreased by $5.3 million in All Funds, including the following increases and decreases:
  - a decrease of $5.3 million in General Revenue–Dedicated Funds for the Texas Indigent Defense Commission due to decreases in court cost revenue, contract cost-containment efforts, and amounts equivalent to 4.0 percent of the 2016–17 biennial spending level;
  - a decrease of $4.3 million in General Revenue Funds for the removal of onetime funding for information technology projects; the ending of the Guardianship Compliance Pilot Project and the Timothy Cole Exoneration Review Commission; and decreases for the electronic filing system and docket equalization and assistance to the administrative judicial regions in amounts equivalent to 4.0 percent of the 2016–17 biennial spending level;
  - a net increase of $2.8 million in Interagency Contracts (Other Funds) grant funding, primarily for software projects;
  - an increase of $1.2 million in General Revenue Funds to fund the Texas Forensic Science Commission (TFSC) pursuant to enactment of Senate Bill 1124, Eighty-fifth legislature, Regular Session, 2017, which administratively attached TFSC to the Office of Court Administration from Sam Houston State University; and
  - an increase of $0.2 million in General Revenue Funds pursuant to Senate Bill 42, Eighty-fifth Legislature, Regular Session, 2017, to establish a Judicial Security Division; and
- appropriations for the Judiciary Section of the Comptroller's Department increased by $1.4 million in General Revenue Funds due primarily to the enactment of Senate Bill 1329, Eighty-fifth Legislature, Regular Session, 2017, to establish new district courts and statutory county courts.

SUPREME COURT OF TEXAS

PURPOSE: The Supreme Court of Texas is the court of last resort in civil and juvenile matters. Other responsibilities include original jurisdiction to issue writs, final jurisdiction of the involuntary retirement or removal of judges, promulgating rules and other standards, and regulating the legal profession in Texas.

ESTABLISHED: 1845

AUTHORIZING STATUTE: The Texas Constitution, Article 5, §2

GOVERNANCE: One Chief Justice and eight justices elected to staggered six-year terms through statewide elections

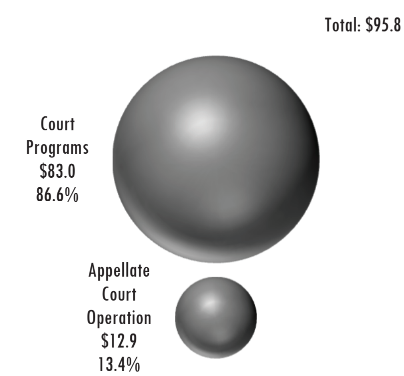
FIGURE 232
SUPREME COURT OF TEXAS BY METHOD OF FINANCE

(IN MILLIONS)

METHOD OF FINANCE	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$32.2	$17.7	($14.5)	(45.0%)
General Revenue–Dedicated Funds	$10.0	$9.6	($0.4)	(4.0%)
Federal Funds	$3.2	$1.2	($2.0)	(63.1%)
Other Funds	$37.2	$67.3	$30.1	81.0%
Total, All Methods of Finance	**$82.6**	**$95.8**	**$13.2**	**16.0%**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2018	77.0
2019	77.0

COURT PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

Basic Civil Legal Services appropriations total $79.6 million, an increase of $13.3 million, to provide civil legal services to eligible recipients.

Basic Civil Legal Services appropriations include $33.3 million in Other Funds from Judicial Fund No. 573. The balance of $42.5 million in civil penalties is the result from a settlement between the State of Texas and the Volkswagen Group automotive manufacturing company. Expenditures from the settlement during the 2016–17 biennium totaled $9.2 million**.**

Funding for the Children's Commission is continued at $3.2 million, with $2.0 million in General Revenue Funds offsetting an equivalent Federal Funds decrease.

Source: Legislative Budget Board.

MAJOR FUNDING

Funding for the Supreme Court increased by $13.2 million in All Funds compared to 2016–17 biennial spending levels. This amount includes increases and decreases for the following:

- an increase of $13.3 million in All Funds for Basic Civil Legal Services that includes:
    - a net $30.1 million increase in Other Funds from Judicial Fund No. 573 due to onetime civil penalties of $33.3 million from a settlement between the State of Texas and the Volkswagen Group automotive manufacturing company and other revenues of $1.5 million such as Pro Hoc Vice and state bar membership fees, offsetting a decrease of $4.8 million in onetime civil penalties collected and expended during the 2016–17 biennium;
    - a $16.3 million decrease in General Revenue Funds, which includes $0.8 million for decreases equivalent to 4.0 percent of the 2016–17 biennial spending level and $0.3 million for contract cost-containment efforts; and
    - a $0.4 million decrease in General Revenue–Dedicated Funds from Account No. 5010, Sexual Assault Program (Account No. 5010), for reductions equivalent to 4.0 percent of the 2016–17 biennial spending level;
- an increase of $2.0 million in General Revenue Funds to continue the operations of the Court Improvement Projects Children's Commission, offsetting an equivalent decrease in Federal Funds; and
- a decrease of $0.1 million in General Revenue Funds for onetime funding for building security.

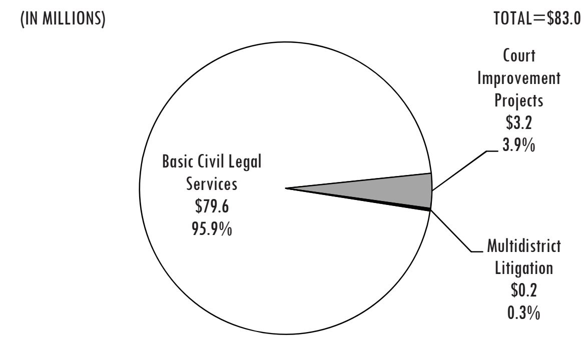
PROGRAMS

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. These responsibilities 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 is appropriated $12.9 million in All Funds and 68.0 full-time-equivalent (FTE) positions for Appellate Court Operations. This amount is a $16,000 decrease in All Funds, due to a decrease of $0.1 million in onetime General Revenue Funds provided for building security during the 2016–17 biennium and a $4,000 decrease in Other Funds from Judicial Fund No. 573 to reflect anticipated revenue decreases from Young Lawyers License Plate sales, offset by $100,000 in anticipated Judicial Fund No. 573 unexpended balances carried forward from fiscal year 2017 for the Supreme Court Support Fee. The Support Fee is a statutorily authorized $50 fee assessed on the filing of any application or proceeding in the state.

FIGURE 233
SUPREME COURT OF TEXAS COURT PROGRAMS
2018–19 BIENNIUM



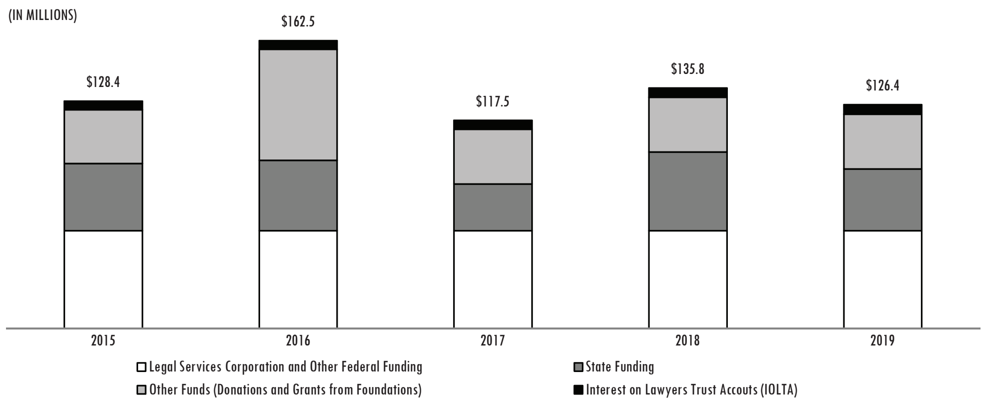
SOURCE: Legislative Budget Board.

COURT PROGRAMS

The Court Programs area provides funding for basic civil legal services for the indigent, court improvement projects, and multidistrict litigation costs, as shown in **Figure 233**.

Indigent civil legal services in Texas are provided through the Basic Civil Legal Services (BCLS) program, which is administered on behalf of the court by the Texas Access to Justice Foundation (TAJF). The BCLS program is funded from a variety of sources within and outside of the General Appropriations Act, which include state funds, federal funds, donations or grants from foundations, and other funding sources such as Interest on Lawyers Trust Accounts (IOLTA). TAJF is a nonprofit organization that manages grants to legal aid organizations with these funding sources. Using all

FIGURE 234
BASIC CIVIL LEGAL SERVICES FUNDING SOURCES, FISCAL YEARS 2015 TO 2019



NOTES:
(1) Amounts shown for fiscal years 2015 and 2016 are actual; amounts shown for fiscal years 2017 to 2019 are estimated.
(2) State funding includes appropriations from General Revenue Funds, General Revenue–Dedicated Funds, and Other Funds (Judicial Fund No. 573 and Interagency Contracts).
(3) Interest on Lawyers Trust Accounts estimates for fiscal years 2018 and 2019 are based on anticipated rates established by the Federal Reserve.
SOURCES: Legislative Budget Board; Texas Access to Justice Foundation.

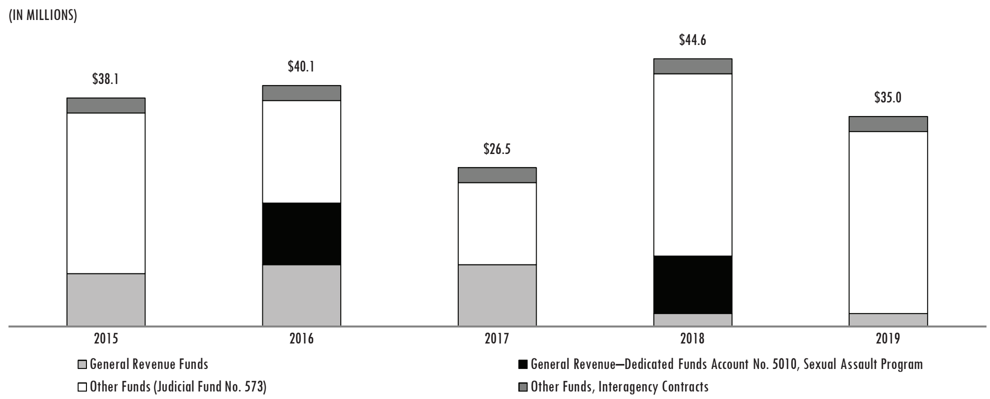
sources of funding, Texas legal aid organizations dispose of approximately 100,000 cases each fiscal year. For the 2018–19 biennium, TAJF estimates that funding will be made available to 29 legal aid providers. State funds contribute 30.4 percent of total BCLS funding. **Figure 234** shows annual funding for Basic Civil Legal Services from all these sources of funding from fiscal years 2015 to 2019.

The court is appropriated $79.6 million in All Funds for the BCLS program, which includes an increase of $13.3 million, or 20.1 percent. Total appropriations include $60.7 million in Other Funds from Judicial Fund No. 573, $9.6 million in General Revenue–Dedicated Funds from Account No. 5010, $4.2 million in General Revenue Funds, and $5.0 million in Interagency Contracts. General Revenue Funds appropriations also include $3.0 million to provide basic civil legal services to veterans and their families. Appropriations from Account No. 5010 for fiscal year 2018 total $9.6 million. **Figure 235** shows an annual breakdown of state funding by methods of finance from fiscal years 2015 to 2019. Increased appropriations include an additional $30.0 million in Other Funds from Judicial Fund No. 573 primarily from the settlement between the State of Texas and Volkswagen. This amount is offset by decreases of $16.3 million in General Revenue Funds and $0.4 million in General Revenue–Dedicated Funds from Account No. 5010. A portion of the decreases ($0.8 million in General Revenue Funds and $0.4 million in General Revenue–Dedicated Funds) include decreases equivalent to 4.0 percent of the 2016–17 biennial spending level. In addition, a decrease of $0.3 million in General Revenue Funds is attributed to contract cost-containment efforts.

Increased appropriations in Other Funds from Judicial Fund No. 573 include an additional $33.3 million in onetime civil penalties, which is part of the total $42.5 million in the Volkswagen settlement awarded to the court in December 2016. The court expected to spend $9.2 million from this award during the 2016–17 biennium. In addition, an anticipated $1.5 million increase in other revenues deposited to the account such as Pro Hac Vice and state bar membership fees offset a decrease of $4.8 million in other onetime civil penalties collected and expended during the 2016–17 biennium. All appropriations of Other Funds from Judicial Fund No. 573 are estimated, and any revenues deposited to the credit of the fund greater than the estimated amounts are appropriated automatically for the same purposes.

The Court Improvement Projects program includes the Permanent Judicial Commission for Children, Youth, and Families (Children's Commission). The Children's Commission supports the strengthening of courts for children, youth, and families in the child protection system through collaborative partnerships and is appropriated $3.2 million in All Funds and 9.0 FTE positions. This amount continues funding at 2016–17 biennial spending levels. Although the Children's Commission was funded fully with

FIGURE 235
BASIC CIVIL LEGAL SERVICES STATE FUNDING SOURCES, FISCAL YEARS 2015 TO 2019



NOTE: Amounts shown for fiscal years 2015 and 2016 are actual; amounts shown for fiscal years 2017 to 2019 are estimated.
SOURCE: Legislative Budget Board.

Federal Funds through the 2016–17 biennium, the 2018–19 biennial Federal Funds appropriations provide $1.2 million for operations. In anticipation of a $2.0 million decrease in Federal Funds for the 2018–19 biennium, the court is appropriated $2.0 million in General Revenue Funds to cover Children's Commission operating costs for the biennium.

For the 2018–19 biennium, the court's multidistrict litigation program is appropriated $0.2 million in General Revenue Funds for grants to trial courts and appellate courts for additional court staff and technology to handle multidistrict litigation cases such as asbestosis-related and silicosis-related cases. This amount continues funding at 2016–17 biennial spending levels.

Total appropriations for the Court Programs for the 2018–19 biennium include $83.0 million in All Funds and 9.0 FTE positions.

COURT OF CRIMINAL APPEALS

PURPOSE: The court has statewide final appellate jurisdiction in criminal cases, exclusive jurisdiction in death penalty cases, and the authority to issue writs; promulgates rules of evidence and appellate procedures for criminal cases; and makes grants to training entities that provide judicial education.

ESTABLISHED: 1891

AUTHORIZING STATUTE: The Texas Constitution, Article V, §4

GOVERNANCE: One Presiding Judge and eight judges elected to staggered six-year terms through statewide elections

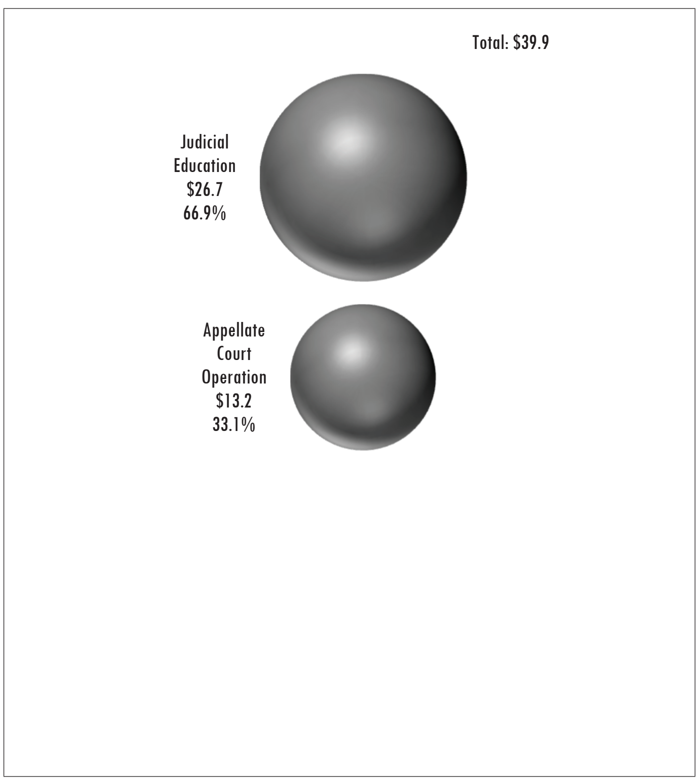
FIGURE 236
COURT OF CRIMINAL APPEALS BY METHOD OF FINANCE

(IN MILLIONS)

METHOD OF FINANCE	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$12.1	$12.8	$0.7	6.0%
General Revenue–Dedicated Funds	$19.6	$26.3	$6.8	34.5%
Federal Funds	$0.0	$0.0	$0.0	N/A
Other Funds	$0.7	$0.7	$0.0	0.0%
Total, All Methods of Finance	**$32.4**	**$39.9**	**$7.5**	**23.1%**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2018	71.0
2019	71.0

COURT PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

Appellate Court Operations appropriations increased by $0.3 million in General Revenue Funds for recording oral arguments and public meetings and making that information available on its website, pursuant to House Bill 214, Eighty-fifth Legislature, Regular Session, 2017.

Appropriations for Judicial Education increased by $0.4 million in General Revenue Funds for the continuing legal education, training, and programs for judges and court staff regarding **mental health issues and pretrial diversions**.

Appropriations for Judicial Education increased by a net $6.8 million in General Revenue–Dedicated Funds, pursuant to Senate Bill 42, Eighty-fifth Legislature, Regular Session, 2017, which established a new civil filing fee, and remaining 2016–17 biennial balances being offset by anticipated decreases in court cost revenue.

Source: Legislative Budget Board.

MAJOR FUNDING

Funding for the Court of Criminal Appeals increased by $7.5 million in All Funds from 2016–17 biennial spending levels, an increase of 23.1 percent. This amount includes General Revenue Fund increases of $0.7 million, of which $0.3 million is pursuant to the enactment of House Bill 214, Eighty-fifth Legislature, Regular Session, 2017, which requires the court to record its oral arguments and public meetings and make those available on the its website. The remaining $0.4 million is provided for continuing legal education, training, and programs for judges and court staff regarding mental health issues and pretrial diversion.

Appropriations from General Revenue–Dedicated Funds Account No. 540, Judicial and Court Personnel Training Fund (Account No. 540), include a net increase of $6.8 million, or 34.5 percent more than 2016–17 biennial spending levels for the Judicial Education program, due to the following:

- a $10.0 million increase pursuant to enactment of Senate Bill 42, Eighty-fifth Legislature, Regular Session, 2017, which authorized the establishment of a new civil filing fee to provide additional funding for grants to judicial education training entities that offer continuing legal education to judicial and court personnel;
- a $0.7 million increase from anticipated available balances remaining from the 2016–17 biennium; and
- a $4.0 million decrease due to anticipated decreases in court cost revenue;

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. These functions include 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 it chooses to review. The court is appropriated $13.2 million in All Funds and 69.0 full-time-equivalent (FTE) positions for this program area. This amount reflects an increase of $0.3 million compared to 2016–17 biennial spending levels for recording proceedings and making them available on the court's website, pursuant to House Bill 214.

JUDICIAL EDUCATION

The court administers a grant program to continue legal education and technical assistance for 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 funded mainly 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 is appropriated $26.7 million in All Funds and 2.0 FTE positions for the 2018–19 biennium. General Revenue–Dedicated Funds (Account No. 540) contribute 98.6 percent of the appropriations.

Appropriations include a net $6.8 million increase from 2016–17 biennial levels, which is due primarily to the enactment of Senate Bill 42, Eighty-fifth Legislature, Regular Session, 2017. The legislation authorized the establishment of a new civil filing fee, which is anticipated to generate $10.0 million in revenue to be credited to Account No. 540 for the purpose of funding court grants to judicial education training entities that offer continuing legal education to judicial and court personnel. In addition, $0.7 million is appropriated using anticipated available balances in Account No. 540 remaining from the 2016–17 biennium. These increases are offset by a $4.0 million decrease due to anticipated decreases in court cost revenue from 2016–17 biennial levels.

General Revenue Funds appropriations of $0.4 million are provided for the court to contract with statewide professional associations and other entities to provide continuing legal education, courses, and programs for judges and court staff regarding mental health issues and pretrial diversion. Expenditure of these funds may be withheld by the Comptroller of Public Accounts if the Legislative Budget Board provides notification that the court's planned expenditure does not satisfy the requirements set in the Eighty-fifth Legislature, General Appropriations Act, 2018–19 Biennium, Article IX, Section 10.04, Statewide Behavioral Health Strategic Plan and Coordinated Expenditures. This section provides direction and for what purposes recipient courts and agencies may expend these appropriations.

FIGURE 237
FISCAL YEAR 2018 JUDICIAL EDUCATION GRANT RECIPIENTS, AS OF SEPTEMBER 2017

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 40.0 % judicial functions
Texas Municipal Courts Education Center	Training for judges and clerks serving municipal courts. Of amounts provided, $413,000 is for the following purposes: • a grant to fund a part-time administrative assistant position to support expanding the center's judicial education services; • direct training costs for clinics for judges and court personnel regarding bail, fines, fees, requests for community service, jail commitments, and jail credit in cases involving indigents; and • development of a mentor program for new municipal court judges and webinars on legislative reform, bail, indigence, compliance, collections improvement programs, alternative sentencing, case flow management, and jail commitments.
Texas Justice Court Training Center	Training for justices of the peace, clerks, and constables serving justice of the peace courts. Of amounts provided, $262,000 is to fund a staff attorney position to support judicial education services and to provide training regarding indigent defendants and mental health.
Texas District and County Attorneys Association	Training for prosecutors, investigators, and other staff representing the government in district-level and county-level trial courts
Texas Criminal Defense Lawyers Association	Training for criminal defense attorneys that regularly represent 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.

The Eighty-fifth Legislature, Regular Session, 2017, prioritized grant funding from General Revenue–Dedicated Funds Account no. 540 for two additional areas. Of the total appropriation for judicial education, $0.3 million is designated for the court to provide grants for judicial education services and training on indigent defendants and mental health. The remaining $0.4 million is designated for judicial education services and training for new municipal court judges regarding court processes involving indigent defendants and webinars regarding legislative reform, bail, indigence, compliance, collections improvement programs, alternative sentencing, case flow management, and jail commitments. **Figure 237** shows grant recipients for fiscal year 2018.

SIGNIFICANT LEGISLATION

House Bill 214 – Recording of certain proceedings of the Texas Supreme Court and Court of Criminal Appeals. The legislation requires the recording of oral arguments and public meetings of the Texas Supreme Court and the Court of Criminal Appeals and the publication of the recordings on the courts' website.

Senate Bill 42 – Security of courts and judges. The legislation establishes a $5 civil filing fee upon the filing of any civil action or proceeding requiring a filing fee in a district, county, statutory county, statutory probate, or justice court. Revenue from this filing fee is deposited to the credit of the General Revenue–Dedicated Funds Account No. 540, Judicial and Court Personnel Training Fund. The legislation authorizes the Court of Criminal Appeals to grant legal funds to statewide professional associations and other entities that train individuals responsible for providing court security.

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

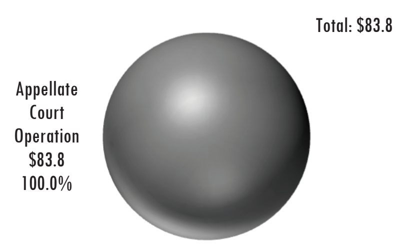
GOVERNANCE: Each court of appeals has from two to eight justices and one chief justice elected to six-year terms

FIGURE 238
COURTS OF APPEALS BY METHOD OF FINANCE

	(IN MILLIONS)			
METHOD OF FINANCE	**EXPENDED/ BUDGETED 2016–17**	**APPROPRIATED 2018–19**	**BIENNIAL CHANGE**	**PERCENTAGE CHANGE**
General Revenue Funds	$77.6	$77.8	$0.2	0.2%
General Revenue–Dedicated Funds	$0.0	$0.0	$0.0	N/A
Federal Funds	$0.0	$0.0	$0.0	N/A
Other Funds	$6.0	$6.0	$0.1	1.1%
Total, All Methods of Finance	**$83.6**	**$83.8**	**$0.2**	**0.3%**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2018	413.5
2019	413.5

COURT PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

Appropriations for the 14 Courts of Appeals include an **increase of $0.2 million in General Revenue Funds** to maintain funding for intermediate appellate court operations at 2016–17 biennial levels.

Appropriations provide for **80 justices (14 chief justices and 66 justices) and other necessary staff (413.5 full-time-equivalent positions)** to carry out intermediate appellate court operations.

Appropriations include a **$0.1 million increase in Other Funds** for additional information technology services to select courts through the Office of Court Administration, offset by anticipated decreases in copy fee revenue.

MAJOR FUNDING

Total appropriations across all 14 Courts of Appeals increased by $0.2 million in All Funds compared to 2016–17 biennial spending levels. This increase is due to an increase of $0.2 million in General Revenue Funds to maintain intermediate appellate court operations at 2016–17 biennial levels and an increase of $0.1 million in Interagency Contracts (Other Funds) due to increases in information technology support services provided by the Office of Court Administration through Interagency Contract with certain courts. This increase is offset by a decrease of $1,300 in General Revenue Funds for each Court of Appeals ($18,200 across all courts) for contract cost containment and anticipated decreases of $56,544 in Other Funds from Appropriated Receipts.

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 $83.8 million in All Funds and 413.5 full-time-equivalent positions for the 2018–19 biennium.

OFFICE OF COURT ADMINISTRATION, TEXAS JUDICIAL COUNCIL

PURPOSE: To provide resources and support to trial, appellate, and specialty courts, and to regulatory boards and policy-making bodies; and to provide information about the judicial branch to the legislative and executive branches, the judiciary, and the public.

ESTABLISHED: 1977

AUTHORIZING STATUTE: The Texas Government Code, Chapter 72

GOVERNANCE: Directed and supervised by the Supreme Court of Texas and the Chief Justice

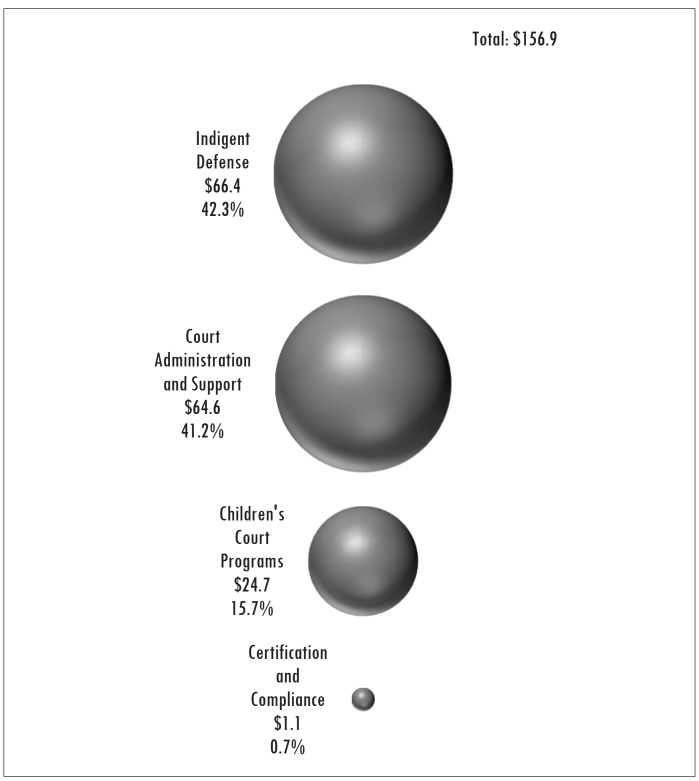
FIGURE 239
OFFICE OF COURT ADMINISTRATION, TEXAS JUDICIAL COUNCIL BY METHOD OF FINANCE

(IN MILLIONS)

METHOD OF FINANCE	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$40.3	$38.0	($2.2)	(5.5%)
General Revenue–Dedicated Funds	$109.7	$103.7	($6.0)	(5.5%)
Federal Funds	$0.1	$0.5	$0.4	683.2%
Other Funds	$12.1	$14.6	$2.5	20.5%
Total, All Methods of Finance	**$162.2**	**$156.9**	**($5.3)**	**(3.3%)**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2018	236.6
2019	236.6

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

Texas Indigent Defense Commission appropriations include a decrease of $5.3 million due to anticipated decreases in court cost revenue, decreases equivalent to 4.0 percent of 2016–17 biennial spending, an expiring Criminal Justice grant, and contract cost-containment efforts.

The Texas Forensic Science Commission is administratively attached to the Office of Court Administration, pursuant to Senate Bill 1124, Eighty-fifth Legislature, Regular Session, 2017, resulting in an **increase of $1.2 million**. The commission was previously attached to Sam Houston State University.

The Office of Court Administration is required to establish a Judicial Security Division, pursuant to Senate Bill 42, Eighty-fifth Legislature, Regular Session, 2017, resulting in an appropriations **increase of $0.2 million in General Revenue Funds**.

MAJOR FUNDING

Funding for the Office of Court Administration, Texas Judicial Council (OCA), decreased by $5.3 million, or 3.3 percent, in All Funds compared to 2016–17 biennial spending levels, primarily due to the following changes:

- a decrease of $4.0 million in All Funds for amounts submitted in the agency's 4.0 percent decrease related to funding for grants to counties to offset costs for providing indigent defense ($2.9 million in General Revenue-Dedicated Funds), an electronic filing system ($0.8 million in General Revenue–Dedicated Funds), and docket equalization and assistance to the administrative judicial regions ($0.3 million in General Revenue Funds);
- a decrease of $3.2 million in General Revenue Funds and 5.0 full-time-equivalent (FTE) positions due to the removal of onetime funding for the Legacy Technology Capital Project ($1.6 million), Centralized Accounting and Payroll/Personnel System deployment ($0.8 million), Guardianship Compliance Pilot Project ($0.6 million and 3.0 FTE positions), and the Timothy Cole Exoneration Review Commission ($0.2 million and 2.0 positions);
- a decrease of $2.4 million in General Revenue–Dedicated Funds for anticipated decreases in court cost revenue and contract cost-containment efforts for the Texas Indigent Defense Commission;
- an increase of $3.3 million in All Funds for grant-funded software projects, which include $0.5 million in Federal Funds from the U.S. Department of Justice to support identification of and suitable alternatives for defendants that lack an ability to pay fines, fees, and costs, and $2.7 million in Interagency Contracts from the Texas Department of Transportation for the eCitation System;
- an increase of $1.2 million in General Revenue Funds to fund the Texas Forensic Science Commission (TFSC), pursuant to the enactment of Senate Bill 1124, Eighty-fifth Legislature, Regular Session, 2017, which administratively attached TFSC to OCA from Sam Houston State University; and
- Senate Bill 1, Eighty-fifth Legislature, Regular Session, 2017, provided $5.0 million in General Revenue Funds for the Guardianship Compliance Project; this funding was removed due to its inclusion in the Governor's Veto Proclamation.

PROGRAMS

The agency carries out its responsibilities through four major program areas: (1) indigent defense, (2) court administration and support, (3) children's court programs, and (4) certification and compliance. Total appropriations to OCA for the 2018–19 biennium are $156.9 million in All Funds and provide for 236.6 full-time-equivalent (FTE) positions.

INDIGENT DEFENSE

The indigent defense program area includes the Texas Indigent Defense Commission (TIDC) program and the Innocence Project program. TIDC is 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. TIDC 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 include $65.2 million in All Funds, a decrease of $5.4 million, or 7.6 percent, compared to the 2016–17 biennial spending level and 11.0 FTE positions. This decrease is due to a combination of anticipated decreases in court cost revenue during the 2018–19 biennium, reductions for county grants submitted in TIDC's 4.0 percent reduction, expiration of grants from the Criminal Justice Division within the Office of the Governor, and contract cost-containment requirements. TIDC appropriations include $57.7 million in General Revenue–Dedicated Funds from Account No. 5073, Fair Defense (Account No. 5073), and $7.5 million in General Revenue Funds. Of this total, TIDC may allocate $2.3 million in funding from Account No. 5073 for administrative purposes. This amount is a $200,000 increase in additional administrative allocation authority from 2016–17 biennial levels.

General Revenue–Dedicated Funds appropriations include funding of $55.4 million for formula and discretionary grants to counties and indigent defense research and $2.3 million for TIDC administration. Of the total allocated for grants, TIDC is required to distribute $5.0 million, or 8.0 percent, to counties that implement cost-containment initiatives to limit cost increases for local indigent defense. In addition, TIDC is required to submit a report to the Legislature by December 2018 that provides details regarding the effectiveness of various cost-containment measures implemented by counties and that proposes additional measures to reduce county operating costs with respect to indigent defense. General Revenue Funds of $3.1 million are provided for the maintenance and operation of the Regional Public Defender Office for Capital Cases.

Formula grant distribution to counties considers factors such as county population and the county's portion of statewide expenditures for direct indigent defense during 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.

The Innocence Project program provides $1.2 million in General Revenue–Dedicated Funds from Account No. 5073 to six state law schools for the review by law school students of noncapital criminal case convictions, to research claims of actual innocence for wrongfully convicted individuals, and to identify reforms to improve criminal defense practices. These law schools include Texas Tech University, the University of Houston, the University of Texas at Austin, Texas Southern University, the University of North Texas, and Texas A&M University. Innocence Project program funding includes $100,000 per fiscal year for each of the six state law schools.

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 public. Services include 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 $6.0 million in General Revenue Funds for OCA administration and other activities that provide services and support to Texas courts. This amount is a net $0.7 million decrease in All Funds from 2016–17 biennial levels. The decrease is due primarily to removal of onetime funding for the Guardianship Compliance Project ($0.6 million in General Revenue Funds) and the Timothy Cole Exoneration Review Commission ($0.2 million in General Revenue Funds), offset by an increase of $0.2 million in General Revenue Funds and 1.0 FTE position to establish a Judicial Security Division. This division will serve as a central resource for information regarding court security and the safety of court personnel, with the appointment of a director to oversee the division, pursuant to Senate Bill 42, Eighty-fifth Legislature, Regular Session, 2017.

Funding appropriated to OCA is used to support several functions that relate to and support local and state courts. One such activity includes providing a court services consultant to assist a court or clerk's office in topics such as evaluating and implementing case management, administrative programs, and advising jury management. Another such function is the Texas Court Remote Interpreter Service, which provides free, licensed, court interpreter services to courts in Spanish via speakerphone or videoconferencing.

Through the Collection Improvement Program (CIP), the agency provides training and consultation for, and auditing of, county-level programs. These services include technical support at no cost to local jurisdictions. CIP programs are provided for local courts to manage cases wherein 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 and counties with a population of 100,000 or more are required to implement collection improvement programs based on OCA's model collections program. Appropriations for CIP include $1.0 million in General Revenue Funds and 14.0 FTE positions, which continues 2016–17 biennial spending levels.

OCA provides administrative assistants to two presiding judges of the administrative judicial regions through the Assistance to Administrative Judicial Regions program. Local governments reimburse OCA for these costs. The program is appropriated $0.3 million in All Funds and 2.0 FTE position for the 2018–19 biennium, a net decrease of $0.2 million in General Revenue Funds from 2016–17 biennial levels, offset by an increase of $85,675 in Appropriated Receipts. 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 is appropriated $10,000 in General Revenue Funds for the 2018–19 biennium, a decrease of $23,750 in General Revenue Funds from 2016–17 biennial spending levels.

The agency's information technology (IT) program provides support and service to Texas appellate courts, state judicial agencies, and the entities administratively attached to the agency. OCA is appropriated $11.4 million in All Funds and 26.4 FTE positions for IT for the 2018–19 biennium. This amount is a net $0.6 million increase from 2016–17 biennial spending levels. The increase is due primarily to a $2.4 million decrease in General Revenue Funds for onetime expenses during the 2016–17 biennium, offset by an increase of $2.8 million in Interagency Contracts for a Texas Department of Transportation grant for a statewide eCitation System grant.

Funding within the IT program also provides administrative support to the Judicial Committee on Information Technology. The committee is authorized statutorily to establish standards and guidelines for the systemic implementation and integration of technology in Texas' judicial system.

In addition, OCA manages a statewide electronic filing system through 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 2018–19 biennium, $44.7 million in General Revenue–Dedicated Funds from Account No. 5157, Statewide Electronic Filing System, is appropriated for this purpose. This amount is a $0.8 million decrease from 2016–17 biennial spending levels.

Senate Bill 1124, Eighty-fifth Legislature, Regular Session, 2017, administratively attached the Texas Forensic Science Commission (TFSC) to OCA. TFSC investigates allegations of professional negligence or professional misconduct that could affect the integrity of the results of a forensic analysis conducted by an accredited laboratory. TFSC is appropriated $1.2 million in General Revenue Funds and 3.0 FTE positions previously appropriated to Sam Houston State University. In addition, OCA is appropriated $70,000 for fiscal year 2019 from new fees collected from the issuance or renewal of forensic analyst licenses. This appropriation is pursuant to Senate Bill 298, Eighty-fifth Legislature, Regular Session, 2017, which established the General Revenue–Dedicated Funds Account No. 5173, Texas Forensic Science Commission Operating Account.

Total appropriations for the court administration and support program area for the 2018–19 biennium include $24.7 million in All Funds and 79.3 FTE positions.

CHILDREN'S COURT PROGRAMS

The children's courts program area includes the child protection courts and child support courts programs, which fund the operation and maintenance of these courts. OCA's children's 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 2018–19 biennium include $15.9 million in All Funds and 88.4 FTE positions. This amount includes $10.5 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 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 2018–19 biennium include $8.8 million in General Revenue Funds and 49.0 FTE positions. Total appropriations for OCA's children's courts programs for the 2018–19 biennium include $24.7 million and 137.4 positions.

CERTIFICATION AND COMPLIANCE

OCA oversees the certification, registration, and licensing of court reporters, guardians, process servers, and licensed court interpreters through the Judicial Branch Certification Commission (JBCC) program in the certification and compliance program area. JBCC includes 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 that JBCC oversees. OCA staff provide administrative support for JBCC. Appropriations for the 2018–19 biennium for the certification and compliance program area total $1.1 million in General Revenue Funds and 8.9 FTE positions.

SIGNIFICANT LEGISLATION

Senate Bill 42 – Security of Courts and Judges. The legislation requires the agency to establish a Judicial

Security Division to serve as a central resource for information regarding court security and the safety of court personnel, and requires the agency to appoint a director to oversee the division.

Senate Bill 298 – Texas Forensic Science Commission Operating Account. The legislation establishes the Texas Forensic Science Commission Operating Account as a General Revenue–Dedicated account into which account fees collected from the issuance or renewal of forensic analyst licenses are deposited.

Senate Bill 1124 – Forensic Science Commission. The legislation administratively attaches the Texas Forensic Science Commission to the Office of Court Administration.

Senate Bill 2053 – Consolidated Court Cost. The legislation changes the distribution of consolidated court cost revenues by removing two General Revenue–Dedicated accounts, including the Account No. 5011, Abused Children's Counseling, and Account No. 107, Comprehensive Rehabilitation, from the accounts that receive revenue from the consolidated court cost. The legislation reallocates revenues previously directed to those accounts to the General Revenue–Dedicated Account No. 5073, Fair Defense.

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

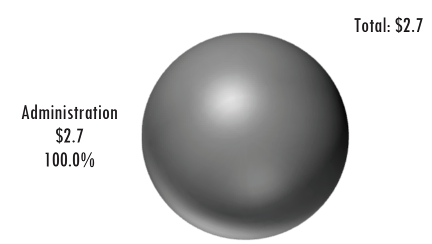
FIGURE 240
OFFICE OF CAPITAL AND FORENSIC WRITS BY METHOD OF FINANCE

(IN MILLIONS)

METHOD OF FINANCE	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$0.0	$0.0	$0.0	N/A
General Revenue–Dedicated Funds	$2.8	$2.7	($0.1)	(4.2%)
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	**$2.8**	**$2.7**	**($0.1)**	**(4.2%)**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2018	16.5
2019	16.5

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

Administration appropriations decreased by $0.1 million for decreases in expert witness funding and required contract cost-containment efforts.

Source: Legislative Budget Board.

MAJOR FUNDING

Appropriations to the Office of Capital and Forensic Writs (OCFW) for the 2018–19 biennium decreased by approximately $116,000 in General Revenue–Dedicated Funds from Account No. 5073, or 4.2 percent, from 2016–17 biennial spending levels. This decrease includes decreases for expert witness funding and contract cost-containment requirements.

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. OCFW develops these writs and files them 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 that are proposed by counsel and entered by the court are transmitted to the Court of Criminal Appeals for review.

The OCFW was appropriated $2.7 million in General Revenue–Dedicated Funds from Account No. 5073, Fair Defense, and 16.5 full-time-equivalent positions for the 2018–19 biennium.

OFFICE OF THE STATE PROSECUTING ATTORNEY

PURPOSE: The Office of the State Prosecuting Attorney (OSPA) represents the state in all proceedings conducted by the Court of Criminal Appeals. OSPA may also represent the state in any stage of a criminal case presented to a Court of Appeals if considered necessary for the interest of the state, and it may assist or be assisted by a district or county attorney in representing the state to a Court of Appeals.

ESTABLISHED: 1923

AUTHORIZING STATUTE: The Texas Government Code, Chapter 42

GOVERNANCE: Appointed by the Court of Criminal Appeals

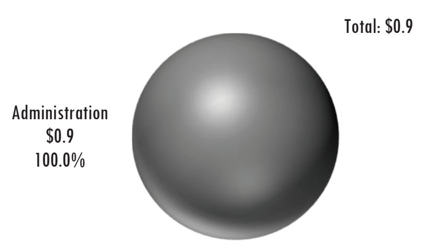
FIGURE 241
OFFICE OF THE STATE PROSECUTING ATTORNEY BY METHOD OF FINANCE

(IN MILLIONS)

METHOD OF FINANCE	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$0.8	$0.8	($0.0)	(0.0%)
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	**$0.9**	**$0.9**	**($0.0)**	**(0.0%)**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2018	4.0
2019	4.0

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

OSPA anticipates that **17 petitions for discretionary review will be granted by the Court of Criminal Appeals** during each fiscal year of the 2018–19 biennium.

MAJOR FUNDING

All Funds appropriations for the Office of the State Prosecuting Attorney (OSPA) decreased by $250 from 2016–17 biennial spending levels due to contract cost-containment requirements. In addition, the salary cap for the State Prosecuting Attorney increased from $143,500 to $152,843, with corresponding increases in benefits, effective September 1, 2017.

PROGRAMS

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 state's interest. This representation can include the filing of petitions for discretionary review in 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 CCA has discretion to grant or deny the appeal. If granted, CCA will order the state and defendant to file briefs and may grant oral argument. CCA then issues 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. OSPA also can become involved in local and county cases as necessary to advance the state's interests.

OSPA was appropriated $0.9 million in All Funds and 4.0 full-time-equivalent positions for the 2018–19 biennium.

STATE LAW LIBRARY

PURPOSE: Maintains a legal reference facility for use by the Supreme Court of Texas, the Court of Criminal Appeals, the Office of the Attorney General, other state agencies, and Texas residents.

ESTABLISHED: 1971

AUTHORIZING STATUTE: The Texas Government Code, Chapter 91

GOVERNANCE: Board composed of representatives for the Chief Justice of the Supreme Court, the Presiding Judge of the Court of Criminal Appeals, and the Attorney General

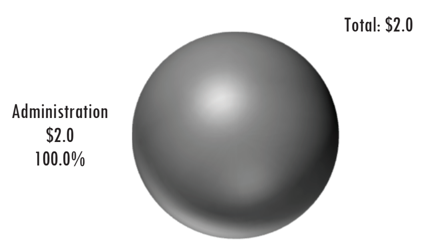
FIGURE 242
STATE LAW LIBRARY BY METHOD OF FINANCE

(IN MILLIONS)

METHOD OF FINANCE	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$2.1	$2.0	($0.1)	(4.3%)
General Revenue–Dedicated Funds	$0.0	$0.0	$0.0	N/A
Federal Funds	$0.0	$0.0	$0.0	N/A
Other Funds	$0.0	$0.0	($0.0)	(38.9%)
Total, All Methods of Finance	**$2.1**	**$2.0**	**($0.1)**	**(5.0%)**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2018	12.0
2019	12.0

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

Appropriations decreased by $0.1 million in All Funds for decreases in printed legal reference material and savings from contract cost containment.

Appropriations for digital and print materials total $0.7 million, or 35.9 percent, of the agency's All Funds appropriations for the 2018–19 biennium.

MAJOR FUNDING

State Law Library funding includes a decrease of $105,499 in All Funds, or 5.0 percent, from the 2016–17 biennial spending levels. This decrease includes $88,955 in General Revenue Funds for printed legal reference material and required contract cost containment. This amount also includes decreases of $16,544 in Appropriated Receipts and Interagency Contracts, due to fewer requests for duplication services for inmates and fewer requests from state agencies for document delivery and library services.

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 patrons' reference questions. 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 the 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 to locate legal reference material and answering questions. In addition, library staff prepare topical guides regarding specific sections of the law, maintain and enhance the library's website, and provide training for library patrons to conduct legal research. The library also provides incarcerated offenders within the Texas Department of Criminal Justice and their families with reference and copy services for fees. This service includes providing 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 users can access the library's online legal databases covering case law, statutes, and administrative regulations.

The State Law Library is appropriated $2.0 million in All Funds and 12.0 full-time-equivalent positions for the 2018–19 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

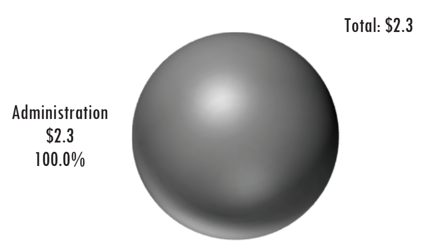
FIGURE 243
STATE COMMISSION ON JUDICIAL CONDUCT BY METHOD OF FINANCE

(IN MILLIONS)

METHOD OF FINANCE	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$2.3	$2.3	$0.0	0.3%
General Revenue–Dedicated Funds	$0.0	$0.0	$0.0	N/A
Federal Funds	$0.0	$0.0	$0.0	N/A
Other Funds	$0.0	$0.0	$0.0	N/A
Total, All Methods of Finance	**$2.3**	**$2.3**	**$0.0**	**0.3%**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2018	14.0
2019	14.0

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

The State Commission on Judicial Conduct anticipates that it will dispose of 1,200 cases alleging judicial misconduct or incapacity during each year of the 2018–19 biennium.

Source: Legislative Budget Board.

MAJOR FUNDING

Appropriations for agency operations increased by $5,750 in General Revenue Funds, or 0.3 percent, from 2016–17 biennial spending levels. This increase includes funding for a subscription to an online records publisher to access case files and savings from contract cost-containment requirements.

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. After an investigation, SCJC can dismiss the complaint or issue an order of additional education, suspension, or private or public sanction; or the judge may resign in lieu of disciplinary action. The judge may appeal any of these decisions 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. After the notice of formal charges, a fact-finding hearing is conducted by either SCJC or a special master appointed by the Supreme Court of Texas.

After 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 is appropriated $2.3 million in General Revenue Funds and 14.0 full-time-equivalent positions for the 2018–19 biennium.

JUDICIARY SECTION, COMPTROLLER'S DEPARTMENT

PURPOSE: The Judiciary Section of the Comptroller's Department (Texas Comptroller of Public Accounts) manages judicial branch expenditures required by statute, including compensation and payments to district judges, county-level judges, and local prosecutors, including the Special Prosecution Unit headquartered in Walker County. Special programs include reimbursements to counties for juror pay and certain witness expenses.

ESTABLISHED: 1835

AUTHORIZING STATUTE: Various chapters of the Texas Government Code and the Texas Code of Criminal Procedure

GOVERNANCE: Appropriations at the Comptroller of Public Accounts fund the direct costs of administering judicial branch payments

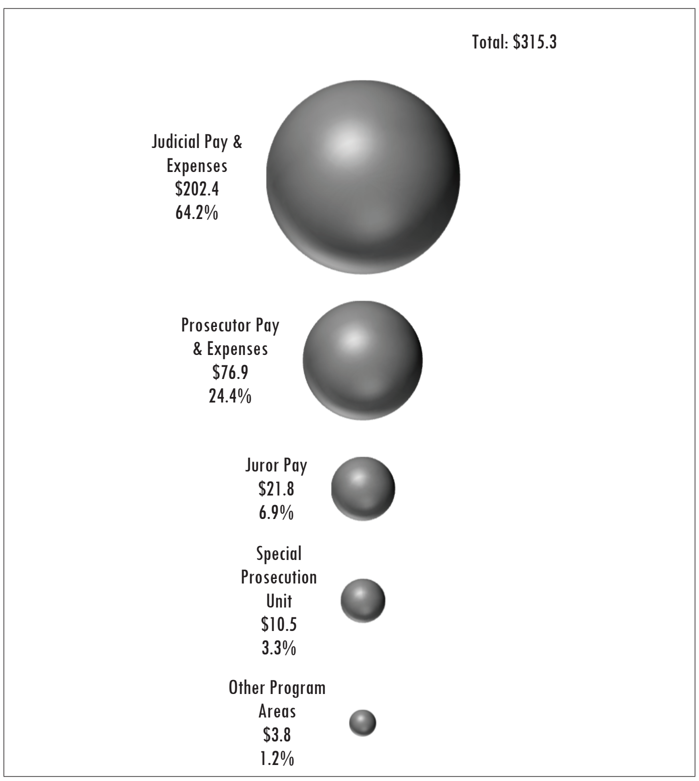
FIGURE 244
JUDICIARY SECTION, COMPTROLLER'S DEPARTMENT BY METHOD OF FINANCE

(IN MILLIONS)

METHOD OF FINANCE	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$199.5	$200.9	$1.4	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	$113.9	$114.4	$0.5	0.4%
Total, All Methods of Finance	**$313.5**	**$315.3**	**$1.8**	**0.6%**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2018	629.0
2019	632.2

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



Source: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

Five new district courts and three new statutory county courts will be established during the 2018–19 biennium, pursuant to Senate Bill 1329, Eighty-fifth Legislature, Regular Session, 2017, resulting in an appropriations increase of $1.4 million in General Revenue Funds.

MAJOR FUNDING

Appropriations for the Judiciary Section, Comptroller's Department, increased by $1.8 million, or 0.6 percent, in All Funds compared to 2016–17 biennial spending levels. This amount consists primarily of funding increases of $1.4 million in General Revenue Funds to establish additional district courts and county courts at law pursuant to Senate Bill 1329, Eighty-fifth Legislature, Regular Session, 2017. Appropriations also include $0.7 million in All Funds for the biennialization of costs for new courts and professional prosecutors, pursuant to Senate Bill 1139, 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 $114.4 million in Other Funds, or 36.3 percent of total appropriations, which support most programs, shown in **Figure 245**. Revenue from the Judicial Fund ($102.2 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.

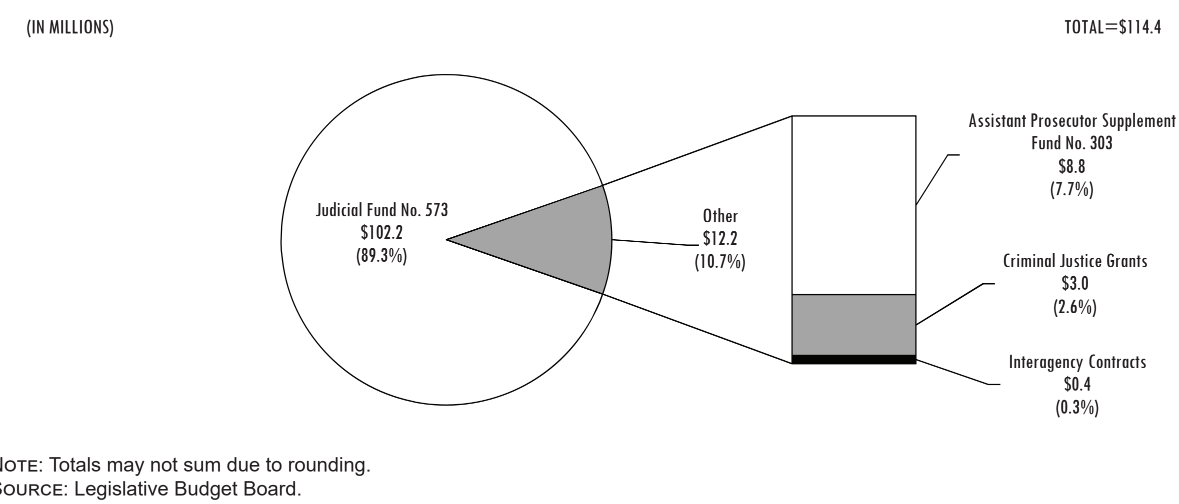
JUDICIAL PAY AND EXPENSES

Appropriations for judicial salaries and payments total $202.4 million in All Funds and include $147.0 million for salaries of 473 district judges authorized by statute by the end of the 2018–19 biennium. District courts serve as the primary trial courts in the state, handling civil and criminal cases. The state salary for a district court judge is $140,000. Senate Bill 1329 establishes five new district courts and three new statutory county courts during the biennium ($1.4 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 multidistrict litigation involving claims for asbestos-related 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.

Appropriations for county-level judicial salary supplements total $55.4 million in All Funds. Approximately 216 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 that is 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 261 statutory county courts and statutory probate courts were in operation as of September 1, 2017.

FIGURE 245
JUDICIARY SECTION, COMPTROLLER'S DEPARTMENT, OTHER FUNDS APPROPRIATIONS
2018–19 BIENNIUM



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

PROSECUTOR PAY AND EXPENSES

Prosecutor salaries and payments appropriations of $76.9 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. For the 2018–19 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.

Salary supplements are also provided to constitutional county attorneys that do not have general felony jurisdiction and that 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 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. For the 2018–19 biennium, the minimum and maximum state salary supplements for qualifying county attorneys are $23,333 ($140,000/6) and $70,000 ($140,000/2).

Other payments to prosecutors total $8.7 million in General Revenue Funds 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-fifth Legislature, Regular Session, 2017, provides $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.

JUROR PAY

By law, counties pay jurors $40 or more per day after the first day of service, and the state reimburses counties for $34 of the amount. Program appropriations for the 2018–19 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-related or parking-related offenses. Counties forward collections to the Comptroller of Public Accounts, which quarterly reimburses counties.

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 Texas Department of Criminal Justice prison system. The Juvenile Division prosecutes criminal offenses or delinquent conduct committed within Texas Juvenile Justice Department facilities. The Civil Division assists local county prosecutors with the initiation of civil commitments of sexually violent predators. Appropriations for SPU total $10.5 million for the 2018-19 biennium. SPU received a net decrease of $89,356, or 0.9 percent, in General Revenue Funds from 2016–17 biennial spending levels, primarily due to 4.0 percent spending decreases offset by increases for county-forecasted benefits expenses, executive director compensation, and rental lease payments.

OTHER PROGRAM AREAS

Appropriations for other program areas in the Judiciary Section total $3.8 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). In response to changes required by Senate Bill 746, Eighty-fourth Legislature, 2015, 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 eliminated through a decrease of $0.1 million in General Revenue Funds.

SIGNIFICANT LEGISLATION

Senate Bill 1329 – Establishment of new district courts and county-level courts. The legislation establishes two additional district courts during fiscal year 2018 and three additional district courts during fiscal year 2019. These courts join 468 courts in operation effective September 1, 2017. The legislation also establishes two county-level courts during fiscal year 2018 and one during fiscal year 2019.

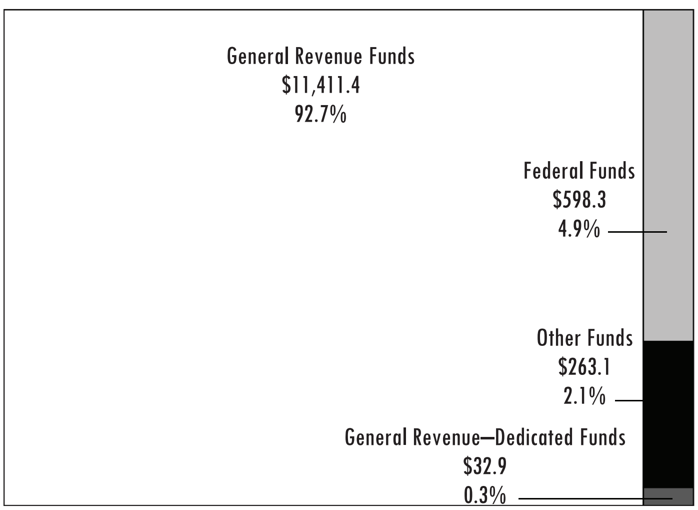
8. PUBLIC SAFETY AND CRIMINAL JUSTICE

Public safety and criminal justice agencies are funded in Article V of the General Appropriations Act and provide an array of services to ensure the safety and security of Texans. Those services include the adult and juvenile corrections systems (community supervision, incarceration, and parole services), law enforcement and highway patrol, the Texas military forces, and driver license processing. Additional services provided include county jail regulation, law enforcement officer training and licensing, alcoholic beverage industry oversight, and fire fighter certification. Border security is coordinated among several Article V agencies and agencies in other articles of government. Public safety and criminal justice agencies are funded primarily with General Revenue Funds.

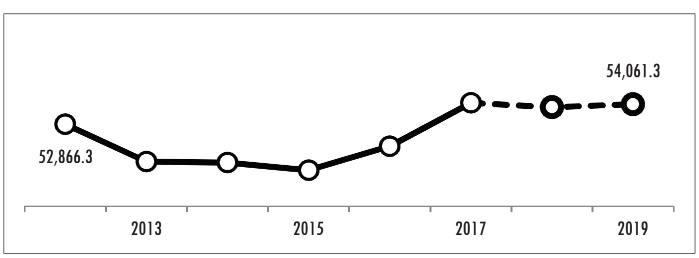
FIGURE 246
ARTICLE V – PUBLIC SAFETY AND CRIMINAL JUSTICE, BY METHOD OF FINANCE

	(IN MILLIONS)			
METHOD OF FINANCE	EXPENDED/BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$11,606.6	$11,411.4	($195.3)	(1.7%)
General Revenue–Dedicated Funds	$132.2	$32.9	($99.2)	(75.1%)
Federal Funds	$647.0	$598.3	($48.7)	(7.5%)
Other Funds	$189.6	$263.1	$73.4	38.7%
Total, All Methods of Finance	**$12,575.4**	**$12,305.7**	**($269.8)**	**(2.1%)**

SHARE OF FUNDING BY METHOD OF FINANCE (IN MILLIONS)



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 $694.3 million, including $97.1 million for 250 additional troopers and associated support staff in the border region.

Correctional Managed Health Care for Incarcerated Offenders is appropriated $1.1 billion in General Revenue Funds to the Texas Department of Criminal Justice, a decrease of $70.4 million as the result of cost-containment initiatives adopted by the Eighty-fifth Legislature, Regular Session, 2017.

Juvenile Justice Regional Diversion Alternatives are appropriated $18.3 million in General Revenue Funds, an increase of $8.7 million. This program was initiated during fiscal year 2016 and is intended to decrease the number of juvenile offenders committed to state facilities (Texas Juvenile Justice Department).

Appropriations of **$80.4 million from the Economic Stabilization Fund are appropriated in Article V for deferred maintenance projects:** Department of Criminal Justice ($40.0 million), Military Department ($16.3 million), Juvenile Justice Department ($12.1 million), and Department of Public Safety ($12.0 million).

NOTES: Excludes Interagency Contracts. Full-time-equivalent positions show actual positions for fiscal years 2012 to 2017 and appropriated positions for fiscal years 2018 and 2019.
SOURCES: Legislative Budget Board; State Auditor's Office.

FIGURE 247
ARTICLE V – PUBLIC SAFETY AND CRIMINAL JUSTICE APPROPRIATIONS BY AGENCY, ALL FUNDS

(IN MILLIONS)

FUNCTION	ESTIMATED/BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE
Alcoholic Beverage Commission	$101.4	$97.7	($3.6)	(3.6%)
Department of Criminal Justice	$6,902.5	$6,617.1	($285.4)	(4.1%)
Commission on Fire Protection	$4.1	$3.9	($0.2)	(4.6%)
Commission on Jail Standards	$1.9	$3.7	$1.8	92.7%
Juvenile Justice Department	$654.1	$663.9	$9.8	1.5%
Commission on Law Enforcement	$7.8	$7.4	($0.4)	(5.0%)
Military Department	$227.3	$179.3	($48.1)	(21.1%)
Department of Public Safety	$2,582.2	$2,410.8	($171.4)	(6.6%)
Subtotal, Public Safety and Criminal Justice	**$10,481.4**	**$9,984.0**	**($497.4)**	**(4.7%)**
Employee Benefits and Debt Service	$2,257.2	$2,455.5	$198.2	8.8%
Less Interagency Contracts	$163.1	$133.8	($29.4)	(18.0%)
Total, All Functions	**$12,575.4**	**$12,305.7**	**($269.8)**	**(2.1%)**

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

BORDER SECURITY

The total General Revenue Funds and General Revenue–Dedicated Funds cross-article appropriation for border security is $800.0 million for the 2018–19 biennium. The Department of Public Safety (DPS) is appropriated $694.3 million, which represents a decrease of $55.5 million from the 2016–17 biennium, and includes the following: 250 additional troopers and associated support staff, a 10-hour workday for all troopers, a law enforcement center in Penitas, and ongoing costs for a variety of border-related initiatives. The Texas Alcoholic Beverage Commission, Texas Department of Criminal Justice (TDCJ), and Texas Commission on Law Enforcement also are appropriated border security funding along with the Trusteed Programs within the Office of the Governor, Texas Parks and Wildlife Department, Office of the Attorney General, Texas Soil and Water Conservation Board, and Department of Motor Vehicles.

CORRECTIONAL MANAGED HEALTH CARE

Appropriations for Correctional Managed Health Care at TDCJ total $1,117.0 million in General Revenue Funds for the 2018–19 biennium. This amount represents a decrease of $70.4 million from the 2016–17 biennial expenditure levels. Cost-containment strategies include the expansion of unit infirmaries, salary increases for unit nursing staff, a decrease related to changing the methodology used to reimburse Hospital Galveston, and a cap of 2.75 percent on indirect administrative charges at university providers. 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 and the Texas Tech University Health Sciences Center. Partially offsetting cost-containment savings are increased costs due primarily to the fact that offenders incarcerated in TDCJ often have serious illnesses that require specialized healthcare and due to the aging offender population.

JUVENILE JUSTICE

Appropriations for the Texas Juvenile Justice Department (TJJD) total $663.9 million in All Funds, which represents an increase of $9.8 million compared to the 2016–17 expenditure level. The $9.8 million increase in All Funds is primarily the result of an increase of $12.1 million from the Economic Stabilization Fund for critical health and safety repair projects at TJJD facilities and an increase of $5.1

million in General Revenue Funds, attributed to biennialization of the Regional Diversion Alternatives Program, additional mental health and reentry services, and funding alignment with juvenile population projections. These increases are offset by a $7.4 million decrease in General Obligation Bond Proceeds and an agency-estimated Federal Funds decrease of $0.7 million.

The Eighty-fourth Legislature, Regular Session, 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 Eighty-fifth Legislature, Regular Session, 2017, continued this initiative and increased appropriations by $7.9 million to biennialize funding. 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 decreased steadily during recent biennia. Projections for fiscal years 2018 and 2019 include the following:

- the state residential population projection is 1,373 for fiscal year 2018 and 1,374 for fiscal year 2019;
- the parole population projection is 417 for fiscal year 2018 and 406 for fiscal year 2019; and
- the juvenile supervision population projection is 20,128 for fiscal year 2018 and 20,205 for fiscal year 2019.

ADULT CRIMINAL JUSTICE

Adult correctional population projections represent the average end-of-month population counts and are calculated for certain adult populations:

- the adult incarceration population projection is 147,256 for fiscal year 2018 and 147,175 for fiscal year 2019;
- the projected end-of-month average number of offenders in active parole supervision is 87,212 for fiscal year 2018 and 87,119 offenders for fiscal year 2019;
- the projected average number of felons on community supervision is 155,551 for fiscal year 2018 and 155,440 for fiscal year 2019; and
- the projected number of misdemeanor community supervision placements is 86,478 for fiscal year 2018 and 83,539 for fiscal year 2019.

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

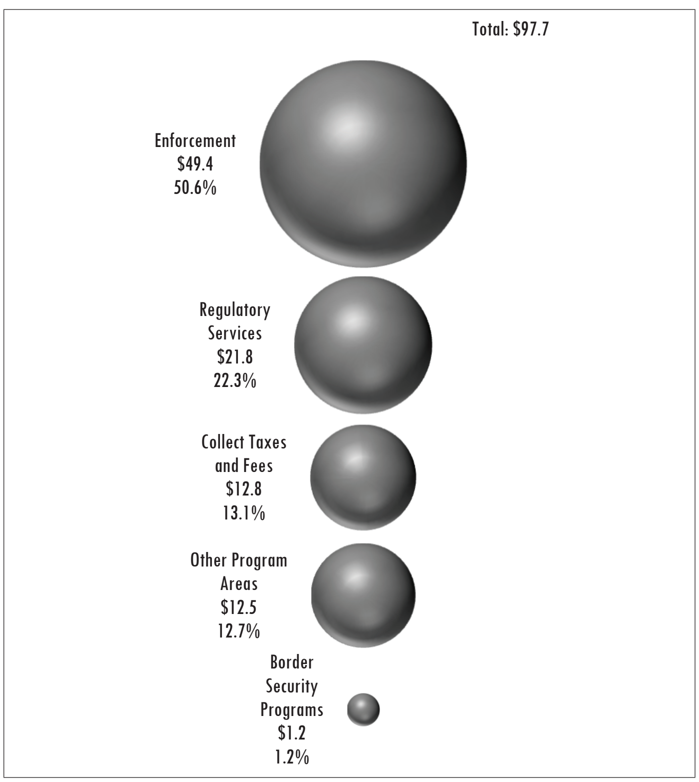
FIGURE 248
ALCOHOLIC BEVERAGE COMMISSION BY METHOD OF FINANCE

(IN MILLIONS)

METHOD OF FINANCE	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$100.0	$96.2	($3.8)	(3.8%)
General Revenue–Dedicated Funds	$0.0	$0.0	$0.0	N/A
Federal Funds	$0.8	$1.0	$0.2	23.2%
Other Funds	$0.6	$0.5	($0.1)	(9.2%)
Total, All Methods of Finance	**$101.4**	**$97.7**	**($3.6)**	**(3.6%)**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2018	635.0
2019	635.0

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



Source: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

Appropriations of $6.9 million are provided for six Special Investigations Unit agents and baseline expenditures in the border region. The Special Investigations Unit is a program within the enforcement program area.

The Texas Alcoholic Beverage Commission (TABC) auditors took **11,547 compliance or administrative actions during fiscal year 2017**, the result of 24,252 inspections, 1,600 audits or analyses, and 55,171 cash law and credit law notices of default.

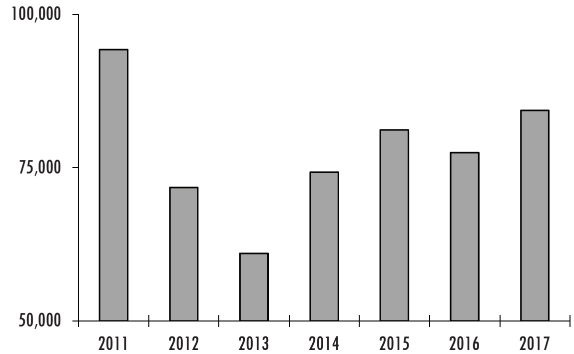
During fiscal year 2017, **TABC collected $226.2 million in taxes, $39.9 million in license fees, $24.7 million in license surcharges, and $5.8 million in other collections for a total of $302.5 million.** Collections also included $6.0 million at ports of entry.

TABC is **prohibited from using appropriations to attend events, trainings, conferences, classes, or similar activities outside the state or for other travel outside the state,** other than for documented law enforcement or investigative activities.

MAJOR FUNDING

Appropriations for the 2018–19 biennium include a decrease of $3.8 million in General Revenue Funds from the 2016–17 biennial expenditure level, primarily as the result of the following initiatives: decreases of $4.0 million and four full-time-equivalent (FTE) enforcement positions primarily for enforcement activities, including legal costs and capital equipment; $0.2 million and 1.0 FTE position for onetime Centralized Accounting and Payroll/Personnel Systems (CAPPS) deployment costs from the 2016–17 biennium; and $0.2 million for contract costs containment. These decreases are offset primarily by increases for the following initiatives: $0.6 million for data center services and $0.2 million and 1.0 FTE position for CAPPS human resources deployment.

FIGURE 249
INSPECTIONS CONDUCTED BY TEXAS ALCOHOLIC BEVERAGE COMMISSION ENFORCEMENT AGENTS
FISCAL YEARS 2011 TO 2017



SOURCE: Texas Alcoholic Beverage Commission.

PROGRAMS

The Texas Alcoholic Beverage Commission (TABC) carries out its responsibilities through four primary program areas: (1) enforcement of state law, (2) border security, (3) regulatory services, and (4) collection of taxes and fees. The enforcement of state law program area includes the Enforcement Division, the Financial Crimes Unit (FCU), and the Special Investigations Unit (SIU). 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 233 commissioned law enforcement officers, primarily 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 that they are licensed properly and that they conform to the administrative and criminal law enforcement provisions of the Texas Alcoholic Beverage Code. **Figure 249** shows the actual performance for the number of inspections conducted from fiscal years 2011 to 2017.

FCU employs five commissioned peace officers who investigate financially related crimes including money laundering, tax fraud, and other organized financial crimes. TABC established FCU in fiscal year 2013 to identify and investigate financial crimes committed at licensed locations.

SIU employs 18 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 SIU in fiscal year 2013 to identify and investigate habitual patterns of at-risk behavior of persons and entities at licensed locations. Of the 18 commissioned SIU peace officers, six are assigned to the border security program in the border region to assist in the deterrence of crimes in accordance with the border security initiative. The Eighty-fifth Legislature, General Appropriations Act, 2018–19 Biennium, Article IX, Section 7.11, requires TABC to report border security-related expenditure and performance data to the Legislative Budget Board twice each fiscal year.

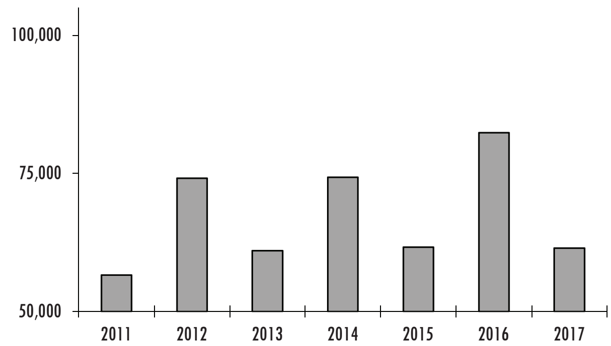
Appropriations for enforcement and border security program areas for the 2018–19 biennium total $50.6 million (primarily General Revenue Funds) and provide for 282.5 FTE positions.

The regulatory services program area includes the licensing, regulatory compliance, and education and prevention programs. The Licensing Division 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 regulatory compliance and education and prevention programs conduct other regulatory responsibilities at TABC. Through these programs, TABC develops training and educational materials for stakeholders and conducts inspections, fee analyses, and other financial reviews to prevent fraud and to ensure compliance with the Texas Alcoholic Beverage Code. Appropriations for the regulatory services program area total $21.8 million for the 2018–19 biennium.

Figure 250 shows the actual performance for the number of alcoholic beverage licenses and permits issued from fiscal years 2011 to 2017. An increase in application volume and a backlog of renewal applications from fiscal year 2015 resulted in a greater number of licenses and permits issued during fiscal year 2016.

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 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. During fiscal year 2017, TABC collected $302.5 million in fees, taxes, and other revenue, most of which is deposited to the Treasury. Appropriations for the taxes and fees collection program area total $12.8 million for the 2018–19 biennium.

FIGURE 250
ALCOHOLIC BEVERAGE LICENSES AND PERMITS ISSUED
FISCAL YEARS 2011 TO 2017



SOURCE: Texas Alcoholic Beverage Commission.

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

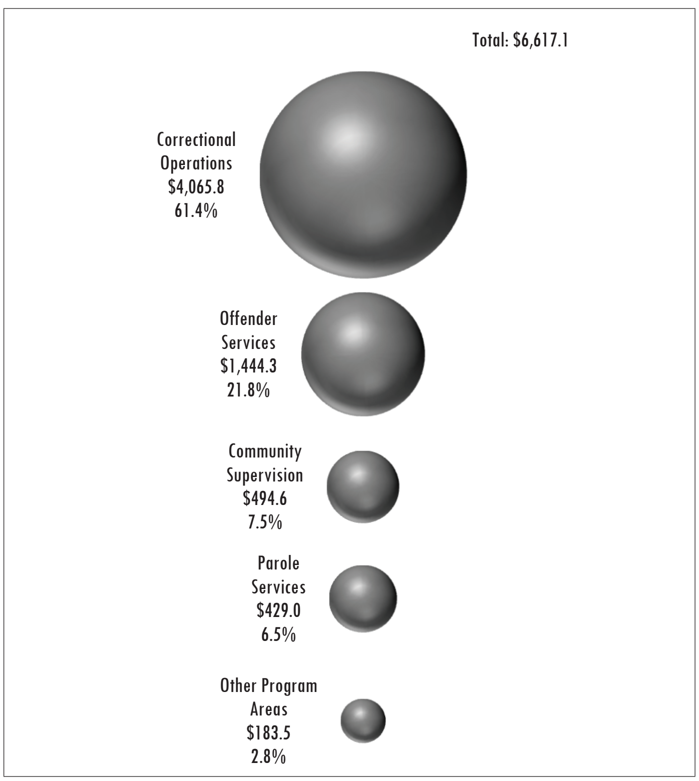
GOVERNANCE: Nine-member board appointed by the Governor with the advice and consent of the Senate

FIGURE 251
DEPARTMENT OF CRIMINAL JUSTICE BY METHOD OF FINANCE

	(IN MILLIONS)			
METHOD OF FINANCE	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$6,683.4	$6,417.4	($266.0)	(4.0%)
General Revenue–Dedicated Funds	$60.4	$0.4	($60.0)	(99.4%)
Federal Funds	$18.8	$18.2	($0.7)	(3.5%)
Other Funds	$139.9	$181.2	$41.2	29.5%
Total, All Methods of Finance	**$6,902.5**	**$6,617.1**	**($285.4)**	**(4.1%)**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2018	39,453.8
2019	39,450.6

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

Funding for Community Supervision and Corrections Departments' health insurance was transferred to the Employees Retirement System, resulting in a $128.6 million decrease in General Revenue Funds.

Correctional Managed Health Care funding totals $1.1 billion in General Revenue Funds, a decrease **of $70.4 million.** Cost-containment strategies increase unit capacity, retain staff, and modify hospital reimbursement methodology.

Appropriations decreased by $49.5 million as the result of the closure of five correctional facilities. The agency operates 104 correctional units statewide.

Appropriations for community supervision and parole decreased by $7.9 million to align with 2018–19 biennial population projections.

SOURCE: Legislative Budget Board.

MAJOR FUNDING

The 2018–19 biennial All Funds appropriation for the Department of Criminal Justice (TDCJ) represents a net decrease of $285.4 million from the 2016–17 biennial expenditure level. Significant funding changes include the following:

- a $128.6 million decrease for the transfer of state contributions for the Community Supervision and Corrections Departments health insurance to the Employees Retirement System (ERS);
- a $40.0 million for deferred maintenance, a $20.0 million decrease from 2016–17 biennial levels;
- a $49.5 million decrease for the closure of correctional facilities;
- a $7.9 million decrease to fund community supervision and parole to align with Legislative Budget Board population projections;
- a $4.8 increase to fund pretrial diversion; and
- a $20.1 million decrease across various program areas associated with the 4.0 percent reduction, primarily for administrative functions and information resources.

Included in the appropriations amount, funding for Correctional Managed Health Care (CMHC) totals $1.1 billion, which represents a $70.4 million decrease from 2016–17 biennial funding levels. Cost-containment strategies include the following:

- a $60.9 million increase to expand unit infirmary capacity and retain unit nursing staff;
- a $30.0 million decrease related to changing the methodology used to reimburse Hospital Galveston; and
- a $13.7 million decrease to cap indirect administrative charges at 2.75 percent for the University of Texas Medical Branch and Texas Tech University Health Sciences Center.

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: (1) correctional operations, (2) offender services, (3) community supervision, (4) parole services, and (5) other programs.

CORRECTIONAL OPERATIONS

Correctional operations include 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).

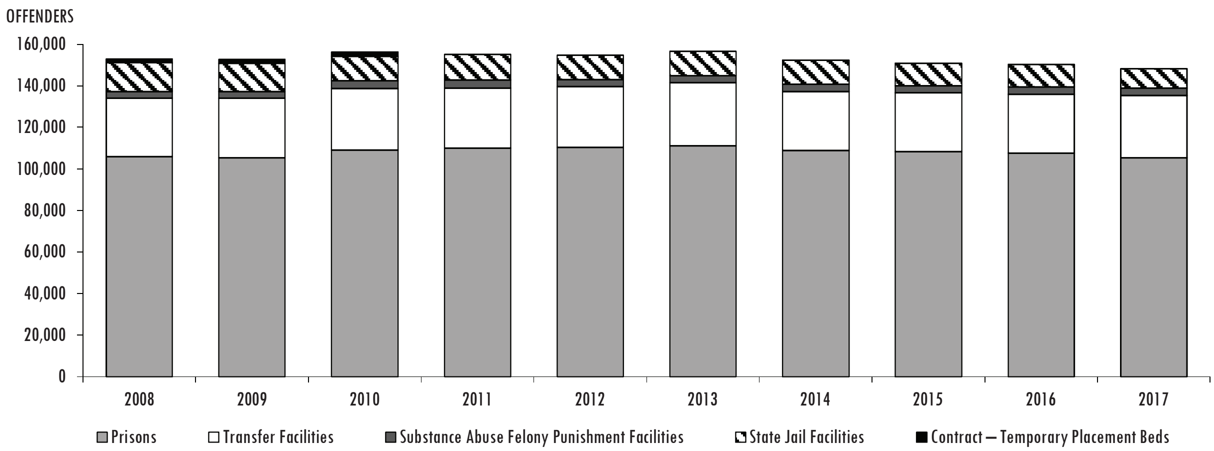
TDCJ's correctional populations from fiscal years 2008 to 2017 are shown in **Figure 252**. The projected end-of-month yearly average of incarcerated offenders is 147,256 for fiscal year 2018 and 147,175 for fiscal year 2019. The incarcerated population in TDCJ correctional institutions decreased from fiscal years 2008 to 2017. The correctional institutions population is expected to decrease slightly (0.01 percent) from fiscal years 2017 to 2022. Incarcerated offenders are confined in 104 correctional units, including state jails, transfer facilities, and substance abuse facilities across the state. The locations of these facilities are shown in **Figure 253**.

Appropriations for the correctional operations program area for the 2018–19 biennium total $4.1 billion in All Funds for the purpose of confining and supervising adult felons incarcerated in TDCJ's correctional institutions. Included in the appropriations for prison operations is $188.5 million for continued contracts with seven contract prisons and three privately operated state jails. The contract prisons are located in Bridgeport, Cleveland, Diboll, Kyle, Lockhart, Overton, and Venus. The prisons incarcerate minimum-security offenders who are within two years of parole eligibility. Privately operated state jails are located in 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 $60.0 million during fiscal year 2017. The 2018–19 biennial appropriation for TCI is $139.9 million.

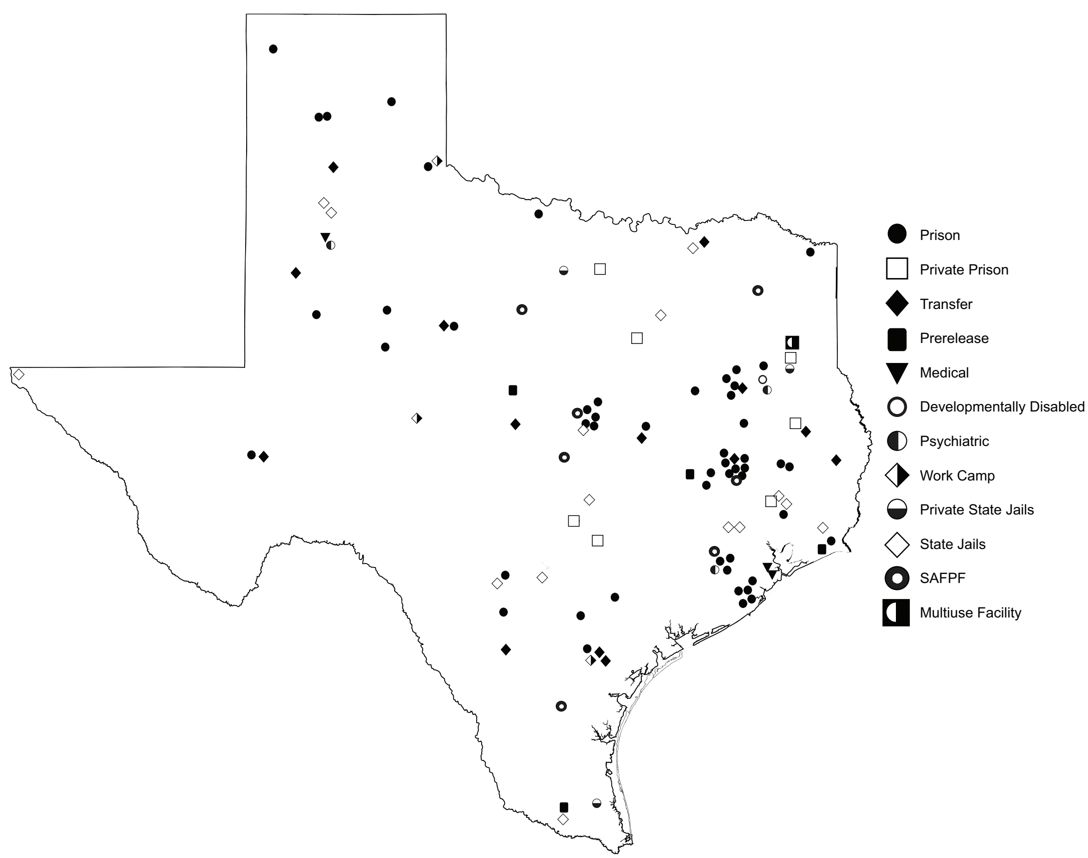
Agriculture Operations manages 118,000 acres in 47 counties in Texas. The division has operations at 15 prison

FIGURE 252
ACTUAL CORRECTIONAL INSTITUTIONS POPULATION, FISCAL YEARS 2008 TO 2017



NOTE: Population counts are as of August 31 of each fiscal year.
SOURCES: Legislative Budget Board; Texas Department of Criminal Justice.

FIGURE 253
TEXAS DEPARTMENT OF CRIMINAL JUSTICE FACILITY LOCATIONS, FISCAL YEAR 2017



SOURCES: Legislative Budget Board; Texas Department of Criminal Justice.

units. Production ranges from 29 varieties of edible crops to a cattle herd of more than 17,500 head. The 2018–19 biennial appropriation for this purpose was $99.9 million**.**

OFFENDER SERVICES

Offender services consist of 30 programs that include CMHC, the Texas Correctional Office on Offenders with Medical or Mental Impairments (TCOOMMI), reentry transitional coordinators, vocational and academic programs, specialized treatment services, and behavioral health. For the 2018–19 biennium, $1.4 billion in All Funds is appropriated to TDCJ for rehabilitating adult felons incarcerated in TDCJ's correctional institutions.

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) 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.

The total appropriation for CMHC for the 2018–19 biennium is $1.1 billion in General Revenue Funds, which includes a decrease of $70.4 million from the 2016–17 biennium. The Eighty-fifth Legislature, Regular Session, 2017, adopted several strategies to reduce CMHC costs, including increases of $37.9 million for market-level salary adjustments for nursing staff, $21.0 million for additional nursing and mental health care staff, and $2.0 million to expand infirmary unit capacity at the Jester and Telford units. The strategies are estimated to result in a $68.0 million cost avoidance related to unnecessary hospital stays and correctional officer overtime. Additional cost-containment strategies include a $30.0 million decrease to transition UTMB's Hospital Galveston reimbursement rate from a cost-based methodology, and a $13.7 million decrease to cap indirect administrative costs at 2.75 percent for UTMB and TTUHSC.

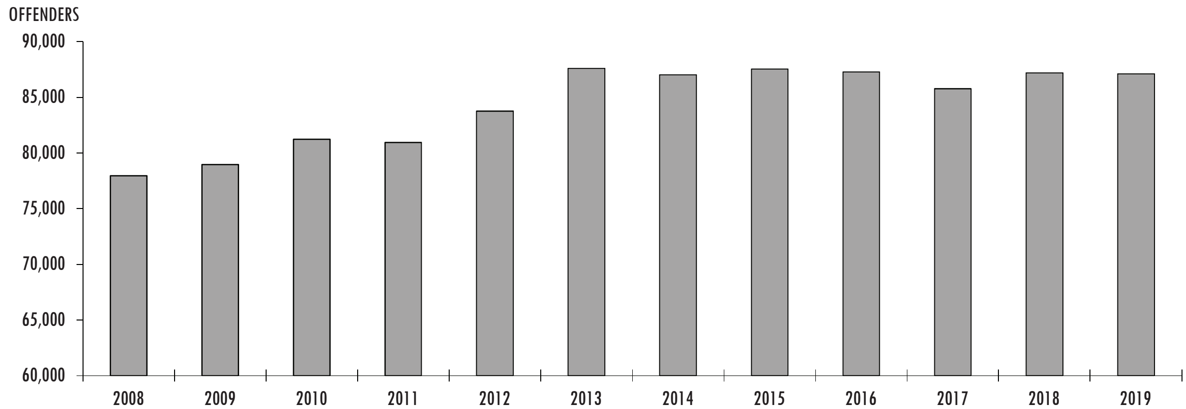
TCOOMMI provides an opportunity for collaboration among criminal justice, health and human services, and other affected organizations to provide continuity of care for offenders with special needs, which include the elderly and offenders with physical disabilities, terminal illness, mental illness, or intellectual disabilities. 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 $50.5 million in All Funds for the 2018–19 biennium to provide a comprehensive continuity-of-care system for special needs offenders.

Appropriations for the 2018–19 biennium for the offender services program area include $15.9 million in General Revenue Funds for 189 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. Appropriations for this program area also include $7.7 million for 500 treatment slots for the In-Prison Driving While Intoxicated Recovery Program.

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 2018–19 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 facilities include TDCJ's specialized correctional institutions, such as geriatric and medical units, developmentally disabled and psychiatric units, transfer facilities, pre-release, and Substance Abuse Felony Punishment Facilities (SAFPF). SAFPFs are secure correctional facilities that use a therapeutic community approach to substance abuse treatment that combines individual and group counseling. Offenders may be sentenced

FIGURE 254
ACTUAL AND PROJECTED ACTIVE PAROLE SUPERVISION POPULATION, FISCAL YEARS 2008 TO 2019



NOTES:
(1) Population counts are an average of end-of-month counts.
(2) Amounts shown for fiscal years 2008 to 2017 are actual counts; amounts shown for fiscal years 2018 and 2019 are projected values.
SOURCES: Legislative Budget Board; Texas Department of Criminal Justice.

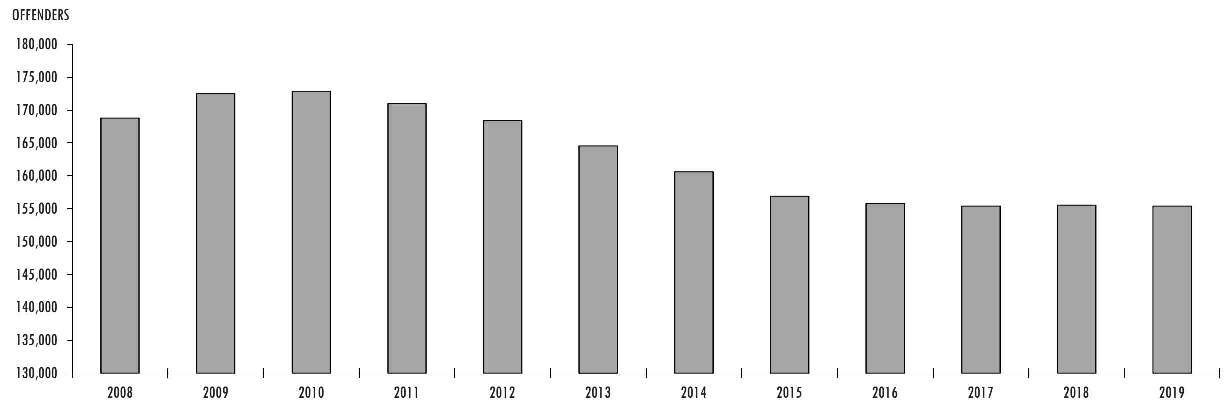
to SAFPF as a condition of community supervision, or the Board of Pardons and Paroles may place an offender on parole into an SAFPF in lieu of revocation. The first phase of the SAFPF program takes place in a secure correctional facility and lasts six months (nine months for offenders with special needs). 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 252**. The 2018–19 biennial appropriation for SAFPF is $99.4 million in All Funds.

PAROLE SERVICES

Parole services consist of 11 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 on parole supervision within the community. TDCJ is appropriated $429.0 million in All Funds for the 2018–19 biennium for the parole services program area. Of this total, $249.3 million is designated to fund parole supervision and parole release processing, which includes a $1.8 million decrease to fund parole at 2018–19 biennial projected levels. Approximately $118.3 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 $118.3 million for parole residential facilities is a $13.1 million dollar decrease for the closure of one Intermediate Sanction Facility. The projected end-of-month average number of offenders on active parole supervision is 87,212 for fiscal year 2018 and 87,119 offenders for fiscal year 2019. During fiscal year 2017, the number of parole officers averaged 1,421 in 67 district parole offices statewide. At the close of fiscal year 2017, parole officers had actively supervised an average end-of month population of 85,765 released offenders. **Figure 254** shows actual active parole supervision populations at the end of each fiscal year since 2008 and projected active parole populations for fiscal years 2018 and 2019.

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 that BPP specifies. If parole is denied, most offenders will be eligible to have their cases reviewed again in one year. Individuals convicted of certain offenses may

FIGURE 255
ACTUAL AND PROJECTED AVERAGE FELONY DIRECT COMMUNITY SUPERVISION POPULATION, FISCAL YEARS 2008 TO 2019



NOTES:
(1) Population counts are an average of end-of-month population counts.
(2) Amounts shown for fiscal years 2008 to 2017 are actual counts; amounts shown for fiscal years 2018 and 2019 are projected values.
SOURCES: Legislative Budget Board; Texas Department of Criminal Justice.

have subsequent reviews set off for up to five or in some situations 10 years, pursuant to the Texas Government Code, Section 508.149 (a). Local law enforcement is notified of the pending release.

BPP appropriations are included in TDCJ's budget structure in the General Appropriations Act. Appropriations for BPP for the 2018–19 biennium total $58.0 million in All Funds and 586.1 full-time-equivalent positions to support the board's operations and the parole selection and revocation processes. The 2018–19 biennial appropriation includes a $0.9 million decrease from the 2016–17 biennium associated with the 4.0 percent reduction, primarily for Parole Board Operations and Institutional Parole Operations.

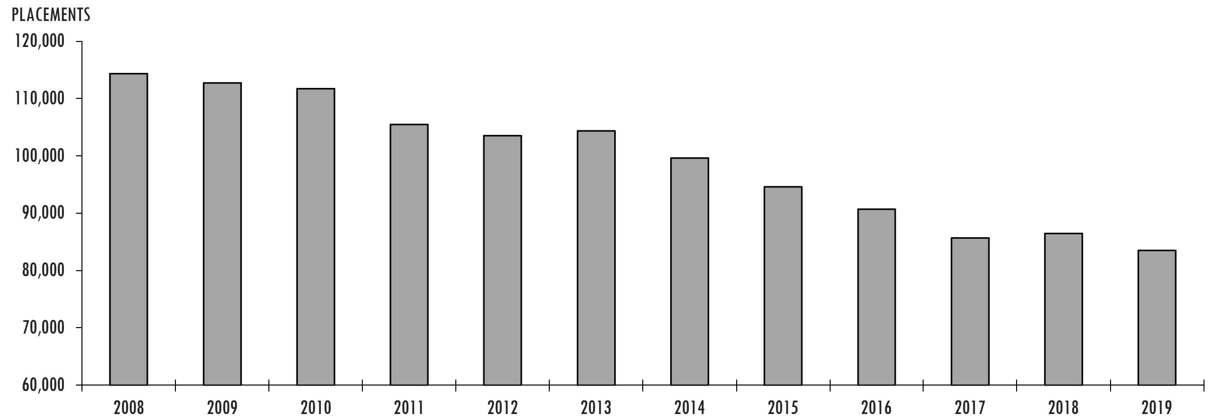
COMMUNITY SUPERVISION

Community supervision (adult probation) includes 13 programs that support the goal of diverting offenders from traditional incarceration. Such programs include coordinated work with local Community Supervision and Corrections Departments (CSCD), distribution of grants, and specialized community-based diversion programs. TDCJ was appropriated $494.6 million in All Funds for the 2018–19 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 2018–19 biennial appropriations include a $128.6 million decrease as the result of the transfer of CSCD's employee health insurance from TDCJ to the Employees Retirement System of Texas, a $6.7 million decrease to fund basic supervision at 2018–19 projected levels, and a $4.8 increase to fund pretrial diversion.

During fiscal year 2017, CSCDs employed an end-of-month average of 3,109 community supervision officers to directly supervise and provide services to an end-of-month average population of 155,426 felony offenders. **Figure 255** shows the actual end-of-month yearly average of felony direct community supervision populations for fiscal years 2008 to 2017, and the projected population for fiscal years 2018 and 2019. The projected average number of felons on community supervision is 155,551 for fiscal year 2018 and 155,440 for fiscal year 2019. **Figure 256** shows the actual number of misdemeanor placements on community supervision for fiscal years 2008 to 2017, and the projected number of misdemeanor placements for fiscal years 2018 and 2019. The actual number of misdemeanor placements during fiscal year 2017 was 85,712. The projected number of misdemeanor community supervision placements is 86,478 for fiscal year 2018 and 83,539 for fiscal year 2019. At the beginning of fiscal year 2018, 123 CSCDs served the state's 254 counties. TDCJ is appropriated $140.1 million for the basic supervision of offenders on community supervision during the 2018–19 biennium.

In addition to basic supervision funding, TDCJ was appropriated $246.6 million for the 2018–19 biennium to

FIGURE 256
ACTUAL AND PROJECTED MISDEMEANOR COMMUNITY SUPERVISION PLACEMENTS, FISCAL YEARS 2008 TO 2019



NOTES:
(1) Population counts represent the sum of placements for each fiscal year.
(2) Amounts shown for fiscal years 2008 to 2017 are actual counts; amounts shown for fiscal years 2018 and 2019 are projected values.
SOURCES: Legislative Budget Board; Texas Department of Criminal Justice.

award discretionary grants to CSCDs, counties, municipalities, and nonprofit organizations. Discretionary grants enable the Community Justice Assistance Division (CJAD) to fund community corrections proposals developed at the local level. Such programs increase diversions from traditional, more costly incarceration and improve the delivery of community supervision statewide. **Figure 257** shows the grant award categories funded for fiscal year 2017.

The agency was appropriated $86.4 million for the 2018–19 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 typically is used for the same types of programs shown in **Figure 257**.

FIGURE 257
COMMUNITY JUSTICE ASSISTANCE DIVISION DISCRETIONARY GRANT FUNDING, FISCAL YEAR 2017

PROGRAM TYPE	GRANT PROGRAMS	GRANT AMOUNT (IN MILLIONS)
Community corrections facilities	25	$60.0
Substance abuse treatment programs	49	$14.3
Caseload reduction grants	26	$11.3
Substance abuse treatment caseloads and aftercare caseloads	45	$6.0
Mental health initiative caseloads	39	$4.8
Sex offender caseloads	19	$3.8
High-risk/gang/youth/culturally specific caseloads	18	$1.5
Drug courts	16	$2.3
Battering intervention and prevention programs	26	$1.2
Intensive supervision/ surveillance caseloads	27	$1.7
Day reporting centers	5	$0.6
Totals	**295**	**$107.5**

SOURCE: Texas Department of Criminal Justice.

OTHER PROGRAMS

The other programs area includes 10 programs such as agency and program administration and support, major repair of facilities, the Office of the Inspector General, information resources, and victim services. TDCJ is appropriated $183.5 million in All Funds for the 2018–19 biennium for these other program areas.

TDCJ operates more than 100 facilities that require maintenance and repairs. For the 2018–19 biennium, TDCJ is appropriated $40.0 million from the Economic Stabilization Fund for the repair and rehabilitation of correctional facilities, a $20.0 million decrease in All Funds from the 2016–17 biennium.

Appropriations for central administration, information resources, and other support services for the 2018–19 biennium total $140.0 million in All Funds. The appropriation includes an increase of $6.0 million for cost adjustments related to data center services and a $0.5 million decrease for personal computer funding.

SIGNIFICANT LEGISLATION

House Bill 1526 – Certain state benefits to certain active and retired employees of CSCDs. The legislation transfers the responsibility of paying health insurance contributions for CSCD employees from TDCJ to ERS.

Senate Bill 78 – Disposition of state surplus or salvage data processing equipment. The legislation authorizes TDCJ to sell repaired or refurbished data processing equipment to certain organizations and programs.

House Bill 239 – Report on the confinement of pregnant inmates. The legislation requires TDCJ to submit a report regarding the conditions of confinement for pregnant offenders in TDCJ.

House Bill 553 –Task force to identify opportunities for academic credit and industry recognition for inmates. The legislation requires the Windham School District, in consultation with TDCJ, to establish a task force to determine opportunities to award high school and college credit to offenders.

House Bill 865 – Veteran service coordinator. The legislation requires TDCJ to establish a veterans services coordinator for the Texas Department of Criminal Justice and a veterans reentry dormitory program for certain state jail defendants.

House Bill 3130 – Establishment of an educational and vocational training pilot program for certain state jail felony defendants. The legislation authorizes judges to place certain offenders convicted of a state jail felony on community supervision for a total of 270 days, with the condition that the individual submits to 90 days of confinement within a state jail facility and participates in a 180-day educational and vocational training program upon release.

COMMISSION ON FIRE PROTECTION

PURPOSE: To develop professional standards and enforce statewide fire laws to assist local governments in ensuring that the lives and property of the public and fire service providers are protected adequately from fires and related hazards. The agency was formed by consolidating two agencies—the Commission on Fire Protection Personnel Standards and Education and the Fire Department Emergency Board—and one fire-related function from the Department of Insurance—the Key Rate Section.

ESTABLISHED: 1991

AUTHORIZING STATUTE: The Texas Government Code, §419.002

GOVERNANCE: Thirteen members appointed by the Governor, with six members being selected from lists provided by certain firefighter associations

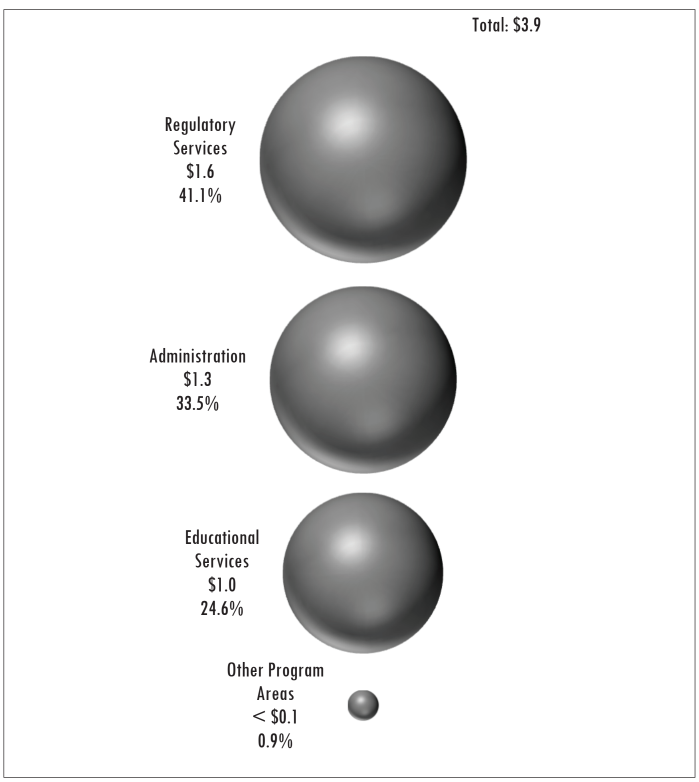
FIGURE 258
COMMISSION ON FIRE PROTECTION BY METHOD OF FINANCE

(IN MILLIONS)

METHOD OF FINANCE	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$3.9	$3.8	($0.2)	(4.1%)
General Revenue–Dedicated Funds	$0.0	$0.0	$0.0	N/A
Federal Funds	$0.0	$0.0	$0.0	N/A
Other Funds	$0.2	$0.1	($0.1)	(15.6%)
Total, All Methods of Finance	**$4.1**	**$3.9**	**($0.2)**	**(4.6%)**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2018	31.0
2019	31.0

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

The agency certified 31,128 fire service personnel during fiscal year 2017, for an increase of 5,397 from fiscal years 2007 to 2017, or 20.2 percent.

Required fee revenue collections (more than appropriated amounts) were maintained at $1.5 million for the 2018–19 biennium.

Regulatory Services include the agency's certification and compliance programs.

Educational Services include the curriculum development, fire safety information and outreach, and testing programs.

MAJOR FUNDING

Funding for the 2018–19 biennium is limited to revenue collections and is contingent upon the agency collecting $1.5 million in additional funds of more than the amount appropriated through revenue generated by certification fees. Appropriations include a $0.2 million General Revenue Funds decrease primarily associated with the 4.0 percent reduction, which reduced funding for travel, various operating expenses, consumables, and other agency costs.

PROGRAMS

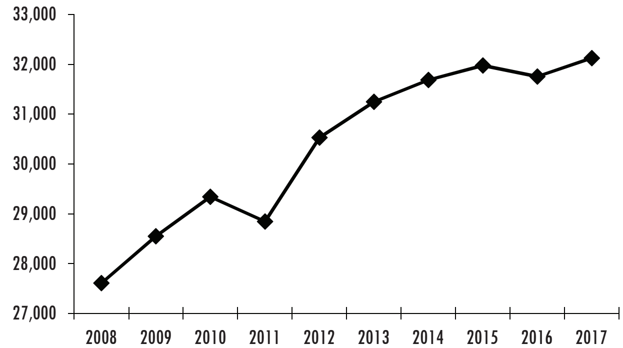
The Texas Commission on Fire Protection's (TCFP) mission is to protect the lives and property of Texans through the development and enforcement of recognized professional standards, including certification for fire service personnel, education, facilities, and equipment. This mission is accomplished primarily through two program areas: regulatory services and educational services.

The agency's regulatory services program area consists 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 259** shows the annual number of fire service personnel receiving TCFP certification since 2008. The fiscal year 2011 decrease in the number of fire personnel certified is attributable primarily to a onetime change in the certification renewal dates for firefighters, from April and May to September and October.

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 for the regulatory service program area total $1.6 million in General Revenue Funds and 13.0 full-time-equivalent (FTE) positions for the 2018–19 biennium.

The educational services program area includes the following programs: curriculum development, fire safety information and outreach, and testing. The testing program is the largest of these programs, and it 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 for the educational services program area total $1.0 million for the 2018–19 biennium and 9.0 FTE positions.

FIGURE 259
TEXAS COMMISSION ON FIRE PROTECTION FIRE PERSONNEL CERTIFIED, FISCAL YEARS 2008 TO 2017



SOURCE: Texas Commission on Fire Protection.

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

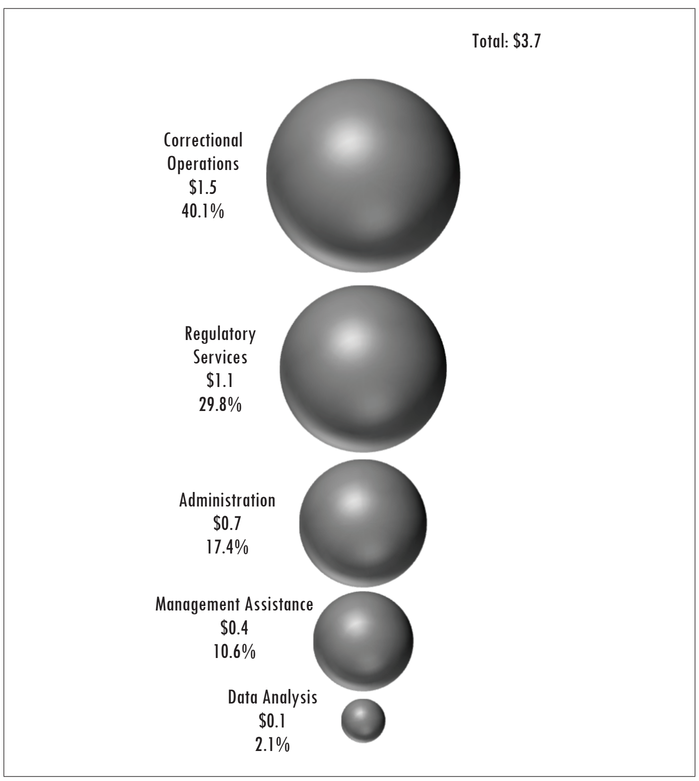
FIGURE 260
COMMISSION ON JAIL STANDARDS BY METHOD OF FINANCE

(IN MILLIONS)

METHOD OF FINANCE	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$1.9	$2.7	$0.8	41.4%
General Revenue–Dedicated Funds	$0.0	$1.0	$1.0	100%
Federal Funds	$0.0	$0.0	$0.0	N/A
Other Funds	$0.0	$0.0	($0.0)	(12.1%)
Total, All Methods of Finance	**$1.9**	**$3.7**	**$1.8**	**92.7%**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2018	22.0
2019	22.0

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

The agency conducted 242 annual inspections and 68 special inspections of local jails during fiscal year 2017; 34 jails failed an annual inspection, and 14 jails failed a special inspection. As of August 31, 2017, 229 jails were compliant with minimum jail standards.

Appropriations for Inspection and Enforcement total $1.1 million in All Funds for an increase of 40.0 percent. The agency received funding for 1.0 critical incident jail inspector position and additional travel.

Senate Bill 1849 requires the Commission to adopt standards for mental health services and training and establishes the prisoner safety fund. Appropriations from the Prisoner Safety Fund total $1.0 million in General Revenue–Dedicated Funds for fiscal year 2018.

Appropriated Receipts decreased from $4,500 to $3,000 as the result of a decreased demand for printed manuals and training materials, **accounting for the 12.1 percent decrease in Other Funds appropriations.**

SOURCE: Legislative Budget Board.

MAJOR FUNDING

The 2018–19 biennial General Revenue Funds and General Revenue–Dedicated Funds appropriations for the Texas Commission on Jail Standards (TCJS) represents a net increase of $1.8 million from the 2016–17 biennial expenditure level. Significant increases include the following:

- $1.1 million for a prisoner safety grant program in local jails and 1.0 full-time-equivalent (FTE) position to administer the program;
- $0.2 million for 3.0 FTE positions to provide mental health training to local jails and associated travel costs;
- $0.1 million for 1.0 FTE position for a Critical Incident jail inspector to investigate deaths in custody and escapes; and
- $0.1 million for additional jail inspector travel.

PROGRAMS

TCJS carries out its responsibilities through four primary program areas: (1) regulatory services, (2) management assistance, (3) data analysis, and (4) correctional operations.

TCJS 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 inspect and report annually 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, 2017, the 254 Texas counties contained 228 county-operated jails and 12 privately operated or combined facilities for a total of 240 facilities within TCJS' purview. During fiscal year 2017, TCJS conducted 242 annual inspections, resulting in 34 failed annual inspections, and conducted 68 special inspections, resulting in 14 failed special inspections. As of August 31, 2017, 13 jails were noncompliant with minimum jail standards, as shown in **Figure 261**. Appropriations for the regulatory services program area total $1.1 million for the 2018–19 biennium.

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

FIGURE 261
TEXAS COMMISSION ON JAIL STANDARDS JAIL INSPECTIONS, FISCAL YEARS 2009 TO 2017

YEAR	ANNUAL INSPECTIONS	FAILED ANNUAL INSPECTIONS	SPECIAL INSPECTIONS	FAILED SPECIAL INSPECTIONS	NONCOMPLIANT JAILS AT END OF FISCAL YEAR
2009	248	96	121	20	35
2010	245	94	159	33	24
2011	244	71	111	18	8
2012	245	27	44	11	7
2013	245	23	37	12	7
2014	245	20	45	15	5
2015	244	38	63	17	9
2016	242	33	75	28	10
2017	242	34	68	14	13

SOURCE: Texas Commission on Jail Standards.

FIGURE 262
COUNTY JAIL POPULATION AND CAPACITY AT THE BEGINNING OF EACH FISCAL YEAR
FISCAL YEARS 2009 TO 2018

	INMATES IN COUNTY FACILITIES				
YEAR	LOCAL POPULATION	CONTRACT POPULATION	TOTAL POPULATION	TOTAL JAIL CAPACITY	PERCENTAGE OF TOTAL CAPACITY
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%
2017	57,924	7,814	67,738	93,335	72.6%
2018	59,125	6,883	66,008	93,537	70.6%

Source: Texas Commission on Jail Standards.

needs; (5) developing inmate discipline and grievance procedures; (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. Appropriations for the management assistance program area total $0.4 million for the 2018–19 biennium.

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 262** shows a historical overview of the number of inmates in local facilities, including county jails and privately operated facilities, at the beginning of each fiscal year since 2009. 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 2018, a total of 66,008 inmates in facilities were within TCJS' purview, and overall, the facilities were operating at 70.6 percent of total jail capacity. Appropriations for the data analysis program area total $0.1 million for the 2018–19 biennium.

The Eighty-fifth Legislature, Regular Session, 2017, directed TCJS to provide mental health training to county jailers as a new initiative to improve mental health screenings and offender management. This initiative is an effort to reduce the number of suicides in county jails. Beginning in the 2018–19 biennium, TCJS will provide a minimum of eight hours of Texas Commission on Law Enforcement accredited mental health training for all licensed jailers. TCJS was appropriated $0.4 million for 3.0 FTE positions to provide training and for associated travel costs.

The Eighty-fifth Legislature also established the prisoner safety fund, a grant program for county jails to make capital improvements related to mental telehealth services and automated electronic sensors or cameras in offender housing areas. TCJS will administer the program beginning in the 2018–19 biennium. Appropriations include $1.0 million in General Revenue–Dedicated Funds for grants and $0.1 million in General Revenue Funds for 1.0 FTE to administer the grant program. TCJS may provide a grant only to county jails that have a capacity of 96.0 prisoners or fewer. Appropriations for the correctional operations program area total $1.5 million for the 2018–19 biennium.

SIGNIFICANT LEGISLATION

Senate Bill 1849 – Policing and Jail Standards – Sandra Bland Act. The legislation amends the Texas Government Code to require TCJS to adopt rules and procedures establishing certain minimum county jail standards for mental health services, including requiring 24-hour mental health professional access, automated electronic sensors or cameras in jail cells, and continuity of prescription medication. The legislation requires TCJS to establish the prisoner safety fund and dispense grants for capital improvements to implement the legislation's provisions. The legislation also amends the Texas Occupations Code to require that county jailers receive at least eight hours of mental health training. Peace officers' training requirements are amended to include racial profiling prevention and de-escalation techniques. The legislation establishes standards for the identification of and diversion from traditional detention facilities for persons with a mental illness, substance abuse, or intellectual disability.

House Bill 337 – Public benefits for individuals after release from a county jail. The legislation amends the Texas Human Resources Code and the Local Government Code to require that, if a sheriff notifies certain governmental entities of the confinement and conviction of an individual who is receiving medical assistance benefits, the sheriff must provide notice of an individual's release from custody with 48 hours. County sheriffs may enter into an agreement with a third party to provide reintegration resources to former prisoners to assist with the reinstatement of benefit eligibility.

TEXAS JUVENILE JUSTICE DEPARTMENT

PURPOSE: To provide financial and professional assistance to local juvenile probation departments, to provide regulatory oversight of local probation departments, and to ensure public safety and the provision of effective programming and rehabilitative services to juveniles committed to the Texas Juvenile Justice Department state services and facilities.

ESTABLISHED: 2012

AUTHORIZING STATUTE: The Texas Human Resources Code, Title 12, Subtitle A

GOVERNANCE: Thirteen-member board appointed by the Governor with advice and consent of the Senate

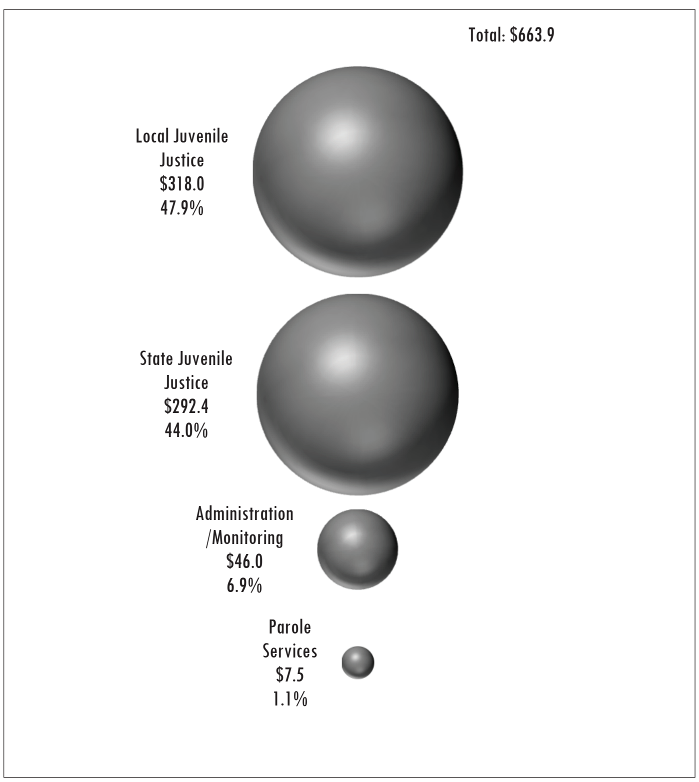
FIGURE 263
JUVENILE JUSTICE DEPARTMENT BY METHOD OF FINANCE

(IN MILLIONS)

METHOD OF FINANCE	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$600.0	$605.2	$5.1	0.9%
General Revenue–Dedicated Funds	$0.0	$0.0	$0.0	N/A
Federal Funds	$21.8	$21.0	($0.7)	(3.4%)
Other Funds	$32.3	$37.7	$5.5	16.9%
Total, All Methods of Finance	**$654.1**	**$663.9**	**$9.8**	**1.5%**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2018	2,703.3
2019	2,703.3

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

Appropriations for state juvenile justice total $292.4 million and include $12.1 million for critical health and safety repair projects at state facilities. Funding also includes **$1.0 million and 9.0 full-time-equivalent positions for additional mental health specialists, and an independent living coordinator** to assist youth nearing release with reentry and transition back to their communities.

Local juvenile justice was appropriated $17.5 million, an increase of $7.9 million, for a full biennium of the Regional Diversion Alternatives program, an initiative established by the Eighty-fourth Legislature, 2015. The program's goal is to place **150 youths per year in local programs or facilities to reduce commitments to state custody**.

The projected state juvenile justice average daily population is 1,373 for fiscal year 2018 and 1,374 for fiscal year 2019.

MAJOR FUNDING

The $9.8 million increase in All Funds is primarily the result of an increase of $12.1 million from the Economic Stabilization Fund for critical health and safety repair projects at Texas Juvenile Justice Department (TJJD) facilities and an increase of $5.1 million in General Revenue Funds, attributed primarily to biennialization of the Regional Diversion Alternatives Program, additional mental health and reentry services, and funding alignment with juvenile population projections. These increases are offset by a $7.4 million decrease in General Obligation Bond Proceeds and an agency-estimated Federal Funds decrease of $0.7 million. **Figure 264** shows TJJD appropriations for fiscal years 2010 to 2019.

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

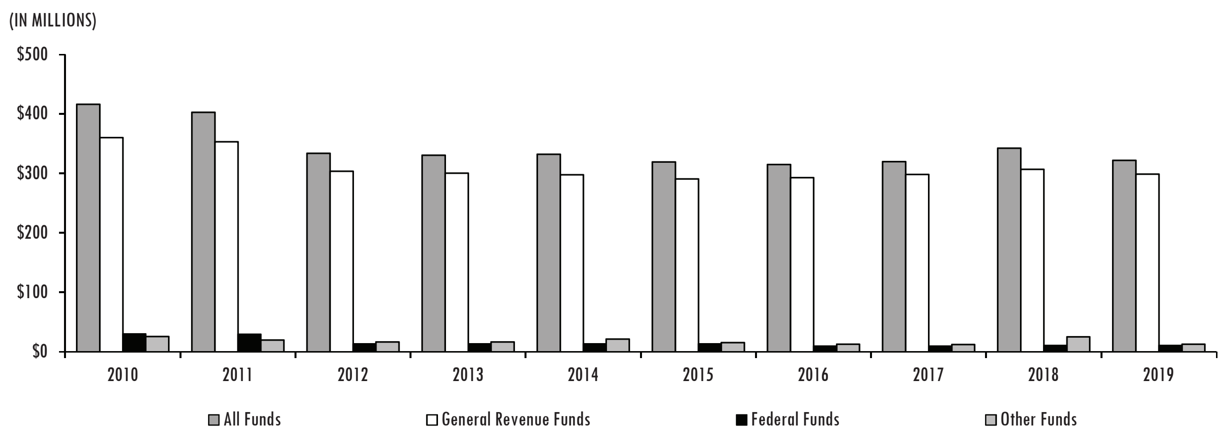
Local juvenile justice includes 12 programs that provide financial assistance to local juvenile probation departments. TJJD allocates grants to local probation departments to provide basic supervision and a variety of treatment, residential, and outpatient services to juvenile offenders. Appropriations for local juvenile justice total $318.0 million, and 19.8 full-time-equivalent (FTE) positions to support probation grant administration activities. The enactment of Senate Bill 1630, Eighty-fourth Legislature, 2015, resulted in the establishment of a new local juvenile justice program, Regional Diversion Alternatives. This legislation required the development of a regionalization plan among TJJD and juvenile probation departments organized into regions to divert certain youths from state commitment. The Regional Diversion Alternatives program became operational during fiscal year 2017, and the Eighty-fifth Legislature, Regular Session, 2017, provided an additional $7.9 million to biennialize appropriations for the program. The target for youths served by the Regional Diversion program is 150 per year, and, during fiscal year 2016, a total of 186 juveniles were diverted from commitment to TJJD facilities through this program.

Basic probation supervision funding decreased by $8.0 million as the result of a decrease in the juvenile probation supervision population, and funding projections at the fiscal year 2016 actual cost per day.

Juveniles are referred to a juvenile probation department primarily by law enforcement, school districts, municipal courts, and justice courts. **Figure 265** shows expenditure levels of juvenile probation departments compared with the average daily population (ADP) of juveniles on probation supervision for fiscal years 2010 to 2017, and appropriations and projected supervision populations for fiscal years 2018 and 2019. The annual number of juveniles on probation supervision had decreased steadily from fiscal years 2008 to 2017. The juvenile probation supervision population is expected to remain stable during the 2018–19 biennium.

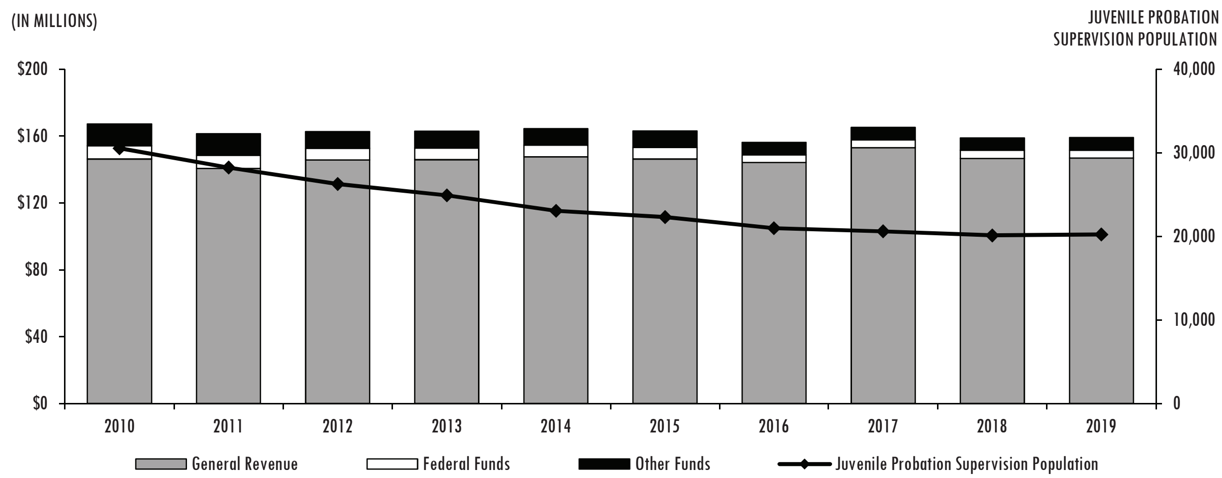
Juvenile offenders are placed on one of three types of supervision authorized by the Texas Family Code, Chapters

FIGURE 264
TEXAS JUVENILE JUSTICE DEPARTMENT APPROPRIATIONS, FISCAL YEARS 2010 TO 2019



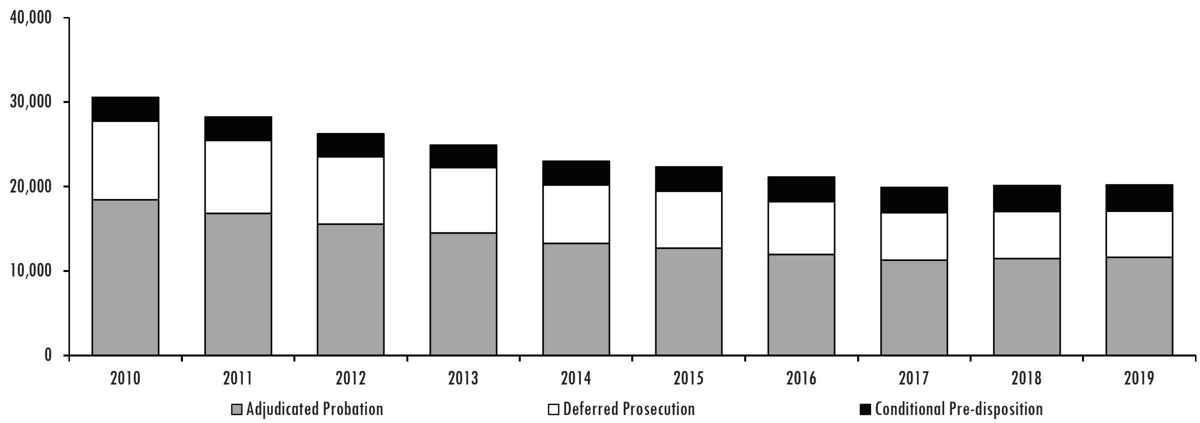
SOURCE: Legislative Budget Board.

FIGURE 265
STATE ASSISTANCE TO LOCAL JUVENILE PROBATION DEPARTMENTS AND REFERRALS, FISCAL YEARS 2010 TO 2019



NOTE: Fiscal years 2018 and 2019 are projected amounts.
SOURCES: Legislative Budget Board; Juvenile Justice Department.

FIGURE 266
JUVENILE JUSTICE DEPARTMENT AVERAGE DAILY POPULATION ON BASIC SUPERVISION, FISCAL YEARS 2010 TO 2019

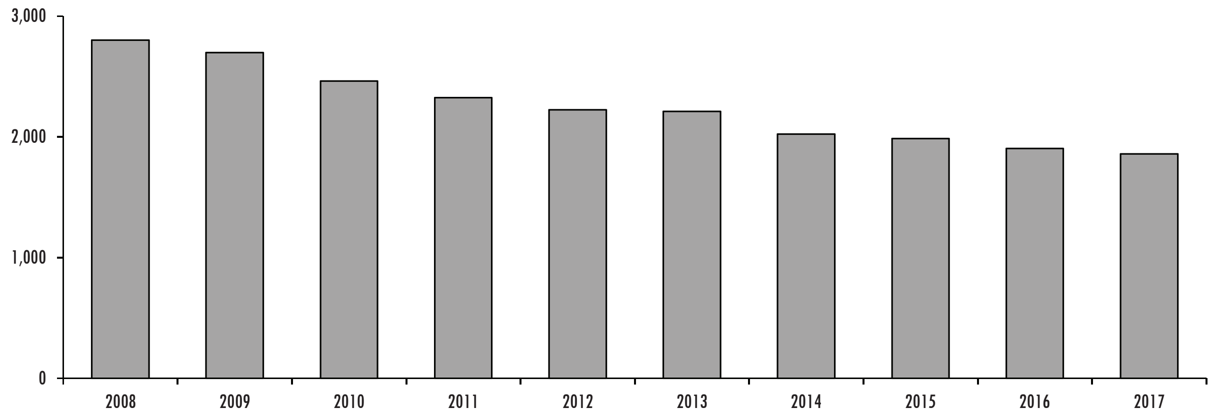


SOURCES: Legislative Budget Board; Juvenile Justice Department.

53 and 54: adjudicated probation, deferred prosecution, and conditional pre-disposition. **Figure 266** shows the actual and projected ADP on basic supervision from fiscal years 2010 to 2019 and the type of supervision the juvenile offender received or is projected to receive.

Appropriations for local preadjudication and post-adjudication facilities provide grants for the placement of juveniles in local secure and nonsecure residential facilities. Preadjudication facilities 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 267** shows the ADP of juveniles in residential post-adjudication placements for fiscal years 2008 to 2017. The ADP of juveniles in post-adjudication residential placement has decreased since fiscal year 2008.

FIGURE 267
JUVENILE JUSTICE DEPARTMENT AVERAGE DAILY POPULATION OF JUVENILES IN RESIDENTIAL POST-ADJUDICATION PLACEMENT, FISCAL YEARS 2008 TO 2017



SOURCES: Legislative Budget Board; Juvenile Justice Department.

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 increased by 4.2 percent from school years 2015–16 to 2016–17. This increase can be attributed to an increase in the average length of stay from 44 days during school year 2015–16 to 46 days during school year 2016–17. The not-to-exceed rate for reimbursement for participating counties is $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). Additionally, the Texas Family Code requires TJJD to conduct annual inspections of each of the state's public or private detention facilities and of secure and nonsecure juvenile post-adjudication facilities. TJJD projects monitoring 35 secure and 6 nonsecure county post-adjudication facilities and 50 preadjudication or detention facilities during the 2018–19 biennium.

STATE JUVENILE JUSTICE

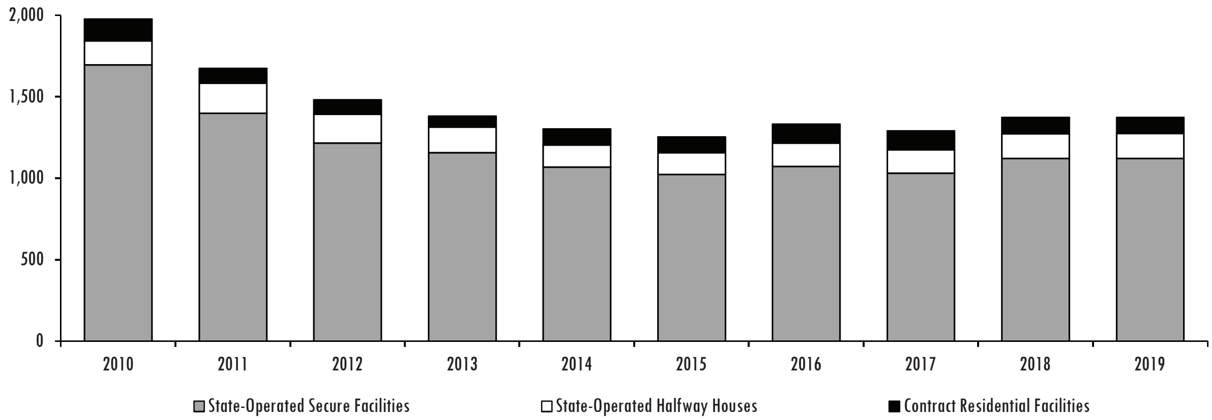
State juvenile justice includes 20 programs that provide education, treatment, and supervision for juveniles committed to TJJD state facilities as the result of a court order related to the commission of a felony crime. When juvenile offenders are committed to state custody, three categories of facilities are available to TJJD: state-operated secure facilities, state-operated halfway houses, and contract facilities.

During the 2016–17 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.

The projected average state juvenile justice daily population, which includes state-operated secure facilities, halfway houses, and contract residential placements is 1,373 for fiscal year 2018 and 1,374 for fiscal year 2019. **Figure 268** shows the actual and projected ADP of juveniles in state custody for fiscal years 2010 to 2019.

In addition to secure facilities, TJJD operates seven halfway house programs in 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

FIGURE 268
JUVENILE JUSTICE DEPARTMENT AVERAGE DAILY POPULATION OF JUVENILES IN STATE CUSTODY
FISCAL YEARS 2010 TO 2019



SOURCES: Legislative Budget Board; Juvenile Justice Department.

abuse treatment. Juvenile offenders receive aftercare follow-up programs at all halfway houses. The Eighty-fifth Legislature, 2017, appropriated $1.0 million in General Revenue Funds and 9.0 FTE positions for additional mental health specialists at secure facilities and halfway houses, and an independent living coordinator to assist youth nearing release from state facilities in their transitions back to the community.

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 Ron Jackson State Juvenile Correctional Complex in Brownwood. 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 (UTMB) and private providers for medical and mental healthcare for juveniles in its custody. The Eighty-fifth Legislature, Regular Session, 2017, appropriated an additional $2.5 million in General Revenue Funds for salary increases for UTMB Correctional Managed Care employees, to more closely align with current market rates.

Contract residential 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.

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 types 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 capital felony, 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, pursuant to the Texas Family Code, Section 54.04.

Included in this program area are appropriations for state-operated juvenile justice programs and services totaling $273.3 million and 2,364.9 FTE positions. The program area also includes an additional $19.1 million and 50 FTE positions for three other programs: Office of the Inspector General (OIG), Health Care Oversight, and Construction and Repair of TJJD Facilities. Appropriations for the OIG total $4.6 million, and appropriations for Health Care Oversight total $1.9 million for the 2018–19 biennium. The Eighty-fifth Legislature, Regular Session, 2017, provided $12.1 million from the Economic Stabilization Fund for critical health and safety repair projects at TJJD state-operated facilities.

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 in relation to the risk posed by the juvenile. A juvenile offender's parole may be revoked and the juvenile will be returned to a TJJD facility if the offender violates the conditions of parole. **Figure 269** shows the actual and projected ADP of juveniles on parole supervision for fiscal years 2010 to 2019. The decrease of juvenile parole population projections resulted in a General Revenue Funds decrease of $0.3 million for the 2018–19 biennium, offset by agency realignment of funds. Parole services appropriations total $7.5 million and 47.1 FTE positions.

ADMINISTRATION AND MONITORING

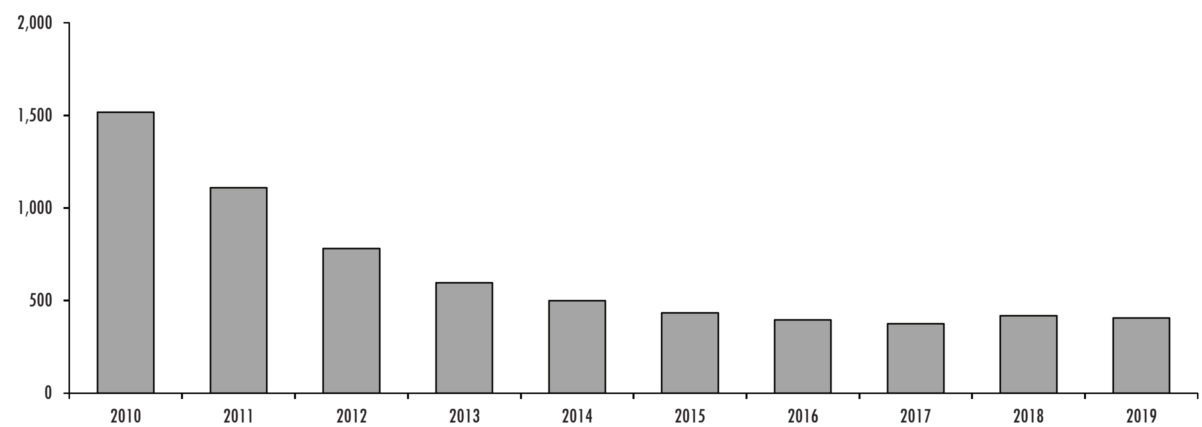
Administration and monitoring includes the oversight and administrative functions of the agency. The Office of Independent Ombudsman (OIO) is a separate state agency that investigates, evaluates, and secures the rights of juveniles in TJJD state facilities, county-operated facilities, and on TJJD parole. 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 2018–19 biennium decreased by $0.1 million in General Revenue Funds as the result of the 4.0 percent reduction requirement. Other appropriation changes within administration and monitoring include a $0.5 million decrease for Central Administration. Administration and monitoring appropriations total $46.0 million and 221.5 FTE positions. Included in these totals are appropriations of $1.8 million and 14.0 FTE positions for OIO.

SIGNIFICANT LEGISLATION

House Bill 932 – Collecting and reporting foster care history of juvenile offenders. The legislation requires TJJD to determine whether a juvenile offender committed to the department has ever been placed in foster care as part of the intake process. TJJD is required to summarize this information and report findings to legislative bodies by January 31 of each even-numbered year.

House Bill 3705 – Local juvenile justice information systems. The legislation authorizes a local juvenile justice information system to contain case management for juveniles in a facility within the court's jurisdiction that is operated as a holdover facility, a preadjudication detention facility, a nonsecure facility, or a post-adjudication secure correctional facility. The legislation also revises the entities that may access the information system and at what level they may do so.

FIGURE 269
JUVENILE JUSTICE DEPARTMENT AVERAGE DAILY POPULATION OF JUVENILES ON PAROLE SUPERVISION
FISCAL YEARS 2010 TO 2019



SOURCES: Legislative Budget Board; Juvenile Justice Department.

Senate Bill 1314 – Minimum standards for substance abuse facilities. The legislation requires the Texas Juvenile Justice Board to set minimum standards for the operation of substance abuse facilities or programs that serve juveniles in the state, and exempts juvenile facilities from statutory provisions governing the regulation of chemical dependency treatment facilities.

House Bill 1204 – Alternative to adjudication for certain juveniles. The legislation diverts certain juveniles younger than age 12 to a Community Resource Coordination Group or interagency staffing group as an alternative to adjudication.

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

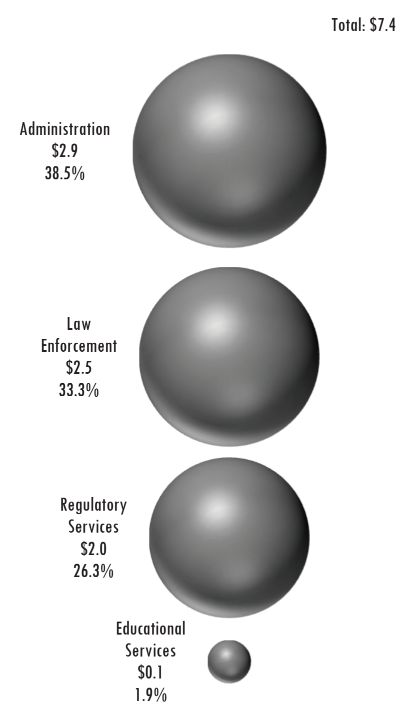
FIGURE 270
TEXAS COMMISSION ON LAW ENFORCEMENT BY METHOD OF FINANCE

(IN MILLIONS)

METHOD OF FINANCE	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$0.0	$0.0	$0.0	N/A
General Revenue–Dedicated Funds	$6.6	$6.4	($0.2)	(2.9%)
Federal Funds	$0.0	$0.0	$0.0	N/A
Other Funds	$1.2	$1.0	($0.2)	(16.5%)
Total, All Methods of Finance	**$7.8**	**$7.4**	**($0.4)**	**(5.0%)**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2018	53.6
2019	53.6

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

Appropriations of $2.5 million are provided for law enforcement, including the agency's enforcement, border security – investigations, and civil justice repository programs. This amount is an increase of $0.1 million, provided to biennialize border security funding.

Appropriations for **regulatory services**, including the agency's licensing and standards development programs**, decreased by $0.3 million or 14.0 percent,** which reduced training for law enforcement officers, and agency-anticipated decreases in fee collections.

The agency is required statutorily to collect incident-based data annually pertaining to racial profiling from each of Texas' 2,647 law enforcement agencies. State funding for this data analysis function totals $0.1 million in All Funds for the 2018–19 biennium.

SOURCE: Legislative Budget Board.

MAJOR FUNDING

The All Funds decrease of $0.4 million is attributable to a $0.2 million decrease in General Revenue–Dedicated Funds, Account No. 116, Law Enforcement Officer Standards and Education Fund, which reduced training for law enforcement officers, and an estimated decrease in agency fee revenues of $0.2 million. The agency attributes the estimated Appropriated Receipts decrease to an anticipated decrease in the number of certificates awarded and the number of training contractor and academy renewals.

PROGRAMS

The Texas Commission on Law Enforcement (TCOLE) licenses, regulates, and provides continuing education for more than 113,000 active law enforcement, corrections, and telecommunicator personnel that are employed by more than 2,660 state and local government agencies. The agency executes these functions primarily through four program areas: (1) law enforcement, (2) regulatory services, (3) educational services, and (4) administration.

The law enforcement program area serves to revoke, suspend, or cancel licenses, and to issue reprimands to licensees for violations of statutes or TCOLE rules. It includes the Enforcement, Border Security Investigations, and Civil Justice Repository programs. Inquiries are initiated when information emerges about actions by licensed personnel that may result in disciplinary action or investigation. This program area is appropriated $2.5 million in All Funds and 19.5 FTE positions for the 2018–19 biennium. A portion of this funding supports 2.0 investigator positions dedicated to liaising with the Department of Public Safety on border security efforts.

The regulatory services program area includes the licensing and standards development programs. The licensing program issues licenses to individuals (peace officers, contract jailers, telecommunicators, school marshals) and law enforcement agencies that demonstrate required competencies through appropriate examinations and other qualification criteria.

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 185 contractual training providers that offered more than 1,219 law enforcement training courses during fiscal year 2017. Three public and private institutions of higher education offer an alternative program, which enables a student to complete peace officer academies while simultaneously earning an associate's degree. TCOLE maintains a statewide network of more than 62 facilities for administering licensing examinations. During fiscal year 2017, TCOLE administered more than 10,000 licensing exams and issued 15,373 new licenses.

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. The regulatory services program area is appropriated $2.0 million in All Funds and 15.3 FTE positions for the 2018–19 biennium.

The educational services program area includes distance learning programs. 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 is appropriated $0.1 million in All Funds for the 2018–19 biennium.

The administration program area includes the technical assistance and indirect administration programs. The technical assistance program provides technical assistance to licensees. The agency also conducts audits and investigations to enforce rules and standards and to verify licensees' qualifications.

The administration program supports agency functions and the other program areas through budgeting, payroll, and human resource services. The program area is appropriated $2.9 million in All Funds and 18.8 FTE positions for the 2018–19 biennium.

SIGNIFICANT LEGISLATION

Senate Bill 1849 – Policing and Jail Standards – Sandra Bland Act. The legislation requires that county jailers receive at least eight hours of TCOLE-approved mental health training. The legislation also amends peace officers' training requirements to include racial profiling prevention and de-escalation techniques.

House Bill 34 – Measures to prevent wrongful convictions. The legislation requires TCOLE to establish a comprehensive education and training program regarding eyewitness identification for all peace officers that perform eyewitness identification procedures. The training must include materials regarding variables that affect a witness's vision and memory, practices for minimizing contamination, and effective eyewitness identification protocols.

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

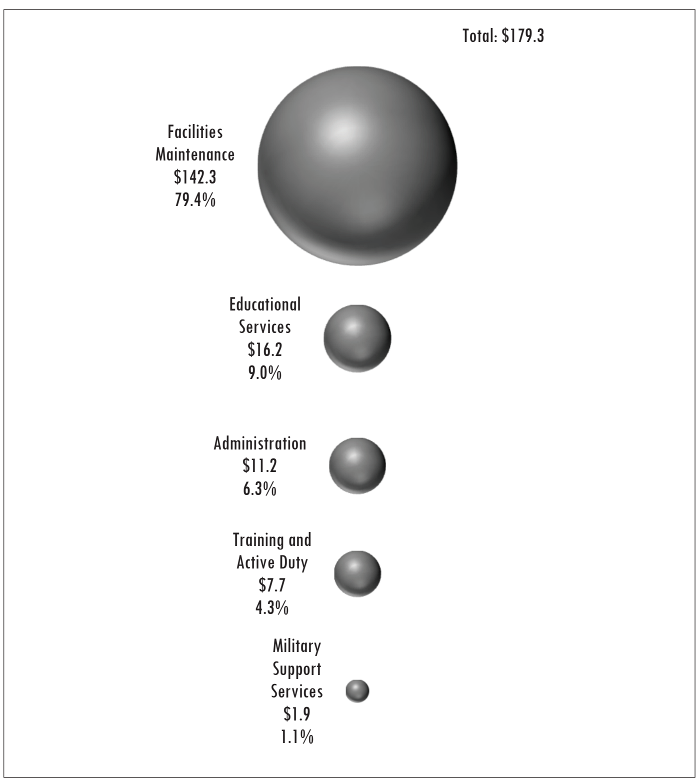
FIGURE 271
TEXAS MILITARY DEPARTMENT BY METHOD OF FINANCE

(IN MILLIONS)

METHOD OF FINANCE	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$34.5	$30.3	($4.1)	(12.0%)
General Revenue–Dedicated Funds	$19.6	$0.0	($19.6)	(100.0%)
Federal Funds	$130.5	$118.3	($12.2)	(9.4%)
Other Funds	$42.8	$30.6	($12.1)	(28.4%)
Total, All Methods of Finance	**$227.3**	**$179.3**	**($48.1)**	**(21.1%)**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2018	569.0
2019	569.0

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

Appropriations of $16.3 million from the Economic Stabilization Fund are provided for deferred maintenance projects and State of Texas Army Revitalization readiness center renovations. This appropriation makes available **$33.8 million in matching Federal Funds**.

Appropriations for two ChalleNGe Academy educational program locations total $9.8 million in All Funds for the 2018–19 biennium. The program is funded by a combination of state and federal funding. General Revenue Funds were eliminated and Foundation School Program funding was increased (method-of-finance swap). The agency anticipates 230 participants per year will complete the program, which supports educational improvement, including grade-level advancement, general equivalency development, and high school graduation.

Appropriations include a $635,000 increase in General Revenue Funds **for expanded behavioral and mental health counseling.** These funds support new case management software, three mental health counselors, and one program administrator.

MAJOR FUNDING

The 2018–19 biennial All Funds appropriation net decrease of $48.1 million compared to the 2016–17 All Funds expenditure level is attributed primarily to the following changes:

- a $31.2 million decrease in Interagency Contracts from the Department of Public Safety for border security;
- a $19.6 million decrease in General Revenue–Dedicated Funds for State of Texas Army Revitalization (STAR) renovations of Texas Military Department readiness centers;
- a $16.3 million increase from the Economic Stabilization Fund (ESF) for STAR renovations and deferred maintenance projects;
- a $12.2 million decrease in estimated Federal Funds; and
- a $4.1 million decrease in General Revenue Funds related to the 4.0 percent reduction ($2.0 million), from nonemergency training and facilities maintenance, and a method-of-finance swap for ChalleNGe Academy funding ($2.8 million), offset by a $0.6 million increase for behavioral health counselors.

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 services, (4) military support services, and (5) administration.

TRAINING AND ACTIVE DUTY

This program area encompasses activities of the Texas military forces (TXMF): the Texas Army National Guard and the Texas Air National Guard (collectively, TXNG), and the Texas State Guard (TXSG). Approximately 23,552 service members are serving in the Texas military forces, making it the largest state military force in the U.S.

TXNG consists of 18,430 service members, and it 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 the U.S. 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. Members provide emergency response for law enforcement support, civil support, cold weather operations, and wildfire outbreaks as needed. TXNG members currently are supporting major federal operations in Europe, the Middle East, and Asia.

TXNG also has participated in border security missions in the state since fiscal year 2006, with missions primarily being funded federally until fiscal year 2014. Since summer 2014, TXNG has been deployed to the Rio Grande Valley to conduct border security activities in conjunction with the Department of Public Safety. The Eighty-fifth Legislature, Regular Session, 2017, did not appropriate funding for TXNG's continued border security involvement for the 2018–19 biennium. TMD planned to end this deployment to the southern border in support of these operations by October 1, 2017, at the beginning of the federal fiscal year.

The other component of the Texas military forces, TXSG, is an all-volunteer state defense force, subject to active duty when called by the Governor to serve Texas in time of emergency. During fiscal year 2017, approximately 1,951 TXSG members were in military units typically placed with TXNG units. TMD estimates 29,870 TXSG and TXNG training days per year for the 2018–19 biennium.

The Eighty-fifth Legislature, Regular Session, 2017, appropriated $7.7 million in General Revenue Funds to TMD to ensure training and operational readiness of the Texas military forces for disaster relief, emergency missions, nonemergency homeland security, and humanitarian aid.

HURRICANE HARVEY RESPONSE

In August 2017, the Governor activated the Texas National Guard in the days leading up to the landfall of Hurricane Harvey. In anticipation of landfall, 700 members of the TXMF were positioned throughout the state, and air and ground crews were on standby to assist with emergency search and rescue, swift-water rescues, and emergency evacuations. On August 28, the Governor activated all remaining Texas National Guard members, bringing the total to more than 12,000 activated and mobilized deployments. In the storm's aftermath, TMD and TXMF completed approximately 1,320 missions, evacuated 15,425 Texans, rescued 1,206 animals, and flew 1,078 flight hours. As of autumn 2017, TMD had requested $72.9

million from the Office of the Governor for Hurricane Harvey-related expenses, and the agency had been granted $31.2 million from the Trusteed Programs within the Office of the Governor.

FACILITIES MAINTENANCE

The facilities maintenance program area consists of eight programs including utilities, repair, and maintenance of military facilities and equipment owned or licensed by the state that are located on state or federal property. For the 2018–19 biennium, the agency will maintain approximately 3,386 buildings, totaling more than 7.3 million square feet, across the state. Appropriations for the facilities maintenance program area total $142.3 million in All Funds for the 2018–19 biennium, which represents a $13.3 million decrease from 2016–17 biennial expenditure levels, primarily as the result of onetime General Revenue–Dedicated Funds decreases.

Nine TMD readiness centers are located in Houston, Pasadena, San Marcos, Grand Prairie, Fairview, Austin, El Paso, Temple, and Denison. The Eighty-fifth Legislature, Regular Session, 2017, appropriated $26.9 million in All Funds for the STAR Program to continue ongoing renovation of these readiness centers, including $11.0 million from the Economic Stabilization Fund and $15.9 million in Federal Funds.

The Eighty-fifth Legislature, Regular Session, 2017, appropriated an additional $16.8 million in All Funds, including $5.3 million from the Economic Stabilization Fund and $11.5 million in Federal Funds, for emergency maintenance at more than 100 other facilities throughout the state.

EDUCATIONAL SERVICES

The educational services program area primarily consists of the ChalleNGe Academy program, the STARBASE program, and the military tuition assistance program. The ChalleNGe Academy is a five-month residential cooperative program and yearlong mentoring program between Texas and the National Guard Bureau. The ChalleNGe Academy is a military-style training, education, and skills program serving a projected 230 youths per year. ChalleNGe targets youths, ages 16 to 18, who have dropped out of high school or are at risk of not completing high school with the goal of helping the youths earn diplomas, certificates of high school general equivalency, or additional high school credits. TMD operates two ChalleNGe Academy sites, in Sheffield and Eagle Lake. Historically, the ChalleNGe Academy has been funded through a combination of General Revenue Funds, Federal Funds, and an Interagency Contract from the Foundation School Program. The Eighty-fifth Legislature, Regular Session, 2017, eliminated all General Revenue Funds for this purpose and increased the Interagency Contract from the Foundation School Program to offset the loss of General Revenue Funds. The total All Funds appropriation for the ChalleNGe Academy is $9.8 million in All Funds for the 2018–19 biennium.

STARBASE is a five-week, in-class, interactive, academic outreach program that aims to increase middle school youths' interest and knowledge in science, math, engineering, and technology fields. STARBASE is funded with Federal Funds from the National Guard Bureau, totaling $1.5 million for the 2018–19 biennium.

Texas military forces 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 for certain Texas military forces members. The Eighty-fifth Legislature, Regular Session, 2017, appropriated $3.0 million in General Revenue Funds to tuition assistance for the 2018–19 biennium.

Appropriations for the educational services program area total $16.2 million in All Funds for the 2018–19 biennium.

MILITARY SUPPORT SERVICES

The military support services program area includes the mental health services program. The program provides counseling services to service members, their families, and veterans, through direct counseling and crisis intervention. For the 2018–19 biennium, TMD indicates that TXMF service members, families, and veterans will receive approximately 26,340 group and individual mental health sessions. Appropriations for the military support services program area total $1.9 million, including an increase of $0.6 million in General Revenue Funds for four additional behavioral health counselors.

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 is appropriated 63.0 full-time-equivalent positions to provide these services for all state military employees and TXMF members. Appropriations for the Administration program for the 2018–19 biennium total $11.2 million.

SIGNIFICANT LEGISLATION

House Bill 3066 – Texas Military Forces benefits and protections. The legislation provides that a TXMF service member who is ordered to state active duty or to state training is entitled to the same benefits and protections provided to activated members of the federal uniformed reserve services, specifically concerning cancellation of telecommunications and other service contracts. Military service members called to state active duty will be able to terminate service contracts immediately without paying fees or being liable for ongoing costs of cable service, Internet service, telecommunication service, video service, and health club membership.

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

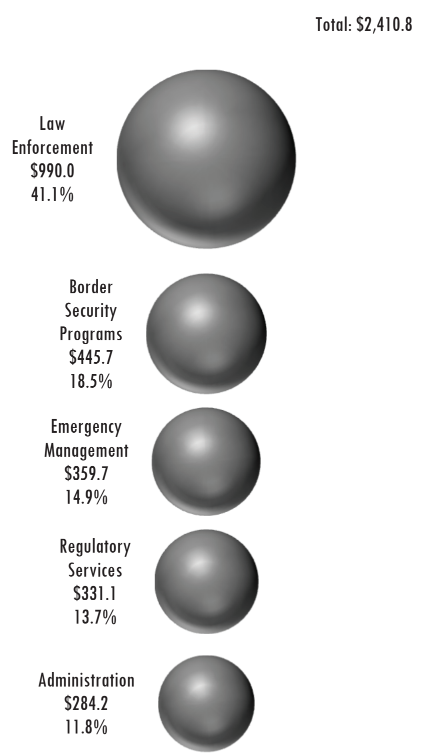
FIGURE 272
DEPARTMENT OF PUBLIC SAFETY BY METHOD OF FINANCE

(IN MILLIONS)

METHOD OF FINANCE	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$1,971.5	$1,843.3	($128.1)	(6.5%)
General Revenue–Dedicated Funds	$34.4	$16.1	($18.3)	(53.2%)
Federal Funds	$440.7	$406.0	($34.7)	(7.9%)
Other Funds	$135.6	$145.3	$9.7	7.2%
Total, All Methods of Finance	**$2,582.2**	**$2,410.8**	**($171.4)**	**(6.6%)**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2018	10,412.2
2019	10,596.8

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

Agency appropriations for **border security include $445.7 million for Goal B, Secure Texas, and $248.6 million for salary and overtime funded in other agency goals.** This amount includes $145.6 million to fund overtime sufficient to attain a 50-hour workweek for all Department of Public Safety (DPS) commissioned law enforcement officers, $97.1 million to recruit and retain 250 new troopers and support staff, and $7.0 million to fund cameras and other equipment primarily relating to Operation Drawbridge.

The Texas Division of Emergency Management, the state's primary emergency response division, is appropriated $359.7 million, supporting 314.0 full-time-equivalent positions. DPS estimates $3.6 billion in Federal Funds revenues and reimbursements for Hurricane Harvey, $3.4 billion of which the agency anticipates dispersing to affected local entities.

Driver License Improvement funding decreased by $10.0 million to account for onetime expenditures from the 2016–17 biennium. Biennial funding for the Driver License Division totals $278.0 million in All Funds and 2,275.8 full-time-equivalent positions.

Agency appropriations for cybersecurity total $5.7 million and include funding for data loss prevention, an intrusions prevention system, and a security vulnerability management system.

MAJOR FUNDING

Appropriations for the 2018–19 biennium include a decrease of $171.4 million in All Funds from the 2016–17 biennial expenditure level, primarily as the result of the following appropriation decreases:

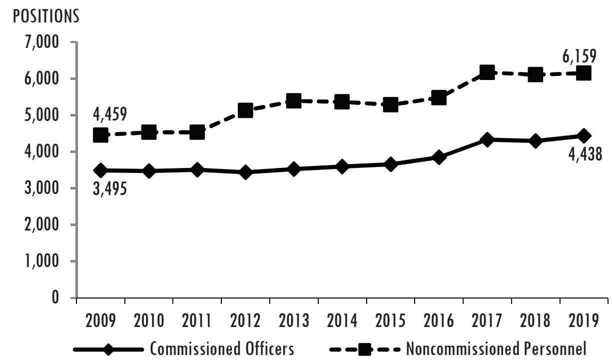
- $209.5 million in All Funds for onetime border security-related costs from the 2016–17 biennium;
- $50.2 million in General Revenue Funds and 320.4 full-time-equivalent (FTE) positions related to the 4.0 percent General Revenue Funds reduction, primarily for information resources, support operations, regulatory services, and deferred maintenance;
- $8.7 million in General Revenue Funds and General Revenue–Dedicated Funds as a result of the Governor's Veto Proclamation;
- $5.0 million in General Revenue Funds for contract costs containment; and
- $2.6 million in General Revenue Funds for onetime Driver License Improvement Plan costs from the 2016–17 biennium.

These decreases are offset largely by the following increases in appropriations:

- $144.2 million in All Funds and 376.1 FTE positions in direct funding for border security;
- $12.0 million in Other Funds from the Economic Stabilization Fund for deferred maintenance projects;
- $4.2 million in General Revenue Funds for testing of sexual assault kits logged after August 1, 2011;
- $3.0 million in Other Funds from the Economic Stabilization Fund to construct a law enforcement training facility in Cameron County;
- $2.6 million in General Revenue Funds to implement the Centralized Accounting and Payroll/Personnel (CAPPS) financial system; and
- $1.4 million in General Revenue Funds to provide Schedule C base salary increases to certain commissioned law enforcement personnel.

The Department of Public Safety (DPS) is organized into nine major divisions: administration, criminal investigations, director's staff, Division of Emergency Management, driver license, Public Safety Commission, regulatory services, Texas Highway Patrol, and Texas Rangers.

FIGURE 273
DEPARTMENT OF PUBLIC SAFETY COMMISSIONED AND NONCOMMISSIONED STAFF, FISCAL YEARS 2009 TO 2019



NOTES:
(1) Positions shown for fiscal years 2009 to 2017 are actual full-time-equivalent (FTE) positions.
(2) Positions shown for fiscal years 2018 and 2019 are appropriated FTE positions.
SOURCES: Legislative Budget Board; Department of Public Safety.

HURRICANE HARVEY RESPONSE

As of January 31, 2018, the Texas Department Public Safety, which houses the Texas Division of Emergency Management, the state's emergency response headquarters, has received $21.5 million from the Office of the Governor to cover the state's cost share for certain federal assistance. The agency received $403.5 million in Federal Funds, of which $374.5 million had been passed through to local entities. None of these amounts are reflected in the agency's 2018–19 appropriation.

FULL-TIME-EQUIVALENT POSITIONS

As shown in **Figure 273**, the total number of FTE positions employed by DPS increased by 33.2 percent, or 2,643.0 positions from fiscal years 2009 (7,953.8 actual positions) to 2019 (10,596.8 appropriated positions). **Figure 273** also shows that, as part of the total FTE positions, the number of commissioned peace officers increased from 3,495.0 to 4,438.0, or 27.0 percent. During the same period, the number of noncommissioned staff increased from 4,458.8 to 6,158.8, or 38.1 percent. Included in the projected number of commissioned peace officer totals for fiscal years 2018 and 2019 are 652.0 positions based on the additional time available resulting from overtime hours associated with the 50-hour workweek.

DPS replenishes its cadre of active troopers by operating recruit schools at various times of the year. DPS trains qualified trooper applicants through a 23-week recruit school that graduates successful recruits as probationary troopers and an 11-week recruit school for current law enforcement officers. A probationary period is required for the troopers graduating from the 11-week recruit school; however, DPS is authorized 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.

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) law enforcement; (2) border security; (3) emergency management; (4) regulatory services; and (5) administration.

LAW ENFORCEMENT

The law enforcement 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 law enforcement program area for the 2018–19 biennium total $990.0 million in All Funds. The primary functions of this program area are accomplished through the traffic enforcement, criminal investigations, intelligence, counterterrorism, joint crime information center, crime laboratory services, and crime records services programs.

TRAFFIC ENFORCEMENT

The largest program within the law enforcement program area is traffic enforcement, which includes 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. Program-level funding for Traffic Enforcement totals $368.8 million in All Funds for the 2018–19 biennium; appropriations for THPD are included in several programs and total $744.0 million for the 2018–19 biennium with an anticipated staffing level for fiscal year 2019 of 3,988.2 FTE positions.

CRIMINAL INVESTIGATIONS

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 threats 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 within DPS and to other law enforcement agencies. Organizationally, CID is divided into four specialized sections: gang, drug, special investigations, and investigative support.

The Texas Ranger Division's (TRD) primary responsibilities include major crime investigation, 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 2017, criminal investigations by the Texas Rangers resulted in 1,319 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, the Border Security Operations Center, and the Public Integrity Unit.

INTELLIGENCE, COUNTERTERRORISM, AND JOINT CRIME INFORMATION CENTER

The intelligence, counterterrorism, and joint crime information center programs include DPS' Intelligence and Counterterrorism Division (ICTD). This division serves as a statewide intelligence entity that leverages DPS' intelligence and fusion capabilities 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 regarding suspicious activities that may represent a threat to the public. Appropriations for the 2018–19 biennium for these three programs total $14.7 million in All Funds with an anticipated fiscal year 2019 staffing level of 127.9 FTE positions.

CRIME LABORATORY SERVICES

DPS provides forensic and analytical services to law enforcement agencies investigating crimes through a system of 14 crime laboratories and one convicted offender laboratory in various 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; blood alcohol; and toxicology. Crime laboratory personnel also provide expert testimony regarding analysis of evidence and interpretation of technical data and findings.

Appropriations for the 2018–19 biennium for crime laboratory services total $76.1 million in All Funds with an anticipated fiscal year 2019 staffing level of 366.5 FTE positions. Included in these amounts are $56.9 million in General Revenue Funds, including $4.2 million for testing of backlogged sexual assault kits, and $11.5 million in Appropriated Receipts.

In an effort to address the backlog of sexual assault kits logged after August 1, 2011, 2018–19 biennial appropriations for crime labs assumed that DPS would begin charging a forensic analysis fee for certain crime laboratory tests, pursuant to the Texas Code of Criminal Procedure, Section 38.35. The Legislature required the agency to limit expenditure of forensic fee revenues to the cost of conducting forensic analysis and authorized any fees collected of greater than $11.5 million for the 2018–19 biennium to be appropriated to DPS for its crime laboratory operations.

Citing concerns from local law enforcement agencies, the Governor issued a letter to DPS in July 2017, requesting that the agency not issue fees to conduct forensic analysis at its crime laboratories. In accordance with this directive, no fees for forensic analysis will be assessed or collected.

CRIME RECORDS SERVICES

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 regarding 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. During fiscal year 2017, the Crime Records Service processed more than 1.0 million fingerprint criminal history checks and 14.6 million criminal justice, public site, and secure site name searches.

BORDER SECURITY PROGRAMS

The border security programs include activities centering on Operation Secure Texas, which is the state's multiagency strategy responding to law enforcement threats in the border region. The Eighty-fifth Legislature, General Appropriations Act (GAA), 2018–19 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. Of the six agencies appropriated funds for border security during the 2016–17 biennium, DPS was appropriated $789.8 million in All Funds, constituting 93.7 percent of the total appropriation. The Eighty-fifth Legislature, Regular Session, 2017, appropriated $800.0 million in state funds to nine state agencies for border security. Of these nine state agencies, DPS is appropriated $694.3 million in General Revenue Funds and General Revenue–Dedicated

Funds for the 2018–19 biennium. The other agencies appropriated funds for border security are the Office of the Governor ($52.7 million), Texas Parks and Wildlife Department ($33.0 million), Texas Alcoholic Beverage Commission ($6.9 million), Texas Department of Criminal Justice ($1.6 million), Texas Commission on Law Enforcement ($0.3 million), Office of the Attorney General ($2.6 million), Texas Soil and Water Conservation Board ($3.0 million), and the Department of Motor Vehicles ($5.6 million). All agencies receiving border security funding are required to report expenditure and performance data to the Legislative Budget Board twice each fiscal year pursuant to the 2018–19 GAA, Article IX, Section 7.11.

The Border Security program area represents the $445.7 million in All Funds appropriated to DPS Goal B, Secure Texas. An Additional $248.6 million in border security-related funds is appropriated to other goals, and appears in other program areas—primarily Law Enforcement, for trooper salaries and overtime. The total DPS border security funding of $694.3 million, across all Goals and program areas, is allocated for the following items:

- $428.4 million for routine border security operations and other baseline border security-related activities;
- $145.6 million to fund overtime sufficient to attain a 50-hour work week for DPS' commissioned law enforcement officers;
- $97.1 million to recruit, train, and equip 250 troopers and 126 support staff;
- $8.8 million to fund extraordinary operations through surge funding;
- $7.0 million to fund cameras and other equipment primarily relating to Operation Drawbridge;
- $1.3 million to establish and help operate the border auto theft information center;
- $3.2 million to construct and operate a law enforcement center in Penitas;
- $2.2 million to support the University of North Texas missing persons database; and
- $0.7 million to provide training for the National Incident Based Reporting System.

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. During fiscal year 2017, TDEM coordinated the state response for 4,616 local incidents.

TDEM is the state's primary emergency response division and is charged with executing a statewide, comprehensive, all-hazard, emergency management program. The program includes pre-disaster and post-disaster mitigation of known hazards; emergency planning, training, and other preparedness activities; provisions for effective response to emergency situations; and recovery programs for major disasters. TDEM also is charged with providing assistance to local and state agencies to plan and implement emergency management programs.

TDEM's purpose is 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 human-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 federal and state disaster recovery and hazard mitigation grants to local governments, school districts, and state agencies. During fiscal year 2017, TDEM allocated more than $112.4 million in disaster recovery funds to eligible grantees.

Appropriations for the 2018–19 biennium for the emergency management program area total $359.7 million and provide for 314.0 FTE positions each fiscal year.

REGULATORY SERVICES

The regulatory services program area provides regulatory services to all external and internal customers, and improves responsiveness, customer focus, and modern business practices in the delivery of all services. Appropriations for the regulatory services program area total $331.1 million in All

Funds for the 2018–19 biennium. The regulatory programs at DPS include driver license services, driving and motor vehicle safety, regulatory service compliance, regulatory service issuance, and safety education.

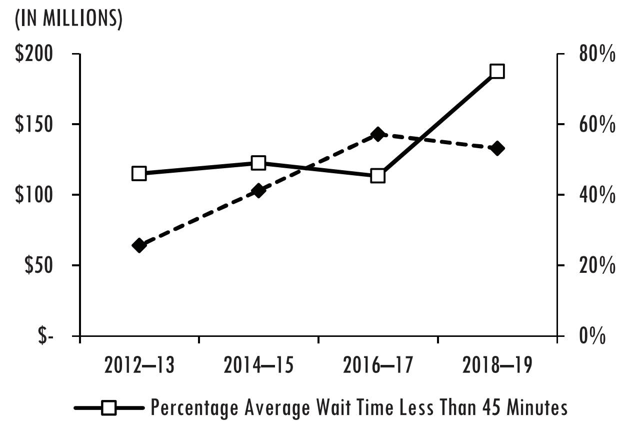
DRIVER LICENSE SERVICES, DRIVING AND MOTOR VEHICLE SAFETY, AND SAFETY EDUCATION

The driver license services, driving and motor vehicle safety, and safety education programs are the largest regulatory programs at DPS and are administered by the agency's Driver License Division (DLD). The division 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. It administered 4.8 million driver license examinations during fiscal year 2017. 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 DLIP. The Eighty-third Legislature, Regular Session, 2013, appropriated the same amount, plus an additional $38.9 million, to DLIP. The Eighty-fourth Legislature, 2015, appropriated this base funding ($103.0 million), plus an additional $40.0 million. The Eighty-fifth Legislature, Regular Session, 2017, appropriated $133.00 million for DLIP, a decrease of $10.0 million, to account for onetime expenditures from the 2016–17 biennium. Since fiscal year 2012, the Legislature has appropriated $443.1 million to DLIP. During fiscal year 2017, 44.7 percent of those applying for a driver license or identification card experienced wait times of less than 45 minutes. **Figure 274** shows a three-biennia history of average wait times of less than 45 minutes and state appropriations for DLIP, where the 2018–19 biennial wait times are targets set by the Legislature for DPS.

The Eighty-fifth Legislature, Regular Session, 2017, also restructured the agency's budget structure to establish a new goal, (Goal F, Driver License Services and Driver Safety) in the agency's bill pattern to better identify, monitor, and control state appropriations for the driver license and driver

FIGURE 274
DEPARTMENT OF PUBLIC SAFETY DRIVER LICENSE IMPROVEMENT PROGRAM FUNDING AND AVERAGE WAIT TIMES, 2012–13 TO 2018–19 BIENNIA



NOTE: Amounts shown for the 2012–13 to 2016–17 biennia are actual amounts; amounts shown for the 2018–19 biennium are performance targets.
SOURCES: Legislative Budget Board; Department of Public Safety.

safety functions. Additionally, the Legislature added a rider proscribing fund transfers out of Goal F absent prior authorization from the Legislative Budget Board. Appropriations for DLD total $278.0 million in All Funds and 2,275.8 FTE positions for the 2018–19 biennium, a decrease of $12.7 million in All Funds. This decrease is the net of the following changes: $7.4 million identified by the agency as part of the required 4.0 percent reduction; a $2.6 million decrease for certain onetime items for the 2016–17 biennium; agency-requested transfers into Goal F totaling $2.1 million; and a decrease of $4.7 million for fiscal year 2019 from Strategy F.1.2, Safety Education as a result of the Governor's Veto Proclamation.

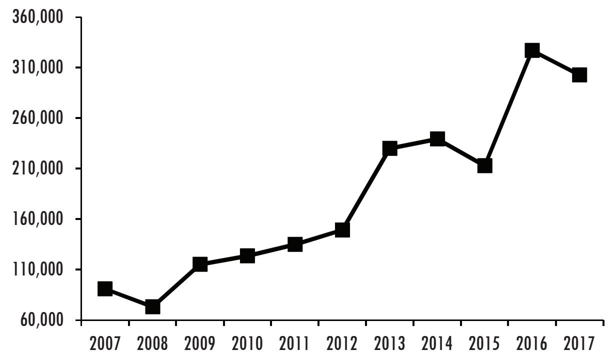
REGULATORY SERVICE COMPLIANCE AND REGULATORY SERVICE ISSUANCE

In addition to the agency's driver license functions, the regulatory services program area includes the regulatory service compliance and regulatory service issuance programs. These functions are administered by the Regulatory Services Division and are carried out through several services including the Private Security Program, handgun licensing, the vehicle inspection program, and the Texas metals program.

The 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. During fiscal year 2017, PSP issued 86,327 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. Senate Bill 16, Eighty-fifth Legislature, Regular Session, 2017, decreased the fee for the issuance of an original or renewed license to carry a handgun from $140 to $40. In December 2016, DPS reported 1,150,754 active license holders and 3,676 certified instructors. As shown in **Figure 275**, the number of licenses to carry handguns DPS issued annually has increased by 233.3 percent from fiscal years 2007 (90,867 licenses issued) to 2017 (302,752 licenses issued).

FIGURE 275
DEPARTMENT OF PUBLIC SAFETY ISSUANCE OF LICENSES TO CARRY A HANDGUN, FISCAL YEARS 2007 TO 2017



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 intended 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. During fiscal year 2017, 43,754 certified inspectors in 11,957 licensed inspection stations performed 23.6 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 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. During fiscal year 2017, DPS issued 356 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.

ADMINISTRATION

The administration program area includes programs relating to direct or indirect administration at DPS. These programs include facilities management, financial management, fleet operations, headquarters administration, human capital management, information technology, regional administration, and training academy and development. Appropriations for the administration program area total $284.2 million in All Funds for the 2018–19 biennium.

SIGNIFICANT LEGISLATION

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

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

House Bill 1510 – Transfer of certain functions related to emergency services districts. The legislation authorizes Texas Division of Emergency Management (TDEM) to provide fire departments in rural areas with information relating to assistance programs offered to rural volunteer firefighters, and information for rural homeowners relating to the benefits of volunteer fire departments. The legislation also amends the Texas Health and Safety Code to require TDEM to serve as a resource to provide rural communities with general information about emergency services districts, and information and training related to the establishment of an emergency services district.

House Bill 1729 and House Bill 4102 – Grant program for testing sexual assault evidence. The legislation requires DPS to provide the opportunity for a person applying for an original or renewal driver license, commercial driver license, personal identification certificate, or motor vehicle registration to voluntarily contribute $1 or more to the grant program for testing evidence related to sexual assault or other sex offenses.

Senate Bill 1849 – Sandra Bland Act. The legislation amends statute to change policing and jail standards across the state, including provisions regarding special populations. The legislation also modifies training requirements for peace officers to include de-escalation training with techniques to limit the use of force and establishes standards for training.

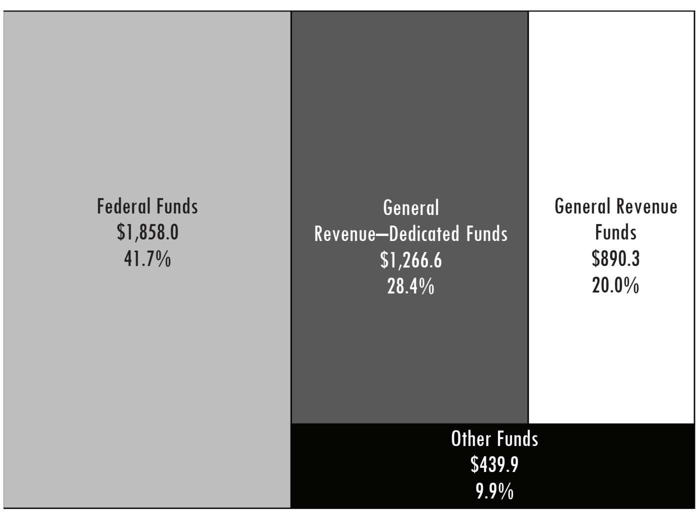
9. NATURAL RESOURCES

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.

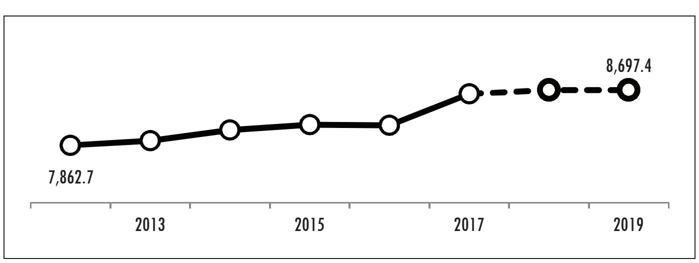
FIGURE 276
ARTICLE VI – NATURAL RESOURCES, BY METHOD OF FINANCE

	(IN MILLIONS)			
METHOD OF FINANCE	EXPENDED/BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$827.0	$890.3	$63.4	7.7%
General Revenue–Dedicated Funds	$1,502.3	$1,266.6	($235.8)	(15.7%)
Federal Funds	$1,860.7	$1,858.0	($2.7)	(0.1%)
Other Funds	$347.6	$439.9	$92.3	26.5%
Total, All Methods of Finance	**$4,537.7**	**$4,454.8**	**($82.8)**	**(1.8%)**

SHARE OF FUNDING BY METHOD OF FINANCE (IN MILLIONS)



FULL-TIME-EQUIVALENT POSITIONS



SIGNIFICANT DEVELOPMENTS

State and local parks are appropriated a total of **$217.8 million**, a decrease of $32.0 million. This amount includes $150.4 million for the operation and improvement of 91 state parks.

The Texas Emissions Reduction Plan was appropriated $154.7 million, a decrease of $50.5 million, primarily for grants to replace diesel engines and to purchase or lease other equipment to improve air quality. Additionally, funding for the **Low-Income Vehicle Repair, Retrofit, and Accelerated Vehicle Retirement Program** was vetoed, reflecting a **decrease of $96.6 million**.

Disaster Recovery Programs at the General Land Office and Veterans' Land Board are appropriated $107.0 million in federal funding, a decrease of $71.0 million, due to the conclusion of grants for hurricanes and wildfires. Funding for **recovery from Hurricane Harvey** announced by federal agencies in December 2017 includes **$1.1 billion** from the Federal Emergency Management Agency and **$5.1 billion** from the U.S. Department of Housing and Urban Development.

The Alamo and facilities in the Alamo Complex are provided $87.8 million for daily operations, capital improvements, repairs, and the development of a master plan to preserve and maintain the site and the complex.

NOTES: Excludes Interagency Contracts. Full-time-equivalent positions show actual positions for fiscal years 2012 to 2017 and appropriated positions for fiscal years 2018 and 2019.
SOURCES: Legislative Budget Board; State Auditor's Office.

FIGURE 277
ARTICLE VI – NATURAL RESOURCES APPROPRIATIONS BY AGENCY, ALL FUNDS

(IN MILLIONS)

FUNCTION	EXPENDED/BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE
Department of Agriculture	$1,336.3	$1,482.1	$145.8	10.9%
Animal Health Commission	$27.5	$32.0	$4.5	16.5%
Commission on Environmental Quality	$909.3	$744.1	($165.2)	(18.2%)
General Land Office and Veterans' Land Board	$405.1	$341.6	($63.4)	(15.7%)
Low-level Radioactive Waste Disposal Compact Commission	$0.9	$1.2	$0.3	30.8%
Parks and Wildlife Department	$829.2	$739.2	($90.0)	(10.8%)
Railroad Commission	$176.4	$256.1	$79.7	45.2%
Soil and Water Conservation Board	$77.7	75.0	($2.7)	(3.5%)
Water Development Board	$394.7	$368.6	($26.2)	(6.6%)
Subtotal, Natural Resources	**$4,157.0**	**$4,039.9**	**($117.2)**	**(2.8%)**
Employee Benefits and Debt Service	$414.9	$435.6	$20.7	5.0%
Less Interagency Contracts	$34.3	$20.7	($13.7)	(39.8%)
Total, All Functions	**$4,537.7**	**$4,454.8**	**($82.8)**	**(1.8%)**

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-fifth Legislature, 2017, appropriated $4.5 billion in All Funds for Natural Resources agencies, which is a decrease of $82.8 million, or 1.8 percent, from the 2016–17 biennium. In addition to amounts appropriated, federal agencies announced the following Federal Funds for recovery from Hurricane Harvey as of December 2017: Federal Emergency Management Agency (FEMA) funding of $1.1 billion and U.S. Department of Housing and Urban Development (HUD) funding of $5.1 billion. The General Land Office and Veteran's Land Board (GLO) will be the state agency receiving and expending these funds as they are made available.

The Department of Agriculture's funding increase of $145.8 million is due primarily to a net Federal Funds increase of $159.5 million. This increase includes an additional $178.6 million in various Child Nutrition programs offsetting a $19.1 million decrease across multiple federally funded programs. The most significant decrease is $17.0 million for the Biofuel Infrastructure Partnership program due to onetime grant funding. Additional adjustments resulting in an overall General Revenue Funds decrease of $6.9 million are due primarily to an increase of $3.3 million for the Texans Feeding Texans Surplus Agricultural Products Grant program that is offset by decreases of $4.2 million for boll weevil eradication efforts.

The Railroad Commission's additional funding of $79.7 million is due primarily to increases of $38.6 million in General Revenue Funds to provide a stable base of funding for oil and gas regulation and cleanup programs, and additional funding to enhance those programs; $38.2 million in Other Funds from the Economic Stabilization Fund to provide for additional oil and gas well plugging and remediation; and $2.5 million in Federal Funds for pipeline safety.

Texas Animal Health Commission appropriations increased by $4.5 million in All Funds due primarily to an additional $7.2 million in General Revenue Funds for cattle fever tick prevention, control, and eradication activities.

Texas Commission on Environmental Quality appropriations decreased by $165.2 million in All Funds. An increase of $8.4 million in General Revenue Funds for public drinking water activities, water quality needs, and implementation of the Federal Revised Total Coliform Rule was offset significantly by other funding decreases. Decreases of $103.0 million in General Revenue–Dedicated Funds, Account No. 151, Clean Air, primarily included $96.6 million provided by the Legislature to fund the Low-income Vehicle Repair, Retrofit, and Accelerated Vehicle Retirement Program (LIRAP/AirCheck Texas) and $6.0 million for air quality planning activities that were included in the Governor's veto proclamation. In addition, decreases in grant funding for air quality programs from the General Revenue–Dedicated Funds Account No. 5071, Texas Emissions Reduction Plan, totaled $50.5 million.

Appropriations for the Texas Parks and Wildlife Department (TPWD) decreased by a net $90.0 million in All Funds. Significant issues include the following:

- the Legislature appropriated $295.6 million, or 88.6 percent, of the Sporting Goods Sales Tax (SGST) estimated to be available for the biennium, including amounts for employee benefits and debt service payments;
- an increase of $12.3 million in other General Revenue Funds and General Revenue–Dedicated Funds for law enforcement activities and administrative costs and purchases, which includes $7.0 million in General Revenue Funds and $5.3 million from Unclaimed Refunds of Motorboat Fuel Tax;
- a net decrease of $85.4 million in General Revenue–Dedicated Funds due primarily to:
    - a decrease of $77.4 million in General Revenue–Dedicated Funds, Account No. 5166, Deferred Maintenance, expended on various projects. The decrease is offset partially with a method-of-finance swap of SGST in the agency's budget related to disaster-related capital construction ($49.2 million) and deferred maintenance and other capital projects ($17.0 million);
    - a decrease of $15.7 million in General Revenue–Dedicated Funds, Account No. 9, Game, Fish, and Water Safety, due to decreases for multiple onetime expenditures and operations; and
    - an increase of $8.0 million in the General Revenue–Dedicated Funds, Account No. 544, Lifetime License Endowment, pursuant to House Bill 3781, Eighty-fifth Legislature, Regular Session, 2017, for the purpose of managing the fish and wildlife resources of the state;
- a decrease of $36.3 million in Federal Funds for funding that is no longer anticipated to be available; and
- a decrease of $30.7 million in Other Funds, primarily from:
    - $21.9 million in Appropriated Receipts due primarily to anticipated fluctuations in donations; and
    - $10.9 million in bond proceeds for park projects.

GLO appropriations decreased by $63.4 million in All Funds due primarily to:

- a net increase of $43.5 million in All Funds for the preservation and maintenance of the Alamo and the Alamo Master Plan, which includes an increase of $75.0 million in Other Funds from the Economic Stabilization Fund offset by a decrease of $31.5 million in General Revenue Funds;
- an overall decrease of $105.0 million in Federal Funds due to an increase of $63.9 million in Community Development Block Grant (CDBG) funding for flood events in 2015 and 2016, offset by decreases of $134.7 million in CDBG for disaster recovery, $28.9 million in Coastal Impact Assistance Program grants that ended December 31, 2016, and $5.3 million in various other Federal Funds; and
- a decrease of $3.8 million in General Revenue Funds due to reduced funding needed to complete the closure of Rollover Pass on the Bolivar Peninsula.

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

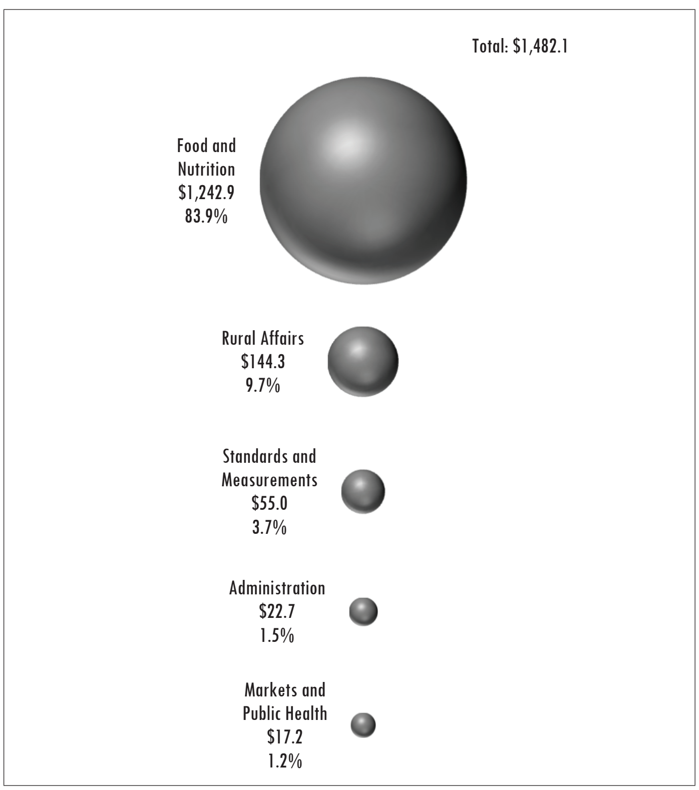
FIGURE 278
TEXAS DEPARTMENT OF AGRICULTURE BY METHOD OF FINANCE

(IN MILLIONS)

METHOD OF FINANCE	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$113.1	$106.2	($6.9)	(6.1%)
General Revenue–Dedicated Funds	$4.7	$4.6	($0.1)	(2.4%)
Federal Funds	$1,190.0	$1,348.5	$158.5	13.3%
Other Funds	$28.5	$22.8	($5.7)	(20.0%)
Total, All Methods of Finance	**$1,336.3**	**$1,482.1**	**$145.8**	**10.9%**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2018	702.9
2019	705.9

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

Child and adult nutrition program funding increased by $178.6 million in Federal Funds for a total of **$1.2 billion** in funding**.** The program provides administration and funding for federal nutrition programs, including the National School Lunch and School Breakfast programs.

The Texans Feeding Texans – Surplus Agricultural Products Grant program was **increased by $3.3 million in General Revenue Funds.** The program's total funding of **$9.1 million** provides surplus agricultural products to food banks and other charitable organizations.

General Revenue Funds of $1.9 million are provided for repairs to the Giddings **Metrology Laboratory's heating, ventilation, and air-conditioning system**.

General Revenue Funds for the **Boll Weevil Eradication program decreased by $4.2 million**. The program's total funding of **$9.8 million** supports boll weevil eradication activities.

MAJOR FUNDING

Appropriations for the Texas Department of Agriculture (TDA) total $1.5 billion in All Funds, which is an increase of $145.8 million from 2016–17 biennial spending levels and includes the following major adjustments:

- a net increase of $159.5 million in Federal Funds, including an increase of $178.6 million in various Child Nutrition programs offsetting a decrease of $19.1 million across multiple federal programs. The most significant decrease is a $17.0 million decrease for the Biofuel Infrastructure Partnership program due to onetime grant funding;
- a net decrease of $6.9 million in General Revenue Funds primarily due to:
  - an increase of $3.3 million for the Texans Feeding Texans Surplus Agricultural Products Grant program;
  - a decrease of $4.2 million for boll weevil eradication efforts;
  - a decrease of $2.1 for the transfer of two programs to the to the Texas A&M AgriLife Extension Service, including $1.2 million for the Surplus Agricultural Product Grant program for Low Income Students, and $0.9 million for the Feral Hog Abatement program;
  - a decrease of $0.8 million to zero-fund the Zebra Chip program; and
  - a decrease of $0.7 million for a onetime Border Inspection Grant provided following the enactment of Senate Bill 797, Eighty-fourth Legislature, 2015; and
- a net decrease of $6.0 million in Other Funds primarily from decreases of $7.1 million in the Texas Agricultural Fund due to debt retirement and $6.7 million in the Texas Economic Development Fund due to decreases in the funds' original balances offset by an increase of $7.1 million in Appropriated Receipts to regulate motor fuel quality and motor fuel metering devices, pursuant to House Bill 2174, Eighty-fifth Legislature, Regular Session, 2017.

Figure 279 shows TDA's 12 cost-recovery programs. Apart from specific statutory or legislative authority, these programs are funded with fee-generated revenues the use of which is limited to the program for which the revenues were collected. Appropriations for cost-recovery programs total $46.8 million. Revenue collections also are required to cover $9.0 million appropriated elsewhere in the General Appropriations Act for other direct and indirect costs, such as employee benefits.

FIGURE 279
TEXAS DEPARTMENT OF AGRICULTURE COST RECOVERY PROGRAMS, 2018–19 BIENNIUM

PROGRAM AREA	APPROPRIATION
Standards and Measurements Program Area	
Weights and Measures	$12,429,261
Agricultural Pesticide Regulation	$10,271,173
Plant Health	$10,020,804
Structural Pest Control	$4,682,838
Metrology	$2,835,421
Organic Certification	$1,290,846
Grain Warehouse	$952,418
Egg Quality Regulation	$946,544
Prescribed Burn	$2,076
Markets and Public Health Program Area	
Livestock Export Pens	$2,185,211
International and Domestic Trade	$1,162,870
Handling and Marketing of Perishable Commodities	$46,278
Total for all programs	**$46,825,740**

SOURCE: Legislative Budget Board.

TDA is appropriated 702.9 full-time-equivalent (FTE) positions for fiscal year 2018 and 705.9 positions for fiscal year 2019. The additional 3.0 positions for fiscal year 2019 are intended to implement the Centralized Accounting and Payroll/Personnel System (CAPPS).

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) administration.

FOOD AND NUTRITION PROGRAMS

TDA carries out its responsibilities in the food and nutrition program area through five programs that provide funding and technical assistance statewide.

CHILD NUTRITION – COMMUNITY NUTRITION

This program provides state administration and funding for federal nutrition programs that provide meals or food packages to qualifying individuals by private nonprofit organizations, governmental agencies, for-profit organizations, residential childcare facilities, schools, or food banks. Numerous activities are included under the program, including the following:

- $970.3 million for the Child and Adult Care Food program, which reimburses childcare centers, day care home providers, and adult day-care centers for part of the cost associated with serving approved meals and snacks to children and adults;
- $106.3 million for the Summer Food Service program, which provides meals to qualifying children during the summer months;
- $13.8 million for the Emergency Food Assistance program, which distributes commodities from the U.S. Department of Agriculture (USDA) to emergency food organizations such as food pantries, soup kitchens, and housing authorities);
- $5.0 million for the Commodity Supplement Food program, which provides food packages for home consumption that local organizations distribute;
- $2.1 million for the Farmers Market Nutrition program, which provides vouchers to participating farmers' market associations to certain qualified participants in the USDA's Women, Infants, and Children program (WIC); and
- $0.2 million for the Senior Farmers Market Nutrition program, which provides vouchers to participating farmers' market association to qualifying seniors.

Program funding totals $1.1 billion in All Funds, including 101.5 FTE positions, which represents an increase of $169.5 million, or 17.9 percent, from 2016–17 biennial spending levels.

CHILD NUTRITION – SCHOOL NUTRITION

This program provides administration of federally assisted meal programs operated by school food authorities (SFA) in public, charter, and nonprofit private school and residential childcare institutions. SFAs receive USDA food commodities and cash reimbursement based on household eligibility and program guidelines. Numerous activities are included under the program, including:

- $24.6 million for the National School Lunch program, including Seamless Summer Option, which serves free or reduced-price lunches to qualifying students in public and nonprofit private schools in Texas throughout the school year and into the summer for schools wishing to extend the program throughout the year;
- $12.3 million for the School Breakfast program, which provides free or reduced-price breakfasts to qualifying students in public and nonprofit private schools in Texas throughout the school year;
- $20.0 million for the Fresh Fruit and Vegetable program, which serves students at certain pre-selected Texas elementary schools free fresh fruits and vegetables outsides regular meal times; and
- $0.1 million for the Special Milk program, which makes milk available to qualifying children at schools, camps, and childcare centers that do not participate in a school meal program.

Program funding totals $97.4 million in All Funds, including 101.5 FTE positions, which is an increase of $9.1 million, or 10.4 percent, from 2016–17 biennial spending levels.

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 are budgeted at TEA. Funding for the 2018–19 biennium includes $4.3 billion in Federal Funds and $29.2 million in General Revenue Funds.

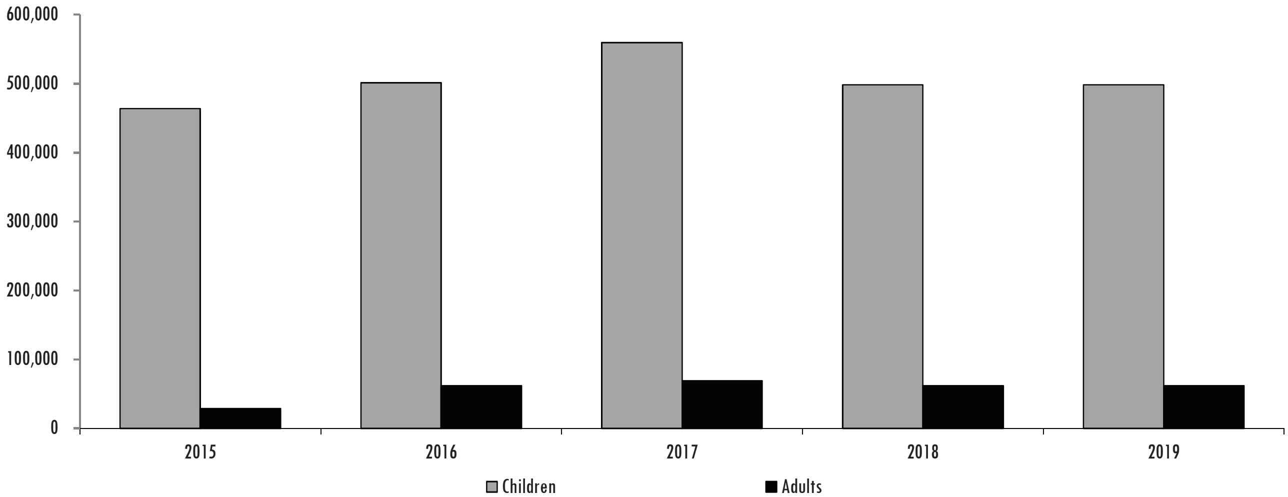
TEXANS FEEDING TEXANS – HOME DELIVERED MEALS

This program provides support to supplement and extend home-delivered meal programs for seniors and disabled Texans. Governmental and nonprofit agencies are eligible for this grant program. Program funding totals $17.8 million in General Revenue Funds, including 6.5 FTE positions, which is a decrease of $0.6 million, or 3.3 percent, from 2016–17 biennial spending levels.

TEXANS FEEDING TEXANS – SURPLUS AGRICULTURAL PRODUCTS GRANT

This program was established to provide surplus agricultural products to food banks and other charitable organizations that serve needy or low-income individuals. TDA awards grant funding to help offset the costs of harvesting, gleaning, and transporting Texas products to food banks. Program funding totals $9.1 million in General Revenue Funds, including 1.5

FIGURE 280
AVERAGE DAILY NUMBER OF CHILDREN AND ADULTS SERVED MEALS THROUGH THE CHILD AND ADULT CARE FOOD PROGRAM, FISCAL YEARS 2015 TO 2019



NOTE: Amounts for fiscal years 2018 and 2019 are projected.
SOURCE: Texas Department of Agriculture.

FTE positions, which represents an increase of $3.3 million, or 55.5 percent, from 2016–17 biennial spending levels.

3 E'S (EDUCATION, EXERCISE, AND EATING RIGHT) NUTRITION EDUCATION

This program provides grants to public schools, childcare centers, and community organizations to increase awareness of the importance of good nutrition for children and to encourage children's health and well-being through education, exercise, and eating right. Program funding totals $0.9 million in General Revenue Funds, including 1.0 FTE position, which is approximately the same as 2016–17 biennial spending levels.

Figure 280 shows the average number of children and adults served meals through the Child and Adult Care Food Program per day from fiscal years 2015 to 2017 and the anticipated amounts for fiscal years 2018 and 2019. The increase in meals served during fiscal year 2017 reflects a targeted outreach effort by USDA, TDA, and advocacy groups to increase awareness of the program.

Food and nutrition programs received a combined $1.2 billion in All Funds, including 211.5 FTE positions, which makes up 83.9 percent of the agency's total appropriation. This amount represents an increase of $180.1 million, or 16.9 percent, from 2016–17 biennial spending levels due primarily to increased Federal Funds.

RURAL AFFAIRS

The rural affairs program area consists of two programs: (1) Rural Community and Economic Development and (2) Rural Health.

RURAL COMMUNITY AND ECONOMIC DEVELOPMENT

The majority of the funding for the agency's Rural Community and Economic Development program is from federal Community Development Block Grant (CDBG) funds distributed to the state by the U.S. Department of Housing and Urban Development (HUD). The agency provides grants through HUD for community and economic development projects in rural areas, principally for low-income to moderate-income populations. CDBG funds administered by TDA assist non-entitlement areas of the state, which consist of cities with populations of less than 50,000 and counties that have a nonmetropolitan population of less than 200,000 and are not eligible for direct CDBG funding from HUD.

Program appropriations total $135.6 million in All Funds, which provides for 41.5 FTE positions. This amount is a decrease of $14.7 million, or 9.8 percent, from 2016–17 biennial spending levels due to a $6.6 million decrease in funding from the Texas Economic Development Fund and a $7.1 million decrease in funding from the Texas Agricultural Fund.

RURAL HEALTH

Through the Rural Health program in the State Office of Rural Health, 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 82 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.

Program appropriations total $8.7 million in All Funds, which provides for 4.0 FTE positions. This amount represents a decrease of $0.3 million, or 3.5 percent, from 2016–17 biennial spending levels.

Rural affairs programs received a combined $144.3 million in All Funds, including 45.5 FTE positions, which contributes 9.7 percent of the agency's total appropriation. This amount represents a decrease of $15.0 million, or 9.4 percent, from 2016–17 spending levels.

STANDARDS AND MEASUREMENTS PROGRAMS

TDA is responsible for protecting 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 through 12 programs in the standards and measurements program area.

WEIGHTS AND MEASURES

Through the Weights and Measures program, TDA ensures that weighing and measuring devices perform within acceptable tolerances and that packages are labeled properly before sale to bring equity to the marketplace to promote fair economic trade. TDA inspects a variety of devices ranging from 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 also are 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 oversees that the prices displayed on the shelf for consumer products are the same price consumers pay at the checkout counter.

Appropriations for the cost recovery program total $12.4 million in General Revenue Funds, which includes 92.5 FTE positions. This amount represents a decrease of $4.5 million, or 26.5 percent, from 2016–17 biennial spending levels.

METROLOGY

TDA is the state agency responsible for certifying weights and measures standards for mass and volume that are supported by national and international standards. The program operates out of a laboratory in Giddings. Cost recovery appropriations total $2.8 million in General Revenue Funds, including 3.0 FTE positions. This amount is an increase of $2.0 million, or 260.8 percent from 2016–17 biennial spending levels due to an increase of $1.9 million in General Revenue Funds to cover the cost of a replacement for the Giddings lab's heating, ventilation, and air-conditioning (HVAC) system. Notwithstanding the provision against revenues from a program being used outside of that program, the cost of the replacement HVAC for the Metrology program was funded with revenues collected for the Weights and Measures program.

AGRICULTURAL PESTICIDE REGULATION

TDA provides regulatory oversight of pesticide laws, certification of applicators, registration of pesticides, and protection and education of pesticide workers and handlers. The Agricultural Pesticide Regulation program investigates complaints and provides laboratory analysis of pesticide residue samples. The agency expects to investigate 225 pesticide complaints during each fiscal year of the 2018–19 biennium. Appropriations for the cost recovery program total $10.2 million in All Funds, which provides for 61.5 FTE positions. This amount is approximately the same as 2016–17 biennial spending levels.

PLANT HEALTH

TDA regulates the licensing for nurseries and florists, provides phytosanitary inspection, ensures that consumers receive the quality and type of seed for which they pay, and makes available a quality source of seeds and vegetative propagating materials. The agency expects to analyze approximately 4,500 seed samples during each fiscal year of the 2018–19 biennium.

The agency enforces quarantine restrictions that prevent destructive pests and plant diseases that affect 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 the state. The agency expects to conduct 8,000 nursery and floral establishment inspections during each fiscal year of the 2018–19 biennium. Appropriations for the cost recovery program total $10.0 million in All Funds, which includes 88.0 FTE positions. This amount represents a decrease of $1.9 million, or 15.7 percent, from 2016–17 biennial spending levels.

FUEL QUALITY

The program is responsible for ensuring that motor fuels meet minimum standards for a number of quality measures, including octane value, water content, and contaminants. TDA inspectors test fuel quality through routine and complaint inspections, and may issue stop-sale orders and administrative penalties for fuel that inspectors find to be noncompliant with certain quality standards and tolerances. Program appropriations total $9.8 million in Appropriated Receipts, which includes 6.5 FTE positions. This amount represents an increase of $7.6 million, or 334.8 percent, from 2016–17 biennial spending levels. This increase is due primarily to the enactment of House Bill 2174, Eighty-fifth Legislature, Regular Session, 2017, relating to the regulation of motor fuel quality and motor fuel metering devices and authorizing fees. Funding increases include $7.1 million to implement the provisions of the legislation.

STRUCTURAL PEST CONTROL

TDA licenses and regulates pest management professionals who apply pesticides in and around structures. During each fiscal year of the 2018–19 biennium, the program anticipates issuing 5,000 new licenses, resolving 125 complaints, and performing 250 school district inspections. Cost recovery program appropriations total $4.7 million in All Funds, including 26.0 FTE positions. This amount represents a decrease of $0.2 million, or 3.3 percent, from 2016–17 biennial spending levels.

PESTICIDE DATA

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 commodities that are consumed in great amounts by infants and children. Appropriations total $1.5 million in Federal Funds, including 9.5 FTE positions. This amount represents a decrease of $0.9 million, or 36.9 percent, from 2016–17 biennial spending levels.

ORGANIC CERTIFICATION

TDA oversees the integrity of organic agriculture products that are produced and manufactured in Texas by providing certification services to Texas producers and agribusinesses. Appropriations for this cost recovery program total $1.3 million in All Funds, including 5.5 FTE positions, which continues 2016–17 biennial spending levels.

GRAIN WAREHOUSE

TDA is responsible for protecting the producers or other depositors of grain stored in public grain warehouses. Inspectors monitor grain inventories, warehouse accounting practices, and risks associated with potential insolvency of public grain warehouses. Cost recovery program appropriations total $1.0 million in General Revenue Funds, including 7.5 FTE positions, which represents an increase of $0.1 million, or 10.0 percent, from 2016–17 biennial spending levels.

EGG QUALITY REGULATION

TDA enforces standards of egg quality by licensing egg packers, wholesalers, and distributors. The agency has entered into a memorandum of understanding with the Department of State Health Services that specifies each agency's inspection responsibilities to avoid duplication of efforts at retail stores. Cost recovery program appropriations total $0.9 million in General Revenue Funds, including 8.0 FTE positions, which continues 2016–17 biennial spending levels.

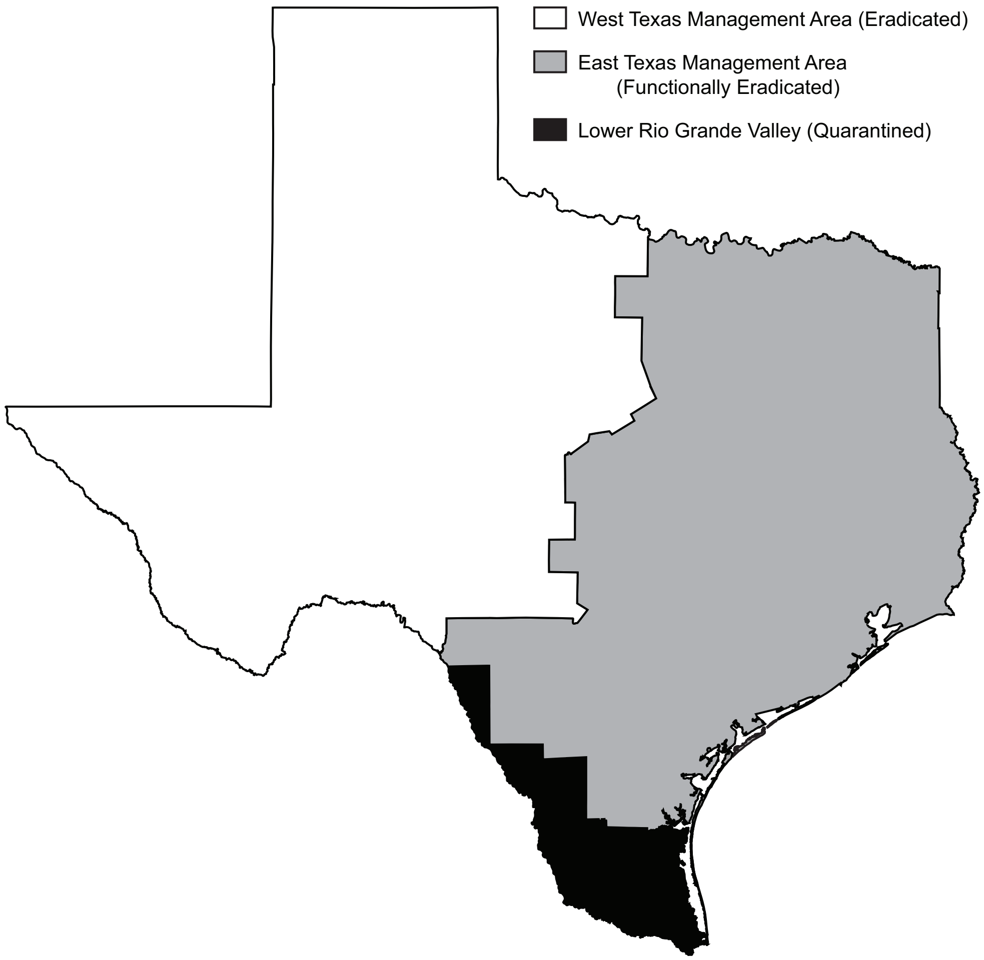
TEXAS COOPERATIVE INSPECTION

TDA conducts grading and standardization inspections of citrus, vegetables, tree nuts, and peanuts. Program appropriations total $0.2 million in Appropriated Receipts, including 1.0 FTE position, which represents a decrease of $0.1 million, or 25.8 percent, from 2016–17 biennial spending levels.

PRESCRIBED BURN

TDA regulates certified and insured prescribed burn managers who work to control vegetative fuels that can contribute to wildfires. Appropriations for the cost recovery program total $2,076 in General Revenue Funds, which continues 2016–17 biennial spending levels.

FIGURE 281
TEXAS BOLL WEEVIL ERADICATION STATUS, FISCAL YEAR 2018



SOURCE: Texas Department of Agriculture.

Standards and measurements programs received a combined $55.0 million in All Funds, including 309.0 FTE positions, which constitutes 3.7 percent of the agency's total appropriation. This amount represents an increase of $2.2 million, or 4.1 percent, from 2016–17 biennial spending levels.

MARKETS AND PUBLIC HEALTH PROGRAMS

The markets and public health program area contains eight programs that 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 elections for board members, and provides general oversight of foundation activities. At the beginning of fiscal year 2018, approximately 25,780 cotton growers in three eradication zones, shown in **Figure 281**, participated in the program. Among the three zones, the West Texas Management Area was declared eradicated, the East Texas Maintenance Area achieved functionally eradicated status, and the Lower Rio Grande Valley Eradication Zone remained in quarantined status. Appropriations total $9.8 million in General Revenue Funds, including 2.0 FTE positions, which reflects a decrease of $4.2 million, or 30.0 percent, from 2016–17 spending levels due to the existence of large reserves available to Texas Boll Weevil Eradication Foundation.

SPECIALTY CROP BLOCK GRANT

This program works to enhance the competitiveness of specialty crops in Texas, which are defined as fruits and vegetables, dried fruit, tree nuts, horticulture, and nursery crops. Program appropriations total $3.4 million in Federal Funds, including 2.5 FTE positions, which is a decrease of $0.3 million, or 7.5 percent, from 2016–17 biennial spending levels.

INTERNATIONAL AND DOMESTIC 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 domestically, nationally, and internationally. Appropriations for the cost recovery program total $1.2 million in All Funds, including 3.5 FTE positions, which is an increase of $0.1 million, or 10.0 percent, from 2016–17 biennial spending levels.

LIVESTOCK EXPORT PENS

TDA has three 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. A fourth facility is being constructed in Del Rio. A fifth facility, located in Houston at the George Bush Intercontinental Airport, is available by appointment for exports by air and sea only. Animals exported through TDA livestock export pens in fiscal year 2017 included 44,206 head of livestock and 408,324 poultry. Of the 44,206 head exported, 449 livestock were exotic game. Cost recovery program appropriations total $2.2 million in General Revenue Funds, including 12.5 FTE positions, which is an increase of $0.1 million, or 3.7 percent, from 2016–17 biennial spending levels.

Figures 282 and **283** show Texas' ranking among other states in the production of certain agricultural crops and livestock.

WINE MARKETING, RESEARCH, AND EDUCATION

TDA assists the Texas wine industry in promoting and marketing Texas wines and educating the public about the Texas wine industry. Program appropriations total $0.5 million in All Funds, including 1.0 FTE position, which continues 2016–17 biennial spending levels.

COMMODITY BOARDS

TDA oversees 11 commodity boards in the state that collect producer assessments voluntarily for use in

FIGURE 282
TEXAS CROP NATIONAL RANKINGS
CALENDAR YEAR 2016

RANKING	CROP	PRODUCTION (IN THOUSANDS)	UNITS
1	Upland cotton	8,100	Bales
1	All cotton	8,133	Bales
2	Sorghum for silage	1,233	Tons
2	All hay	12,439	Tons
2	Sorghum for grain	115,500	Bushels
3	Amer-pima cotton	33	Bales
3	Pecans	39,000	Pounds
3	All citrus	263	Tons
4	Sugarcane	1,395	Tons
4	Peanuts	559,650	Pounds
3	Winter wheat	89,600	Bushels
4	Watermelons	7,250	CWT (1)
5	Rice (all lengths)	13,766	CWT (1)
7	Grapes	13,600 (2)	Tons
11	Corn for grain	323,850	Bushels

NOTES:
(1) CWT=hundredweight (unit of weight equal to 100 pounds).
(2) Grapes actual total is 13,600 tons. Total is not listed in thousands.
SOURCE: Texas Department of Agriculture.

FIGURE 283
TEXAS LIVESTOCK NATIONAL RANKINGS
CALENDAR YEAR 2016

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
5	Chicken – Broilers Raised
5	Chickens – Layers
6	Milk Cows
14	All Hogs

SOURCE: Texas Department of Agriculture.

research, marketing, and education. Program appropriations total $0.1 million in General Revenue Funds, including 0.5 FTE position, which continues 2016–17 biennial spending levels.

HANDLING AND MARKETING OF PERISHABLE COMMODITIES

TDA ensures that producers of Texas-grown perishable commodities receive timely compensation for commodities they sell. Producers and sellers are authorized to recover a portion of their damages from the Produce Recovery Fund, a special account funded with a portion of the license fees paid. Cost recovery program appropriations total $46,278 in General Revenue Funds, including 0.5 FTE position, which continues 2016–17 biennial spending levels.

Appropriations for the markets and public health program area total $17.2 million in All Funds, including 22.5 FTE positions. This amount represents a decrease of $23.0 million, or 57.2 percent, from 2016–17 biennial spending levels. This decrease is attributable largely to the following factors:

- the end of the federal grant that funded the Biofuels Infrastructure program, a decrease of $17.0 million;
- reduced funding for the Boll Weevil Eradication program, a decrease of $4.2 million;
- the transfer of the Feral Hog Abatement program to the Texas A&M AgriLife Extension Service, a decrease of $0.9 million; and
- the elimination of the Zebra Chip Research Grant program, a decrease of $0.8 million.

ADMINISTRATION

The Indirect Administration program provides administrative support for TDA operations. These operations include executive management, internal audit, legal, human resources, accounting, budget, purchasing, facilities, fleet services, communications, external affairs, revenue collection, and information technology (IT) infrastructure support. Funding totals $22.7 million in All Funds, which represents an increase of $1.5 million, or 7.2 percent, from 2016–17 biennial spending levels. Appropriations provide 115.0 FTE positions for fiscal year 2018 and 118.0 positions for fiscal year 2019, with the additional positions for 2019 provided to implement CAPPS.

SIGNIFICANT LEGISLATION

House Bill 2174 – Fuel quality regulation. The legislation exempts certain motor fuel metering devices from provisions relating to weights and measures and provides for the inspection and registration of such devices. The legislation, among other provisions, requires TDA to receive complaints regarding motor fuel metering devices. It also limits the amount by which TDA may increase a fee for the registration and inspection of weighing or measuring devices during a biennium. The legislation revises procedures for collecting samples of and testing motor fuel quality, and changes the criteria by which TDA may stop the sale of motor fuel or mark a device used to dispense motor fuel as out of order.

TEXAS ANIMAL HEALTH COMMISSION

PURPOSE: To protect and enhance the health of Texas animal populations by preventing, controlling, and eliminating animal diseases; monitoring and diagnosing animal illnesses; responding to emergency situations involving animals; and promoting productivity and marketability while minimizing risks to human health.

ESTABLISHED: 1949

AUTHORIZING STATUTE: The Texas Agriculture Code, §161.021

GOVERNANCE: 13 members appointed by the Governor with advice and consent of the Senate

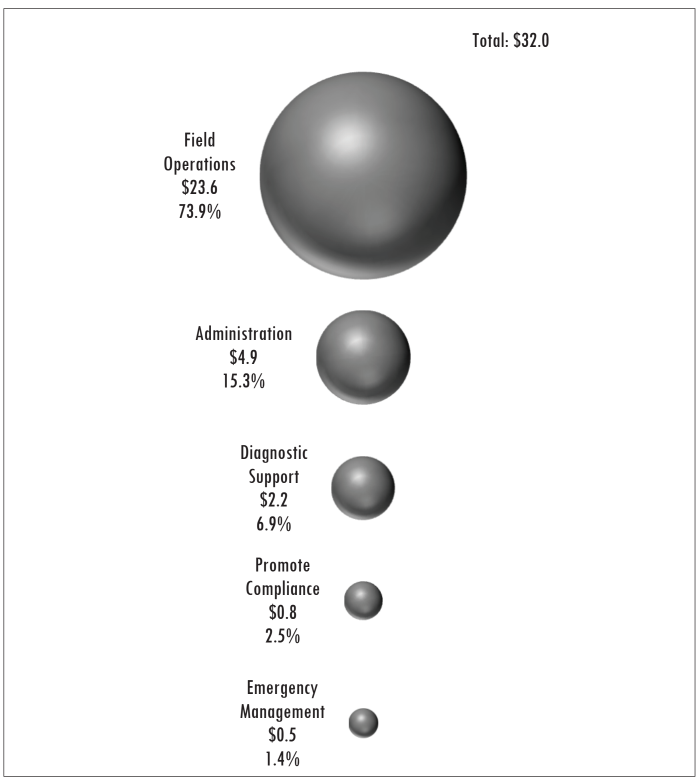
FIGURE 284
TEXAS ANIMAL HEALTH COMMISSION BY METHOD OF FINANCE

(IN MILLIONS)

METHOD OF FINANCE	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$23.0	$28.3	$5.4	23.3%
General Revenue–Dedicated Funds	$0.0	$0.0	$0.0	N/A
Federal Funds	$4.5	$3.7	($0.8)	(18.3%)
Other Funds	$0.0	$0.0	($0.0)	(100.0%)
Total, All Methods of Finance	**$27.5**	**$32.0**	**$4.5**	**16.5%**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2018	220.2
2019	220.2

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

Appropriations for all bovine species programs total $13.2 million, an increase of $6.6 million, from the 2016–17 biennial spending level.

Appropriations for **cattle fever tick prevention, control, and eradication activities total $9.2 million**, a net increase of $6.5 million from the 2016–17 biennial spending level**.**

Approximately **66.9 percent of the agency's staff hours** are anticipated to be dedicated to addressing **bovine health issues during fiscal year 2018.**

Field operations funding decreased by $1.5 million associated with onetime funding for establishment of a new field office during the 2016–17 biennium.

MAJOR FUNDING

Appropriations to the Texas Animal Health Commission (TAHC) total $32.0 million for the 2018–19 biennium, an increase of $4.5 million, or 16.5 percent, from 2016–17 biennial spending levels. This increase is due primarily to an additional $7.2 million in General Revenue Funds for cattle fever tick prevention, control, and eradication activities. This increase was offset partially by a decrease of $1.5 million in All Funds due to onetime funding provided during fiscal year 2016 to establish a new field office to support the border region, and a decrease of $0.8 million in Federal Funds for plant and animal disease and pest control not anticipated to be available for the 2018–19 biennium.

PROGRAMS

TAHC carries out its responsibilities of enhancing the health of Texas animal populations and facilitating 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. The program area includes field offices, which serve as bases 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 285** 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 Chronic Wasting Disease and Poultry Registration, but do not provide for salaries. **Figure 286** shows fees that TAHC assesses, actual revenue collections for the 2016–17 biennium, and agency-estimated collections for the 2018–19 biennium. The agency is appropriated $1.0 million for the 2018–19 biennium from these fee-generated General Revenue Funds, which is equal to the amount of revenue the agency was estimated to generate in the Texas Comptroller of Public Accounts' (CPA) 2018–19 Biennial Revenue Estimate (BRE). Any revenue collected that is greater than the BRE amount is appropriated to TAHC.

TAHC staff estimates it will spend almost two-thirds of all staff hours on cattle in fiscal year 2018. The most recent data available from the U.S. Department of Agriculture (USDA) National Agricultural Statistics Service, for 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 during 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 287** shows the distribution of TAHC staff hours by species estimated for fiscal year 2018. The agency anticipates an increase in hours spent on bovine issues due to cattle fever tick prevention and eradication efforts.

Four programs with appropriations totaling $7.3 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 and Regional Offices; (2) Animal Disease Traceability; (3) Central Office Field Support; and (4) Authorized Personnel.

The Field Staff and Regional Offices program is appropriated $4.0 million in General Revenue Funds, a decrease of $1.5 million, or 26.9 percent, from 2016–17 biennial spending levels. These regional offices serve as

FIGURE 285
FIELD OPERATIONS PROGRAMS AND FUNDING BY SPECIES, 2018–19 BIENNIUM

SPECIES	PROGRAM	DESCRIPTION	APPROPRIATIONS	PERCENTAGE CHANGE
Avian	Avian Influenza/Avian Health	Provide increased surveillance, monitor, identify poultry populations at greatest risk of infection, biosecurity enforcement, and record audits to support the avian influenza control program.	$346,642	(3.2%)
	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.	$20,000	(42.7%)
	Poultry/Fowl Registration Program	A registration program for fowl sellers, distributors, and transporters who do not participate in recognized poultry or fowl disease surveillance.	$170,000	(2.6%)
Avian Total			**$536,642**	**(5.4%)**
Bovine	Fever Tick Prevention and Eradication	Prevention, control, and eradication activities of fever tick for the public, cattle, equine, captive and wild cervid, and other livestock industries.	$9,209,291	237.6%
	Cattle Health – Brucellosis	Testing to facilitate rapid detection and response to disease outbreaks and providing timely and accurate information. Prevention, control, and eradication of multiple bovine diseases with a focus on brucellosis.	$1,500,000	1.3%
	Cattle Health – Tuberculosis	Testing to facilitate rapid detection and response to disease outbreaks and providing timely and accurate information. Prevention, control, and eradication of multiple bovine diseases with a focus on tuberculosis.	$1,500,000	(2.3%)
	Trichomoniasis	Development and implementation of regulations to prevent the introduction and spread of trichomoniasis.	$975,000	12.2%
Bovine Total			**$13,184,291**	**99.4%**
Swine	Swine Health	Prevent porcine disease from entering into existing or potential garbage-feeding operations. Surveillance prevention and eradication for diseases such as Classical Swine Fever, Swine Corona Virus, and Psuedorabies.	$600,000	(0.1%)
Swine Total			**$600,000**	**(0.1%)**
Other	Chronic Wasting Disease (CWD)	CWD surveillance in farmed deer and elk. Reducing the risk of CWD introduction and providing early disease detection.	$1,181,106	9.1%
	Equine, Cervids, and Small Ruminants	Reporting and rapid investigation of potential foreign animal diseases and emerging diseases with surveillance, prevention, and eradication activities.	$810,000	0.3%
	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 population or animal population in Texas.	$60,000	(4.9%)
Other Total			**$2,051,106**	**5.0%**
Total			**$16,372,039**	**68.2%**

SOURCE: Legislative Budget Board.

localized bases of operations for field staff that provide TAHC services to livestock and poultry producers across the state. TAHC has eight regional offices located in Amarillo, Beeville, Fort Worth, Hempstead, Lampasas, Laredo, Mount Pleasant, and Rockdale. The decrease in funding is due partially to a $0.9 million decrease in onetime General Revenue Funds provided for the 2016–17 biennium to establish the Laredo regional office.

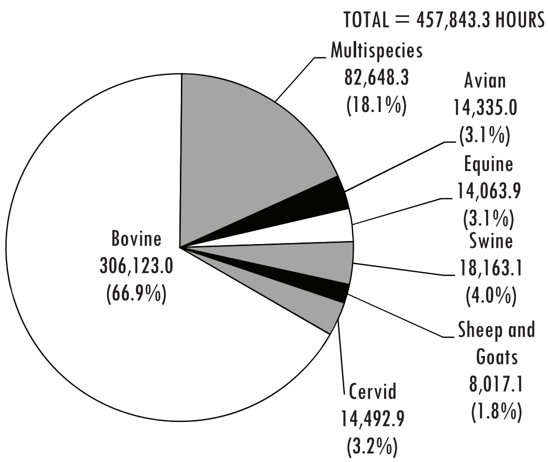
Through the Animal Disease Traceability program, TAHC traces animal disease outbreaks by assisting producers and dealers to register their premises with the agency and properly identify all animals held on those premises for more than seven days. Appropriations of $1.6 million in All Funds continue 2016–17 biennial spending levels for the program and provide registration assistance and free animal ear tags for animal identification.

FIGURE 286
TEXAS ANIMAL HEALTH COMMISSION FEES
2016–17 AND 2018–19 BIENNIA

FEE	ACTUAL 2016–17	ESTIMATED 2018–19
Health Certificate	$924,000	$924,000
Chronic Wasting Disease Inspection	$22,075	$16,000
Fowl Registration Fees	$100,000	$100,000
Total Collected	**$1,046,075**	**$1,034,000**

SOURCE: Texas Animal Health Commission.

FIGURE 287
STAFF HOURS PROJECTED BY SPECIES
FISCAL YEAR 2018



NOTE: Totals may not sum due to rounding.
SOURCE: Texas Animal Health Commission.

The Central Office Field Support program is located in Austin and performs administrative functions for field offices. Appropriations for the program total $1.3 million in General Revenue Funds, a decrease of $0.3 million from 2016–17 biennial spending levels, 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 that TAHC authorizes to perform certain functions related to animal disease control or eradication. Appropriations for the program total $0.3 million in General Revenue Funds, continuing 2016–17 biennial spending levels.

Appropriations for the field operations program area total $23.6 million in All Funds, an increase of $4.6 million, or 24.2 percent, and provide for 173.2 full-time-equivalent (FTE) positions, which make up 78.7 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 agency's general administrative functions, including commissioners, executive administration, information technology resources, and other support services based in the Austin office. Appropriations total $4.9 million in General Revenue Funds, an increase of $0.1 million, or 2.4 percent, from 2016–17 biennial spending levels, and support 23.0 FTE positions. The increase is due primarily to the transfer of positions from field operations to information resources. Appropriations also include an additional 1.0 FTE position to facilitate the transition to 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 program total $1.8 million in All Funds. The lab also provides support to cooperative programs with USDA. Some tests that TAHC requires can be performed by the Texas A&M Veterinary Medical Diagnostic Laboratory. To further control of cattle tuberculosis disease, TAHC provides regional laboratory services for gamma interferon testing of samples to test for tuberculosis through the Laboratory – Tuberculosis program. Appropriations for this program total $0.1 million in All Funds. The Epidemiology program assists in interpreting tests and diagnoses, assists in developing disease control and eradication plans, and advises on management of potential threats and mitigation strategies. Appropriations for epidemiology total $0.2 million in General Revenue Funds. Appropriations for the diagnostic support program area total $2.2 million, effectively continuing 2016–17 biennial spending levels, 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. 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, effectively continuing 2016–17 biennial spending levels, and support 5.0 FTE positions.

EMERGENCY MANAGEMENT

Appropriations for the emergency management program area total $0.5 million in General Revenue Funds, a decrease of $0.2 million, or 31.6 percent, from 2016–17 biennial spending levels, and support 3.0 FTE positions. The decrease in funding is due to onetime costs during the 2016–17 biennium for an emergency management veterinarian. The Emergency Management program assists 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

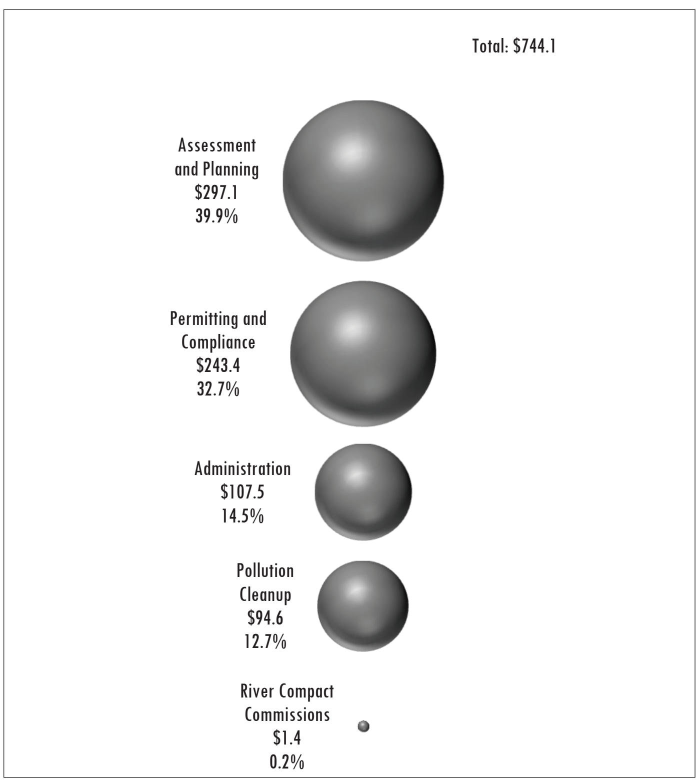
FIGURE 288
TEXAS COMMISSION ON ENVIRONMENTAL QUALITY BY METHOD OF FINANCE

(IN MILLIONS)

METHOD OF FINANCE	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$24.4	$33.0	$8.6	35.4%
General Revenue–Dedicated Funds	$779.4	$620.4	($158.9)	(20.4%)
Federal Funds	$81.9	$74.8	($7.1)	(8.6%)
Other Funds	$23.7	$15.8	($7.9)	(33.2%)
Total, All Methods of Finance	**$909.3**	**$744.1**	**($165.2)**	**(18.2%)**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2018	2,794.8
2019	2,794.8

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

Senate Bill 1731, Regular Session, 2017, extends the authorization of the Texas Emissions Reduction Plan (TERP), which was set to expire August 31, 2019, to the end of the biennium in which Texas attains the national ambient air quality standards for ground-level ozone.

TERP is appropriated $154.7 million, a decrease of $50.5 million, primarily for grants to replace diesel engines and to purchase or lease other equipment to improve air quality.

Low-Income Vehicle Repair, Retrofit, and Accelerated Vehicle Retirement Program appropriations were vetoed by the Governor, which defunds the program and represents a biennial decrease of $96.6 million.

Funding for **public drinking water activities and water quality needs is increased by $8.4 million** in General Revenue Funds.

Source: Legislative Budget Board.

MAJOR FUNDING

Appropriations for the Texas Commission on Environmental Quality (TCEQ) total $744.1 million in All Funds, a decrease of $165.2 million, or 18.2 percent, from 2016–17 biennial spending levels. Significant funding changes compared to the 2016–17 biennium include:

- a decrease of $103.0 million from the General Revenue–Dedicated Funds No. 151, Clean Air Account. This amount includes $96.6 million provided by the Legislature to fund the Low-income Vehicle Repair, Retrofit, and Accelerated Vehicle Retirement Program (LIRAP/AirCheck Texas) program, and $6.0 million for activities related to air quality planning that were included in the Governor's veto proclamation;
- a decrease of $50.5 million from the General Revenue–Dedicated Funds Account No. 5071, Texas Emissions Reduction Plan (TERP), for TERP grants;
- a decrease of $7.1 million in Federal Funds anticipated to be available for nonpoint source pollution grants, water pollution control state and interstate grants, and other grant programs;
- a decrease of $3.4 million in Appropriated Receipts primarily resulting from onetime costs associated with the cleanup and closing of a battery recycling facility; and
- an increase of $8.4 million in General Revenue Funds for activities related to public drinking water, water quality needs, and implementation of the Federal Revised Total Coliform Rule.

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. Assessment and planning functions account for $297.1 million, or 39.9 percent, of the agency's All Funds appropriations, and support 642.7 full-time-equivalent (FTE) positions. This funding amount reflects a decrease of $159.4 million, or 34.9 percent, from 2016–17 biennial spending levels.

AIR QUALITY

TCEQ assesses the effect of air emissions and develops solutions for regional air quality problems. The air quality subarea includes the following programs: (1) Air Monitoring; (2) Air Quality Planning; (3) Automobile Emissions Inspections, 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 240 to 260 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 controlled predominantly 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 monitor air quality and air emissions to supplement the data gathered by the ground-based monitoring network. Appropriations for the Air Monitoring program total $39.3 million in All Funds, a decrease of $2.5 million (6.1 percent) from 2016–17 biennial spending levels. The decrease in funding is due primarily to $1.5 million in Federal Funds carried over into the 2016–17 biennium from previous years, and a decrease of $0.9 million in General Revenue–Dedicated Funds, Account No. 151, for program operating expenses.

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 U.S. Environmental Protection Agency (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 through the SIP, such as vehicle emissions and inspection testing, point source emissions limitations including emissions cap and trade

FIGURE 289
EIGHT-HOUR OZONE LEVELS IN SELECTED AREAS
CALENDAR YEARS 2005 TO 2016

(IN PARTS PER BILLION)

REGION	2005–07	2006–08	2007–09	2008–10	2009–11	2010–12	2011–13	2012–14	2013–15	2014–16
Dallas–Fort Worth	95	91	86	86	90	87	87	81	83	80
Houston–Galveston	96	91	84	84	89	88	87	80	80	79
Beaumont–Port Arthur	83	81	77	74	79	80	75	70	68	68
San Antonio	82	78	74	75	75	80	81	80	78	73
El Paso	79	78	75	71	71	72	72	72	71	71
Austin	80	77	75	74	75	74	73	69	68	66
Tyler–Longview	84	78	75	74	77	79	77	71	68	66
Victoria	69	66	65	66	70	69	67	63	64	65
Waco	N/A	N/A	72	70	72	72	74	69	67	63
Corpus Christi	70	71	69	71	72	72	70	66	65	64
Hood County	84	81	77	75	76	77	77	76	73	69

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.

programs, and idling restrictions for heavy-duty vehicle engines. 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.

The Dallas–Fort Worth and Houston–Galveston–Brazoria areas were reclassified from marginal to moderate nonattainment of the 2008 eight-hour ozone standard in 2015 and 2016, respectively. EPA finalized a more stringent, federal, eight-hour standard of 70 parts per billion October 1, 2015, and released a preliminary list of counties designated as in attainment or unclassifiable of the updated ozone standard. A future action will address the remaining counties, which will designate them as being in attainment, unclassifiable, or in nonattainment. TCEQ is working with EPA to ensure proper designation of all counties and with local partners to continue planning efforts to address attainment with the federal ozone standard in the following areas: Austin, Beaumont–Port Arthur, Corpus Christi, Dallas–Fort Worth, El Paso, Granbury, Houston–Galveston–Brazoria, Killeen–Temple, Longview–Tyler, San Antonio, Victoria, and Waco.

Appropriations for the Air Quality Planning program total $36.0 million in All Funds, a decrease of $5.6 million, or 13.4 percent, from 2016–17 biennial spending levels, primarily due to a decrease in funding for activities related to air quality planning to reduce ozone in areas not designated as nonattainment areas.

Figure 289 shows the air quality measured in nonattainment and near-nonattainment areas during calendar years 2005 to 2016, 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 VEIMP through the Automobile Emission Inspections program. Tailpipe emissions inspections are required pursuant to the federal Clean Air Act based on the severity of each city's nonattainment status level. In addition, any area can participate in VEIMP voluntarily; Travis and Williamson counties participate voluntarily. 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 Automobile Emission Inspections program total

$4.0 million in All Funds, continuing funding at 2016–17 biennial spending amounts.

TCEQ also operates the LIRAP/Air Check Texas Program, which targets nonattainment status areas and near-nonattainment areas. LIRAP/Air Check Texas appropriations for the 2016–17 biennium totaled $96.6 million; funding can be expended by counties and local governments for three fiscal years following the year that funding was received. Counties and local governments will continue to expend LIRAP/Air Check Texas funding appropriated during the 2016–17 biennium throughout the 2018–19 biennium. The Legislature appropriated $96.6 million in funding for the LIRAP program for the 2018–19 biennium; the funding was included in the Governor's Veto Proclamation, zero-funding the program.

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 TERP program, which was set to expire August 31, 2019, was extended pursuant to Senate Bill 1731, Eighty-fifth Legislature, Regular Session, 2017, to the end of the biennium in which Texas attains the national ambient air quality standards for ground-level ozone. The legislation also combines the Alternative Fueling Facilities program and the Clean Transportation Triangle program; renews the Light-Vehicle Purchase or Lease Incentive program, which expired on August 31, 2015; establishes the Governmental Alternative Fuel Fleet program; and authorizes TCEQ to reallocate funding among TERP programs based on demand for grants.

The program is funded through the General Revenue–Dedicated Funds Account No. 5071, TERP; revenues and transfers into this account are shown in **Figure 290**. The bulk of the revenue supporting the TERP program comes from a portion of the certificate of title fee ($20 in nonattainment areas, $15 in all other areas) that is deposited to the Texas Mobility Fund; Account No. 5071 is reimbursed with an equal transfer from the State Highway Fund. Other sources of revenue to TERP include the Limited Sales and Use Tax – a fee on the sale or lease of diesel equipment; the Motor Vehicles Sales and Use Tax – a fee on the sale and use of on-road diesel vehicles; the Commercial Motor Vehicle Registration Fee – a 10.0 percent surcharge on the registration of a commercial vehicle; and the Commercial Motor Vehicle Inspection Fee – a $10 fee on inspections of commercial vehicles.

TERP appropriations total $154.7 million, a decrease of $50.7 million from 2016–17 biennial spending levels. Of this amount, $6.0 million funds the Regional Air Monitoring program, which is a part of the Air Monitoring program. This funding continues 2016–17 biennial spending levels. Of the remaining $148.7 million for TERP, $72.3 million is for Emissions Reductions Incentive Grants; $16.0 million is allocated for administrative and outreach activities; $15.5 million is allocated to provide grants for heavy-duty or medium-duty vehicles to switch to natural gas-powered engines or vehicles; and $9.3 million is allocated for the Seaport and Rail Yard Areas Emissions Reduction program, formerly known as the Drayage Truck Incentive program. Additional funding totaling $35.6 million is provided for nine additional.

Figure 291 shows the estimated allocations of TERP appropriations for the 2016–17 and 2018–19 biennia.

Appropriations for the air quality subarea total $228.0 million in All Funds for the 2018–19 biennium and support 383.9 FTE positions. This amount represents a decrease of $155.4 million, or 40.5 percent, from 2016–17 biennial spending levels and is attributable primarily to the funding decreases for LIRAP and TERP.

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. The water quality subarea includes the following programs: (1) Water Assessment and Planning; (2) Water Quality Assessment and Planning – Total Maximum Daily Load (TMDL); (3) Clean Rivers Program; (4) Groundwater Protection and Management; (5) Protection and Restoration of Bays and Estuaries; (6) Water Quality Assessment and Planning – Nonpoint Source Program; (7) Dam Safety; and (8) Water Quality Standards.

The Water Assessment and Planning program monitors and reports on surface and groundwater water quality. The agency has 41 continuous water quality monitoring sites established as of August 31, 2017. As with the air quality sites, data from the continuous water quality monitoring sites is transmitted to the agency's headquarters and is displayed on the agency's website. TCEQ expects to complete 102 surface water assessments and 108 groundwater

FIGURE 290
TEXAS EMISSION REDUCTION PLAN (TERP) REVENUE SOURCES, 2018–19 BIENNIUM

SOURCE	DESCRIPTION	AMOUNT (IN MILLIONS)	PERCENTAGE	STATUTE
Certificate of Title Fee	A portion of the fee ($20 if the applicant resides in a nonattainment area or affected county or $15 if the applicant resides in any other county) is charged to applicants for a motor vehicle certificate of title and deposited to the Texas Mobility Fund. An equivalent amount is transferred from the State Highway Fund to TERP each year.	$293.0	60.2%	The Texas Transportation Code, §501.138
Limited Sales and Use Tax	A surcharge of 1.5 percent is imposed on the retail sale, lease, rental, storage, use, or other consumption of certain new or used off-road, heavy-duty diesel equipment.	$122.0	25.1%	The Texas Tax Code, §151.0515
Motor Vehicle Sales and Use Tax	A surcharge of 2.5 percent is imposed on the retail sale, lease, or use of every on-road diesel motor vehicle of model year 1996 or earlier; for vehicles of model year 1997 or later, the surcharge is 1.0 percent.	$31.3	6.4%	The Texas Tax Code, §152.0215
Commercial Motor Vehicle Registration Fee	A surcharge of 10.0 percent of the registration fee is imposed on the registration of certain truck-tractors or commercial motor vehicles.	$26.0	5.3%	The Texas Transportation Code, §502.358
Commercial Motor Vehicle Inspection Fee	An inspection fee of $10 is required for commercial motor vehicles.	$14.0	2.9%	The Texas Transportation Code, §548.5055
Other Funding Sources (1)	Two other funding sources are deposited to TERP: • a motor vehicle sales and use tax on seller-financed sales of motor vehicles; and • judgment and settlement collections, which are authorized to be deposited to TERP.	$0.1	0.0%	The Texas Tax Code, §152.047
Total		**$486.4**		

Notes:
(1) The Comptroller of Public Accounts Biennial Revenue Estimate 2018–19 estimates the amount collected from the seller-financed motor vehicle sale and use tax to total $80,000 for the biennium, and the amount collected from judgments and settlements to total $10,000 for the biennium.
(2) Totals may not sum due to rounding.
Source: Legislative Budget Board; Comptroller of Public Accounts Biennial Revenue Estimate 2018–19.

assessments during the 2018–19 biennium. The Water Assessment and Planning program is appropriated $24.4 million in All Funds, effectively continuing funding at 2016–17 biennial spending amounts.

TCEQ is also responsible for developing plans to restore polluted bodies of water to acceptable surface 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 Texas State Soil and Water Conservation Board (TSSWCB) 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 TSSWCB's responsibilities focus on TMDLs specifically affected by agricultural and silvicultural (forestry) practices. The TMDL program is appropriated $4.5 million in All Funds, which represents a decrease of $1.3 million, or 22.1 percent, from 2016–17 biennial spending levels, as a result of reduced federal funding grants for activities related to water pollution control.

The Clean Rivers Program implements a statewide framework to use 15 regional partners, including 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 $9.1 million in All Funds, effectively continuing funding at 2016–17 biennial spending levels.

FIGURE 291
ESTIMATED ALLOCATIONS OF TEXAS EMISSIONS REDUCTION PLAN APPROPRIATIONS, 2016–17 AND 2018–19 BIENNIA

(IN MILLIONS)

PROGRAM	DESCRIPTION	2016–17	2018–19	PERCENTAGE CHANGE
Emissions Reductions Incentive Grants	Grants to reduce emissions of nitrogen oxides (NOx) from mobile sources in nonattainment areas and affected counties.	$123.5	$72.3	(41.4%)
Texas Emissions Reduction Plan (TERP) Administration	Funding to support TERP administrative and outreach activities.	$9.5	$16.0	69.3%
Natural Gas Vehicle Grant Program	Grants to replace older medium-duty and heavy-duty vehicles with natural gas vehicles.	$37.8	$15.5	(59.1%)
Seaport and Rail Yard Areas Emissions Reduction Program (1)	Grants to replace drayage trucks used to transport a load to, from, or in a seaport or rail yard located in nonattainment areas.	$4.7	$9.3	96.5%
Clean Fleet Program	Grants to replace fleet diesel vehicles with vehicles powered by alternative fuel or hybrid vehicles.	$11.8	$7.7	(34.5%)
Light Duty Motor Vehicle Incentive Grant Program (2)	Grants to buy or lease vehicles powered by compressed natural gas or liquefied petroleum gas and electric-drive vehicles powered by battery or a hydrogen fuel cell.	$0.0	$7.7	N/A
Clean School Bus Program	Grants to install retrofit systems on school buses to reduce emissions of particulate matter from diesel exhaust.	$9.5	$6.2	(34.5)%
Alternative Fueling Facilities Program (3)	Grants for facilities to provide alternative fuel located in the following geographic areas: • nonattainment areas; • the area between Houston, Dallas–Fort Worth, and San Antonio; and • the area between Laredo, San Antonio, and Corpus Christi.	$23.6	$6.0	(74.6%)
Regional Air Monitoring Program	Grants to establish and operate additional air quality monitors in North Texas.	$6.0	$6.0	0%
New Technology Implementation Grants	Grants to provide funding for advanced clean energy projects; new technology projects that reduce emissions of regulated pollutants from point sources, including oil and gas production operations; and electricity storage projects related to renewable energy.	$7.1	$4.6	(34.5)%
Research	Grants for research conducted by a nonprofit or institute of higher education on air quality.	$2.0	$1.5	(25.0%)
Cargo Movement Studies/ Pilot Programs (4)	Studies or pilot programs for incentives for port authorities located in nonattainment areas or affected counties to encourage cargo movement that reduces NOx and particulate matter emissions.	$0.0	$1.0	N/A
Health Effects Study	Grants for research related to air quality and exposure to certain compounds and pollutants.	$0.4	$0.4	0.0%
Energy Systems Laboratory Contract	Funding for the Energy Systems Laboratory of the Texas A&M Engineering Experiment Station for administrative costs associated with evaluating energy-efficiency programs established in accordance with TERP.	$0.4	$0.4	0.0%
Total (5)		**$236.3**	**$154.7**	**(34.5%)**

NOTES:
(1) The Drayage Truck Incentive Program was renamed the Seaport and Rail Yard Areas Emissions Reduction Program.
(2) The Light Duty Motor Vehicle Incentive Grant Program was renewed for the 2018–19 biennium after expiring at the end of the 2014–15 biennium.
(3) The Clean Transportation Triangle Program received an appropriation of $11.8 million for the 2016–17 biennium and was combined with the Alternative Fueling Facilities Program.
(4) The Cargo Movement Studies/Pilot Program is a new program beginning during the 2018–19 biennium. The Texas Commission on Environmental Quality (TCEQ) is authorized to reallocate funding among programs based on demand for grants, provided such reallocations are within the statutory limitations on the use of the General Revenue–Dedicated Funds Account No. 5071, TERP, pursuant to the Texas Health and Safety Code, §386.252.
(5) Totals may not sum due to rounding.

SOURCES: Eighty-fourth Legislature, General Appropriations Act (GAA), 2016–17 Biennium; Eighty-fifth Legislature, GAA, 2018–19 Biennium; Senate Bill 1731, Eighty-fifth Legislature, Regular Session, 2017.

The Groundwater Protection and Management program supports and coordinates Texas' efforts to protect groundwater by designating priority groundwater management areas and implementing oversight and implementation of groundwater district plans. These activities are coordinated through the Texas Groundwater Protection Committee, administered by TCEQ. The program is appropriated $1.0 million in All Funds, effectively continuing funding at 2016–17 biennial spending levels.

The Water Quality Assessment and Planning – Nonpoint Source 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. TSSWCB is the lead agency for agricultural and silvicultural nonpoint source pollution abatement; TCEQ focuses on all other nonpoint source pollution, such as land runoff, precipitation, and atmospheric deposition, and updates the State Water Quality Management Plan. The program is appropriated $6.9 million in All Funds, a decrease of $1.9 million, or 22.0 percent, from 2016–17 biennial spending levels. This reduction is due to an anticipated decrease of $1.9 million in Federal Funds to implement nonpoint source management program plans.

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 $3.8 million in All Funds, which represents a decrease of $0.5 million, or 11.4 percent, from 2016–17 biennial spending levels. This decrease is due to the expiration of the Coastal Impact Assistance program, which funded conservation, protection, restoration, and mitigation projects in coastal areas using royalties collected from offshore oil and gas leases in federal waters. These royalties were made available as Federal Funds to the Texas General Land Office (GLO) and TCEQ, through an Interagency Contract with GLO, for distribution; the program's funding at TCEQ expired after fiscal year 2016.

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. TCEQ also maintains the Texas Dam Inventory, a database with information on dam ownership, hazard classification, and location. TSSWCB and the Texas Water Development Board (TWDB) also have programs that offer funding options to assist with dam construction, maintenance, repair, and rehabilitation. Appropriations for the Dam Safety Program total $5.1 million in All Funds, effectively continuing funding at 2016–17 biennial spending levels.

Appropriations for the water quality subarea total $56.6 million in All Funds for the 2018–19 biennium and provide for 251.5 FTE positions. This amount represents a decrease of $3.9 million, or 6.5 percent, from 2016–17 biennial spending levels.

WASTE DISPOSAL

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 following waste disposal subarea programs: (1) Waste Assessment and Planning; and (2) Municipal Solid Waste Disposal Grant.

The Waste Assessment and Planning program assesses municipal solid waste disposal capacity, identifies waste management trends, and assesses future waste management needs across the state. Appropriations for the program total $1.5 million in All Funds, effectively continuing funding at the 2016–17 biennial spending amount.

As a part of the Municipal Solid Waste Disposal Grant program, TCEQ's 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 may also maintain 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 Municipal Solid Waste Grants program provides funding to the COGs for these priorities. The program receives $11.0 million in All Funds appropriations, continuing 2016–17 biennial spending levels.

Appropriations for the waste disposal subarea total $12.5 million in All Funds for the 2018–19 biennium and provide for 7.3 FTE positions.

PERMITTING AND COMPLIANCE

Through the 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 conducts occupational licensing, compliance, and enforcement duties. Appropriations for the permitting and compliance program area total $243.4 million, or 32.7 percent of the agency's All Funds appropriations, and support 1,528.6 FTE positions. This amount represents a decrease of $2.5 million, or 1.0 percent, from 2016–17 biennial spending amounts.

AIR QUALITY PERMITTING

Air quality permitting subarea programs are responsible for issuing permits to facilities that release pollutants into the air. TCEQ regulates air quality through three programs: (1) Air Permitting – Title V, Operating Permits; (2) Air Permitting – New Source Review; and (3) Air Pollution Control Equipment.

The Air Permitting – Title V, Operating Permits, program oversees facility compliance 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 2018–19 biennium. Appropriations for the Air Permitting – Title V, Operating Permits, program total $16.5 million in All Funds, which represents an increase of $0.2 million, or 0.9 percent, from 2016–17 biennial spending levels.

The Air Permitting – New Source Review program is responsible for ensuring 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 2018–19 biennium. Appropriations for the Air Permitting – New Source Review program total $14.7 million in General Revenue–Dedicated Funds, which represents an increase of $0.2 million, or 1.7 percent, from 2016–17 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 local property tax appraisal authority for a final determination. The program is funded through application fees deposited to the General Revenue Fund; appropriations for the program total $0.5 million, an amount equal to 2016–17 biennial expenditures.

Appropriations for the air quality permitting subarea total $31.6 million in All Funds for the 2018–19 biennium and provide for 212.0 FTE positions. This funding level represents an increase of $0.4 million, or 1.3 percent, from 2016–17 biennial spending levels.

WATER RESOURCE PERMITTING

TCEQ has three water resource permitting subarea programs: (1) Water Resource Permitting; (2) Watermaster Administration; and (3) Edwards Aquifer Protection. These 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 26,250 water quality permits during the 2018–19 biennium.

The Water Resource Permitting program processes permits to divert, use, or store surface water, and permits to discharge wastewater and storm water. The wastewater and storm water permitting activities include permits for storm water runoff from construction sites, industrial facilities, and certain storm sewers, and permits for wastewater discharge into state water through the Texas Pollutant Discharge Elimination System permits and Texas Land Application permits. To administer surface water rights, TCEQ evaluates water availability, conservation and drought contingency plans, and the environmental effects of the diversion of state water. TCEQ anticipates reviewing 1,190 water rights permits during the 2018–19 biennium. Appropriations for the program total $24.9 million in All Funds, a decrease of $0.5 million, or 2.1 percent, from 2016–17 biennial spending levels.

The Watermaster Administration program oversees four Watermaster programs in the state: the Brazos, Concho River, Rio Grande, and South Texas. These programs are concerned specifically with the allocation and use of surface water within each respective Watermaster 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 $4.3 million in All Funds, continuing 2016–17 biennial spending levels.

The Edwards Aquifer is a groundwater system in Central–South Texas. The program reviews applications and construction plans submitted to the agency for construction projects in the recharge, transition, or contributing zones of the Edwards Aquifer. Approved plans also are monitored, and fees are charged to applicants to cover the cost of the program. Appropriations for the program total $2.3 million in All Funds, effectively continuing funding at 2016–17 biennial spending levels.

Appropriations for the water quality permitting subarea total $31.5 million for the 2018–19 biennium and provide for 193.2 FTE positions. This funding amount represents a decrease of $0.5 million, or 1.4 percent, from 2016–17 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. Permit issuance provides a mechanism for ensuring that waste management protects human health and the environment. Waste management and permitting subarea 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, and regulates industries engaged in the generation, treatment, storage, and disposal of municipal solid waste. Program appropriations total $7.2 million in All Funds, and are supported by fees imposed on industrial solid or hazardous waste generation owners or operators of permitted facilities and other fees related to waste management. This amount continues funding at 2016–17 biennial spending levels.

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 $1.9 million in All Funds, continuing 2016–17 biennial spending levels.

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 an 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, which is used to inject hazardous and nonhazardous wastes into deep, isolated rock formations underneath USDWs;
- Class III, which is used to inject fluids to dissolve and extract minerals (e.g., uranium, sulfur, and sodium sulfate);
- Class V, which typically includes shallow wells used to inject nonhazardous fluids to clean up groundwater contamination.

The Railroad Commission regulates Class II wells, exclusively used to inject fluids associated with oil and gas production, and Class VI wells, used to inject carbon dioxide into underground subsurface rock formations for long-term storage or geologic sequestration. Class IV wells are shallow wells used to inject hazardous or radioactive wastes into or above a geologic formation that contains a USDW; these wells typically are banned by state and federal law, but they may be used in certain environmental cleanup operations in accordance with EPA and TCEQ rules. Appropriations for the UIC program total $1.3 million in All Funds, which continues funding at 2016–17 biennial spending levels.

Appropriations for the waste management and permitting subarea total $10.4 million in All Funds for the 2018–19 biennium and provide for 73.4 FTE positions.

OCCUPATIONAL LICENSING

The Occupational Licensing program issues permits and registrations for the following occupations: backflow prevention assembly testers; customer service inspectors; landscape irrigators; irrigation technicians and irrigation inspectors; corrective action specialists and project managers for leaking petroleum storage tanks; 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 program develops and holds training sessions, develops and administers proficiency examinations, approves basic and continuing education training, issues occupational licenses, and monitors licenses. Appropriations for the Occupational Licensing program total $2.6 million in All Funds for the 2018–19 biennium and provide for 21.7 FTE positions. This amount continues funding at 2016–17 biennial spending levels.

RADIOACTIVE MATERIALS AND WASTE MANAGEMENT

The agency has two radioactive materials management subarea programs: (1) Radioactive Materials; and (2) Low Level Radioactive Waste.

The Radioactive Materials program licenses, permits, and regulates source material recovery (uranium mining), commercial radioactive waste processing and storage, by-product material disposal, disposal of naturally occurring radioactive waste materials that are not related to oil and gas production, and Classes I and III UIC wells. Additionally, the 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 program appropriations total $3.1 million in All Funds, a $2.3 million decreased compared to 2016–17 biennial spending levels. The decrease is due to onetime funding during fiscal year 2016 to clean up the Lamprecht and Zamzow mine sites.

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, 2017, approximately $44.4 million in fee revenues has been remitted to the state from facility operations. Appropriations for the program total $3.0 million in All Funds, continuing 2016–17 biennial spending levels.

Appropriations for the Radioactive Materials and Waste Management subarea total $6.1 million in All Funds for the 2018–19 biennium and provide for 32.7 FTE positions.

SAFE DRINKING WATER OVERSIGHT

Safe drinking water oversight subarea 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 subarea programs include: (1) Drinking Water Quality and Standards (DWQS); and (2) Utility Regulation/District Applications.

The DWQS program conducts sampling from public water systems to ensure safe drinking water. 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 7,000 public water systems serve more than 27.3 million Texas residents. During the 2018–19 biennium, TCEQ expects to collect and analyze 108,710 water samples to monitor the safety and integrity of the state's public drinking water supply. The agency also provides free onsite financial, managerial, and technical assistance to utilities and public water systems to achieve compliance with agency rules. Appropriations for the program total $31.7 million in All Funds, an increase of $2.7 million, or 9.4 percent, from 2016–17 biennial spending levels. This amount is due primarily to a $6.2 million increase in General Revenue Funds provided by the Legislature for public drinking water needs and implementation of the new Federal Revised Total Coliform Rule, and a decrease of $3.3 million in Interagency Contracts from the Drinking Water State Revolving Fund (DWSRF), managed by TWDB. The decrease in available funding from the DWSRF, which funds drinking water infrastructure projects through a federal–state partnership, is expected to continue as the fund is depleted.

The Utility Regulation/District Applications program supervises, inspects, and investigates regulated utility districts, which provide water, sewage, and other utility-related services. Appropriations for the program total $3.0 million in All Funds, an increase of $0.2 million, or 5.4 percent, from 2016–17 biennial spending levels.

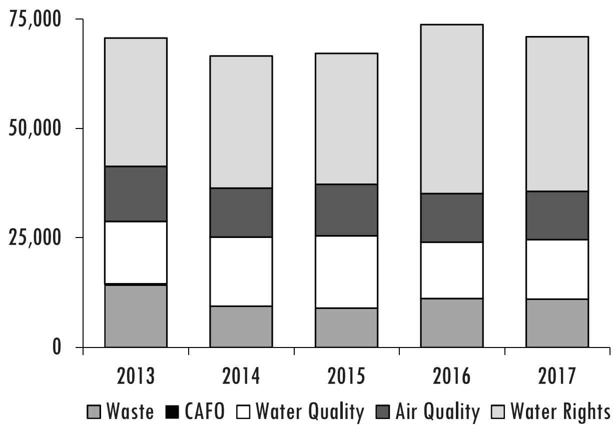
Appropriations for the Safe Drinking Water Oversight subarea total $34.7 million in All Funds for the 2018–19 biennium and support 120.5 FTE positions.

FIELD INSPECTIONS AND COMPLAINT RESPONSE

TCEQ conducts field investigations and responds to complaints from the public through its Field Inspections and Complaint Response program. The agency maintains 16 regional offices, three 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.

The agency anticipates that regional staff will perform 125,842 investigations during the 2018–19 biennium. **Figure 292** shows the number and types of investigations that TCEQ performed from fiscal years 2013 to 2017. Appropriations for the Field Inspections and Complaint Response program total $93.5 million in All Funds, an increase of $1.4 million, or 1.5 percent, from 2016–17 biennial spending levels.

FIGURE 292
TEXAS COMMISSION ON ENVIRONMENTAL QUALITY FIELD INVESTIGATIONS BY TYPE
FISCAL YEARS 2013 TO 2017



NOTE: CAFO=Concentrated Animal Feeding Operation.
SOURCES: Legislative Budget Board; Texas Commission on Environmental Quality.

ENFORCEMENT AND COMPLIANCE

The agency's enforcement and compliance subarea includes the following programs: (1) Enforcement; (2) Tier II Chemical Reporting; and (3) Environmental Laboratory Accreditation. These programs serve to respond to complaints, coordinate multimedia inspections, and prosecute violators.

The Enforcement program 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 the Enforcement program total $24.6 million in All Funds, effectively continuing funding at 2016–17 biennial spending levels.

The Tier II Chemical Reporting program maintains the state repository for the federally required hazardous chemical inventory reports called Texas Tier II Reports, pursuant to the federal Emergency Planning and Community Right-to-Know Act. This program was transferred to TCEQ from the Department of State Health Services on September 1, 2015, pursuant to the enactment of House Bill 942, Eighty-fourth Legislature, 2015. The program maintains electronic files that contain facility and owner–operator identification information, and detailed data on hazardous chemicals stored at reporting facilities within the state. Emergency response personnel, such as fire fighters and healthcare providers, can use this data to protect workers and the community during an emergency. The program promotes compliance with the federal and state laws and supports local communities' right-to-know planning and education. Appropriations for the program total $2.4 million in All Funds, a decrease of $4.0 million, or 63.0 percent, from 2016–17 biennial spending levels. The decrease in funding is due to onetime grants for communities to develop and execute emergency response plans for hazardous chemical events during the 2016–17 biennium.

The Environmental Laboratory Accreditation program inspects and credits environmental laboratories across the state. Fees associated with application review and inspections fund the program's appropriations. Appropriations total $1.5 million in General Revenue–Dedicated Funds from Account No. 5065, Environmental Testing Lab Accreditation, which continues funding at 2016–17 biennial spending levels.

Appropriations for the enforcement and compliance program subarea total $28.4 million for the 2018–19 biennium and support 193.1 FTE positions.

POLLUTION PREVENTION AND RECYCLING

The agency's functions for pollution prevention, recycling, and education include two subarea programs: (1) Pollution Prevention and Recycling, and (2) Seminars for the Regulated Community.

The Pollution Prevention and Recycling program includes the following major pollution prevention efforts: (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; and (5) the Take Care of Texas 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 regarding the understanding of recycling regulations and the establishment of a recycling business. Appropriations for the Pollution Prevention and Recycling program total $2.8 million in All Funds, a decrease of $0.4 million, or 11.9 percent, from 2016–17 biennial spending amounts.

The Seminars for Regulated Community program administers cost-recovery compliance assistance workshops, seminars, and conferences for entities that TCEQ regulates. Appropriations for the program total $1.9 million in All Funds, continuing 2016–17 biennial spending levels.

Appropriations for the pollution prevention and recycling program subarea total $4.7 million in All Funds and support 17.1 FTE positions.

POLLUTION CLEANUP

The pollution cleanup program area protects public health and the environment by identifying, assessing, and prioritizing contaminated sites for cleanup and remediation. Pollution cleanup appropriations account for $94.6 million, or 11.2 percent, of the agency's All Funds appropriations, and support 247.0 FTE positions. This funding amount represents a decrease of $3.4 million, or 3.5 percent, from 2016–17 biennial spending levels.

PETROLEUM STORAGE TANK CLEANUP

The subarea to address petroleum storage tank cleanup consists of the following programs: (1) Petroleum Storage Tank (PST); and (2) Petroleum Storage Tank Administration and Regulatory.

The PST program identifies leaking PST sites and ensures that soil and groundwater contamination is remediated. The program oversees the cleanup of leaks from storage tanks conducted by responsible parties and the state. Approximately 400 PST sites are expected to be cleaned up during the 2018–19 biennium. The PST program is appropriated $31.8 million in All Funds.

The Petroleum Storage Tank Administration and Regulatory (PSTAR) program processes registrations for underground and above-ground storage tanks; provides delivery certification for self-certified underground tanks; offers technical assistance to tank owners and operators; interprets and reviews requests for variance from rule requirements; and maintains a registry for PSTs. As of December 2016, approximately 173,000 underground storage tanks and 37,000 above-ground storage tanks are registered at more than 31,000 facilities in Texas. The PSTAR program is appropriated $5.5 million in All Funds, a decrease of $0.6 million, or 9.0 percent, from 2016–17 biennial spending levels.

Appropriations for the PST cleanup subarea total $38.1 million in All Funds and support 78.5 FTE positions.

HAZARDOUS MATERIALS CLEANUP

The agency administers four programs in its subarea regarding hazardous materials cleanup: (1) Superfund Assessment and Cleanup; (2) Voluntary Cleanup and Other Remediation; (3) Dry Cleaning Assessment and Remediation; and (4) Industrial Hazardous Waste.

The Superfund Assessment and Cleanup program consists of 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 53 NPL sites. Those sites not eligible for the NPL may be included on TCEQ's State Superfund Registry. Texas has 45 sites proposed for listing or listed on this registry. TCEQ expects to complete remedial actions at four state and federal sites during the 2018–19 biennium. The Superfund Assessment and Cleanup program is appropriated $32.9 million in All Funds, which represents an increase of $2.2 million, or 7.0 percent, compared to 2016–17 biennial spending levels. The increase is due to an increase from General Revenue–Dedicated Funds Account No. 550, Hazardous and Solid Waste Remediation Fees, to support cleanup activities.

The Voluntary Cleanup and Other Remediation 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. TCEQ approves voluntary cleanup agreements submitted by program applicants, oversees cleanup actions, and certifies cleanup completion. Certification by the agency releases future landowners and lenders from liability caused by past contamination. TCEQ anticipates issuing 122 certificates of completion through the program during the 2018–19 biennium. Appropriations for the Voluntary Cleanup and Other Remediation program total $6.6 million in All Funds, which represents a decrease of $4.8 million, or 42.5 percent, compared to 2016–17 biennial spending levels. This decrease is due partially to onetime costs associated with closure of a battery recycling facility. In addition, program appropriations do not include estimates for reimbursement of cleanup costs by program participants; program expenditures likely will exceed appropriations.

The Dry Cleaner Assessment and Cleanup program was established to regulate and pay for state-conducted soil and groundwater cleanups at dry cleaner sites. The program consists of dry cleaner facility registration requirements, fees, performance standards, distributor registration, revenue disbursements, and a prioritization list of dry cleaner release sites that are being assessed or remediated through the program. Sites that meet TCEQ regulatory standards are placed on a closure list. As of September 1, 2017, 69 sites have been remediated, and of the 212 sites on the prioritization list, 111 are on active status. The Dry Cleaner Assessment and Cleanup program is appropriated $7.5 million in All Funds, continuing 2016–17 biennial spending levels.

The Industrial 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 or remediation projects at industrial solid waste and municipal hazardous waste facilities have been achieved. As of August 2017, the agency reports that 996 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. As of the end of fiscal year 2017, the program has negotiated final natural resource restoration settlements at 46 sites, and has two final settlements pending. The program continues to be involved in assessment and restoration projects associated with the BP Deepwater Horizon oil spill in 2010.

Appropriations for the Industrial Hazardous Waste program total $9.5 million in All Funds, effectively continuing program funding at 2016–17 biennial spending levels.

Appropriations for the hazardous materials cleanup subarea total $56.5 million in All Funds and support 168.5 FTE positions.

RIVER COMPACT COMMISSIONS

The river compact commissions program area includes five signatory 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 Texas residents 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, the Governor appoints six, 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 the following: (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 program area account for $1.4 million of the agency's All Funds appropriations and provide for 7.0 FTE positions, a decrease of $4.5 million, or 75.2 percent, from 2016–17 biennial spending levels. Appropriations include $0.5 million in funding and unexpended balances from appropriations remaining from the 2016–17 biennium for ongoing litigation expenses of the Rio Grande Compact Commission due to a water rights dispute with the state of New Mexico. Texas filed the initial motion with the U.S. Supreme Court in 2013; a Special Master was appointed in 2014 to review the motion, provide recommendations, and otherwise preside over the case.

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 are (1) Central Administration; (2) Information Resources; and (3) 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. Appropriations for the administration program area account for $107.5 million, or 14.5 percent, of the agency's All Funds appropriations. This amount represents an increase of $4.6 million, or 4.4 percent, from 2016–17 biennial spending levels.

SIGNIFICANT LEGISLATION

Senate Bill 1731 – Extension of the TERP program. The legislation extends the authorization of the Texas Emissions Reduction Plan (TERP) program, which was set to expire August 31, 2019, to the end of the biennium in which Texas attains the national ambient air quality standards for ground-level ozone. The legislation also authorizes TCEQ to reallocate funding among TERP programs based on demand for grants, and removes various caps and minimum spending levels on programs. Two new programs are introduced as eligible for TERP funding – the Light-Duty Motor Vehicle Purchase or Lease Incentive program, and the Governmental Alternative Fuel Fleet Grant program. Various other programmatic changes are also included in the legislation.

Senate Bill 1105 – Abolishment of the Used Oil Recycling Account. The legislation abolishes the General Revenue–Dedicated Funds Account No. 146, Used Oil Recycling, and transfers all remaining balances and revenues including fees, penalties, and previously deposited interest to the General Revenue–Dedicated Funds Account No. 153, Water Resource Management. The legislation also authorizes TCEQ to fund public education regarding used oil recycling, grants to certain used oil collection centers, and registration of certain used oil collection centers and handlers to the authorized uses of Account 153.

House Bill 2771 – Use of the On-Site Wastewater Treatment Permit Application Fee. The legislation requires TCEQ to award competitive grants to support applied research and demonstration projects regarding onsite wastewater treatment technology and systems that are directed toward improving the quality of wastewater treatment and reducing the cost of providing wastewater treatment to consumers, including wastewater reuse. The legislation requires TCEQ to use the $10 fee collected for processing permit applications for onsite wastewater treatment only for these competitive grants and associated administrative costs; previously, this permit fee was authorized to be appropriated and used to protect water resources in the state, notwithstanding any other law. The legislation removed this authorized use of the permit fee.

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

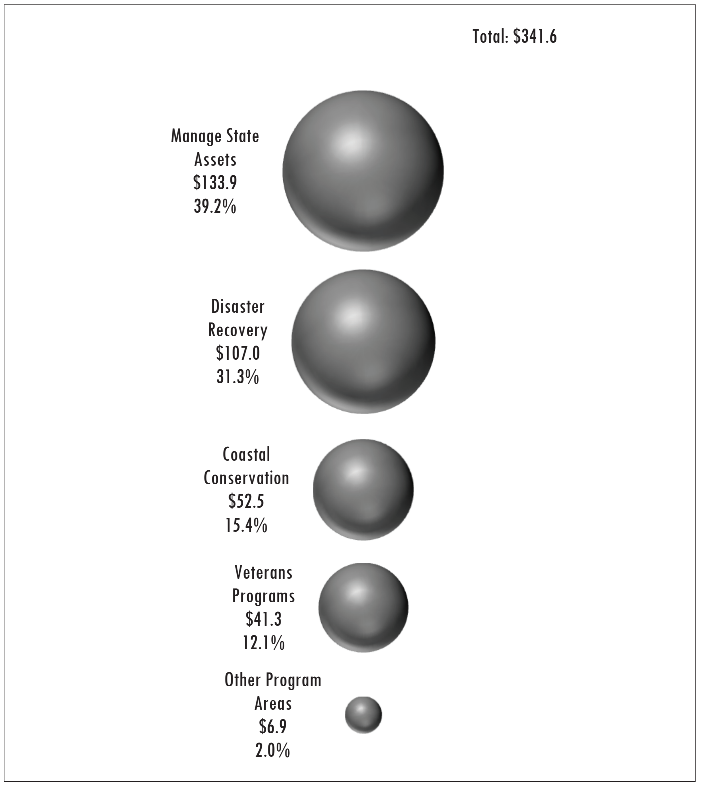
GOVERNANCE: Commissioner, statewide elected official

FIGURE 293
GENERAL LAND OFFICE AND VETERAN'S LAND BOARD BY METHOD OF FINANCE

METHOD OF FINANCE	EXPENDED/ BUDGETED 2016–17 (IN MILLIONS)	APPROPRIATED 2018–19 (IN MILLIONS)	BIENNIAL CHANGE (IN MILLIONS)	PERCENTAGE CHANGE
General Revenue Funds	$64.2	$28.3	($35.9)	(55.9%)
General Revenue–Dedicated Funds	$29.9	$30.4	$0.4	1.5%
Federal Funds	$210.3	$105.3	($105.0)	(49.9%)
Other Funds	$100.6	$177.6	$77.0	76.5%
Total, All Methods of Finance	**$405.1**	**$341.6**	**($63.4)**	**(15.7%)**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2018	600.0
2019	600.0

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



Source: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

The Alamo is funded with $87.8 million, an increase of $47.8 million in All Funds, for the daily operation, preservation, and maintenance of the Alamo and Alamo Complex. Of this amount, **up to $75.0 million may be used for implementation of the Alamo Master Plan.**

General Revenue Funds totaling **$2.0 million** are provided to **complete the closure of Rollover Pass on the Bolivar Peninsula.**

Federal funding decreased by $105.0 million primarily due to the ending of the Coastal Impact Assistance Program and housing and related infrastructure grant awards for Hurricane Ike and Central Texas wildfires not being continued.

In addition to appropriations, **new Hurricane Harvey recovery funding** announced by federal agencies as of December 2017 includes **$1.1 billion from the** Federal Emergency Management Agency **and $5.1 billion** from the U.S. Department of Housing and Urban Development**.**

MAJOR FUNDING

All Funds appropriations to the General Land Office (GLO) for the 2018–19 biennium decreased by $63.4 million compared to 2016–17 biennial spending levels. Major funding adjustments include the following:

- a net increase of $47.8 million in All Funds for the daily operation, preservation, and maintenance of the Alamo and the Alamo Master Plan, which primarily includes an increase of $75.0 million in Other Funds from the Economic Stabilization Fund offset by a decrease of $31.5 million in General Revenue Funds;
- an overall decrease of $105.0 million in Federal Funds due to an increase of $63.9 million in Community Development Block Grant (CDBG) funding for flood events during calendar years 2015 and 2016, offset by decreases of $134.7 million in CDBG for disaster recovery (CDBG–DR), $28.9 million in Coastal Impact Assistance Program grants that ended on December 31, 2016, and $5.3 million in various other Federal Funds; and
- a decrease of $3.8 million in General Revenue Funds due to reduced funding needed to complete the closure of Rollover Pass on the Bolivar Peninsula.

In addition to appropriated amounts, the Veterans' Land Board (VLB) administers $1.3 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.

Not included in amounts appropriated for the 2018–19 biennium are the following Federal Funds that have been announced by federal agencies for recovery from Hurricane Harvey as of December 2017: Federal Emergency Management Agency (FEMA) short-term housing funds of $1.1 billion and Department of Housing and Urban Development (HUD) CDBG–DR funds of $5.1 billion.

PROGRAMS

Agency activities are carried out in five major program areas: (1) disaster recovery; (2) managing 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 calendar year 2008, the 2011 Central Texas wildfires, flooding during 2015 and 2016, and Hurricane Harvey in 2017. 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, 2017, CDBG grants have repaired or reconstructed more than 16,887 single and multifamily homes.

The nonhousing activities include infrastructure projects, repairs, public facilities from roads to seawalls, drainage, energy generators, equipment acquisition and installation, and economic development. Firms specializing in design engineering, grant administration, and environmental services provide the local services. The Disaster Recovery Infrastructure program includes more than 536 active projects.

GLO has been awarded $313.5 million in CDBG disaster funds by HUD related to the 2015 and 2016 floods. GLO has been given budget authority to expend $63.9 million of these funds during the 2018–19 biennium.

Appropriations for the disaster recovery program area total $107.0 million in All Funds, or 31.3 percent of total agency appropriations, including 55.7 full-time-equivalent (FTE) positions. This amount is a decrease of $71.0 million, or 40.0 percent, compared to 2016–17 biennial spending levels. In addition to amounts appropriated, FEMA and HUD announced the following Federal Funds for recovery from Hurricane Harvey as of December 2017: $1.1 billion for short-term housing and $5.1 billion in CDBG–DR funding.

MANAGE STATE ASSETS

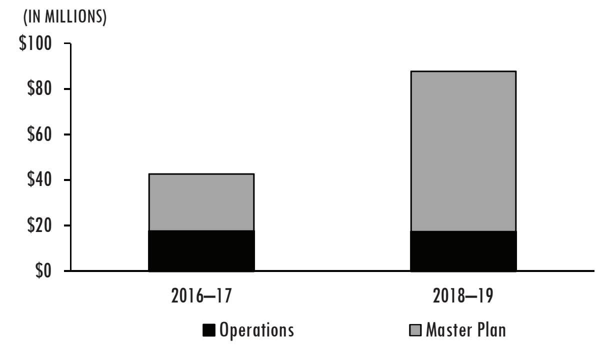
The program area to manage state assets includes a number of programs that provide funding to enhance the value of state assets and the revenues they generate through management, acquisition, and investments of agency and state-owned land, minerals, and other assets. The programs in this area include subarea activities related to (1) maintenance and oversight of the Alamo shrine and facilities in the Alamo Complex program, (2) state-owned land value enhancement and revenue generation, and (3) the sale and purchase of real property, including sales and purchases to enhance the values of the Permanent School Fund (PSF).

ALAMO COMPLEX

GLO was placed in charge of operations and maintenance of the Alamo Complex effective September 1, 2011. Through the Alamo Complex program, GLO has established 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 Funds Account No. 5152, Alamo Complex. GLO is authorized to use the account for expenses related to the Alamo.

Appropriations for the Alamo Complex program total $87.8 million in All Funds for the 2018–19 biennium, including 3.9 FTE positions. This amount is an increase of $47.8 million, or 119.3 percent, from 2016–17 biennial spending levels for preservation, maintenance, and operation and for implementation of the Alamo Master Plan. This increase includes of a decrease of $31.5 million in General Revenue Funds offset by an increase of $1.3 million in General Revenue–Dedicated Funds from Account No. 5152, an increase of $3.0 million in Appropriated Receipts, and an increase of $75.0 million in Other Funds from the Economic Stabilization Fund. Expenditures for the Alamo from the 2016–17 biennium and projections for the 2018–19 biennium are shown in **Figure 294**.

FIGURE 294
EXPENDITURES FOR THE ALAMO 2016–17 AND 2018–19 BIENNIA



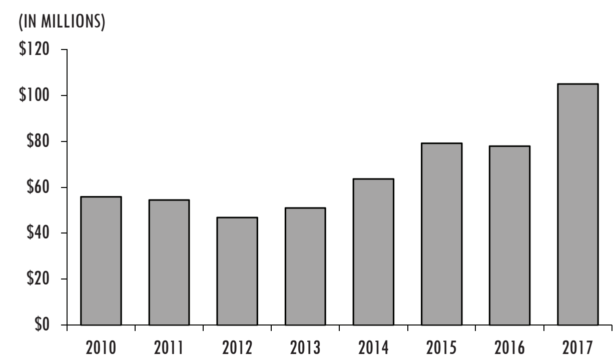
SOURCE: General Land Office and Veterans' Land Board.

STATE-OWNED LAND VALUE ENHANCEMENT AND REVENUE GENERATION

Four programs contribute to this objective: (1) Energy Resources and Electric Marketing, (2) Asset/Energy/Coastal/Uplands Inspections, (3) Defense and Prosecution of Mineral Lease Claims/Cases, and (4) Commercial Leasing of State-Owned Land. Combined, these programs are appropriated $27.4 million in All Funds for the 2018–19 biennium, or 8.0 percent of total agency appropriations.

The Energy Resources and Electric Marketing program issues geophysical permits and prospect permits for mineral exploration, evaluates state lands for mineral potential and value, and reviews applications to combine multiple oil and gas leases together for permitting and drilling purposes. Contained within the program is the Manage the State Energy Marketing program (MSEMP), which sells oil and gas from selected mineral leases to provide utility savings to public customers, with revenues deposited into the PSF. Revenues that MSEMP deposits into the PSF totaled $182.4 million during the 2016–17 biennium. **Figure 295** shows revenues deposited from the program to the PSF from fiscal years 2010 to 2017. Appropriations for the Energy Resources and Electric Marketing program total $10.8 million in All Funds, including 47.6 FTE positions. This amount is an increase of $2.1 million, or 24.5 percent, compared to 2016–17 biennial spending levels.

FIGURE 295
REVENUES FROM THE STATE ENERGY MARKETING PROGRAM, FISCAL YEARS 2010 TO 2017



SOURCE: General Land Office and Veterans' Land Board.

The Asset/Energy/Coastal/Uplands Inspections program manages activities involving the use of state-owned coastal and upland property. Upland property is defined as land located at an elevation above the mean high-tide line. This program is responsible for inspecting and monitoring 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 program total $8.4 million in All Funds, including 50.7 FTE positions. This amount is a decrease of $1.3 million, or 13.1 percent, compared to 2016–17 biennial spending levels.

The Defense and Prosecution of Mineral Lease Claims/Cases program prosecutes claims for deficiencies in payments of mineral royalties and other revenue owed to the PSF for oil, gas, and hard-mineral leases. Resources also are allocated for the prosecution of cases defending the title to PSF lands and mineral or royalty interests against claims filed by third parties. Appropriations for the program total $7.1 million in All Funds, including 32.6 FTE positions. This amount is a decrease of $1.0 million, or 12.3 percent, compared to 2016–17 biennial spending levels.

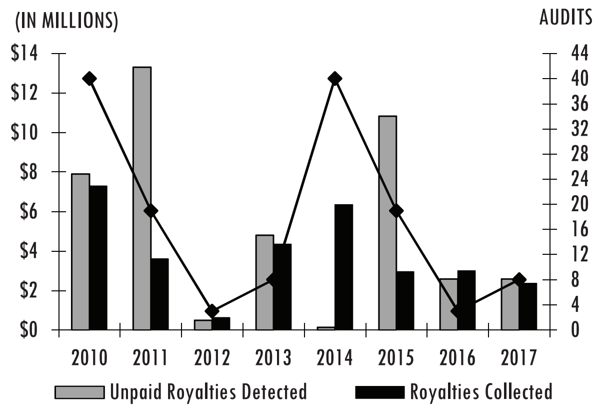
The Commercial Leasing of State-Owned Land program issues permits, easements, and leases on all state-owned lands, including submerged lands in bays and within tidewater limits of coastal lakes, bayous, inlets, streams, estuaries, rivers, and creeks. The program analyzes revenue prospects of uses and coordinates assessment of environmental impacts. In accordance with this program, uplands 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 to the state. Revenue that the agency collects from uplands leases is deposited into the PSF; this revenue totaled $6.7 million during fiscal year 2017. Revenue that the agency collects from coastal leases, also deposited to the PSF, was $6.1 million during fiscal year 2017. Application fees that the agency collects for these leases are deposited to the credit of the General Revenue Fund. During the 2018–19 biennium, the agency expects revenues of approximately $3.8 million per fiscal year from uplands leases and $5.2 million for 2018 and $5.4 million for 2019 from coastal leases. Program appropriations total $1.2 million in All Funds for the 2018–19 biennium, including 8.0 FTE positions. This amount is an increase of $0.1 million, or 6.2 percent, compared to 2016–17 biennial spending levels.

SALE AND PURCHASE OF REAL PROPERTY

Two programs constitute this subarea: (1) PSF Asset Management and (2) State-Owned Property Appraisals. Combined, these programs were appropriated $18.6 million in All Funds, or 5.4 percent of total agency appropriations.

Through the PSF Asset Management program, GLO manages state PSF lands and mineral-rights properties totaling 13.2 million acres. These properties 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 an escrow account tied to the PSF called the Real Estate Special Fund Account (RESFA) and may be used for the acquisition of real property interests on behalf of the PSF. As of August 31, 2017, RESFA investments totaled $3.1 billion, and the fund's cash balance was $3.4 billion.

FIGURE 296
PERMANENT SCHOOL FUND ROYALTY REVENUE AUDITS
FISCAL YEARS 2010 TO 2017



SOURCE: General Land Office and Veterans' Land Board.

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 296** shows the number of royalty audits completed from fiscal years 2010 to 2017, the corresponding unpaid royalties detected, and amounts recovered by GLO staff.

The PSF Asset Management program acquires real property for value appreciation and revenue for the PSF. The program identifies targets for acquisition and disposition of investment property and provides management of the PSF investment portfolio and PSF property. The program oversees conservation and reclamation projects, permanent improvements on PSF land, and the purchase of easements. Proceeds from the sale of PSF lands are deposited to RESFA. Revenue from PSF land sales may be used to acquire additional real property interests for 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 PSF and the management of the PSF investment portfolio. 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 2016–17 biennium, GLO sold 86 real estate assets totaling 21,790 acres with total sales of $72.0 million. As of August 31, 2017, the year-end market value of 16 assets in the internally managed real estate investment portfolio was $265.2 million. GLO also transferred $375.0 million to the State Board of Education for investment in PSF during the 2016–17 biennium and anticipates transferring $490.0 million during the 2018–19 biennium.

Figure 297 shows GLO contributions to 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 2010 to 2017.

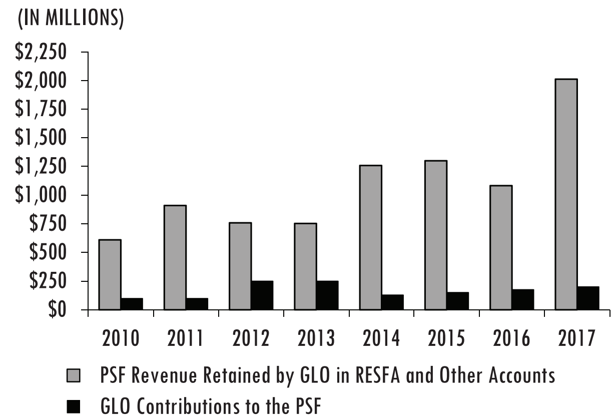
The primary focus of the SLB and the GLO Investment Advisory Committee is diversification of assets by investment in real estate funds rather than the actual acquisition of real property to be held by the PSF. As a result, during the past several biennia, SLB has approved the acquisition of relatively few specific tracts of land. Pursuant to statute, SLB is authorized to deposit funds directly to the Available School Fund (ASF). **Figure 298** shows how revenue flows to the PSF.

The PSF distribution to ASF is governed by the Texas Constitution, Article VII, Section 5(a), and the Texas Education Code, Section 43.002. The Texas Constitution, Article VII, Section 5(g), authorizes GLO, in its sole discretion, to distribute revenue from PSF land or properties to ASF in an amount not to exceed $300.0 million. SLB last made a $300.0 million direct contribution from PSF to ASF during fiscal year 2013. On April 4, 2017, SLB passed a resolution to distribute $300.0 million to ASF during the 2018–19 biennium.

Appropriations for the PSF Asset Management program total $14.8 million in All Funds for the 2018–19 biennium, including 42.9 FTE positions. This amount is a decrease of $0.1 million, or 0.9 percent, compared to 2016–17 biennial spending levels.

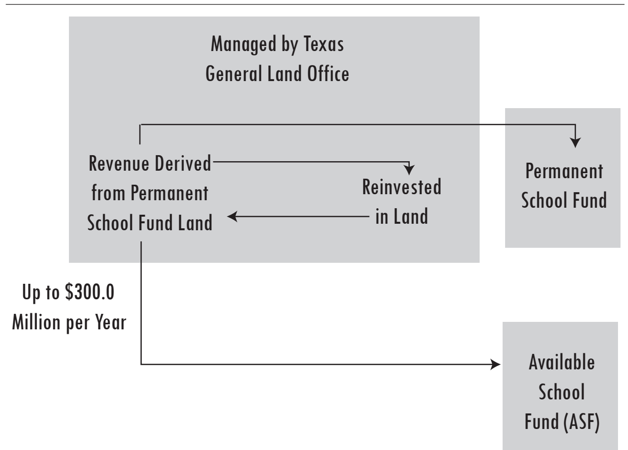
The State-owned Property Appraisals program provides property values to the Asset Management program and SLB to facilitate informed decisions regarding the PSF portfolio. GLO also is required statutorily to appraise all state-owned properties of the largest agencies. GLO maintains an inventory of real property owned by state agencies and determines the properties' market value. The program is appropriated $3.8 million in All Funds, including 15.8 FTE positions. This amount is an increase of $0.5 million, or 14.2 percent, compared to 2016–17 biennial spending levels.

FIGURE 297
PERMANENT SCHOOL FUND (PSF) CONTRIBUTIONS AND REAL ESTATE SPECIAL FUND ACCOUNT (RESFA) RECEIPTS FISCAL YEARS 2010 TO 2017



NOTES:
(1) General Land Office (GLO) Escrow Account amounts include mineral lease royalty revenues.
(2) In 2012, GLO made a $300.0 million direct contribution to the Available School Fund.
SOURCE: General Land Office and Veterans' Land Board.

FIGURE 298
PERMANENT SCHOOL FUND REVENUE PROCESS 2018–19 BIENNIUM



SOURCE: Legislative Budget Board.

The manage state assets program area appropriations total $133.9 million in All Funds for the 2018–19 biennium, representing 39.2 percent of the agency's total appropriation. This amount represents an increase of $48.0 million, or 56.0 percent, from 2016–17 biennial spending levels.

COASTAL CONSERVATION

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. The coastal conservation program area includes two subareas: (1) Protect and Maintain Texas Coastal Resources and (2) Prevent and Respond to Oil Spills.

PROTECT AND MAINTAIN TEXAS COASTAL RESOURCES

Three programs constitute this subarea: (1) Coastal Management, (2) Coastal Erosion Response Projects, and (3) Adopt-A-Beach. A fourth program, the Coastal Impact Assistance Program, was funded with federal grants that ended on December 31, 2016, which accounts for a $28.9 million decrease in Federal Funds from 2016–17 biennial spending levels.

The Coastal Management program (CMP) administers federal management grants for coastal zones and an erosion program, engages in education and outreach, and participates in coastal planning and policy making. The Land Commissioner, in consultation with representatives from seven state agencies and four public appointees, has rule-making and grant-making authority for CMP. CMP awards approximately 90.0 percent of the available Federal Funds as grants to universities, nonprofit organizations and coastal communities. GLO retains approximately 10.0 percent of CMP funds for program administration. Appropriations total $7.5 million in All Funds for the 2018–19 biennium, including 27.3 FTE positions. This amount is a decrease of $2.3 million, or 23.0 percent, compared to 2016–17 biennial spending levels.

The Coastal Erosion Response Projects program provides funding for beach nourishment, dune restoration, shoreline protection, marsh restoration, structure and debris removal, and studies on shoreline change. The program includes funding for the closure of Rollover Pass on the Bolivar Peninsula, which is anticipated to decrease the effects of storms. The Eighty-first Legislature, Regular Session, 2009, appropriated funds to close the pass, but delays in the federal permitting process and a lawsuit that challenged the permit that authorized the closure delayed it. The delays and lawsuit have been resolved, and GLO anticipates the appropriation of $2.0 million will be sufficient to complete closure of the pass during the 2018–19 biennium. GLO reports that the total cost to close the pass, beginning with the Eighty-first Legislature, Regular Session, 2009, will be $12.6 million. Funding for the Coastal Erosion Response Projects program totals $25.4 million in All Funds, including 17.1 FTE positions. This amount is a decrease of $7.1 million, or 21.9 percent, compared to 2016–17 biennial spending levels.

The Adopt-A-Beach program is an all-volunteer effort dedicated to preserving and protecting beaches by keeping them clean and safe. Since the first cleanup, approximately 400,000 volunteer participants have helped remove 7,700 tons of trash. Appropriations total $0.2 million, and include no FTE positions. This amount is a decrease of less than $0.1 million, or 25.9 percent, compared to 2016–17 biennial spending levels.

PREVENT AND RESPOND TO OIL SPILLS

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 to respond quickly and efficiently to oil spills. Three programs constitute this subarea: (1) Oil Spill Prevention, (2) Oil Spill Response, and (3) Oil Spill Research and Development.

The Oil Spill Prevention program involves patrolling on land and water for discharges and monitoring the loading and offloading of petroleum products at refineries. The program also includes an education component to instruct vessel operators about environmental damage caused by small chronic spills and to provide prevention measures. Appropriations total $9.0 million from the General Revenue–Dedicated Funds Account No. 27, Coastal Protection, including 61.0 FTE positions, which is a decrease of $0.8 million, or 8.3 percent, compared to 2016–17 biennial spending levels. Account No. 27 receives revenues from a $0.013 fee per barrel on crude oil loaded or unloaded in Texas ports by vessel. Fee collections are suspended when the unencumbered account balance reaches $20.0 million and resumes when the balance reaches less than $10.0 million.

The Oil Spill Response program consists of five regional offices that respond to oil spills and provide audits, inspections, and harbor patrols by boat and vehicle. For fiscal year 2017, the agency reported 672 oil spill responses. **Figure 299** shows GLO oil spill responses for fiscal years 2010 to 2017. Additionally, the program continues to identify and monitor natural resource damage assessment projects in response to the Deepwater Horizon disaster effort. Appropriations total $7.9 million in All Funds, including 17.7 FTE positions, which is a decrease of $1.2 million, or 12.7 percent, compared to 2016–17 biennial spending levels.

The Oil Spill Research and Development program conducts oil spill-related research relating to dispersants, shoreline cleaners, bioremediations studies, and high-frequency radar. Appropriations total $2.5 million from Account No. 27 and include 0.0 FTE positions because all services are contracted. This amount is an increase of $1.3 million, or 114.9 percent, compared to 2016–17 biennial spending levels.

The coastal conservation program area was appropriated $52.5 million in All Funds, representing 15.4 percent of the agency's total appropriation. This amount represents a decrease of $38.9 million, or 42.6 percent, from 2016–17 biennial spending levels.

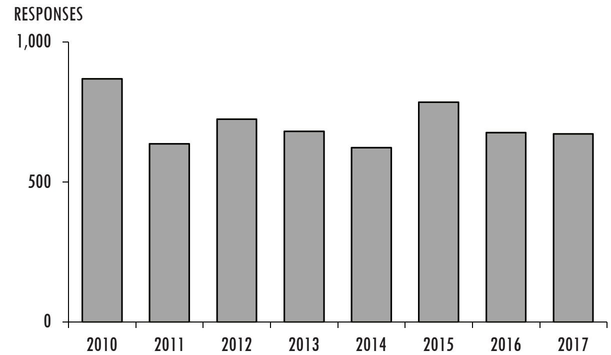
VETERANS' PROGRAMS

The Veterans' Land Board (VLB), with two public members and the Land Commissioner as chair and administrator, was established by the Legislature in 1946. VLB administers and markets three major benefit programs for Texas veterans: (1) low-interest land and home loans, (2) cemetery operations and construction, 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.

VLB MARKETING AND CUSTOMER SERVICE

The Veterans' Land Board Marketing and Customer Service program maintains the VLB website and manages multiple veteran, lender, and real estate agency databases to provide support for direct mail marketing, social media, television, radio, and Internet advertising. The program is appropriated $12.2 million in All Funds, which provides for 53.1 FTE positions to respond to inquiries regarding benefits and services offered by VLB and the U.S. Department of Veterans Affairs (VA). This amount represents a decrease of $0.7 million, or 5.8 percent, from 2016–17 biennial spending levels.

FIGURE 299
OIL SPILL RESPONSES IN TEXAS COASTAL WATERS
FISCAL YEARS 2010 TO 2017



SOURCE: General Land Office and Veterans' Land Board.

FIGURE 300
VETERANS' LAND BOARD LOAN ACTIVITY
FISCAL YEARS 2010 TO 2017

	LOANS		
YEAR	LAND	HOUSING	HOME IMPROVEMENT
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
2016	1,247	2,933	391
2017	1,260	396	401

SOURCE: General Land Office and Veterans' Land Board.

VETERANS' LAND AND HOUSING – LOAN OPERATIONS

The Veterans' Land and Housing – Loan Operations program is a self-supporting program that provides low-interest, 30-year, term loans of up to $150,000 to Texas veterans for the purchase of land. Since its inception, and as of August 2017, the program has made more than 129,800 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 $424,100 to buy a home. Since it began in 1984, this program has made more than 92,782 home loans, as of August 2017. The Veterans' Home Improvement Program enables eligible veterans to borrow up to $50,000 for home improvements. Since 1986, the program has provided more than 5,762 home improvement loans, as of August 2017.

Figure 300 shows the loan activity for fiscal years 2010 to 2017. 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 $6.2 million in All Funds, including 49.6 FTE positions. This amount represents a decrease of $1.1 million, or 15.7 percent, from 2016–17 biennial spending levels.

STATE VETERANS' HOMES

The State Veterans' Homes programs oversees operation of long-term, skilled-care, nursing homes at eight sites, including the following: Big Spring, Bonham, El Paso, Floresville, McAllen, Temple, Amarillo, and Tyler. The program is available for qualified veterans and their spouses and for 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.

The program is a partnership among the VA, VLB, and private-sector healthcare providers. It has significant administrative participation from the Texas Veterans Commission, 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 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 and Medicaid payments, disability entitlements, private insurance, and personal income.

The program was appropriated $8.1 million, including 46.3 FTE positions, which represents a decrease of $0.7 million, or 7.7 percent, from 2016–17 biennial spending levels.

CEMETERY OPERATIONS AND 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 served already by one of the four national cemeteries in Texas. VLB operates four veterans cemeteries in Abilene, Corpus Christi, Killeen, and Mission. Appropriations for the Cemetery Operations program total $14.9 million in All Funds, including 29.7 FTE positions, which is an increase of $2.1 million, or 16.8 percent, from 2016–17 biennial spending levels. No appropriations were provided for the Cemetery Construction program because no Federal Funds from the VA are anticipated. This amount reflects a decrease of $1.2 million in Federal Funds compared to 2016–17 biennial spending levels.

Appropriations for the veterans' programs area total $41.3 million in All Funds, which reflects a decrease of $1.6 million, or 3.7 percent, from 2016–17 biennial spending levels.

OTHER PROGRAM AREAS

GLO serves as the custodian of original land grant records, maps, and other records of historic significance to Texas through activities in its Archives and Records program. In addition to preserving historic records, the program digitizes records for public use, and assists the public with genealogical, land title, historical, and mineral rights research. The program was appropriated $4.3 million in All Funds, including 29.0 FTE positions, which represents a decrease of $0.3 million, or 6.6 percent, compared to 2016–17 biennial spending levels.

The Surveying and Tide Gauge program is appropriated $2.0 million and 13.1 positions. Through its activities in this program, GLO defines boundaries of PSF properties and uses tide gauges to document beach erosion and maintain coastal boundaries, including boundaries of state-owned submerged land. Program appropriations total $2.6 million in All Funds, including 12.0 FTE positions, which represents an increase of $0.3 million, or 13.8 percent, compared to 2016–17 biennial spending levels.

Appropriations for these program areas total $6.9 million in All Funds, which is approximately the same as 2016–17 biennial spending levels.

TEXAS LOW-LEVEL RADIOACTIVE WASTE DISPOSAL COMPACT COMMISSION

PURPOSE: To ensure that the compact between Texas and Vermont to manage low-level radioactive waste generated within the two states is upheld by cooperating to protect the health, safety, and welfare of their residents and the environment; and by providing for and encouraging the economic management and disposal of low-level radioactive waste.

ESTABLISHED: 1998

AUTHORIZING STATUTE: The Texas Health and Safety Code, Chapter 403

GOVERNANCE: Compact Commission—six members from Texas, two members from Vermont, each appointed by their respective governors

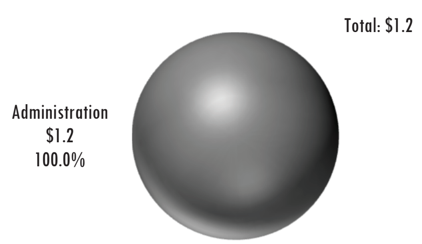
FIGURE 301
TEXAS LOW-LEVEL RADIOACTIVE WASTE DISPOSAL COMPACT COMMISSION BY METHOD OF FINANCE

(IN MILLIONS)

METHOD OF FINANCE	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$0.0	$0.0	$0.0	N/A
General Revenue–Dedicated Funds	$0.9	$1.2	$0.3	30.8%
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	**$0.9**	**$1.2**	**$0.3**	**30.8%**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2018	0.0
2019	0.0

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

Approximately $44.4 million in waste disposal fees have been remitted to the state by Texas Compact generators and nonparty generators **since April 2012**.

The commission expects that by the end of fiscal year 2019, **91.0 percent of the volumetric capacity** and **90.0 percent of the activity capacity** in the compact waste disposal facility **will remain available**.

SOURCE: Legislative Budget Board.

MAJOR FUNDING

The Low-level Radioactive Waste Disposal Compact Commission is appropriated $577,164 each fiscal year in General Revenue–Dedicated Funds, Account No. 5151, Low-Level Radioactive Waste Disposal Compact Commission (LLRWDCC). The Legislature provided funding for the 2018–19 biennium at a level close to the amount appropriated to the commission for the 2016–17 biennium. Appropriations were decreased by $12,250 for required contract cost-containment savings.

PROGRAMS

The commission 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 its function, the commission 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 enable out-of-compact generators to dispose of waste in the Texas compact for management or disposal in accordance with prescribed parameters.

The agreement provides that each party state is to provide financial support for the commission's activities before the date of facility operation. Funding for commission operations comes from Account No. 5151, 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 commission costs are expected to continue. The commission is not authorized to have full-time-equivalent positions, and it uses contractors to perform necessary administrative duties.

SIGNIFICANT LEGISLATION

House Bill 2662 – Surcharge on compact waste. The legislation reduces the surcharge for nonparty compact waste disposal from 20.0 percent of the total contracted rate to 10.0 percent for the 2018–19 biennium. The legislation also eliminates the surcharge for compact waste disposal and the surcharge for federal waste disposal for the 2018–19 biennium; both surcharges were set at 5.0 percent of the gross receipts from disposal.

Senate Bill 1330 – Funding for commission operations. The legislation directs the Texas Commission on Environmental Quality to deposit the surcharge for compact waste disposal calculated to support the operations of the commission into the General Revenue–Dedicated Funds Account No. 88, Low-Level Radioactive Waste. Appropriations for the commission are transferred from Account No. 88 to Account No. 5151. This revenue previously was deposited to the credit of the General Revenue Fund.

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

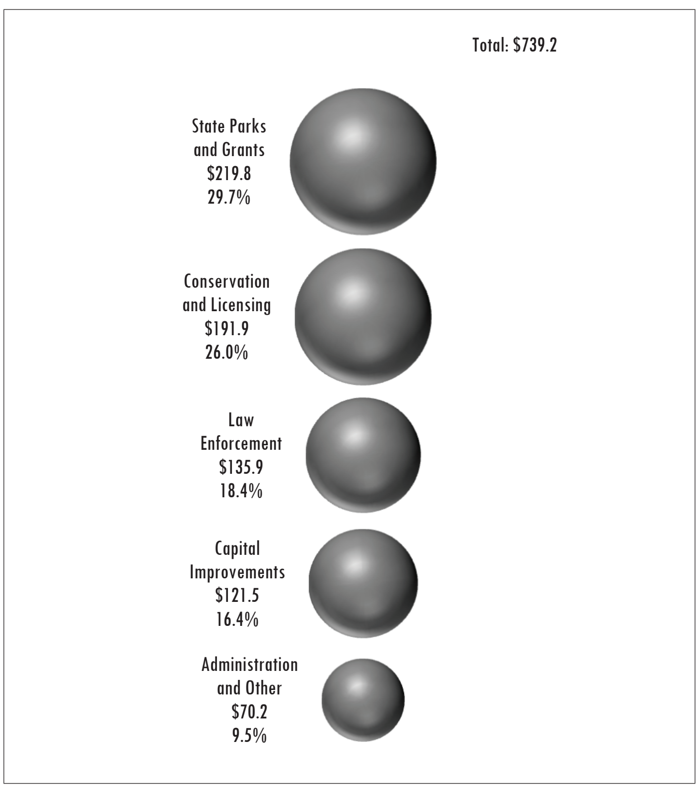
FIGURE 302
PARKS AND WILDLIFE DEPARTMENT BY METHOD OF FINANCE

(IN MILLIONS)

METHOD OF FINANCE	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$198.7	$261.2	$62.4	31.4%
General Revenue–Dedicated Funds	$392.1	$306.7	($85.4)	(21.8%)
Federal Funds	$171.0	$134.7	($36.3)	(21.2%)
Other Funds	$67.3	$36.6	($30.7)	(45.6%)
Total, All Methods of Finance	**$829.2**	**$739.2**	**($90.0)**	**(10.8%)**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2018	3,149.2
2019	3,146.2

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

State Parks operations funding totals $136.7 million. Grant funding includes $28.7 million for local parks and $17.5 million for boating access and other recreational opportunities.

Sporting Goods Sales Tax (SGST) appropriations for State Park Operations and Local Park Grants total $205.2 million, or **$50.1 million greater than 2016–17 biennial spending levels**.

Capital Improvements funding totals $121.5 million, or a 24.9 percent decrease from 2016–17 biennial spending. This amount includes $55.2 in SGST partially offsetting a $77.4 million decrease in General Revenue–Dedicated Funds, **Account No. 5166, Deferred Maintenance.**

Border security-related appropriations total $33.0 million to replace a 65-foot offshore law enforcement vessel, support 90.0 full-time-equivalent (FTE) positions for game warden law enforcement in border counties, 49.0 positions to enhance border security, and participation in **Operation Secure Texas**.

SOURCE: Legislative Budget Board.

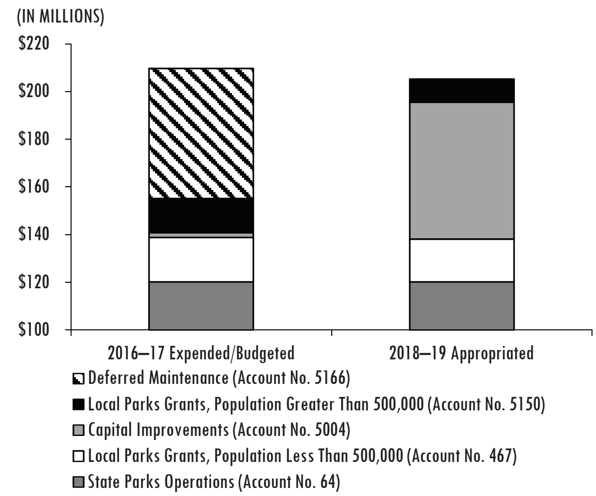
MAJOR FUNDING

Appropriations to the Texas Parks and Wildlife Department (TPWD) for the 2018–19 biennium decreased by $90.0 million, or 10.8 percent, in All Funds from the 2016–17 biennial funding level and provide for 3,149.2 full-time equivalent (FTE) positions for fiscal year 2018 and 3,146.2 positions for fiscal year 2019. The decrease is due primarily to decreases in two General Revenue–Dedicated Funds Accounts—$77.4 million from Account No. 5166, Deferred Maintenance, and $15.7 million from Account No. 9, Game, Fish, and Water; estimated Federal Funds of $36.3 million; and Other Funds of $30.7 million. These decreases are offset partially by increases in General Revenue Funds of $62.4 million. The increases in General Revenue Funds are from the Sporting Goods Sales Tax (SGST), which includes $49.2 million for disaster-related capital construction and $17.0 million for deferred maintenance capital projects, resulting in an overall decrease of $11.0 million in All Funds for deferred maintenance and capital construction from 2016–17 biennial funding levels. In addition, a portion of the estimated decreases of $36.3 million in Federal Funds and of $21.9 million in Appropriated Receipts (Other Funds) may change as the agency receives additional federal grants, unanticipated donations, or other new funding during the 2018–19 biennium.

General Revenue Funds and General Revenue–Dedicated Funds appropriated to the agency decreased by $22.9 million from the 2016–17 biennial spending level. Significant issues include:

- SGST funds appropriated directly to TPWD total $205.2 million;
- an increase of $8.0 million in General Revenue–Dedicated Funds from Account No. 544, Lifetime License Endowment, related to the enactment of House Bill (HB) 3781, Eighty-fifth Legislature, Regular Session, 2017;
- an increase of $7.0 million in General Revenue Funds related to certain law enforcement and administrative costs and purchases;
- an increase of $5.3 million from the Unclaimed Refunds of Motorboat Fuel Tax (URMFT) for increased law enforcement activities;
- a decrease of $77.4 million in General Revenue–Dedicated Funds from Account No. 5166 expended on various projects. The decrease is offset partially with a method-of-finance swap of SGST in the agency's budget related to disaster-related capital construction ($49.2 million) and deferred maintenance and other capital projects ($17.0 million); and
- a decrease of 15.7 million in General Revenue–Dedicated Funds, Account No. 9, Game, Fish, and Water Safety, related to multiple onetime expenditures and operations from the 2016–17 biennium.

FIGURE 303
TOTAL SPORTING GOODS SALES TAX TRANSFERS BY GENERAL REVENUE–DEDICATED ACCOUNT 2016–17 AND 2018–19 BIENNIA



SOURCES: Legislative Budget Board; General Appropriations Act, Eighty-fifth Legislature, 2018–19 Biennium.

General Revenue Funds and General Revenue–Dedicated Funds include SGST transfers to five General Revenue–Dedicated Funds accounts: Account No. 64, State Parks; Account No. 467, Texas Recreation and Parks; Account No. 5150, Large County and Municipality Recreation and Parks; Account No. 5004, Texas Parks and Wildlife Conservation and Capital; and Account No. 5166, Deferred Maintenance (see **Figure 303**). SGST is not a separate tax, but it is an estimated amount of state tax revenue collected from the sale, storage, or use of sporting goods that TPWD is eligible statutorily to receive.

For the 2018–19 biennium, the Legislature appropriated $295.6 million, 88.6 percent of SGST estimated to be available, including $72.4 million for employee benefits and debt service payments. 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,

FIGURE 304
SPORTING GOODS SALES TAX FUNDING, 2016–17 AND 2018–19 BIENNIA

(IN MILLIONS)

PURPOSE	EXPENDED/BUDGETED 2016–17	APPROPRIATED 2018–19	DIFFERENCE
Texas Parks and Wildlife Department Appropriations	$155.2	$205.2	$50.0
Texas Historical Commission Appropriations	$13.0	$18.0	$5.0
Employee Benefits and Debt Service	$77.8	$72.4	($5.4)
Transferred to General Revenue–Dedicated Funds Account No. 5166, Deferred Maintenance	$54.5	N/A	($54.5)
Total	**$300.5**	**$295.6**	**($4.9)**

NOTES:
(1) Employee benefits and debt service are estimated in appropriated amounts for the 2018–19 biennium.
(2) Totals and differences may not sum due to rounding.
SOURCES: Legislative Budget Board; Eighty-fifth Legislature, General Appropriations Act, 2018–19 Biennium, Article VI, Parks and Wildlife Department, Rider 16, Informational Listing – Allocation of Sporting Goods Sales Tax (SGST).

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. Changes made by the Eighty-fourth Legislature, 2015, grant the Legislature discretion for the distribution of SGST to the four General Revenue–Dedicated Funds 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 initially is deposited. **Figure 304** shows 2016–17 biennial amounts of SGST funding compared to 2018–19 biennial appropriations.

Appropriations of General Revenue–Dedicated Funds decreased by $85.4 million from 2016–17 biennial spending levels, primarily related to a decrease of $77.4 million from Account No. 5166, an account established by Senate Bill 2004, Eighty-fourth Legislature, 2015. Appropriations from the account would be made from transfers from other methods of financing in the agency's budget, and no transfers to the account are made for the 2018–19 biennium. Instead, deferred maintenance funding for TPWD are made from other methods of finance for the 2018–19 biennium. Appropriations from Account No. 64 decreased by $0.3 million, maintaining spending near 2016–17 levels for state park operations and various capital improvements. Appropriations from Account No. 9 decreased by $15.7 million due to decreases for multiple onetime expenditures and operations. Appropriations to Account No. 544 increased by $8.0 million from 2016–17 biennial spending levels due to the enactment of HB 3781 for the purpose of managing the state's fish and wildlife resources.

Federal Funds for TPWD decreased by $36.3 million, or 21.2 percent, from the 2016–17 biennial spending level, based upon agency estimates. These amounts could change if additional funding becomes available to the agency during the 2018–19 biennium. The agency typically provides an estimate for Federal Funds known to be available when submitting its appropriation request. This estimate consistently results in higher amounts of Federal Funds received during a biennium than initially are appropriated.

The 2018–19 biennial appropriation maintains funding from the Wildlife Restoration Program, Sport Fish Restoration Program, Cooperative Endangered Species Conservation Fund, Port Security Grant Program, and Outdoor Recreation-Acquisition, Development, and Planning Grant at 75.0 percent to 90.0 percent of the 2016–17 biennial level.

Other Funds for the agency decreased by $30.7 million, or 45.6 percent. The decreases include $21.9 million from Appropriated Receipts primarily for anticipated fluctuations in donations and $10.9 million from bond proceeds, which are offset partially by an increase of $1.9 million from Interagency Contracts and $0.2 million from the License Plate Trust Fund. The appropriated amounts of General Obligation Bond Proceeds include estimates for the unexpended and unobligated balances approved for projects at the agency.

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 Funds 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.

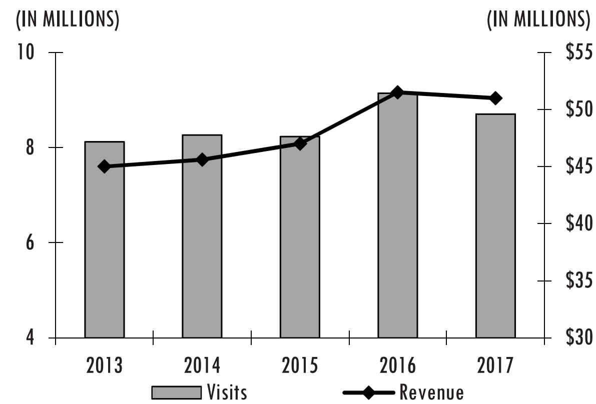
STATE PARKS AND GRANTS

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 during fiscal year 2017. **Figure 305** shows total visits, including paid and those not subject to fees, and total revenue collected from state park users. Growth in revenue typically has outpaced growth in visitation since 2013 due to increased sales of prepaid park passes and concessions, including swimming pool and golf course access. Revenue from entrance fees is deposited in the General Revenue–Dedicated Funds Account No. 64, State Parks, and is used to partially fund state park operations and capital improvements. State Park Operations is the largest program in the TPWD budget, totaling $136.7 million in All Funds, a decrease of $6.9 million, or 4.8 percent, and providing 1,172.9 FTE positions each fiscal year of the 2018–19 biennium. The decrease is primarily the result of the removal of $2.4 million in Appropriated Receipts to reflect the collections projected by the agency and $3.9 million in URMFT, which was allocated to other programs for the 2018–19 biennium.

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; certain administrative functions; and state park law enforcement officers. Interpretive services include guided tours and camping workshops. Administrative functions include operating the reservation center, managing concessions and concessionaires, sales, managing exhibit shops, and community outreach. State parks law enforcement officers are peace officers assigned to state parks. These officers are distinct from the game wardens included in the law enforcement program area, although they also are trained at the Game Warden Academy. Funding for this program totals $13.7 million in All Funds, an increase of $0.5 million, or 3.9 percent, and provides 67.4 FTE positions.

FIGURE 305
STATE PARK REVENUE AND VISITS, FISCAL YEARS 2013 TO 2017



SOURCE: Texas Parks and Wildlife Department.

The Parks Minor Repair program provides for routine and preventive 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. Appropriations for the program total $9.9 million in All Funds, a decrease of $0.4 million, or 3.7 percent, and provide 14.0 FTE positions.

The Parks Support program provides management of the function and programs in the State Parks Division, including direct support for 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 $11.3 million in All Funds, an increase of $0.4 million, or 3.8 percent, and provides 69.0 FTE positions.

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 $5.0 million for a grant to Quinta Mazatlán in McAllen to construct a Center for Urban Ecology. Program funding totals $46.2 million in All Funds, of which $28.7 million is for local parks grants and $17.5 million is for boating access and other grants and provides 17.0 FTE positions. The total reflects a decrease of $25.6 million, or 35.7 percent, primarily due to the removal of funding during the 2016–17 biennium for onetime grants to local parks and projects.

Funding for the state parks and grants program area totals $219.8 million in All Funds, a decrease of $31.9 million, or 12.7 percent from the 2016–17 biennial funding level and provides 1,340.2 FTE positions for each fiscal year of the 2018–19 biennium.

CAPITAL IMPROVEMENTS

The capital improvements program area includes most of the agency's capital budget and management of associated functions.

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 design, engineering design, project management, a memorandum of understanding agreement between TPWD and the Texas Department of Transportation, and other related activities. The agency is responsible for maintaining and developing more than 150 different locations throughout the state. Program funding totals $121.5 million All Funds, a decrease of $40.4 million, or 25.0 percent, and provides 99.0 FTE positions. The decrease is due primarily to the removal of $77.4 million in General Revenue–Dedicated Funds from Account No. 5166 partially offset with an increase of $55.2 million from SGST in Account No. 5004, Texas Parks and Wildlife Conservation and Capital, related to capital projects and deferred maintenance at facilities and sites.

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 $5.1 million in General Revenue Funds, a decrease of $1.1 million, or 18.3 percent, as a result of adjustments made to scheduled payments as directed 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, transferred from GLO to TPWD with the enactment of House Bill 1925, Eighty-fourth Legislature, 2015. Funding for the program totals $4.4 million in All Funds, a decrease of $1.7 million, or 27.5 percent, predominately resulting from a decrease of $1.4 million in Federal Funds and $0.2 million in Appropriated Receipts that are not anticipated to be available for the 2018–19 biennium and provides 8.0 FTE positions.

The capital improvements program area's funding totals $121.5 million for the 2018–19 biennium, a decrease of $40.4 million, or 24.9 percent, and provides 107.0 FTE positions during each fiscal year of the 2018–19 biennium.

CONSERVATION AND LICENSING

The conservation and licensing program area includes the 12 programs associated with the agency's Wildlife Division, 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 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 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, issues permits to take and hold captive wildlife, develops wetlands and other habitats, and assesses the effects of human activities on wildlife. Program appropriations total $88.1 million in All Funds, a decrease of $3.0 million, or 3.3 percent, primarily related to decreases of $7.8 million in Federal Funds, $1.6 million in Appropriated Receipts to reflect agency-projected collections, and $1.4 million in General Revenue–Dedicated Funds from Account No. 9 reflecting agency-identified savings. Appropriations provide for 225.5 FTE positions. The decrease is offset partially by an increase of $8.0 million in General Revenue–Dedicated Funds from Account No. 544 related to enactment of HB 3781, Eighty-fifth Legislature, Regular Session, 2017.

The Hunting and Wildlife Recreation program is responsible for enhancing hunting and other recreation opportunities. The program manages public hunting permits to enable walk-in hunting on TPWD-owned and TPWD-leased land, public hunting drawings for limited numbers of supervised or guided hunting opportunities on certain state-owned land or state-leased private property, youth hunting programs, and wildlife and paddling trails. Funding for the program totals $5.6 million in All Funds, a decrease of $1.5 million, or 21.5 percent, and provides 24.0 FTE positions.

The Technical Guidance program provides assistance and information to private landowners and the public regarding programs such as the Private Lands and Public Hunting program. The Private Lands and Public Hunting program supports landowners engaging in voluntary habitat conservation practices through a written wildlife management plan. Additionally, the Technical Guidance program provides certain cost-share assistance, primarily utilizing federal funding, through the Landowner Incentive Program. According to the agency, more than 8,700 landowners operating almost 30.0 million acres in the state have received this service from TPWD. Appropriations for the Technical Guidance program total $1.0 million in All Funds, a decrease of $2.3 million, or 69.2 percent, primarily related to decreases in Federal Funds that the agency projects not to be available for the 2018–19 biennium, and provide 41.0 FTE positions.

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 $0.8 million, a decrease of $5.6 million, or 87.1 percent, and provides 4.0 FTE positions. The program is funded by Appropriated Receipts, and the decrease is attributable to collections projected to be available for the 2018–19 biennium.

The Coastal Fisheries Resource Management program provides oversight and support to the Coastal Fisheries Division. The program includes three field offices that monitor and assess marine life populations and environmental conditions. Funding for the program totals $16.6 million in All Funds, a decrease of $0.5 million, or 3.2 percent, and provides 98.5 FTE positions.

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 $9.5 million in All Funds, a decrease of $0.7 million, or 6.9 percent, and provides 63.0 FTE positions.

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 $7.2 million in All Funds, an increase of $0.5 million; related to an increase of $0.2 million in General Revenue–Dedicated Funds from Account No. 9 and $0.3 million in Federal Funds from Sport Fish Restoration Program grants; and provides 39.0 FTE positions.

The Freshwater Fisheries Conservation program provides management and oversight of the Inland Fisheries Division. This division 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 $15.9 million in All Funds, a decrease of $1.0 million, or 6.0 percent, and provide 105.0 FTE positions.

Another 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 $7.6 million in All Funds, a decrease of $1.5 million, or 16.6 percent, and provide 36.0 FTE positions.

The Aquatic Vegetation Management for Recreational Access program manages aquatic vegetation to maintain boat lanes and general access to outdoor recreational activities in freshwater bodies across the state. Funding for this program totals $6.8 million in All Funds, maintaining 2016–17 biennial spending levels.

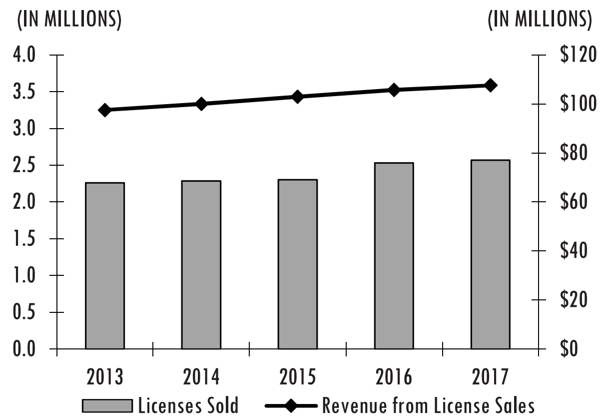
The Inland Hatcheries Operations program provides stocked fish for freshwater fisheries. The program operates five hatcheries, producing various species of sportfish and conducting aquaculture research. Funding for the Inland Hatcheries Operations program totals $14.7 million in All Funds, an increase of $0.4 million, or 2.8 percent, and provides 62.0 FTE positions.

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's 29 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 306** shows actual hunting and fishing license sales and revenue from fiscal years 2013 to 2017. Revenue from license sales and titling is deposited in the General Revenue–Dedicated Account No. 9 and is used for various conservation and law enforcement purposes. The use of collected revenues is limited depending on the specific revenue source; for example, revenue from the migratory game bird stamp, a federally required licensing tool, can be appropriated only for purposes related to management and research of migratory game birds and their habitats. Appropriations for this program total $18.0 million in All Funds, a decrease of $1.2 million, or 6.2 percent, and provide 30.0 FTE positions.

Appropriations for the conservation and licensing program area total $191.9 million in All Funds, a decrease of $16.6 million, or 7.9 percent, and provide 728.0 FTE positions during each fiscal year of the 2018–19 biennium.

FIGURE 306
HUNTING AND FISHING LICENSE SALES AND REVENUE
FISCAL YEARS 2013 TO 2017



SOURCE: Texas Parks and Wildlife Department.

LAW ENFORCEMENT

The program area for law enforcement 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 state's game, fish, and water safety laws through public education, crime prevention, and apprehension of offenders. TPWD maintains 29 law enforcement offices throughout the state that support 549.0 FTE positions for game wardens. These offices provide services to the public such as sale of licenses, boat registration and titling, and education. In addition to general law enforcement and enforcement of laws, the program provides activities related to disaster response and homeland security. For the 2018–19 biennium, 90 game wardens will be assigned to conduct law enforcement activities in border counties, including those sharing a land border with Mexico and counties on the Gulf Coast, and an additional 49 game wardens will be dedicated to the area for enhanced border security activities. TPWD participates in the border security activity Operation Secure Texas. Appropriations for enforcement programs total $127.5 million in All Funds, an increase of $9.3 million, or 7.9 percent, and provide 618.0 FTE positions. The increase is due primarily to an additional $4.0 million in General Revenue Funds to replace a 65-foot offshore vessel used for law enforcement and border security activities.

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 also began training through this program. The training center offers continuing education training to game wardens as well as training to outside law enforcement entities. Appropriations for the program total $3.5 million in All Funds, a decrease of $0.6, or 14.2 percent, primarily resulting from the allocation of $0.5 million from Account No. 9 to other programs and a decrease of $0.1 million in Federal Funds related to boating safety projects, and provides 14.0 FTE positions.

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 $4.9 million in All Funds, a decrease of $0.2 million, or 4.0 percent, and provides 21.5 FTE positions.

Funding for the law enforcement program area for the 2018–19 biennium totals $135.9 million in All Funds, an increase of $8.5 million, or 6.7 percent, and provides 653.5 FTE positions during each fiscal year of the 2018–19 biennium.

ADMINISTRATION AND OTHER PROGRAMS

Administration and other programs include programs related to the Administrative Resources, Communications, Human Resources, Information Technology (IT), 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 agency's primary administration and management. The executive office coordinates activities related to the Parks and Wildlife Commission and outside entities, such as the Legislature and the 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 $52.4 million in All Funds, an increase of $0.2 million, or 0.4 percent, and provide 251.5 FTE positions for fiscal year 2018 and 248.5 positions for fiscal year 2019. The program funding includes $0.8 million in General Revenue Funds to implement the Comptroller of Public Accounts' Centralized Accounting and Payroll/Personnel System.

The Provide Communication Products 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 $10.9 million in All Funds, a decrease of $0.3 million, or 2.6 percent, and provide 43.0 FTE positions.

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 the development of new outdoor recreation enthusiasts. The program includes the Hunter Education and Boater Education programs required of all participants of a certain age to legally hunt or boat in the state. Other functions include outdoor skills workshops, outreach events, and programs that utilize trained volunteers to provide education regarding conservation and outdoor recreation. Appropriations for the program total $6.9 million in All Funds, a decrease of $9.5 million, or 57.8 percent, and provide 26.0 FTE positions. The decrease includes a $9.1 million decrease in Federal Funds and no funding from Appropriated Receipts for the 2018–19 biennium.

Appropriations for administration and other programs area total $70.2 million in All Funds, a decrease of $9.6 million, or 12.0 percent, and provide 320.5 FTE positions for fiscal year 2018 and 317.5 positions for fiscal year 2019.

SIGNIFICANT LEGISLATION

House Bill 51 – Regulation of the commercial oyster industry. The legislation amends certain regulations related to the commercial oyster industry in the state. The amounts collected from certain fees and penalties related to the commercial oyster industry are available for appropriation to the TPWD for the recovery and enhancement of oyster reefs.

House Bill 448 – Boat registration and titling fee revenue. The legislation amends the process for transferring certain revenue from boat registration and titling fees from the General Revenue–Dedicated Funds Account No. 9 to Account No. 64. TPWD is provided the discretion to transfer up to 15.0 percent of the revenue.

House Bill 1724 – Commercial license buyback account. The legislation establishes a new Commercial License Buyback subaccount within Account No. 9 managed by TPWD.

House Bill 3535 – Taking feral hogs and coyotes using hot-air balloons. The legislation authorizes landowners to hunt depredating feral hogs and coyotes from hot-air balloons. TPWD is required to adopt any necessary rules associated with this activity.

House Bill 3781 – Uses of the Lifetime License Endowment Account. The legislation broadens the authorized uses of the General Revenue–Dedicated Funds Account No. 544 related to managing the state's fish and wildlife resources, including capital improvements and capital expenditures for transportation and information technology items. The legislation authorizes appropriations to TPWD from the corpus of the account while maintaining a minimum balance of $20.0 million and prohibiting expenditures from the account for salaries or payroll-related benefits.

Senate Bill 573 – Freshwater fishing stamp revenue. The legislation broadens the authorized uses for revenues collected from the sale of freshwater fishing stamps deposited to Account No. 9 to include construction of new freshwater fish hatcheries and certain related capital improvements.

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

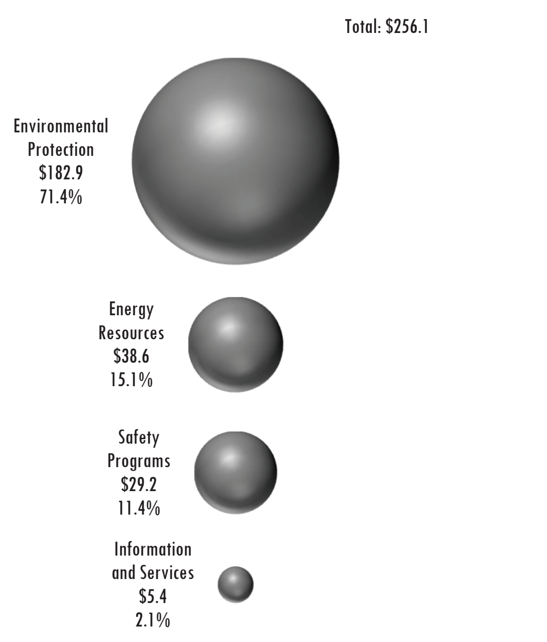
FIGURE 307
RAILROAD COMMISSION OF TEXAS BY METHOD OF FINANCE

(IN MILLIONS)

METHOD OF FINANCE	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$22.5	$61.1	$38.6	172.1%
General Revenue–Dedicated Funds	$134.7	$135.1	$0.4	0.3%
Federal Funds	$14.3	$16.9	$2.5	17.6%
Other Funds	$4.9	$43.0	$38.1	777.7%
Total, All Methods of Finance	**$176.4**	**$256.1**	**$79.7**	**45.2%**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2018	827.1
2019	827.1

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

Appropriations provide **$38.6 million in General Revenue Funds to provide a stable base of funding** for oil and gas regulation and cleanup programs, and additional funding to enhance those efforts.

Appropriations include **$38.2 million in Other Funds from the Economic Stabilization Fund** for oil and gas **well plugging and remediation.**

Appropriations total $23.5 million in All Funds for pipeline safety and inspections, an $8.5 million increase to ensure inspections of all offshore and bay wells every two years and onshore wells every five years.

House Bill 1818, Eighty-fifth Legislature, Regular Session, 2017, **continues the Railroad Commission for 12 years and authorizes new pipeline safety and regulatory cost recovery fees** estimated to generate **$1.7 million** in revenue each fiscal year.

Source: Legislative Budget Board.

MAJOR FUNDING

Appropriations to the Railroad Commission (RRC) for the 2018–19 biennium increase by $79.7 million, or 45.2 percent, in All Funds from the 2016–17 biennial funding level and provide for 827.1 full-time-equivalent (FTE) positions for each fiscal year of the 2018–19 biennium. The increase is due primarily to additional $38.6 million in General Revenue Funds for operational stability, $38.2 million in Other Funds from the Economic Stabilization Fund for oil and gas well plugging and remediation, and $2.5 million in Federal Funds for pipeline safety.

General Revenue–Dedicated Funds appropriations include only Account No. 5155, Oil and Gas Regulation and Cleanup, which is used to pay costs related to regulating and monitoring the oil and gas industry, plugging abandoned wells, and cleaning up oil and gas sites. Revenue deposited to this account is primarily production-related fees paid by the oil and gas industry. Two such fees deposited to the credit of the account are: (1) a pumping fee of five-eighths of $0.01 per barrel produced, and (2) a surcharge that can be no more than 185.0 percent of the original pumping fee. Account No. 5155 is self-leveling, and the agency must suspend fee collections when the account balance reaches $30.0 million. Collection of the fees resume when the account balance decreases to $25.0 million.

General Revenue Funds and General Revenue–Dedicated Funds appropriated to the agency increased by $39.0 million from the 2016–17 biennial spending level primarily due to:

- an increase of $38.6 million in General Revenue Funds related to provide a stable base of funding for oil and gas regulation and cleanup programs, and funding to enhance those efforts, partially offset by a decrease of $1.0 million in General Revenue Funds related to certain capital projects; and
- an increase of $0.4 million in General Revenue–Dedicated Funds from Account No. 5155 for certain capital projects and related to enactment of House Bill (HB) 1818, Eighty-fifth Legislature, Regular Session, 2017.

Federal Funds for the RRC increased by $2.5 million, or 17.6 percent, from the 2016–17 biennial spending level primarily based upon agency estimates related to federal grants for pipeline safety programs. These amounts could change if additional funding becomes available to the agency during the 2018–19 biennium.

Other Funds for the agency increased by $38.1 million, or 777.7 percent. The increase is due primarily to the appropriation of $38.2 million from the Economic Stabilization Fund for oil and gas well plugging and remediation. The increase is offset partially by a decrease of $0.1 million in Appropriated Receipts based upon agency estimates. Like Federal Funds, the appropriated amounts for Appropriated Receipts reflect estimates and could increase during the biennium.

The Eighty-fifth Legislature, 2017, evaluated the RRC through the Sunset review process. HB 1818, the agency's Sunset legislation, continues the RRC for 12 years and authorizes the establishment of new pipeline safety and regulatory fees assessed annually in amounts sufficient to support all costs associated with the Pipeline Safety and Regulatory Programs (Pipeline Safety/Inspections program and Underground Damage Prevention program). The new fee will generate an estimated $1.7 million in revenue each fiscal year, which will be deposited in Account No. 5155.

PROGRAMS

The RRC regulates the state's oil and natural gas industries with activities organized in four major program areas: (1) environmental protection; (2) energy resources; (3) safety programs; and (4) information and services.

ENVIRONMENTAL PROTECTION

Appropriations for the environmental protection 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 the following:

- 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.

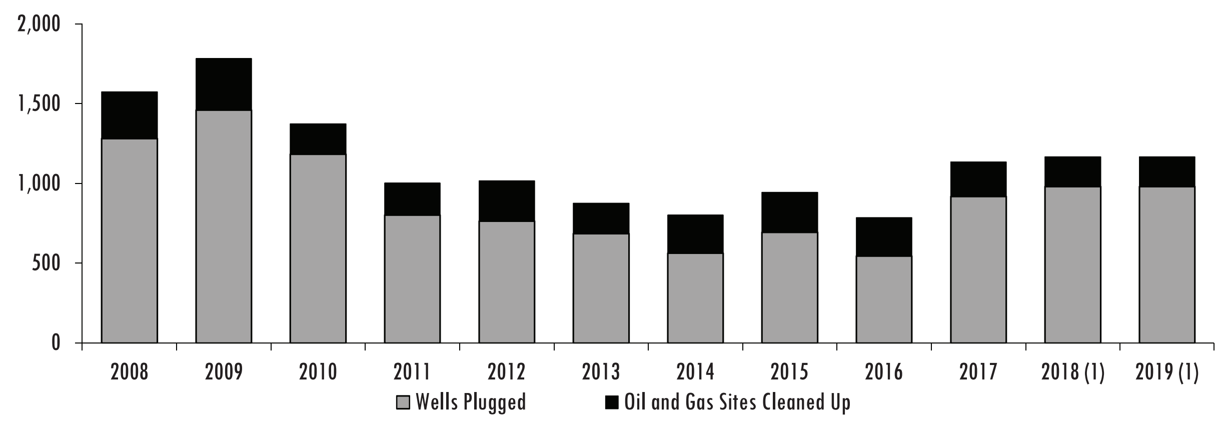
The Oil and Gas Monitoring and Inspections program includes 12 district offices across the state charged with oversight of oil and gas operations. Field inspectors visited 116,191 oil and gas wells and other related facilities during fiscal year 2017 to enforce agency environmental and safety rules. Producers filed 103,119 permit applications during fiscal year 2017. Appropriations for the 2018–19 biennium total $57.2 million in All Funds, an increase of $14.0 million, or 32.4 percent, and provide for 284.8 FTE positions. The agency expects to inspect 130,000 facilities and process more than 110,000 permits during each fiscal year of the 2018–19 biennium.

The Oil and Gas Well Plugging program plugs abandoned oil and gas wells that cause or threaten to cause pollution where a responsible operator either does not exist or fails to take the action necessary to prevent pollution. As of August 2017, the agency has plugged 36,583 abandoned wells with the use of state funds and identified a backlog of approximately 5,854 unplugged and orphaned wells. If an operator abandons its well or wells, the RRC initiates enforcement actions to sever all of the operator's leases, including collection actions on the operator's financial security. Many operators remain out of compliance 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. The rating system 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. Program appropriations for the biennium include $38.2 million in Other Funds from the Economic Stabilization Fund and total $87.7 million in All Funds. This amount is an increase of $48.5 million, or 123.6 percent, and provides for 75.4 FTE positions.

The Oil and Gas Site Remediation program utilizes state funds to coordinate with district offices on the cleanup of pollution at abandoned oil and gas sites. 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. During the 2016–17 biennium, the agency has completed 459 cleanup activities. Appropriations for the program total $14.8 million in All Funds, an increase of $3.6, or 31.9 percent, and provide for 20.2 FTE positions.

Figure 308 shows the number of wells plugged and the number of polluted oil and gas sites cleaned up using state funds from fiscal years 2008 to 2017, with projected performance for the 2018–19 biennium. The number of wells plugged began to decrease from fiscal years 2011 to 2014 due to RRC's ongoing focus on several longer-term and

FIGURE 308
WELLS PLUGGED AND OIL AND GAS SITES CLEANED UP USING STATE FUNDS
FISCAL YEARS 2008 TO 2019



NOTE: Amounts for fiscal years 2018 and 2019 are estimated.
SOURCE: Railroad Commission.

complex cleanup and assessment activities and prioritizing plugging offshore wells, which, at an average cost of $1.0 million per well, is more costly than plugging land wells. In addition, a shortage in available plugging contractors resulted in fewer abandoned wells being plugged. The agency projects that 979 wells will be plugged during each fiscal year of the 2018–19 biennium.

The Operator Cleanup Assistance program oversees cleanups performed by the regulated community, which primarily consists of responsible party operators. Program biennial appropriations total $2.8 million in All Funds, an increase $0.6 million, or 29.8 percent, which provides for 8.0 FTE positions.

The Brownfields Response Program encourages redevelopment of abandoned oil and gas sites by providing technical and financial support for remediation and redevelopment efforts to governmental entities and other participants as long as they did not cause or contribute to the contamination. Funding for the program totals $0.4 million in All Funds for the 2018–19 biennium, an increase of $49,953, or 14.7 percent, and provides for 2.0 FTE positions.

Through the Surface Mining and Reclamation program, the agency 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-control and water-control structures; and revegetation. Dangerous abandoned underground mine openings typically are closed by backfilling, capping with concrete or metal grating, or metal gating. The agency oversees contractors hired to perform these services. Funding for the program totals $7.4 million in All Funds, a decrease of $19,068, or 0.26 percent, and includes 9.7 FTE positions.

Other mining programs include the Coal/Uranium Mining Applications and Permits program and the Coal Mining Inspection and Enforcement program. The Coal/Uranium Mining Applications and Permits program is appropriated $2.8 million in All Funds, a decrease of $0.3 million, or 8.4 percent, and provides for 25.5 FTE positions to process applications and permits. The Coal Mining Inspection and Enforcement Program, which is appropriated $4.3 million in All Funds, a decrease of $0.3 million, or 6.8 percent, and provides for 31.5 positions to conduct unannounced inspections of permitted sites and to assess penalties for violations.

Appropriations for the Gas Utility Market Oversight program total$2.6 million in All Funds, an increase of $0.5 million, or 23.8 percent, and provide 15.0 FTE positions for 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. Program appropriations total $3.0 million in All Funds, an increase of $0.6 million, or 22.3 percent, and provide for 19.6 positions.

Funding for the environmental protection program area totals $182.9 million in All Funds, an increase of $67.2 million, or 58.1 percent, from the 2016–17 biennial funding levels and provides for 491.7 FTE positions during each fiscal year of the 2018–19 biennium.

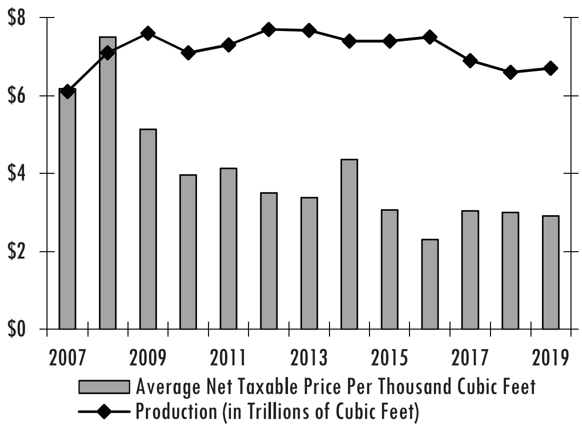
ENERGY RESOURCES

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 total $17.7 million in All Funds, an increase of $1.5 million, or 9.1 percent, and support 75.6 FTE positions and agency activities, which include registering energy producers and monitoring well production and completions. RRC assigns production limits on oil and gas wells and performs audits to ensure that production remains within those limits. The program also provides geographic information system (GIS) and well-mapping services to track and maintain data related to wells, pipelines, and other oil and gas infrastructure. GIS data is used extensively for planning, tracking, enforcement, and environmental assessment activities and is crucial for in the event of a disaster.

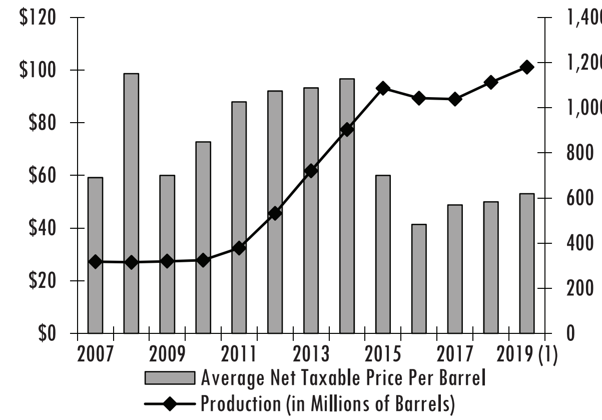
Texas had 186,691 oil wells and 101,124 gas wells in production as of September 2017. Production allowables (amounts that a producer is permitted to extract from a well in a given year) are assigned according to factors such as tested well capability, reservoir mechanics, market demand for production, and past production. **Figures 309** and **310** show gas and oil production and the average taxable price for each fiscal year from 2007 to 2017 and projections for the 2018–19 biennium estimated by the Comptroller of Public Accounts. The average net taxable price per barrel of oil increased from $41.40 during fiscal year 2016 to

FIGURE 309
TEXAS GAS PRODUCTION, FISCAL YEARS 2007 TO 2019



NOTE: Amounts for fiscal years 2018 and 2019 are estimated.
SOURCE: Comptroller of Public Accounts.

FIGURE 310
TEXAS OIL PRODUCTION, FISCAL YEARS 2007 TO 2019



NOTE: Amounts for fiscal years 2018 and 2019 are estimated.
SOURCE: Comptroller of Public Accounts.

$53.00 during fiscal year 2017 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 by-product. With a decrease in oil prices, drilling permit applications decreased to 14,491 during fiscal year 2017, less than expected applications of 27,000 annually. Program appropriations total $17.1 million in All Funds, an increase of $1.4 million, or 9.1 percent, and include 73.0 FTE positions.

The Groundwater Advisory Unit Program is appropriated $2.2 million in All Funds, an increase of $0.2 million, or 9.1 percent, which provides for 9.2 FTE positions to review geological data to determine the presence and depth of usably quality water to specify depths from which such resources must be protected from oil and gas operations.

The Alternative Fuels Training program provides education, qualifications, and recertification to individuals who handle liquefied petroleum gas (LPG) to ensure safety and compliance with existing law and regulations. Program appropriations total $1.7 million in All Funds, an increase of $24,953, or 1.5 percent, and include 9.6 FTE positions.

Funding for the energy resources program area totals $38.6 million in All Funds, an increase of $3.1 million, or 8.8 percent, from the 2016–17 biennial funding levels and provides 167.4 FTE positions during each fiscal year of the 2018–19 biennium.

SAFETY PROGRAMS

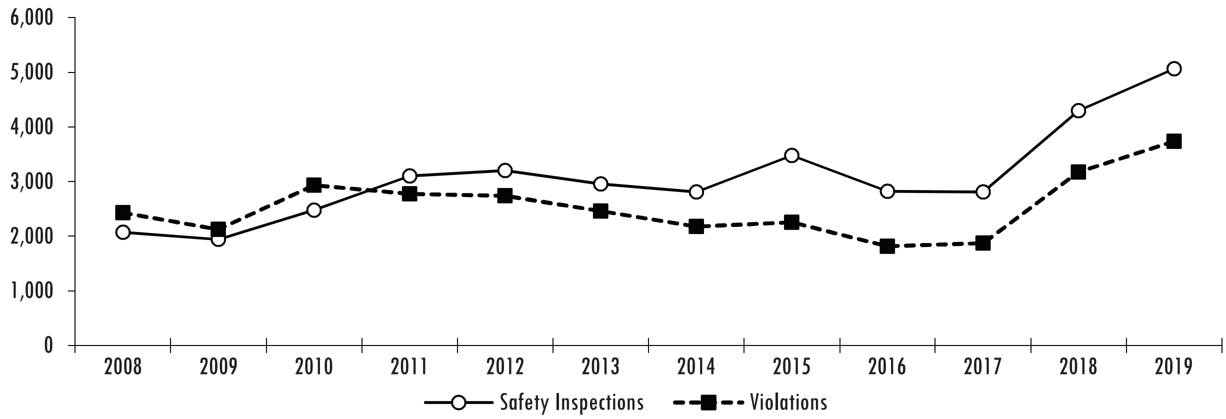
Appropriations to the safety programs area support the advancement of safety related to pipeline operations and in the delivery and use of petroleum products through training, monitoring, and enforcement activities.

The Pipeline Safety/Inspections 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 agency 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 311** shows the number of safety inspections the agency has performed and the number of violations found through those inspections from fiscal years 2008 to 2017, and includes projected performance for each fiscal year of the 2018–19 biennium.

Appropriations to the program total $23.5 million in All Funds, an increase of $8.5 million, or 56.9 percent, including 103.2 FTE positions. The increase is related primarily to increases of $6.3 million in General Revenue–Dedicated Funds from Account No. 5155 and $2.5 million in Federal Funds to ensure that inspections are conducted of all onshore wells every five years and offshore and bay wells every two years.

FIGURE 311
RAILROAD COMMISSION PIPELINE SAFETY INSPECTIONS AND VIOLATIONS
FISCAL YEARS 2008 TO 2019



NOTE: Amounts for fiscal years 2018 and 2019 are estimated.
SOURCE: Railroad Commission.

The Underground Damage 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. Program appropriations total $2.4 million in All Funds, an increase of $0.3 million, or 14.3 percent, and include 16.0 FTE positions.

The Alternative Fuels Licensing and Regulation program licenses and registers individuals and entities engaged in the LPG, compressed natural gas (CNG), and liquefied natural gas (LNG) industries including cargo tank motor vehicles. Additionally, the program regulates LPG, CNG, and LNG by promulgating safety rules, conducting inspection, and taking enforcement actions. The program is funded at $3.3 million in All Funds for the 2018–19 biennium, a decrease of $0.3 million, or 7.7 percent, and is provided for 25.8 FTE positions.

The safety programs area is appropriated $29.2 million in All Funds, an increase of $8.6 million, or 41.4 percent, and is provided 145.0 FTE positions.

INFORMATION AND SERVICES

The Public Information and Services program is appropriated $5.4 million in All Funds, an increase of $0.8 million, or 17.8 percent, and is provided 23.0 FTE positions. Program activities include providing the public access to oil and gas records.

SIGNIFICANT LEGISLATION

House Bill 1818 – Continuation of the Railroad Commission. The legislation continues RRC for 12 years and authorizes the establishment of new pipeline safety and regulatory fees assessed annually in amounts sufficient to support all costs associated with the Pipeline Safety and Regulatory Programs (Pipeline Safety/Inspections program and Underground Damage Prevention program). The new fee will generate an estimated $1.7 million in revenue each fiscal year, and the revenue will be deposited in the General Revenue–Dedicated Funds Account No. 5155.

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

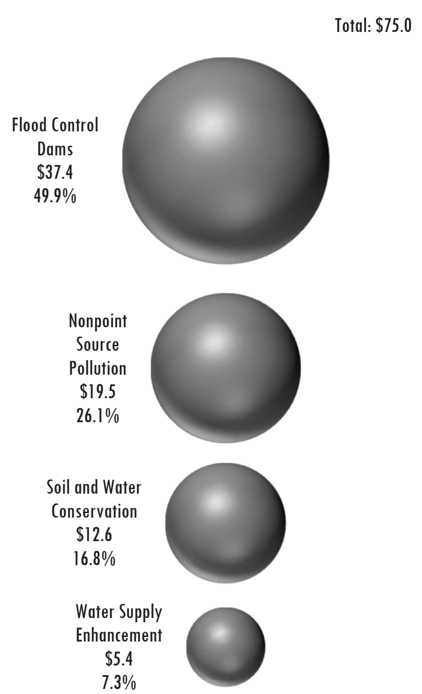
FIGURE 312
STATE SOIL AND WATER CONSERVATION BOARD BY METHOD OF FINANCE

(IN MILLIONS)

METHOD OF FINANCE	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$42.9	$44.4	$1.5	3.5%
General Revenue–Dedicated Funds	$0.0	$0.0	$0.0	N/A
Federal Funds	$34.7	$30.6	($4.1)	(11.8%)
Other Funds	$0.1	$0.0	($0.1)	(100.0%)
Total, All Methods of Finance	**$77.7**	**$75.0**	**($2.7)**	**(3.5%)**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2018	74.1
2019	74.1

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

Funding for carrizo cane eradication efforts increased by $3.0 million. This funding is included in the $800.0 million appropriated by the state for **border security efforts.**

Funding for rehabilitation and repair efforts of flood control dams increased by $2.9 million.

Federal Funds decreased by $4.0 million; the funds provide for nonpoint source implementation grants, wildlife restoration grants, range land restoration projects. This decrease also includes $0.2 million for carrizo cane eradication that is not anticipated to continue for the 2018–19 biennium.

Grant funding for the operating expenses of **local soil and water conservation districts decreased by $1.7 million** for decreases equivalent to 4.0 percent of 2016–17 biennial spending.

MAJOR FUNDING

Appropriations to the Texas State Soil and Water Conservation Board (TSSWCB) total $75.0 million for the 2018–19 biennium, a decrease of $2.7 million, or 3.5 percent, in All Funds from 2016–17 biennial spending levels. The decrease is due primarily to a decrease of $4.1 million in Federal Funds from various sources for nonpoint source implementation grants, wildlife restoration grants, range land restoration projects, and funding for Carrizo cane eradication not expected to continue for the 2018–19 biennium. An additional $2.5 million in General Revenue Funds to support existing and new water supply enhancement projects was included in the agency's appropriations, but this funding was removed because it was included in the Governor's Veto Proclamation. Further decreases include $1.7 million in General Revenue Funds for grants to local soil and water conservation districts and $0.2 million in General Revenue Funds for required contract cost-containment savings. These decreases are offset partially by an increase of $3.0 million in General Revenue Funds for Carrizo cane eradication efforts and an increase of $2.9 million in General Revenue Funds for flood control dam rehabilitation and repair efforts.

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 (SWCD) 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 three programs for grants to SWCDs. The Conservation Assistance Grants program, with appropriations totaling $2.3 million in General Revenue Funds, provides matching grants for daily operating expenses of SWCDs on a dollar-for-dollar match basis. This amount reflects an increase of $0.1 million, or 6.2 percent, greater than 2016–17 biennial spending levels. 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 Soil and Water Conservation District Operations program receives an appropriation of $0.8 million in General Revenue Funds for financial support to SWCD offices, which typically are co-located with U.S. Department of Agriculture Natural Resource Conservation Service offices. The Conservation Implementation Assistance Grants program is appropriated $4.4 million in All Funds and provides SWCD funds to employ experts for various projects to provide technical planning assistance regarding natural resource conservation to owners and operators of agricultural and other lands. Funding for the program reflects a decrease of $0.5 million in All Funds, or 10.7 percent, from 2016–17 biennial spending levels, which includes a $0.3 million decrease in Federal Funds and a $0.2 million decrease in General Revenue Funds.

Other programs in this area include the Field Representatives program, which is appropriated $2.5 million in General Revenue Funds 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 $0.4 million in General Revenue Funds 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 $1.4 million in General Revenue Funds.

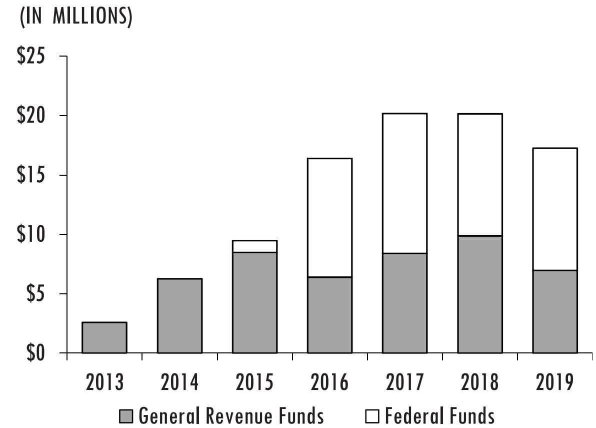
The Soil and Water Conservation program area is appropriated $12.6 million in All Funds for the 2018–19 biennium, which provides for 22.0 full-time-equivalent (FTE) positions.

FLOOD CONTROL DAMS

The Flood Control Dam Grants program assists local districts in operation and maintenance of flood control dams. Since 2010, SWCB has been assisting local districts with operations and maintenance such as minor preventive upkeep, structural repairs such as major repairs to damaged dams, and rehabilitation such as improvements to increase hazard or size classification of flood control dams across the state. These dams typically are earthen structures that were built on private property in the 1950s with the assistance of the federal government to help prevent flooding. Out of 2,041 flood control dams across the state, 199 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 is 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 Dam Grants program appropriations total $37.4 million in All Funds for the 2018–19 biennium and provide for 5.0 FTE positions. This amount reflects an $0.8 million increase, or 2.3 percent, compared to 2016–17 biennial spending amounts, which includes an increase of $2.0 million in General Revenue Funds to offset an anticipated decrease of $1.2 million in Federal Funds. The agency expects to issue six dam repair grants and complete repairs on two dams during the 2018–19 biennium. **Figure 313** shows the actual expended amounts for flood control dams from fiscal years 2013 to 2017 and appropriated amounts for fiscal years 2018 and 2019.

FIGURE 313
FLOOD CONTROL DAM FUNDING
FISCAL YEARS 2013 TO 2019



NOTE: :Amounts shown for fiscal years 2013 to 2017 are expended; amounts shown for fiscal years 2018 and 2019 are appropriated.
SOURCE: Legislative Budget Board.

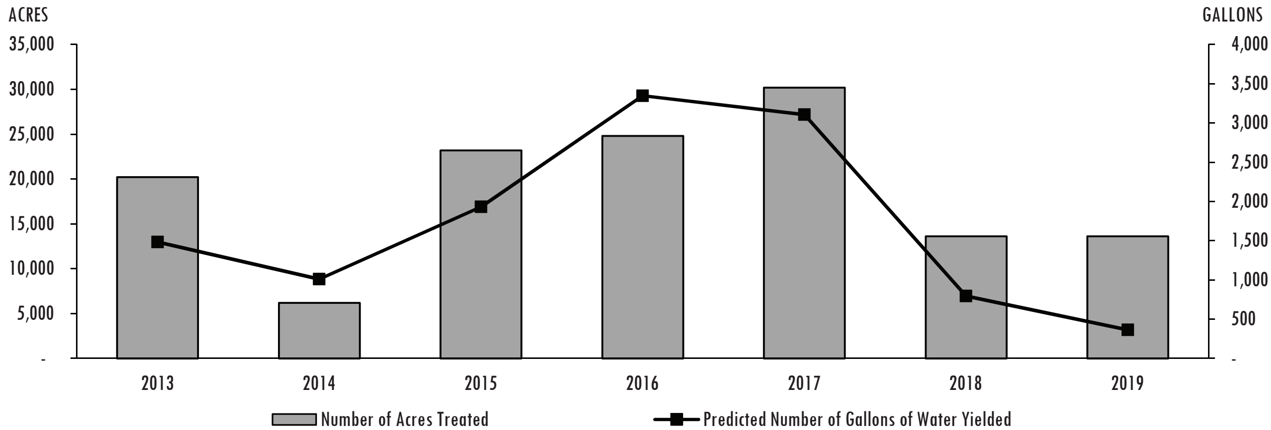
NONPOINT SOURCE POLLUTION

The purpose of the Nonpoint Source Pollution program area is to administer programs effectively 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. The Nonpoint Source Grants program is appropriated $12.0 million in All Funds for the 2018–19 biennium, a decrease of $2.5 million, or 17.5 percent, from 2016–17 biennial spending levels. This decrease is due primarily to an estimated decrease of $2.3 million in Federal Funds for nonpoint source implementation grants and wildlife conservation and restoration projects.

This program area also includes the Water Quality Management Plan Program, which is appropriated $6.8 million in All Funds for the 2018–19 biennium, a decrease of $0.6 million, or 8.5 percent, from 2016–17 biennial spending levels, to provide incentives to agricultural producers and other rural landowners to participate in voluntary nonpoint source pollution mitigation practices. This amount reflects decreases of $0.5 million in General Revenue Funds and $0.1 million in Federal Funds. 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.

The final program in the Nonpoint Source Pollution program area is the Poultry Water Quality Management Plan Program,

FIGURE 314
WATER SUPPLY ENHANCEMENT PROGRAM ACRES TREATED AND WATER YIELDED
FISCAL YEARS 2013 TO 2019



NOTE: Amounts shown for fiscal year 2017 are estimated; amounts shown fiscal years 2018 and 2019 are projected.
SOURCE: Texas State Soil and Water Conservation Board.

which is appropriated $0.8 million in General Revenue Funds to administer water quality management plans for poultry producers in the state. This funding continues 2016–17 biennial spending levels. 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 $19.5 million in All Funds and provide for 41.1 FTE positions for the 2018–19 biennium. This amount represents a decrease of $3.2 million, or 14.0 percent, compared to 2016–17 biennial spending levels.

WATER SUPPLY ENHANCEMENT

TSSWCB undertakes projects through the Water Supply Enhancement program area to protect and enhance the state's water supply, increase water conservation, and enhance water yields. Appropriations for the Water Supply Enhancement (Brush Control) program total $2.5 million in General Revenue Funds, a decrease of $2.8 million, or 53.3 percent, from 2016–17 biennial spending levels. Within this program, TSSWCB implements brush control measures 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 cost of a brush control project, and the landowner pays the remaining share.

Figure 314 shows the number of acres of brush treated and the predicted number of gallons of water yielded through the Water Supply Enhancement (Brush Control) program from fiscal years 2013 to 2017 and projected amounts for fiscal years 2018 and 2019. This program is not funded for fiscal year 2019; however, the agency anticipates carrying forward funding from fiscal year 2018 to fiscal year 2019 to phase out the program. The agency has decreased its reliance on the chemical treatment of brush, which previously resulted in a greater number of treated acres at a 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. The gallons of water yielded is certified and reported in the first fiscal year following the biennium in which funding was allocated, due to the time required to identify participating landowners, approve projects, complete brush removal, and certify brush practice. This reporting method leads to an annual variation in expected water yield from brush control activities.

The Rio Grande Carrizo Cane Eradication program addresses non-native, invasive Carrizo cane strands that occupy the banks and floodplains of the Rio Grande, with the intent of improving law enforcement efforts along the international border and improving access to riverbanks. Appropriations for the program total $3.0 million in General Revenue Funds for the 2018–19 biennium, an increase of $2.8 million from 2016–17 biennial spending levels.

Appropriations for the Water Supply Enhancement program area total $5.5 million in All Funds and provide for 6.0 FTE positions for the 2018–19 biennium. This amount continues funding effectively at 2016–17 biennial spending levels, with a decrease in funding of 0.6 percent.

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

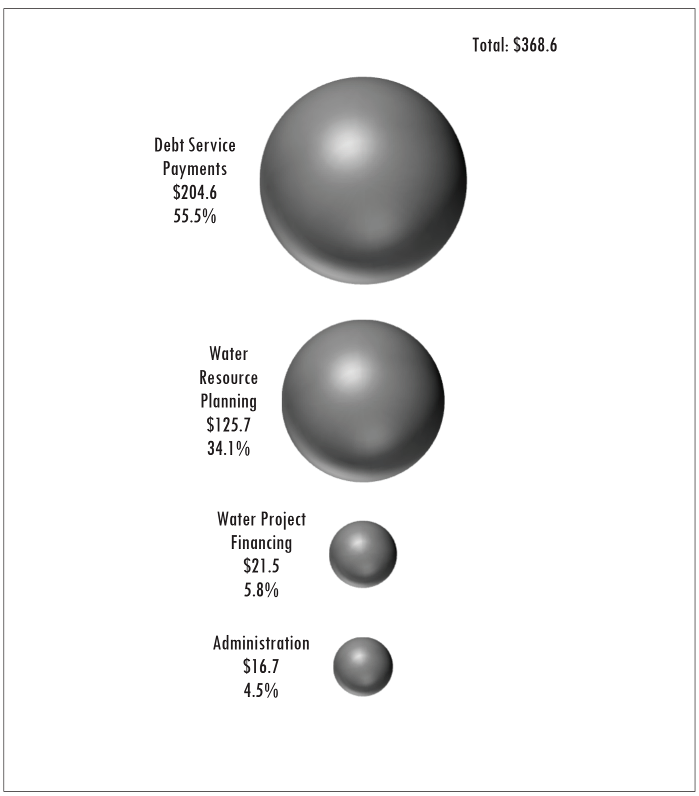
FIGURE 315
TEXAS WATER DEVELOPMENT BOARD BY METHOD OF FINANCE

(IN MILLIONS)

METHOD OF FINANCE	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$151.7	$130.0	($21.7)	(14.3%)
General Revenue–Dedicated Funds	$0.0	$0.0	$0.0	N/A
Federal Funds	$106.9	$95.3	($11.6)	(10.8%)
Other Funds	$136.1	$143.2	$7.1	5.2%
Total, All Methods of Finance	**$394.7**	**$368.6**	**($26.2)**	**(6.6%)**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2018	329.1
2019	329.1

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

Appropriations include **$64.8 million for Economically Distressed Areas bond debt service and $139.8 million for water infrastructure bond debt service**.

Funding for flood-related programs totals $90.0 million in All Funds, including $81.5 million for National Flood Insurance Program grants and community assistance and training, $0.7 million for floodplain mapping, and $7.8 million for state flood planning, information, and response.

State Water Implementation Fund for Texas (SWIFT) funds for water and wastewater projects totaling $1.1 billion were committed to 11 new projects across Texas for 2017. Through fiscal year 2016, SWIFT has committed more than $4.6 billion for projects across Texas.

Approved water projects are supported by $2.9 billion available outside the appropriations process: $1.3 billion in the Water Development Fund II; $794.6 million in the State Water Implementation Revenue Fund for Texas; and $586.4 million in the Clean Water State Revolving Fund.

Source: Legislative Budget Board.

MAJOR FUNDING

Funding for the Water Development Board for the 2018–19 biennium totals $368.6 million in All Funds, which is a decrease of $26.2 million, or 6.6 percent, from 2016–17 biennial spending levels. This decrease is related primarily to the following:

- a net decrease of $10.6 million in All Funds in funding for floods including:
  - an $11.6 million decrease in Federal Funds primarily resulting from grants for extensive flooding during the 2016–17 biennium that are not expected to continue; and
  - an increase of $7.8 million in All Funds for flood preparedness and safety activities, which includes an additional $1.7 million in General Revenue Funds and $6.1 million from the Floodplain Management Fund, offset by a decrease of $6.8 million in General Revenue Funds from a onetime transfer of funds from the Governor's Disaster Contingency Fund for disaster preparedness, including the installation of a network of stream gages;
- a decrease of $4.3 million in Interagency Contracts with the General Land Office (GLO), which includes $4.0 million from a onetime transfer of funds for a completed drainage study and $0.3 million from a completed contract associated with GLO's Coastal Assistance Impact Program;
- a net decrease of $3.0 million in All Funds for bond and loan programs including:
  - an overall increase of $2.9 million in All Funds for the Economically Distressed Areas Program (EDAP), which includes an additional $5.4 million in General Revenue Funds for new EDAP bonds to be issued for fiscal year 2019 offsetting decreases of $0.4 million in General Revenue Funds and $2.1 million from Economically Distressed Areas Bond Payment funds, for debt service requirements and bond payments no longer needed on previously issued bonds; and
  - an overall decrease of $5.9 million in All Funds for Water Infrastructure Fund (WIF) program bonds, which includes a decrease of $13.8 million in General Revenue Funds due to a greater portion of outstanding debt becoming self-supporting, partially offset by an increase of $7.9 million from the Water Infrastructure Fund being available for bond payments;
- a decrease of $2.1 million in General Revenue Funds for water conservation programs for amounts submitted in the agency's 4.0 percent reduction;
- a decrease of $2.0 million in General Revenue Funds provided for the study of aquifers and brackish groundwater; this appropriated amount was included in the Governor's Veto Proclamation;
- a decrease of $1.9 million from the Water Assistance Fund for onetime grants and contracts primarily related to groundwater availability modeling; and
- a decrease of $1.0 million in General Revenue Funds for demonstration projects for alternative water supplies.

Additionally, $8.4 million in Appropriated Receipts from the Texas Water Resources Finance Authority (TWRFA) account was provided for administrative costs to offset a General Revenue Funds decrease of a like amount. This onetime method-of-finance swap was made to spend down the available balance in the TWRFA account because those funds no longer are needed for the original purpose of providing bonds and loans.

Funding available to TWDB that is outside the appropriations process totals $2.9 billion in General Obligation (GO) Bond Proceeds (Other Funds), loan payments, Federal Funds, and interest earnings, including: $1.3 billion from the Water Development Fund II (DFund II); $794.6 million from the State Water Implementation Revenue Fund for Texas (SWIRFT); and $586.4 million from the Clean Water State Revolving Fund (CWSRF).

PROGRAMS

TWDB has four program areas: (1) water resources planning; (2) water project financing; (3) debt service payments; and (4) administration.

WATER RESOURCES PLANNING

The Water Resources Planning program area includes a number of programs intended for 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. The plan 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 initially was formulated after what is referred to as the Drought of Record, which occurred in the 1950s.

TWDB adopted the 2017 SWP on May 19, 2016. In the 2017 iteration of the SWP, regional planning groups recommended implementing approximately 5,500 water management strategies and approximately 2,500 specific water management strategy projects to increase the water supply. If implemented, these projects are anticipated to provide 8.5 million acre-feet in additional water supplies by calendar year 2070. 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. Approximately 45.0 percent of the strategies are related to surface water resources, including new reservoirs; 30.0 percent is related to reducing the need for additional water, including conservation and drought management; 14.0 percent is related to reuse; 10.0 percent is related to groundwater resources; and 1.0 percent is related to seawater desalination. The capital costs of these projects are estimated to be $63.0 billion through calendar year 2070. TWDB anticipates that local government will fund $32.0 billion, wholesale water providers will fund $27.5 billion, and private industry will fund the remaining $3.5 billion.

The agency has four subareas within the Water Resources Planning program area: (1) data collection and dissemination; (2) water planning; (3) water conservation and education assistance, and (4) National Flood Insurance Program (NFIP). The Water Resources Planning program area appropriations total $125.8 million in All Funds for the biennium, or a decrease of $21.2 million (14.5 percent) from 2016–17 biennial spending levels.

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 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 the following programs: (1) Bays and Estuaries, (2) Groundwater Monitoring, (3) Hydrosurvey, (4) Instream Flows, and (5) Strategic Mapping.

The Bays and Estuaries program 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. Program funding totals $2.0 million in All Funds, including 10.8 full-time-equivalent (FTE) positions. This amount represents a decrease of $1.3 million, or 40.0 percent, from 2016–17 biennial spending levels.

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. Program funding totals $1.6 million in All Funds, including 9.7 FTE positions. This amount is approximately the same as 2016–17 biennial spending levels.

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. Program funding totals $1.0 million in All Funds, including 5.0 FTE positions. This amount represents a decrease of $0.1 million, or 10.3 percent, from 2016–17 biennial spending levels.

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. Program funding totals $3.3 million in All Funds, including 6.0 FTE positions. This amount represents an increase of $1.0 million, or 39.3 percent, from 2016–17 biennial spending levels.

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 Data Sets contract for the Texas Council on Competitive Government. Program funding totals $4.8 million in All Funds, including 25.2 FTE positions. This amount is approximately the same as 2016–17 biennial spending levels.

Appropriations for the data collection and dissemination subarea programs total $12.7 million in All Funds, or 3.5 percent of total agency appropriations. This amount is a decrease of $0.4 million, or 3.4 percent, compared to 2016–17 biennial spending levels.

WATER PLANNING

The water planning subarea includes the following programs: (1) Regional Water and Wastewater Facility Planning Grants, (2) Regional Water Planning, (3) Groundwater Availability Modeling, (4) Groundwater Technical Assistance, (5) Innovative Water Technologies, and (6) Water Availability Modeling.

Through the Regional Water and Wastewater Facility Planning Grants program, the agency provides grants for (1) feasibility studies examining regional alternatives to meet water and wastewater facility needs of communities; (2) evaluating flooding risks on a watershed basis; (3) determining structural and nonstructural solutions to flooding problems; and (4) developing alternatives to mitigate flood risks. Program funding totals $8.2 million in All Funds, which is an increase of $0.6 million, or 8.4 percent, from 2016–17 biennial spending levels. This program has no FTE positions.

The Regional Water Planning program provides financial, administrative, and technical support for the five-year development cycle of the 16 regional water plans, including guiding development of those regional water plans. The program also provides funding and contract management, development of population and demand projections, and socioeconomic and planning data analysis. Program funding totals $3.5 million in All Funds, including 30.3 FTE positions. This amount represents a decrease of $0.2 million, or 4.1 percent, from 2016–17 biennial spending levels.

The Groundwater Availability Modeling program develops, operates, and maintains numerical groundwater flow models to provide unbiased information regarding how much groundwater is available for use for a desired condition. These models are used for water planning, groundwater management, and evaluating the use of aquifers. Program funding totals $3.5 million in All Funds, including 7.5 FTE positions. This amount represents a decrease of $2.1 million, or 38.0 percent, from 2016–17 biennial spending levels.

The Groundwater Technical Assistance program provides technical assistance to citizens, water providers, industries, groundwater conservation districts, and regional water planning groups regarding the groundwater resources of the state. Program funding totals $1.1 million in All Funds, including 7.5 FTE positions. This amount is approximately the same as 2016–17 biennial spending levels.

The Innovative Water Technologies program provides research, information, and technical assistance regarding the use of nontraditional water supplies such as desalination, reuse, aquifer storage and recovery, and rainwater harvesting. Program funding totals $1.5 million in All Funds, including 12.0 FTE positions. This amount represents a decrease of $3.2 million, or 67.5 percent, from 2016–17 biennial spending levels.

The Water Availability Modeling program supports regional water planning by providing and verifying the availability of surface water. Program funding totals $0.3 million in All Funds, including 2.2 FTE positions. This amount is approximately the same as 2016–17 biennial spending levels.

Appropriations for the agency's Water Planning subarea programs total $18.1 million, or 4.9 percent of the agency's All Funds appropriations. This amount represents a decrease of $4.8 million, or 21.1 percent, compared to 2016–17 biennial spending levels. This decrease includes decreases of $2.0 million for the study of aquifers and brackish groundwater, $1.0 million for demonstration projects for alternative water supplies, and $1.6 million in unexpended balances that were not carried forward from fiscal year 2017.

WATER CONSERVATION AND EDUCATION ASSISTANCE

The Water Conservation Education and Assistance program focuses on increasing water conservation through public outreach programs, education materials, technical assistance, and funding. TWDB staff reviews financial assistance applications for water conservation plans and the status and content of water loss audits. Appropriations for this program total $5.0 million, or 1.3 percent of the agency's All Funds appropriations, which reflects a decrease of $1.8 million, or 26.5 percent, compared to 2016–17 biennial spending levels, due to a decrease in grants offered. This program contains 7.5 FTE positions.

NATIONAL FLOOD INSURANCE PROGRAM

The National Flood Insurance Program (NFIP) subarea includes the following four programs: (1) Floodplain Mapping, (2) NFIP Flood Mitigation Assistance and Severe Repetitive Loss Grant Program, (3) NFIP Community Assistance and Training, and (4) State Flood Planning, Information, and Response.

The Eightieth Legislature, 2007, named TWDB as the agency responsible for coordinating 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 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 funding for local communities via the statewide Cooperating Technical Partner agreement with the Federal Emergency Management Agency. Program funding totals $0.7 million in All Funds, including 1.0 FTE position. This amount represents a decrease of $4.8 million, or 87.5 percent, from 2016–17 biennial spending levels.

The NFIP Flood Mitigation Assistance and Severe Repetitive Loss Grant program provides grants of up to several million dollars in federal funding each year to communities for flood hazard mitigation planning and to address the long-term risk of flood damage to certain structures insured through NFIP. Program funding totals $81.0 million in All Funds, including 4.4 FTE positions. This amount represents a decrease of $10.4 million, or 11.4 percent, from 2016–17 biennial spending levels.

The NFIP Community Assistance and Training program provides administration and mitigation grants for the NFIP, as well as technical assistance and education to communities on federal floodplain management regulations. Program funding totals $0.5 million in All Funds, including 3.4 FTE positions. This is approximately the same as 2016–17 biennial spending levels.

The State Flood Planning, Information, and Response program provides information to forecasters, responders, and the public to assist in making decisions related to flood preparation, response, and recovery. The program was established during the 2016–17 biennium after the Governor made a onetime transfer of $6.8 million in December 2015 to provide emergency funding following the fatal flooding in Wimberley in May 2015. The agency has used this funding for the following five purposes: (1) the installation and operation of flood gages; (2) the establishment of the TexasFlood.org website to provide warning of rising waters; (3) grants for 17 community projects for early warning systems and flood mitigation planning; (4) the installation of 13 weather stations in seven counties and the establishment of a website, TexMesonet.org, to provide detailed weather information for weather stations across the state; and (5) the calibration of at least 15 new prediction points for flood forecasting to assist the National Weather Service in determining when to issue flood warnings. As of October 2017, all funds had been obligated, though not all had been expended. For the 2018–19 biennium, TWDB was appropriated $7.8 million in All Funds ($1.7 million in General Revenue Funds and $6.1 million from the Floodplain Management Fund) for use in accordance with Senate Bill 1538, Eighty-fifth Legislature, Regular Session, 2017. The agency has indicated that it intends to use some of these funds to expand its flood gage system across the state and to develop the first statewide flood plan. Program funding totals $7.8 million in All Funds, including 6.2 FTE positions. This amount represents an increase of $1.0 million, or 14.9 percent, from 2016–17 biennial spending levels.

Appropriations for the NFIP subarea total $90.0 million in All Funds, or 24.4 percent of the agency's appropriations. This amount represents a decrease of $14.2 million, or 13.6 percent, compared to 2016–17 biennial spending levels. This change is due primarily to decreases of $10.8 million for Interagency Contracts and $11.0 million in Federal Funds offset by increases of $1.7 million in General Revenue Funds and $6.1 million in Other Funds for flood planning.

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 (1) State Financial Assistance, (2) Clean Water State Revolving Fund (CWSRF) Administration, (3) Drinking Water State Revolving Fund (DWSRF) Administration, (4) Economically Distressed Areas Program (EDAP), and (5) Special Appropriations Act Projects (SAAP).

STATE FINANCIAL ASSISTANCE

The State Financial Assistance program provides administration of loans and grants for water, wastewater, and flood control projects with funding outside the General Appropriations Act from the Water Development Fund, Rural Water Assistance Fund (RWAF), Water Infrastructure Fund (WIF), State Participation Program (SPP), Agricultural

FIGURE 316
ESTIMATED OUTSTANDING DEBT AND DEBT SERVICE REQUIREMENTS FOR SELF-SUPPORTING BONDS AS OF AUGUST 31, 2017

(IN MILLIONS)

FUND	ESTIMATED OUTSTANDING DEBT	ESTIMATED DEBT SERVICE REQUIREMENTS
Water Development Fund II (DFund II)	$1,252.0	$227.2
State Participation Program	$109.5	$17.1
Water Infrastructure Fund	$180.5	$40.5
State Water Implementation Revenue Fund for Texas	$794.6	$105.1
Clean Water State Revolving Fund	$586.4	$124.6
Drinking Water State Revolving Fund	$0.0	$0.0
Total	**$2,923.0**	**$514.5**

NOTE: Totals may not sum due to rounding.
SOURCE: Eighty-fifth Legislature, General Appropriations Act, 2018–19 Biennium.

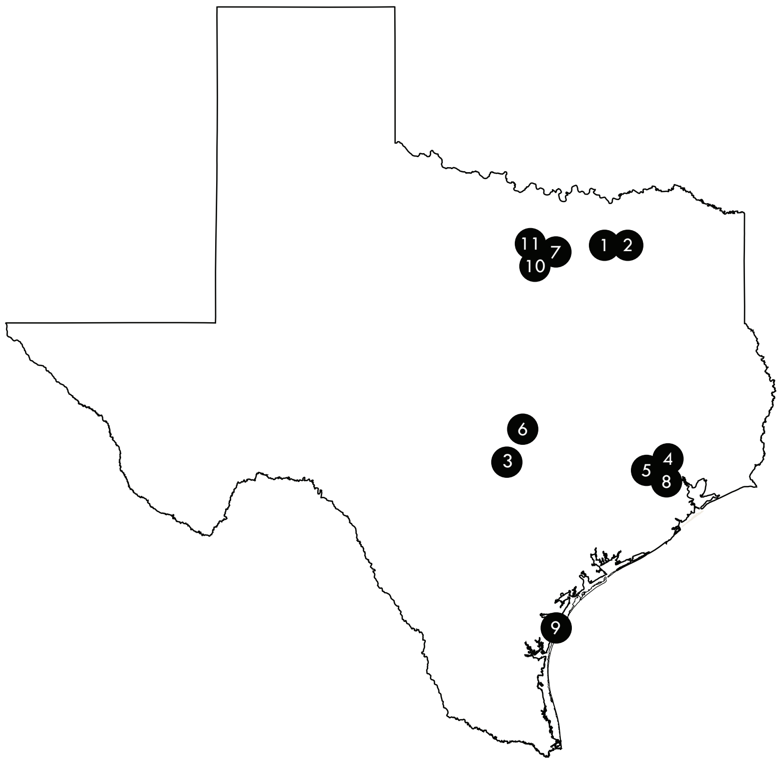
Water Conservation, and the Groundwater District Loan Assistance Fund.

Since 1957, Texas voters have approved constitutional amendments authorizing TWDB to issue approximately $10.2 billion in water development bonds. Through the end of fiscal year 2017, the agency has issued GO bonds utilizing $4.2 billion of the constitutional authority granted. 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 DFund II in amounts such that the aggregate principal amount of outstanding bonds issued does not exceed $6.0 billion. The fund 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. Before voters approved a constitutional amendment in 1997 that established the fund, TWDB issued bonds out of Water Development Fund I. After the passage of the amendment, all funds in Fund I were transferred to Fund II. **Figure 316** shows the estimated outstanding debt and debt service requirements as of August 31, 2017, for TWDB's self-supporting bonds.

The State Water Implementation Fund for Texas (SWIFT) and SWIRFT were established in 2013 to provide affordable, ongoing state financial assistance for water and wastewater projects in the SWP. Funding in SWIFT is used to implement the SWP. The SWIRFT funding provides leveraging, bond enhancement, interest rate discounts, loan payment deferrals to borrowers, and extended loan terms. Communities benefit from low-interest loans, extended repayment terms, deferral of loan repayments, and incremental repurchase terms. SWIRFT was capitalized with $2.0 billion from the Economic Stabilization Fund, which subsequently was transferred to SWIFT during fiscal year 2014. Through fiscal year 2016, SWIFT has committed more than $4.6 billion for projects across Texas. For the 2017 funding cycle, $1.1 billion has been committed for 11 projects. **Figure 317** shows the location of the identified projects, the entities awarded funding, and the committed amount for the 2017 funding cycle.

Financing available through 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 enable local participants to purchase the state's interest). For new water supply projects, TWDB may fund up to 80.0 percent of project costs through SPP. WIF provides reduced-interest loan rates and deferral of annual principal and interest payments for State Water Plan projects funded through WIF. WIF finances project needs and preconstruction environmental and engineering studies. Water providers surveyed during the planning process for the 2017 State Water Plan reported an anticipated need of $36.2 billion in state financial assistance to implement strategies in their regions. As of August 31, 2017, SPP cumulative commitments total $367.6 million.

FIGURE 317
STATE WATER IMPLEMENTATION FUND FOR TEXAS (SWIFT) FUNDING CYCLE COMMITMENTS, 2017



(IN MILLIONS)

ENTITY	PROJECT	ELIGIBLE
(1) North Texas Municipal Water District	Treatment and Treated Water Distribution Improvements	$427.3
(2) North Texas Municipal Water District	Lower Bois d'Arc Creek Reservoir	$249.8
(3) Hays-Caldwell Public Utility Agency	HCPUA Groundwater Project - BP	$213.4
(4) North Harris County Regional Water Authority	NHCRWA Distribution Expansion	$73.0
(5) West Harris County Regional Water Authority	Northeast Water Purification Plant Expansion	$50.0
(6) Brushy Creek Regional Utility Authority	BCRUA Water Supply - Phase IC Expansion	$17.0
(7) City of Justin	Enhanced Water Loss Control and Conservation Program	$12.0
(8) Central Harris County Regional Water Authority	Northeast Water Purification Plant Expansion	$4.9
(9) City of Corpus Christi	Seawater Desalination	$2.8
(10) City of Azle	Main Street Water Line Replacement	$1.4
(11) City of Springtown	New Wells in Trinity Aquifer	$1.4
Total		**$1,053.0**

NOTE: Totals may not sum due to rounding.
SOURCE: Texas Water Development Board.

State Water Plan projects are implemented primarily through three agency loan programs administered by the State Financial Assistance Program: (1) SWIFT/SWIRFT, (2) SPP; and (3) WIF Program. **Figure 318** shows details about the three programs.

The State Financial Assistance Program also operates RWAF, which is funded from GO Bond 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

FIGURE 318
WATER DEVELOPMENT BOARD LOAN PROGRAMS, 2017

PROGRAM	TYPE	ELIGIBLE USES	METHOD OF FINANCE
State Water Implementation 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 during 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/nonself-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/nonself-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
Clean Water State Revolving Fund (CWSRF)	Direct loan program offering low-interest loans and loan forgiveness	Planning, design, acquisition, and construction of: wastewater treatment, recycling, and reuse facilities; nonpotable reuse; wastewater collection systems, storm water control, nonpoint source pollution control projects, estuary management projects	Loans subsidized with Federal Funds and a 20.0 percent state match
Drinking Water State Revolving Fund (DWSRF)	Direct loan program offering low-interest loans and loan forgiveness	Planning, design, acquisition, and construction to: correct water system deficiencies, upgrade or replace water systems, consolidate systems, purchase capacity, purchase other systems, implement green projects, implement source water protection projects, refinance	Loans subsidized with Federal Funds and a 20.0 percent state match
Development Fund	Direct loan program offering low-interest loans	Water supply, wastewater, and flood control for water treatment plants, storage reservoirs, wells, sewer treatment plants, storm water retention basins, and flood management plans	TWDB sells Development Fund bonds, which are used to fund loans
Rural Water Assistance Fund (RWAF)	Direct loan program offering low-interest loans	Water and water quality enhancements which may include planning, design, and construction for wells, service lines storage reservoirs, treatment pants, wastewater collection and treatment, collections systems, and nonpoint pollution abatement	TWDB has limited Alternative Minimum Tax proceeds available for RWAF and has the ability to sell taxable bonds to obtain proceeds which can be used for loans
Agricultural Water Conservation Fund	Direct loan program offering low-interest loans, and grants	Conservation programs (research or demonstration project, technology transfer) and projects (improve efficiency of water delivery on existing irrigation systems, installation of devices to indicate the amount of water withdrawn for irrigation purposes)	Available balances within the Agricultural Water Conservation Fund

SOURCE: Texas Water Development Board.

rates lower than conventional taxable financing, lower delivered cost of service, and a readily available money supply. 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 total $10.8 million, or 2.9 percent of agency appropriations, including 35.8 FTE positions. This amount represents approximately the same level of funding as the expended amounts during the 2016–17 biennium. Total appropriations for state and federal financial assistance programs do not include the loans, grants, and other forms of financial assistance made through DFund II, CWSRF, and DWSRF because these funds are not included in the General Appropriations Act.

CLEAN WATER STATE REVOLVING FUND

CWSRF is capitalized with Federal Funds and revenue bond and GO Bond Proceeds (Other Funds). CWSRF provides: reduced-interest-rate loans for wastewater projects that address 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 $2.1 billion in federal capitalization grants (i.e., Federal Funds for construction projects). State matching funds, leveraged with GO Bond Proceeds (Other Funds), have made approximately $7.1 billion available for loans. As of September 2017, TWDB has made 2,040 commitments totaling $10.3 billion in loans and grants to entities to improve wastewater treatment facilities across the state. Appropriations to administer CWSRF total $5.3 million in All Funds, or 1.4 percent of the agency's budget, including 31.2 FTE positions. This amount represents an increase of $0.1 million compared with spending levels for the 2016–17 biennium.

DRINKING WATER STATE REVOLVING FUND

DWSRF also is capitalized with Federal Funds and revenue bond and GO Bond Proceeds (Other Funds), and it is authorized pursuant to the federal Safe Drinking Water Act. Initiated during fiscal year 1996, 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 DWSRF's inception, the agency has been awarded capitalization grants totaling $1.4 billion. As of September 2017, TWDB has made 523 loan commitments totaling $2.5 billion for projects that will assist entities through DWSRF. Appropriations to administer DWSRF total $4.4 million in All Funds, or 1.2 percent of total agency appropriations, including 32.8 FTE positions. This amount represents a decrease of $0.1 million compared with spending levels for the 2016–17 biennium.

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, $53.5 million in GO bond authority remained at the end of fiscal year 2017, and the Eighty-fifth Legislature, Regular Session, 2017, appropriated funds for the issuance of the remaining constitutionally authorized bonding authority. 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, 2017, TWDB has directed $784.9 million in funding through EDAP and CWTAP funding and utilized an additional $212.7 million from other TWDB programs to provide water and wastewater improvements for the benefit of approximately 400,053 residents in economically distressed areas.

The Economically Distressed Areas Program is appropriated $1.1 million in All Funds for the administration of EDAP-related programs, including 7.1 FTE positions. This amount represents an increase of $0.1 million compared to 2016–17 biennial spending levels. EDAP assistance amounts from GO 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 SAAP grants provide funding for water and wastewater projects. The U.S. Environmental Protection Agency distributes financial assistance funds directly to the recipients, and TWDB manages construction and oversees programs. TWDB receives 3.0 percent of the project's total costs to monitor construction and provide construction and administration assistance for Texas projects. Appropriations for SAAP total $41,144, including 0.6 FTE position. This amount is approximately the same funding as 2016–17 biennial spending levels.

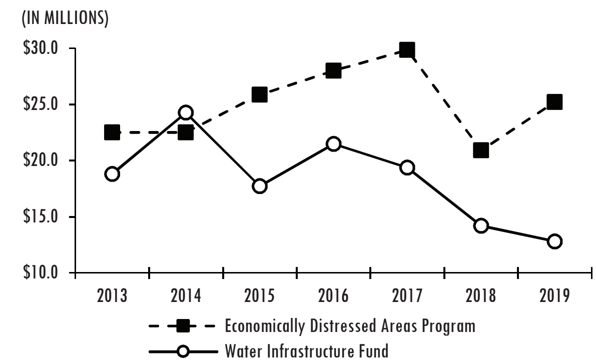
The water project financing program area is appropriated $21.5 million, or an increase of $0.1 million compared to 2016–17 biennial spending levels.

DEBT SERVICE PAYMENTS

The debt service payments program area includes EDAP Debt Service and WIF Debt Service. Much of the state funding that the agency provides 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 DFund II, CWSRF, and DWSRF is recovered fully 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 nonself-supporting GO bonds, is not recovered fully 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 majority of assistance comes from grants and below-market-rate loans. The Eighty-fifth Legislature, Regular Session, 2017, appropriated $64.9 million for the 2018–19 biennium for debt service on EDAP bonds issued by the state, which includes $46.1 million in General Revenue Funds and $18.7 million from the Economically Distressed Areas Bond Payment Account (Other Funds) and Appropriated Receipts. This amount represents an increase of $2.9 million, or 4.7 percent, compared to 2016–17 biennial spending levels. Of this amount, $5.4 million is the debt service related to the remaining $53.5 million in new bonds authorized by the Eighty-fifth Legislature, Regular Session, 2017, for EDAP projects. This program contains no FTE positions.

Loan repayments made within 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-fifth Legislature, Regular Session, 2017, appropriated $139.8 million in All Funds for WIF debt service, which includes $27.0 million in General Revenue Funds and $112.8 million from the Water Infrastructure Fund (Other Funds). This amount represents an All Funds decrease of $5.9 million, or 4.0 percent, compared to 2016–17 biennial spending levels. The decrease is attributable mainly to decreased debt service requirements for bonds that have become self-supporting. This program contains no FTE positions.

FIGURE 319
GENERAL REVENUE FUNDS DEBT SERVICE PAYMENTS
FISCAL YEARS 2013 TO 2019



SOURCE: Legislative Budget Board.

A summary of expected debt service needs from General Revenue Funds for each of the programs from fiscal years 2013 to 2019 is shown in **Figure 319**.

INDIRECT ADMINISTRATION

The agency's indirect administration has one program, and it is appropriated $16.7 million, including 78.4 FTE positions, to support the agency's three program areas. This amount represents a decrease of $2.0 million, or 10.6 percent, compared to 2016–17 biennial spending levels.

SIGNIFICANT LEGISLATION

Senate Bill 1538 – Floodplain Management Account. The legislation expands the permissible uses of the Floodplain Management Fund to include the collection and analysis of flood-related information; flood planning, protection, mitigation, or adaptation; the provision of flood-related information to the public; and the evaluation of responses to and mitigation of flood incidents affecting residential property.

Senate Bill 1511 – Water Planning Process. The legislation adds additional requirements to be included in the state water plan regarding projects that TWDB previously gave a high priority for SWIFT funding. The legislation requires that regional water planning groups amend their approved plans to exclude a strategy or project that is determined to be infeasible. It enables regional water planning groups to implement simplified planning every other planning cycle within certain circumstances.

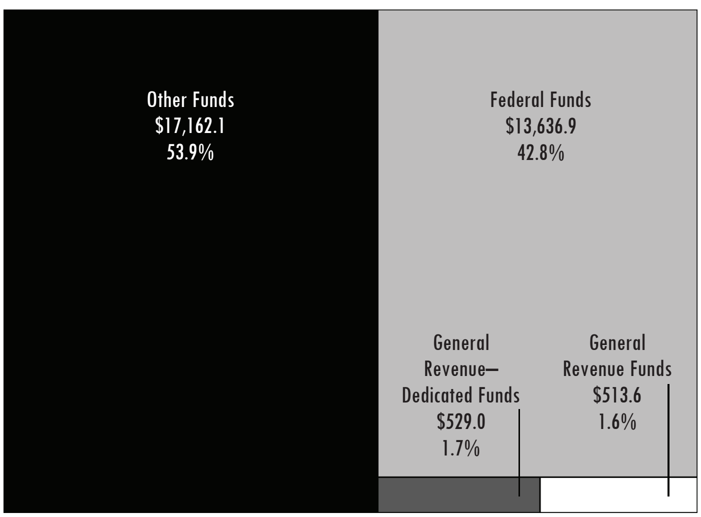
10. BUSINESS AND ECONOMIC DEVELOPMENT

The five business and economic development state agencies provide services supporting the Texas economy through transportation, business and workforce development, lottery and bingo operations, and community infrastructure. These agencies include the Department of Housing and Community Affairs, the Texas Lottery Commission, the Department of Motor Vehicles, the Texas Department of Transportation, and the Texas Workforce Commission.

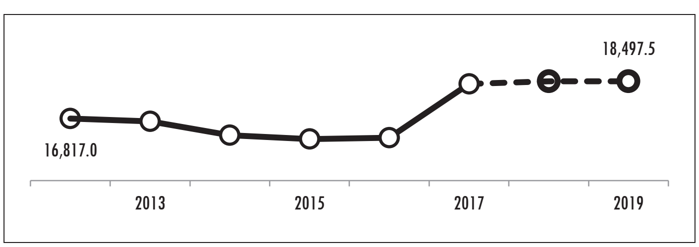
FIGURE 320
ARTICLE VII – BUSINESS AND ECONOMIC DEVELOPMENT, BY METHOD OF FINANCE

	(IN MILLIONS)			
METHOD OF FINANCE	EXPENDED/BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$1,162.6	$513.6	($649.0)	(55.8%)
General Revenue–Dedicated Funds	$505.9	$529.0	$23.1	4.6%
Federal Funds	$12,326.1	$13,636.9	$1,310.8	10.6%
Other Funds	$15,655.1	$17,162.1	$1,507.1	9.6%
Total, All Methods of Finance	**$29,649.6**	**$31,841.6**	**$2,192.0**	**7.4%**

SHARE OF FUNDING BY METHOD OF FINANCE (IN MILLIONS)



FULL-TIME-EQUIVALENT POSITIONS



SIGNIFICANT DEVELOPMENTS

Appropriations for the Texas Department of Transportation (TxDOT) include an estimated **$2.9 billion** from state sales tax transfers to the State Highway Fund, pursuant to **Proposition 7, 2015.**

Appropriations for TxDOT **replace $0.5 billion in General Revenue Funds** for General Obligation bond debt service **with funding from state sales tax transfers,** pursuant to Proposition 7, 2015.

Appropriations for the Texas Workforce Commission include **an increase of $311.1 million** in All Funds for **vocational rehabilitation programs transferred** to the agency from the Department of Assistive and Rehabilitative Services during fiscal year 2017.

Appropriations from **General Revenue–Dedicated Account 5175, Bingo Administration Account, replace General Revenue Funds** at the Texas Lottery Commission for bingo operations.

NOTES: Excludes Interagency Contracts. Full-time-equivalent positions show actual positions for fiscal years 2012 to 2017 and appropriated positions for fiscal years 2018 and 2019.
SOURCES: Legislative Budget Board; State Auditor's Office.

FIGURE 321
ARTICLE VII – BUSINESS AND ECONOMIC DEVELOPMENT APPROPRIATIONS BY AGENCY, ALL FUNDS

(IN MILLIONS)

FUNCTION	EXPENDED/BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE
Department of Housing and Community Affairs	$477.1	$474.2	($2.8)	(0.6%)
Texas Lottery Commission	$496.7	$492.6	($4.1)	(0.8%)
Department of Motor Vehicles	$350.0	$332.9	($17.2)	(4.9%)
Department of Transportation	$24,731.9	$26,627.0	$1,895.1	7.7%
Texas Workforce Commission	$2,844.5	$3,086.8	$242.2	8.5%
Reimbursements to the Unemployment Compensation Benefit Account	$38.8	$36.1	($2.6)	(6.7%)
Subtotal, Business and Economic Development	**$28,939.0**	**$31,049.6**	**$2,110.6**	**7.3%**
Retirement and Group Insurance	$708.3	$792.9	$84.6	12.0%
Social Security and Benefits Replacement Pay	$141.4	$150.3	$8.8	6.3%
Bond Debt Service Payments	$30.7	$26.6	($4.1)	(13.4%)
Lease Payments	$2.7	$0.6	($2.0)	(76.9%)
Subtotal, Employee Benefits and Debt Service	**$883.0**	**$970.4**	**$87.3**	**9.9%**
Less Interagency Contracts	$172.4	$178.4	$6.0	3.5%
Total, All Functions	**$29,649.6**	**$31,841.6**	**$2,192.0**	**7.4%**

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

The Eighty-fifth Legislature, Regular Session, 2017, increased appropriations by $2.2 billion, or 7.4 percent, to the Business and Economic Development agencies for the 2018–19 biennium. The increase is primarily due to increases at the Texas Department of Transportation (TxDOT) and Texas Workforce Commission (TWC). The change in funding includes an increase of $1.5 billion in Other Funds and $1.3 billion in Federal Funds offset by a decrease of $0.6 billion in General Revenue Funds.

The Eighty-fifth Legislature, Regular Session, 2017, evaluated TxDOT through the Sunset review process and continued authorization of the agency for 12 years. Appropriations for TxDOT total $26.6 billion in All Funds, a net increase of $1.9 billion from 2016–17 biennial spending levels. Funding includes an increase of $1.3 billion in Other Funds and $1.1 billion in Federal Funds, offset by a decrease of $0.5 billion in General Revenue Funds. The increase in Other Funds is primarily due to an increase in State Highway Funds (SHF) from anticipated state sales tax deposits to the SHF in accordance with Proposition 7, 2015, for the development and delivery of nontolled highway projects and debt service payments on General Obligation (GO) bonds. Funding for SHF includes an estimated $2.9 billion from sales tax deposits anticipated to occur during the 2018–19 biennium based on the Comptroller of Public Accounts' January 2017 Biennial Revenue Estimate and the projected timing of sales tax deposits to SHF. Funding from the anticipated deposits to SHF from Proposition 7, 2015, replace approximately $0.5 billion in General Revenue Funds previously used for debt service payments on GO bonds.

Funding for SHF also includes an increase of $0.9 billion from oil and natural gas tax-related transfers to SHF (Proposition 1, 2014) for use in constructing, maintaining, and acquiring rights-of-way for nontolled public roadways offset by a decrease of $1.7 billion in bond proceeds, $0.6 billion from regional toll revenue and other onetime funding sources, and $0.3 billion from traditional SHF tax and fee revenue. Funding includes an increase of 313.5 full-time-equivalent (FTE) positions from the fiscal year 2017 position cap to provide additional staff to support increased highway planning and contracting activity.

Appropriations to TWC include a net increase of $242.2 million for the 2018–19 biennium. The increase in funding is primarily due to the transfer of the Vocational Rehabilitation and Business Enterprises of Texas programs from the Department of Assistive Rehabilitative Services to TWC in fiscal year 2017, pursuant to legislation passed by the Eighty-fourth Legislature, 2015. To biennialize funding for these programs, appropriations to TWC include an increase of $311.1 million in All Funds for the 2018–19 biennium, including the following: $56.7 million in General Revenue Funds; $1.1 million in General Revenue–Dedicated Funds; $252.2 million in Federal Funds; and $1.1 million in Other Funds. The increases in funding at TWC are offset partially by a net decrease in Federal Funds of $55.3 million across federally funded programs at the agency.

Funding for the Department of Motor Vehicles (DMV) includes a net decrease in All Funds of $17.2 million. This decrease is primarily related to the decrease of $46.5 million in All Funds for onetime capital budget expenditures for information technology and facility relocation, and a decrease of $4.1 million in General Revenue Funds for Automobile Burglary and Theft Prevention grants and administration. These reductions are offset by increases in Other Funds of $23.8 million for the centralized processing of online vehicle registration transactions, $9.8 million for the relocation of DMV headquarters, and $1.9 million for a new Special Investigations Unit for vehicle title fraud.

Funding for the DMV for the 2018–19 biennium includes a decrease of $159.0 million in General Revenue Funds. This decrease is primarily due to the passage of legislation by the Eighty-fourth Legislature, 2015, which resulted in the replacement of General Revenue Funds at the DMV with appropriations from the Texas Department of Motor Vehicles Fund (Other Funds).

Funding for the Texas Lottery Commission (TLC) includes a net decrease in All Funds of $4.1 million. This decrease is primarily due to decreases of $14.7 million for mass media advertising contracts and $5.5 million for retailer bonuses and marketing and promotions, offset by an increase of $15.6 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 TLC 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 TLC strategies that are estimated and nontransferable.

The passage of House Bill 2578 by the Eighty-fifth Legislature, Regular Session, 2017, resulted in funding bingo operations at TLC from General Revenue–Dedicated Account 5175, Bingo Administration (Account 5175). The legislation establishes Account 5175 as a special account inside the General Revenue Fund, and requires fee revenue from licensing activity and prize fee collections that previously were deposited to the General Revenue Fund to be deposited to this account for the administration of bingo. This legislation changes the method of financing at TLC from General Revenue Funds to General Revenue–Dedicated Funds for the 2018–19 biennium for bingo operations.

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

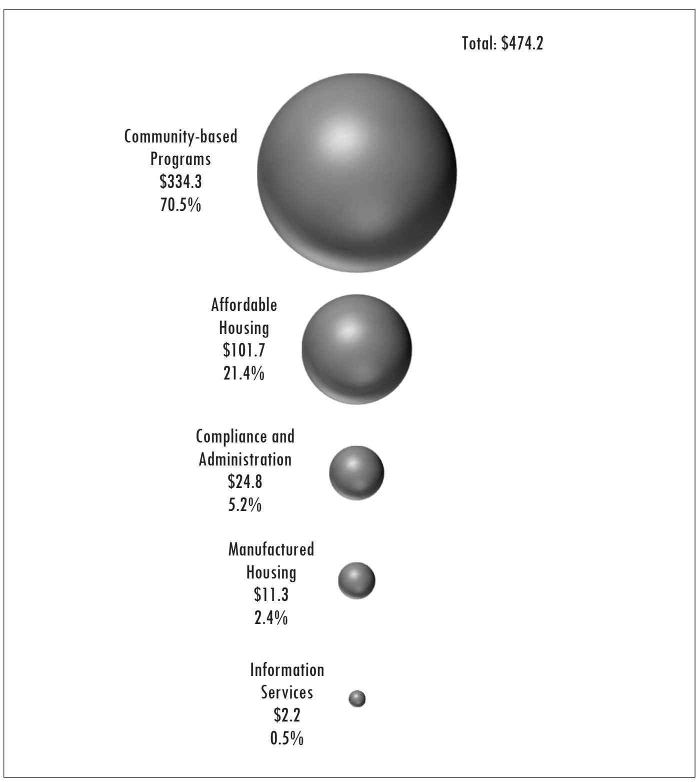
FIGURE 322
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS, BY METHOD OF FINANCE

(IN MILLIONS)

METHOD OF FINANCE	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$26.6	$24.4	($2.2)	(8.3%)
General Revenue–Dedicated Funds	$0.0	$0.0	$0.0	N/A
Federal Funds	$410.4	$407.4	($2.9)	(0.7%)
Other Funds	$40.1	$42.4	$2.3	5.8%
Total, All Methods of Finance	**$477.1**	**$474.2**	**($2.8)**	**(0.6%)**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2018	313.0
2019	313.0

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

Appropriations include a $1.2 million decrease in General Revenue Funds due to funding the **Texas Housing Assistance program directly at the Texas Veterans Commission.**

Appropriations include a $12.0 million decrease in Federal Funds for the **Section 811 Project Rental Assistance Program.**

Appropriations include a $9.6 million increase in Federal Funds due to **new grant funding from the National Housing Trust Fund** for the 2018–19 biennium.

Funding includes an increase of $1.2 million from an Interagency Contract for **an adult mental health program** to provide rental assistance to adults with serious mental illness.

SOURCE: Legislative Budget Board.

MAJOR FUNDING

Appropriations for the Texas Department of Housing and Community Affairs (TDHCA) for the 2018–19 biennium include a net decrease of $2.8 million in All Funds. This decrease is due to decreases of $2.9 million in Federal Funds and $2.2 million in General Revenue Funds, offset by an increase of $2.3 million in Other Funds due to an increase in anticipated Appropriated Receipts and Interagency Contracts. The decrease in General Revenue Funds at the agency is primarily due to a decrease of $1.2 million to fund the Texas Housing Assistance Program directly at the Texas Veterans Commission and $1.1 million for a decrease in administration and grants in various programs.

The decrease in Federal Funds is primarily attributable to a decrease of $12.0 million in funding related to the Section 811 Project Rental Assistance Demonstration. This decrease is offset by an increase of $9.6 million for the National Housing Trust Fund. Federal funding of $12.0 million for the Section 811 program was received during the 2016–17 biennium; however, the program will continue to be administered for an estimated five-year period, and only administrative costs are appropriated in the 2018–19 biennium. Federal Funds account for $407.4 million, or 85.9 percent, of the agency's total appropriation for the 2018–19 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 that TDHCA maintains 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 section).

PROGRAMS

TDHCA's responsibilities are 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 five programs to improve the living conditions of the poor and homeless and to reduce the cost of home energy for very low-income households. These programs include: (1) Comprehensive Energy Assistance Program; (2) Weatherization Assistance Program; (3) Community Services Block Grant; (4) Emergency Solutions Grant Program; and (5) 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 $334.3 million in All Funds, or 70.5 percent, of the agency's funding.

The Comprehensive Energy Assistance Program assists low-income households in meeting immediate energy needs and educates consumers on how to control energy costs. The program is administered through subrecipients across the state, providing services for Texas' 254 counties. TDHCA is appropriated $190.1 million in Federal Funds for the Comprehensive Energy Assistance Program for the 2018–19 biennium. Additionally, TDHCA administers grants to local organizations across the state for the Weatherization Assistance Program. The program provides energy-related assistance through installation of weatherization materials and education to very low-income persons and families. The programs help reduce families' energy-related costs and target consumers that are 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 $48.3 million in Federal Funds for the 2018–19 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 $68.3 million in Federal Funds for the Community Services Block Grant Program and $17.6 million in Federal Funds for the Emergency Solutions Grant Program for the 2018–19 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. The Homeless Housing and Services Program is appropriated $9.9 million in General Revenue Funds for the 2018–19 biennium.

AFFORDABLE HOUSING

TDHCA operates the following 12 programs related to affordable housing: (1) HOME Investment Partnerships Program; (2) Tax Credit Assistance Program (TCAP) Repayment Fund Program; (3) Section 8 Housing Choice Voucher; (4) Texas Housing Trust Fund; (5) National Housing Trust Fund; (6) Federal Housing Tax Credit; (7) Neighborhood Stabilization Program; (8) Home and Community-Based Services – Adult Mental Health Program; (9) Money Follows the Person; (10) Section 811 Project Rental Assistance Program; (11) First Time Homebuyer, Mortgage Credit Certificate, and Taxable Mortgage programs; and (12) 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-income, very low-income, low-income, and moderate-income families. **Figure 323** shows household incomes for a family of four at each income classification by metropolitan area. **Figure 324** shows, by multifamily and single-family designation, the number of households or units funded by program for fiscal year 2017 and the number of units anticipated for fiscal years 2018 and 2019.

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. Pursuant to statute, 95.0 percent of TDHCA's HOME funds are available only to areas of

FIGURE 323
TARGETED HOUSEHOLDS BY AREA MEDIAN FAMILY INCOME, FISCAL YEAR 2017

AREA	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	$66,800	$19,000	$31,650	$37,980	$50,650
SAMPLE MSAs					
Austin–San Marcos MSA (Bastrop, Caldwell, Hays, Travis, and Williamson counties)	$81,400	$24,400	$40,700	$48,840	$65,100
Dallas MSA (Collin, Dallas, Denton, Ellis, Henderson, Hunt, Kaufman, and Rockwall counties)	$73,400	$22,000	$36,700	$44,040	$58,700
El Paso MSA (El Paso County)	$45,300	$16,250	$27,100	$32,520	$43,350
Houston MSA (Chambers, Fort Bend, Liberty, Harris, Montgomery, and Waller counties)	$71,500	$21,450	$35,750	$42,900	$57,200
San Antonio MSA (Bexar, Comal, Guadalupe, and Wilson counties)	$63,500	$19,050	$31,750	$38,100	$50,800
State of Texas Median for Non-MSA Counties	$54,200	$16,250	$27,100	$32,520	$43,350

Notes:
(1) Statewide income limits calculated from U.S. Department of Housing and Urban Development statewide median incomes for a family of four people.
(2) MSA income limits are based on applicable federal Housing Tax Credit Program and HOME Investment Partnerships 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 324
MULTIFAMILY AND SINGLE-FAMILY HOUSEHOLDS OR UNITS BY PROGRAM, FISCAL YEARS 2017 TO 2019

	2017			2018			2019		
PROGRAM	MULTIFAMILY	SINGLE FAMILY	TOTAL	MULTIFAMILY	SINGLE FAMILY	TOTAL	MULTIFAMILY	SINGLE FAMILY	TOTAL
Housing Trust Fund	0	191	191	0	163	163	0	162	162
HOME Program	163	801	964	167	875	1,042	167	875	1,042
Low-income Housing Tax Credit Program	9,817	0	9,817	9,900	0	9,900	8,861	0	8,861
Mortgage Revenue Bond	342	5,870	6,212	644	2,981	3,625	1,048	2,099	3,147
Multifamily Direct Loan Program (Excludes HOME Program)	11	0	11	131	0	131	131	0	131
Section 8 Program	945	0	945	1,181	0	1,181	1,181	0	1,181
Section 811 Program	14	0	14	121	0	121	202	0	202
Total	**11,292**	**6,862**	**18,154**	**12,144**	**4,019**	**16,163**	**11,590**	**3,136**	**14,726**

NOTES:
(1) All amounts are estimates.
(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, including all multifamily units financed through the Mortgage Revenue Bond Program.
(3) Mortgage Revenue Bond Program includes the First Time Homebuyer, Mortgage Credit Certificate, Taxable Mortgage programs, and Multifamily Mortgage Revenue Bond program.
(4) Units shown for Multifamily Direct Loan Program, excluding HOME, are funded through Tax Credit Assistance Program Repayment Funds, the National Housing Trust Fund, and the Neighborhood Stabilization Program. Multifamily Direct loans funded through HOME are reflected under HOME multifamily units.
SOURCE: Texas Department of Housing and Community Affairs.

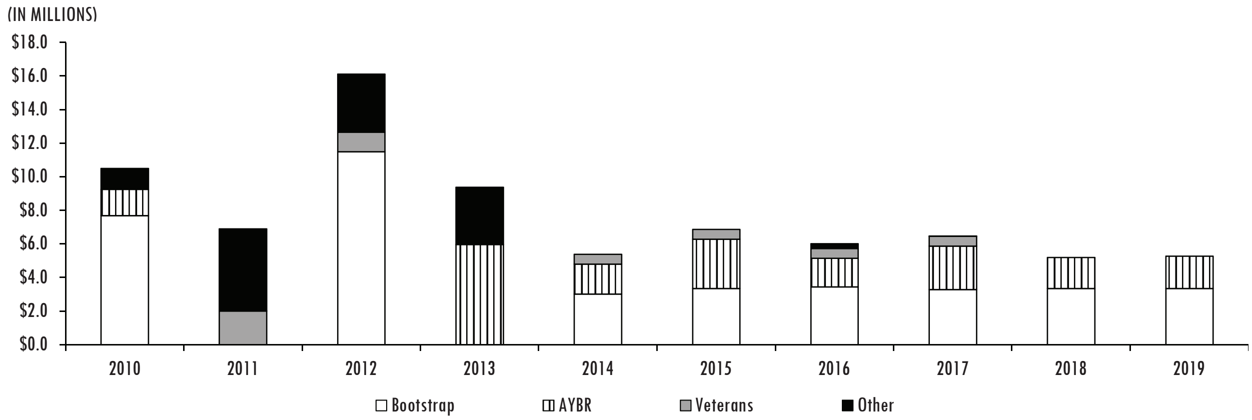
the state that are mostly rural and that do not receive HOME funds directly from the federal government. The remaining 5.0 percent of the funds are reserved for Texas residents with disabilities. TDHCA is appropriated $45.3 million in Federal Funds for the 2018–19 biennium for the HOME Program.

The TCAP Repayment Fund program is funded through repayments on loans previously provided to developers of multifamily rental properties. The loan repayments are repurposed to provide loans to developers of affordable, multifamily rental properties across the state. TDHCA is appropriated $13.0 million in Federal Funds for the 2018–19 biennium for the TCAP Repayment Fund 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 residence owners on behalf of extremely low-income, very low-income, and low-income families and individuals, including the elderly and persons with disabilities. TDHCA is one of several 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 $11.0 million in Federal Funds for the 2018–19 biennium.

The Housing Trust Fund (HTF) programs are the agency's only state-funded housing programs. Except for administrative funding, all appropriations provided for the program are transferred each fiscal year to the Housing Trust Fund located outside the state Treasury. TDHCA applies a minimum of $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 who need modifications in their homes to increase accessibility or eliminate hazardous conditions.

FIGURE 325
HOUSING TRUST FUND EXPENDITURES, FISCAL YEARS 2010 TO 2019



NOTES:
(1) AYBR=Amy Young Barrier Removal program.
(2) The Other category includes: Gap Financing Federal Disaster Funds, Foreclosure Prevention, Single Family Development, Rural Housing/Grow Home Pilot, Homeownership SuperNOVA, Multifamily Rental Development, Capacity Building Grant, Affordable Housing Match Program, Homebuyers Assistance, Rural Housing Expansion Program Contract for Deed Conversion Assistance Pilot, and Homeless and Housing Services Program.
(3) Amounts shown for fiscal years 2018 and 2019 are estimated.
(4) Expenditures before 2014 do not include funding reserved for the administration of the Texas Bootstrap Loan and Amy Young Barrier Removal programs.
(5) Beginning fiscal year 2018, all funding for the Veterans Housing Assistance Program is appropriated directly at the Texas Veterans Commission (TVC). Historically, the Texas Department of Housing and Community Affairs transferred funds to TVC for administration of the program.

SOURCE: Texas Department of Housing and Community Affairs.

Figure 325 shows a history of spending for programs within the Housing Trust Fund from fiscal years 2010 to 2019. TDHCA is appropriated approximately $10.4 million in General Revenue Funds for the HTF programs for the 2018–19 biennium.

The National Housing Trust Fund program provides funding to nonprofit and for-profit entities for the construction or rehabilitation of affordable multifamily rental developments. Funding for these entities is provided in the form of low-interest, repayable loans. The National Housing Trust Fund is appropriated $9.6 million in Federal Funds for the 2018–19 biennium.

The federal Housing Tax Credit (HTC) Program is the primary means of financing rental housing to low-income Texans. The program encourages 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-income 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 $4.4 million in Other Funds for the 2018–19 biennium.

The Neighborhood Stabilization Program, a federally funded program, provides funds to acquire and redevelop foreclosed properties. The program provides funds to purchase foreclosed, vacant, or abandoned homes and residential properties to rehabilitate, resell, or redevelop the properties with the goal to stabilize the neighborhoods and stem the decrease of property values in the community. The Neighborhood Stabilization program is appropriated $2.2 million in Federal Funds for the 2018–19 biennium.

TDHCA administers two programs, the Home and Community-Based Services Adult Mental Health program and the Money Follows the Person program, through Interagency Contracts with other state agencies. The Home and Community-Based Services Adult Mental Health program, in collaboration with the Health and Human Services Commission (HHSC), provides home and community-based services to adults with serious mental illness. The program provides rental assistance to enable individuals to live in the community. The Money Follows the Person program, in collaboration with HHSC, provides rental assistance to help persons with mental illness to transition from institutional settings to independent living. The Home and Community-Based Services Adult Mental Health program is appropriated $1.3 million in Other Funds for the 2018–19 biennium, and the Money Follows the Person program is appropriated $0.4 million in Other Funds for the biennium.

TDHCA administers the Section 811 Project Rental Assistance program, a program that provides project-based rental assistance to select state housing finance agencies for project-based rental operating assistance for individuals with disabilities. TDHCA operates the Section 811 Project Rental Assistance program in partnership with HHSC. TDHCA was awarded $12.0 million in federal grants for the program in fiscal year 2017. The agency anticipates administering these funds through fiscal year 2021 and is appropriated $45,000 in Federal Funds for administration costs for the 2018–19 biennium.

TDHCA administers the First Time Homebuyer, Mortgage Credit Certificate (MCC), and Taxable Mortgage programs (also referred to as 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 state Treasury. Appropriations for these programs 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 in Other Funds for the 2018–19 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 state 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 in Other Funds for the 2018–19 biennium.

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 2017, TDHCA had approximately $524.6 million in SFMRBs outstanding and $816.8 million in MFMRBs outstanding. TDHCA also has $10.0 million in single-family issuer notes and $75.0 million in multifamily issuer notes outstanding. Issuer notes are loan agreements between TDHCA and a bank. The agency estimates that it will issue $500.0 million in SFMRBs and $100.0 million in MFMRBs during the 2018–19 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 $1.0 billion in private activity bond authority each year of the biennium to issue MCCs. In addition, TDHCA expects to facilitate access to an estimated $750.0 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 TDHCA's human resources, software development, and financial administration. These three programs are appropriated $17.0 million in All Funds for the 2018–19 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 properties. To ensure compliance, TDHCA conducts onsite-monitoring visits to review documentation and physically inspect the properties. TDHCA also monitors to ensure that 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 $7.8 million in All Funds for the 2018–19 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 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 $3.9 million in All Funds for the inspection program; $3.9 million in All Funds for the licensing program; and $3.5 million in All Funds for the enforcement program for the 2018–19 biennium.

INFORMATION SERVICES

TDHCA has three programs to provide information and technical assistance for extremely low-income, very low-income, and low-income households. These programs include the following areas: (1) Housing Resource Center; (2) Office of Colonia Initiatives and Colonia Self Help Centers; and (3) Housing and Health Services Coordination Council.

The agency provides information through the legislatively mandated Housing Resource Center, which serves as a statewide clearinghouse of information about housing and community services programs. The housing center provides information and technical assistance regarding the state's housing needs, community services, and affordable housing programs to consumers, developers, researchers, and the public. The housing center is also responsible for developing legislatively required planning documents such as the State Low-Income Housing Plan. The Housing Resource Center program is appropriated $1.3 million in Other Funds for the 2018–19 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 in Other Funds for the 2018–19 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 $0.2 million in General Revenue Funds for the 2018–19 biennium.

SIGNIFICANT LEGISLATION

House Bill 4102 – Voluntary Contribution to Ending Homelessness Fund. The legislation establishes the Ending Homelessness Fund as a trust fund outside of the state Treasury. Pursuant to provisions of the legislation, the Department of Motor Vehicles is required to provide an opportunity to contribute to the fund when an individual registers or renews the registration of a motor vehicle. TDHCA is required to administer the funds as grants to combat homelessness in counties and municipalities.

House Bill 1512- Administration of the owner-builder loan program. The legislation abolishes the limit of the total amount of amortized, repayable loans for individuals who qualify for the owner-builder loan program. In addition, the legislation requires any funds received as part of the owner-builder loan program to be deposited in the Housing Trust Fund, a fund administered by TDHCA and placed with the Texas Treasury Safekeeping Trust Company.

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

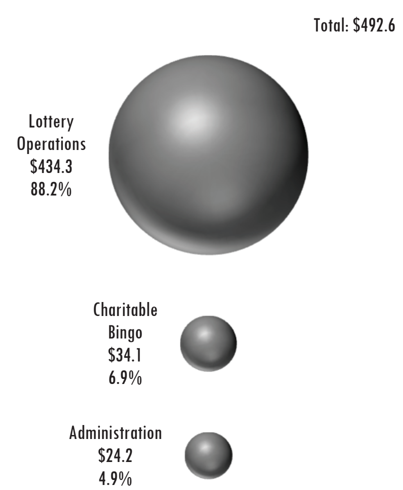
FIGURE 326
TEXAS LOTTERY COMMISSION BY METHOD OF FINANCE

(IN MILLIONS)

METHOD OF FINANCE	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$30.9	$0.0	($30.9)	(100.0%)
General Revenue–Dedicated Funds	$465.8	$492.6	$26.8	5.8%
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	**$496.7**	**$492.6**	**($4.1)**	**(0.8%)**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2018	323.5
2019	323.5

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

Legislation enacted by the Eighty-fifth Legislature, Regular Session, 2017, resulted in a **method-of-finance swap of $34.1 million** from General Revenue Funds to General Revenue–Dedicated Funds for the agency's bingo operations.

Appropriations include an **increase of $3.1 million for the agency's bingo operations**, primarily for estimated bingo prize fee allocations to counties and municipalities.

Appropriations include an **increase of $15.6 million related to an anticipated increase in lottery ticket sales,** which fund the lottery operator contract and retailer commissions.

Appropriations include a **decrease of $14.7 million for lottery advertising services**.

Source: Legislative Budget Board.

MAJOR FUNDING

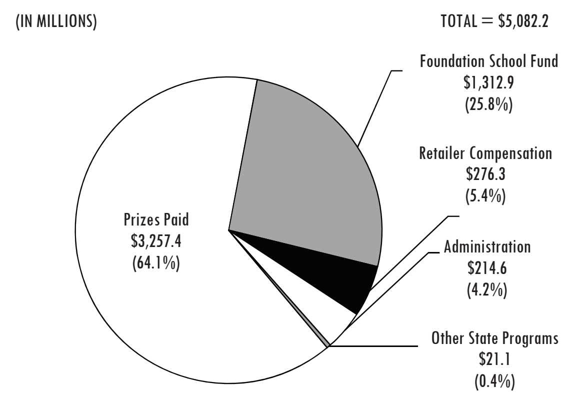
Appropriations for the Texas Lottery Commission (TLC) for the 2018–19 biennium include a net decrease of $7.3 million in General Revenue–Dedicated Funds (Account 5025, State Lottery) for the agency's lottery operations. This decrease is primarily due to a decrease of $14.7 million for mass media advertising contracts with external vendors. Additionally, appropriations include a decrease of $3.9 million for funding provided to retailers as a bonus for the sale of prizewinning tickets, and $1.6 million for marketing and promotion activities. These decreases are offset by an increase of $15.6 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 2018–19 Biennial Revenue Estimate that lottery sales will be approximately $4.9 billion for fiscal year 2018 and $5.0 billion for fiscal year 2019.

Proceeds from the sale of lottery tickets are 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 to pay sales performance retailer commissions. The agency transfers any unexpended administrative funds to the state to fund public education and other state programs.

From fiscal years 2004 to 2017, TLC transferred more than $1.0 billion to the state each year after deductions for prizes and administrative costs. **Figure 327** shows the distribution of lottery proceeds in fiscal year 2017, and **Figure 328** shows gross lottery sales and revenue to the state for fiscal years 2004 to 2017.

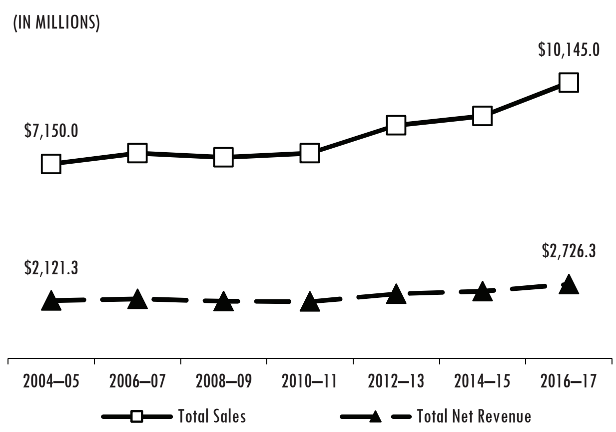
The enactment of legislation by the Eighty-fifth Legislature, Regular Session, 2017, resulted in a method of finance swap from General Revenue Funds to General Revenue–Dedicated

FIGURE 327
WHERE TEXAS LOTTERY PROCEEDS GO
FISCAL YEAR 2017



NOTES:
(1) Other State Programs category includes transfers to the General Revenue–Dedicated Accounts for Veterans' Assistance, Texas Veterans Commission; and State Owned Multicategorical Teaching Hospital, Health and Human Services Commission.
(2) Transfers to the Foundation School Fund and Other State Programs include $4.8 million in unclaimed prizes from fiscal year 2016 lottery sales.
(3) Amounts determined on an accrual basis. Amounts may not sum due to rounding.
(4) Amounts are estimated.
SOURCE: Texas Lottery Commission.

FIGURE 328
TEXAS LOTTERY SALES AND NET REVENUE
2004–05 TO 2016–17 BIENNIA



NOTES:
(1) Amounts are calculated on an accrual accounting basis.
(2) Amounts for the 2016–17 biennium are estimated.
(3) Total Revenue includes revenue to the Foundation School Fund, and the General Revenue–Dedicated Accounts for Fund for Veterans' Assistance and the State Owned Multicategorical Teaching Hospital.
SOURCE: Texas Lottery Commission.

Funds (Account 5175, Bingo Administration) for the agency's charitable bingo operations for the 2018–19 biennium. Appropriations also include an overall increase of $3.1 million in funding for charitable bingo operations, primarily due to an increase of $3.7 million for estimated bingo prize fees allocated to counties and municipalities offset by a decrease of $0.3 million for contracted goods and $0.2 million for the elimination of two bingo auditors.

PROGRAMS

TLC's responsibilities are carried out through three main program areas: (1) Texas lottery operations; (2) charitable bingo; and (3) administration.

TEXAS LOTTERY OPERATIONS

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 six programs: the lottery operator contract; marketing and promotions; retailer commissions, bonuses, and incentives; advertising services contracts; operations; and security.

The lottery operator contract is the largest component of Texas lottery operations. The operator manages all aspects of contract vendor services for instant ticket and online gaming, including managing all game terminals and hardware, providing field sales and business development staff, warehousing scratch tickets, ordering and distributing lottery products, and providing retailer technical support. The operator contract is based on a percentage of gross lottery ticket sales, and TLC is appropriated $220.2 million for the operator contract for the 2018–19 biennium for this purpose.

Through the operator contract, TLC offers an instant ticket lottery game benefiting the Texas Veterans Commission's Fund for Veterans' Assistance. TLC began offering the instant ticket game in November 2009. The game has generated approximately $83.0 million for the Texas Veterans Commission since its inception. **Figure 329** shows net proceeds from these instant ticket games from fiscal years 2014 to 2017.

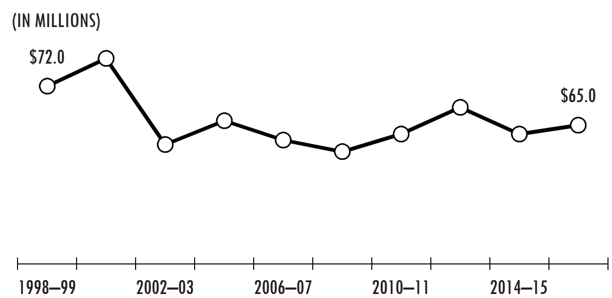
TLC's marketing and promotion program provides for the development of lottery products and games, promotes the lottery, and recruits business retailers and vendors to sell lottery tickets. This program also contracts for the production of scratch tickets, which accounts for approximately 75.0 percent of all ticket sales. TLC is appropriated $73.5 million for this program during the 2018–19 biennium.

FIGURE 329
TEXAS VETERANS COMMISSION LOTTERY REVENUE
FISCAL YEARS 2014 TO 2017

YEAR	NET PROCEEDS (IN MILLIONS)
2014	$11.5
2015	$13.1
2016	$14.7
2017	$16.2

NOTES:
(1) Amounts for fiscal year 2017 are estimated.
(2) Includes General Revenue-Dedicated Account transfers of unclaimed prize money from the Lottery to the Fund for Veterans' Assistance.
(3) Amounts determined on an accrual basis.
SOURCE: Texas Lottery Commission.

FIGURE 330
TEXAS LOTTERY ADVERTISING EXPENDITURES
1998–99 TO 2016–17 BIENNIA



NOTE: Amounts for the 2016–17 biennium are estimated.
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. Appropriations for TLC include an additional 0.5 percent of gross ticket sales each year to pay 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 $49.8 million for retailer performance commissions and $4.2 million for the retailer bonuses for the 2018–19 biennium.

TLC's advertising services are contracted through external vendors and include the planning, development, and implementation of lottery advertising through radio, television, Internet, experiential, and print media. TLC is appropriated $49.3 million for this purpose for the 2018–19 biennium. **Figure 330** shows TLC's biennial advertising expenditures from 1998–99 to 2016–17.

TLC's lottery operations program provides operations management, technical, administrative, and customer service support to all office locations, players, and retailers. This management and support includes the issuance of licenses to qualified lottery retailers and the enforcement of applicable state laws and agency rules. Texas will license an estimated 18,000 retailer business locations each fiscal year of the 2018–19 biennium. TLC is appropriated $20.7 million for this purpose for the 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 $16.6 million for this purpose for the 2018–19 biennium.

CHARITABLE BINGO

TLC operates the following five programs relating to charitable bingo: bingo prize fee allocations; auditing; licensing services; accounting services; and education and training. TLC estimates that charitable organizations will receive approximately $25.0 million each fiscal year from bingo events for the 2018–19 biennium. **Figure 331** shows charitable distributions for fiscal years 2013 to 2017.

FIGURE 331
TEXAS BINGO SALES AND DISTRIBUTIONS TO CHARITABLE ORGANIZATIONS, FISCAL YEARS 2013 TO 2017

	(IN MILLIONS)	
YEAR	TOTAL SALES	DISTRIBUTIONS
2013	$722.4	$27.5
2014	$724.0	$27.6
2015	$753.3	$29.0
2016	$760.4	$30.0
2017	$763.2	$30.4

SOURCE: Texas Lottery Commission.

TLC's largest program for bingo-related activities includes the allocation of bingo prize fees to counties and municipalities, pursuant to the Texas Occupations Code. TLC collects a 5.0 percent fee on all bingo prizes greater than $5 and allocates a portion of this amount to counties and municipalities that have elected to impose the fee. These allocations are estimated to be $29.0 million for the 2018–19 biennium.

TLC's bingo auditing program ensures licensee compliance with applicable state laws and agency rules through inspections, reviews, audits, and complaint investigations. The agency estimates that 180 complaints will be completed each fiscal year of the 2018–19 biennium. TLC is appropriated $2.9 million for the bingo auditing program for the 2018–19 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 2018–19 biennium. The accounting services program assists licensees with filing reports and managing their financial data, and administers the allocation of bingo prize fees to counties and municipalities. The education and training program manages the education and development of all licensed organizations that conduct charitable bingo activities. TLC is appropriated $1.3 million for the bingo licensing program, $0.6 million for the accounting services program, and $0.3 million for education and training programs for the 2018–19 biennium.

ADMINISTRATION

The final program area, administration, provides administrative and information technology support to the major programs administered by the agency. TLC is appropriated $24.2 million for this purpose for the 2018–19 biennium.

SIGNIFICANT LEGISLATION

House Bill 59 – Option for certain lottery prizewinners to remain anonymous. The legislation provides an individual or owner of a beneficial interest in a legal entity who wins a prize of $1.0 million or more the option to remain anonymous, and to prohibit all personally identifiable information from being released to the public. The legislation authorizes TLC to disclose the personally identifiable information of prizewinners if the person chooses to have the prize paid in periodic installments.

House Bill 2578 – Abolishment of certain bingo licensing fees, modification to bingo prize fee transfers, and establishment of the Bingo Administration Account. The legislation abolishes license fees for bingo operators, unit managers, and bingo workers, and establishes legislative intent that bingo prize fees, in combination with licensing fees from commercial lessors, manufacturers, and distributors, fund the administration of charitable bingo. The legislation also reduces the allocation of bingo prize fees to counties and municipalities by an amount necessary to fulfil this legislative intent. The legislation reduces the amount that bingo operators are required to remit to TLC from 5.0 percent of all prizes awarded to 5.0 percent of all prizes of greater than $5 awarded. Finally, the legislation establishes a special account inside the General Revenue Fund and, together with the enactment of House Bill 3849, Eighty-fifth Legislature, Regular Session, 2017, dedicates fee revenue from licensing activity and prize fee collections to this General Revenue–Dedicated Funds account (Account 5175) for the administration of bingo.

Senate Bill 549 – Refund of certain bingo licensing fees. The legislation requires TLC to refund applicants for bingo commercial lessor, manufacturer, and distributor licenses if the applicant requests a withdrawal of the application before TLC issues or denies the license. The legislation authorizes TLC to retain certain amounts necessary to defray administrative costs associated with processing the application.

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

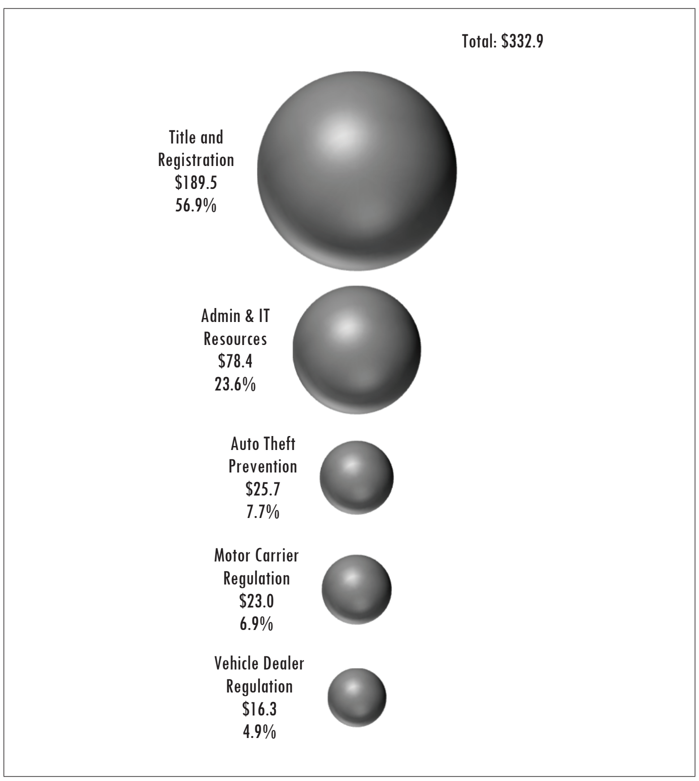
FIGURE 332
DEPARTMENT OF MOTOR VEHICLES BY METHOD OF FINANCE

(IN MILLIONS)

METHOD OF FINANCE	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$184.7	$25.7	($159.0)	(86.1%)
General Revenue–Dedicated Funds	$0.0	$0.0	$0.0	N/A
Federal Funds	$0.5	$1.5	$1.0	208.9%
Other Funds	$164.9	$305.7	$140.8	85.4%
Total, All Methods of Finance	**$350.0**	**$332.9**	**($17.2)**	**(4.9%)**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2018	779.0
2019	779.0

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

Appropriations from the **Texas Department of Motor Vehicles Fund (Other Funds) replace General Revenue Funds** for all programs except the Automobile Burglary and Theft Prevention Authority for the 2018–19 biennium.

Appropriations for the 2018–19 biennium include **$9.8 million in Other Funds and an additional 3.0 full-time-equivalent positions** for Department of Motor Vehicles **headquarters facilities maintenance and operations**.

Appropriations for the 2018–19 biennium include **$1.9 million in Other Funds and an additional 13.0 full-time-equivalent positions** for a new **Special Investigations Unit** to investigate motor vehicle fraud.

Funding for **Automobile Burglary and Theft Prevention Authority** grants and administration was **decreased by $4.2 million (14.0 percent)**.

Source: Legislative Budget Board.

MAJOR FUNDING

Funding for the Department of Motor Vehicles (DMV) for the 2018–19 biennium represents a net decrease of $17.2 million from the 2016–17 biennium, including the following major funding changes:

- a net decrease of $37.3 million for one-time capital budget expenditures for the TxDMV Automation System project;
- a decrease of $7.4 million for one-time capital budget expenditures for the separation of information resource applications and servers from the Texas Department of Transportation (TxDOT) information technology infrastructure;
- a decrease of $4.2 million for Automobile Burglary and Theft Prevention Authority grants and administration;
- a decrease of $1.8 million for one-time costs for relocation of facilities;
- an increase of $23.8 million for centralized processing of online vehicle registration transactions previously performed by the counties;
- an increase of $9.8 million and 3.0 full-time-equivalent (FTE) positions for DMV headquarters facilities maintenance and operations; and
- an increase of $1.9 million and 13.0 FTE positions for a new Special Investigations Unit to investigate vehicle title fraud.

Funding for the DMV includes a decrease in General Revenue Funds of $159.0 million primarily due to a method of financing swap to replace General Revenue Funds with Other Funds from the Texas Department of Motor Vehicles Fund pursuant to the enactment of legislation by the Eighty-fourth Legislature, 2015.

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.

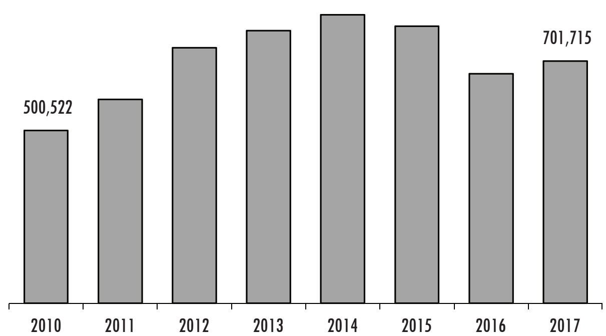
The agency's largest program area is vehicle titles and registration. The agency works in support of and in partnership with 254 tax assessor-collectors and their agents to administer motor vehicle titles and title fraud investigations, register vehicles, distribute license plates and registration insignia stickers, distribute parking placards for persons with disabilities, and collect the related fees. This program 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. Additionally, this program area includes a special investigations unit to identify, investigate, and prevent motor vehicle related fraud. The agency projects approximately 8.5 million titles will be issued in each fiscal year, and a total of 25.2 million vehicles will be registered in Texas by the end of the 2018–19 biennium. Appropriations for vehicle titling and registration total $189.5 million in Other Funds for the 2018–19 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 $78.4 million in Other Funds for the 2018–19 biennium, including $46.3 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 $25.7 million in General Revenue Funds for the 2018–19 biennium.

The agency's motor carrier regulation program provides for motor carrier registration services, oversize/overweight vehicle permitting, and enforcement. Motor carriers

FIGURE 333
OVERSIZE/OVERWEIGHT PERMITS ISSUED
FISCAL YEARS 2010 TO 2017



SOURCE: Department of Motor Vehicles.

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 333** shows the number of oversize/overweight permits issued in fiscal years 2010 to 2017. DMV reported issuing 665,575 permits in fiscal year 2016, which represents a decrease of 20.4 percent from 836,258 permits issued in fiscal year 2014. 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 $23.0 million in All Funds for the 2018–19 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, replacement, or repurchase of those vehicles. Appropriations for motor vehicle dealer regulation total $16.3 million in Other Funds for the 2018–19 biennium.

SIGNIFICANT LEGISLATION

House Bill 1959 – Study on Alternative Technologies for Commercial Motor Vehicle Registration. The legislation requires DMV to conduct a study to identify and evaluate alternative technologies for registering commercial motor vehicles to replace license plates, permits, and other documentation and registration methods currently used in Texas. No later than December 1, 2021, DMV is required to submit a report on the results of the study to the Governor, Lieutenant Governor, Speaker of the House, and presiding officers of the Senate and House Committees on Transportation. The legislation authorizes DMV to establish a limited pilot program, to be funded through contributions by voluntary participants in the program, that implements and assesses the alternative technologies if the agency determines that the pilot program is feasible and can be implemented at no cost to the state.

House Bill 3254 – Enforcement of Motor Carrier Regulations. The legislation clarifies the DMV's authority to deny a motor carrier registration if the applicant is owned by a person that the Department of Public Safety has determined has an unsatisfactory safety rating under applicable federal regulations or multiple violations of commercial vehicle safety standards or rules of the road. The legislation also authorizes DMV to deny a motor carrier registration if the owner of the applicant owned, operated, managed, or otherwise controlled a motor carrier that the Federal Motor Carrier Safety Administration has placed out of service due to safety compliance issues or has unpaid administrative penalties. Additionally, the legislation establishes an offense for knowingly operating a commercial motor vehicle in violation of an out-of-service order.

Senate Bill 1349 – DMV Authority over Real Property and Transfer of Certain Real Property from the Department of Transportation. The legislation establishes DMV's authority regarding the ownership, control, maintenance, improvement, and disposition of real property. The legislation specifies that revenue from the lease, sale, or other disposition of DMV real property is to be deposited to the Texas Department of Motor Vehicles Fund. The legislation also authorizes TxDOT to transfer to DMV all or part of TxDOT's Camp Hubbard property in Austin, Texas. DMV headquarters is located on the Camp Hubbard property.

Senate Bill 1524 – Permit for Vehicles Transporting Sealed Intermodal Shipping Containers. The legislation authorizes DMV to issue annual permits authorizing the movement of sealed intermodal shipping containers for international transportation by a truck-tractor and semitrailer combination. The legislation establishes specifications for vehicle configurations, safety equipment, and maximum gross vehicle and axle weights, and limits the movement of permitted vehicles to a distance of 30 miles from the port authority or port of entry located in a county contiguous to the Gulf of Mexico on approved roadways. The legislation establishes a permit application fee of $6,000 to be allocated as follows: 50.0 percent deposited to the State Highway Fund; 30.0 percent divided equally among the counties in which the permit will be used; 16.0 percent divided equally among the municipalities in which the permit will be used; and 4.0 percent deposited to the Texas Department of Motor Vehicles Fund. The legislation requires the permit application fee on or after January 1, 2028, to be an amount determined by DMV after consultation with The University of Texas Center for Transportation Research and the Texas A&M Transportation Institute.

Senate Bill 2076 – Titling of Motor Vehicles and Study on Efficiency and Necessity of Vehicle Titling and Inspection Programs. The legislation amends various state laws relating to the titling of motor vehicles and salvage vehicles to conform to changes in federal regulations and current business practices. The legislation also requires the Department of Public Safety and DMV, no later than December 31, 2018, to conduct a study on the efficiency and necessity of the titling and inspection of vehicles in Texas and submit a report to the Legislature on the results of the study that includes the identification of any elements of the titling and inspection programs that can be eliminated.

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

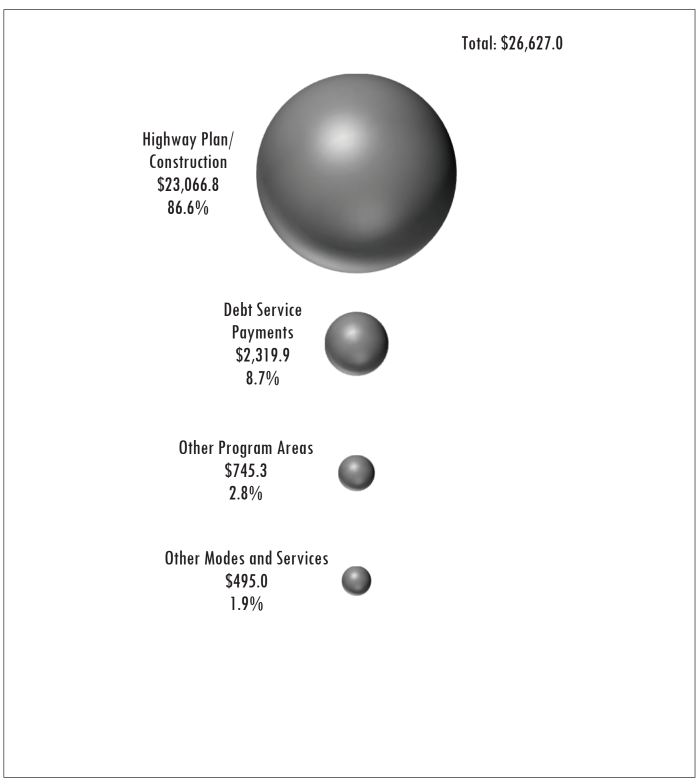
FIGURE 334
TEXAS DEPARTMENT OF TRANSPORTATION BY METHOD OF FINANCE

(IN MILLIONS)

METHOD OF FINANCE	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$500.0	$3.9	($496.1)	(99.2%)
General Revenue–Dedicated Funds	$0.0	$0.0	$0.0	N/A
Federal Funds	$9,410.1	$10,486.6	$1,076.6	11.4%
Other Funds	$14,821.9	$16,136.5	$1,314.6	8.9%
Total, All Methods of Finance	**$24,731.9**	**$26,627.0**	**$1,895.1**	**7.7%**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2018	12,213.5
2019	12,213.5

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

Appropriations include an estimated **$2.9 billion** from state sales tax transfers to the State Highway Fund (Other Funds) pursuant to **Proposition 7, 2015**.

Appropriations include an estimated **$2.5 billion** from oil and natural gas tax-related transfers to the State Highway Fund pursuant to **Proposition 1, 2014**.

Appropriations from **Proposition 7, 2015**, transfers to the State Highway Fund **replace General Revenue Funds for debt service payments** on Highway Improvement General Obligation bonds.

Funding includes an **increase of 313.5 full-time-equivalent positions** to support increased **highway project planning and contracting** activity.

SOURCE: Legislative Budget Board.

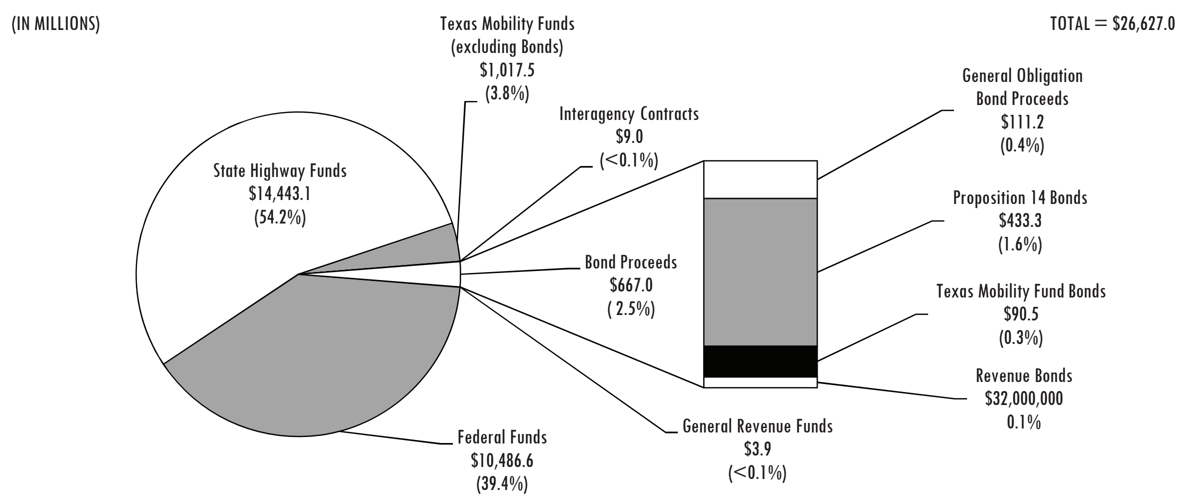
MAJOR FUNDING

Funding for the Department of Transportation (TxDOT) for the 2018–19 biennium includes $16.1 billion in Other Funds (60.6 percent of total funding), including $2.5 billion from oil and natural gas tax-related transfers (Proposition 1, 2014) to the State Highway Fund (SHF) and $2.9 billion from state sales tax deposits to the SHF (Proposition 7, 2015). **Figure 335** shows agency appropriations by funding source for the 2018–19 biennium. Other Funds appropriations represent an increase of $1.3 billion from the 2016–17 biennium, including:

- an increase of $2.9 billion from estimated state sales tax deposits to the SHF (Proposition 7, 2015);
- an increase of $0.9 billion from oil and natural gas tax-related transfers to the SHF (Proposition 1, 2014);
- an increase of $87.0 million from the Texas Mobility Fund (TMF) for transportation project development and delivery and bond debt service payments;
- a net decrease of $1.7 billion in bond proceeds for highway planning and construction, including:
    - a decrease of $1.3 billion in Highway Improvement General Obligation (Proposition 12, 2007) Bond Proceeds;
    - a decrease of $0.4 billion in TMF bond proceeds;
    - a decrease of $17.1 million in SHF Revenue (Proposition 14, 2003) Bond Proceeds;
    - a decrease of $6.5 million in General Obligation (GO) Bond Proceeds for border colonia access roadway projects; and
    - an increase of $32.0 million from new appropriations of Revenue Bonds for the acquisition and installation of intelligent transportation systems at international points of entry;
- a decrease of $0.3 billion from traditional SHF tax and fee revenue sources; and
- a decrease of $0.6 billion in Other Funds from regional toll revenue and other onetime funding sources.

Beginning in fiscal year 2018, the Texas constitution requires the Comptroller of Public Accounts (CPA) to deposit to the SHF $2.5 billion of the net revenue derived from the state sales use tax that exceeds the first $28.0 billion collected in each fiscal year (Proposition 7, 2015). Based on the CPA's January 2017 Biennial Revenue Estimate and projected timing of sales tax deposits to the SHF, appropriations to TxDOT include $2.9 billion from sales tax deposits to the SHF anticipated to occur during the 2018–19 biennium out of an estimated total of $4.7 billion attributable to

FIGURE 335
DEPARTMENT OF TRANSPORTATION FUNDING SOURCES, 2018–19 BIENNIUM



NOTE: State Highway Funds and Texas Mobility Funds are estimated and exclude Federal Funds and bond proceeds deposited to the credit of these funds.
SOURCE: Legislative Budget Board.

Proposition 7 for the biennium. It is the intent of the Legislature that the remaining 2018–19 biennial sales tax proceeds attributable to Proposition 7 (estimated to be $1.8 billion) will be transferred to the SHF in fiscal year 2019. Actual amounts transferred will depend on sales tax collections and will vary from the appropriated amount; see Chapter 3, Significant Legislation, for additional discussion. Funding from Proposition 7 proceeds for the 2018–19 biennium provides $2.3 billion for development and delivery of nontolled highway projects and $0.6 billion for debt service payments on Proposition 12 (2007) GO bonds.

Funding from General Revenue Funds includes a decrease of $0.5 billion from the 2016–17 biennium primarily due to the replacement of General Revenue Funds with SHF Proposition 7 (2015) proceeds for debt service payments on Proposition 12 (2007) GO bonds.

The agency is provided $50.0 million in capital budget authority for the 2018–19 biennium for repair and rehabilitation of TxDOT buildings and facilities. Additionally, the agency is provided $30.0 million in capital budget authority for site preparation, architectural services, and other preconstruction development activities in preparation for the construction of buildings and facilities for the consolidation of the TxDOT Riverside and Camp Hubbard campuses in Austin.

The agency is provided $71.1 million in capital budget authority for information technology projects for transportation project portfolio and workflow management, enterprise information management, and cybersecurity initiatives.

Funding includes $40.0 million from the TMF for the 2018–19 biennium for public roadway projects to improve connectivity to Texas ports.

The agency is authorized to use up to $10.0 million for the 2018–19 biennium to purchase replacement aircraft for the state aircraft pool that TxDOT operates.

Funding includes an increase of 313.5 full-time-equivalent (FTE) positions from the fiscal year 2017 position cap to provide additional staff to support the increased highway planning and contracting activity associated with increases in transportation revenue sources and project funding.

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 $2.3 billion for the 2016–17 biennium. Funding for the 2018–19 biennium includes $0.9 billion in All Funds and 4,483.5 FTE positions for work performed by TxDOT staff, and $1.4 billion in All Funds 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 $1.7 billion in All Funds for the 2018–19 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 $9.5 billion in All Funds for the 2018–19 biennium. The agency estimates awarding 1,453 new highway construction contracts during the 2018–19 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. 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 $3.1 billion in Other Funds for the 2018–19 biennium (including $1.5 billion for contracted routine maintenance and $1.6 billion for activities to be performed by TxDOT personnel) and provides for 6,020.0 FTE positions.

Appropriations for highway planning and construction for the 2018–19 biennium include $2.5 billion in Other Funds from oil and natural gas tax-related transfers to the SHF, pursuant to Proposition 1, 2014. These transfers include $1.2 billion for payments on ongoing projects from Proposition 1 balances remaining from previous fiscal years and $1.3 billion from estimated Proposition 1 deposits to the SHF for the 2018–19 biennium for new projects. The Texas constitution specifies that these funds may be used only for constructing, maintaining, and acquiring rights-of-way for nontolled public roadways.

Appropriations for highway planning and construction include an estimated $2.3 billion in Other Funds from state sales tax deposits to the SHF, pursuant to Proposition 7, 2015. The Texas constitution specifies that these funds may be used to construct, maintain, and acquire rights-of-way for nontolled public roadways or to repay principal and interest on Proposition 12 (2007) GO bonds.

Appropriations for highway planning and construction also include $1.6 billion in All Funds for the 2018–19 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 of less than 50,000) to provide funding for transit operating expenses and capital projects such as transit vehicle replacement. Appropriations for public transportation total $201.2 million in All Funds for the 2018–19 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 60 grants for airport capital improvements in each fiscal year of the 2018–19 biennium. Appropriations for aviation services total $168.6 million in All Funds for the 2018–19 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 $96.2 million in Other Funds for the 2018–19 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 $27.2 million in All Funds for the 2018–19 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 in Other Funds for the 2018–19 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 $121.6 million in All Funds for the 2018–19 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 in Other Funds for the 2018–19 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 in Other Funds for the 2018–19 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 $2.3 million in Other Funds for the 2018–19 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 $573.3 million in Other Funds for the 2018–19 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, 2003), and Highway Improvement GO bonds (Proposition 12, 2007). 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 $2.3 billion in All Funds for the 2018–19 biennium.

PRIMARY FUNDING SOURCES

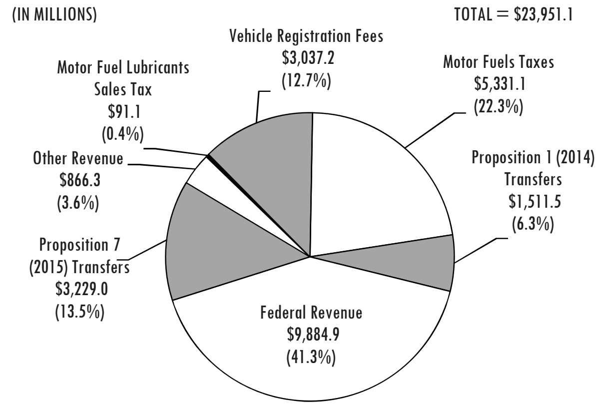
STATE HIGHWAY FUND

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 $14.4 billion for the 2018–19 biennium (54.2 percent of total appropriations) based on the Comptroller of Public Accounts' January 2017 Biennial Revenue Estimate and estimated beginning SHF balances for the 2018–19 biennium. 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 the constitution does not require to be spent on public roadways 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, general sales taxes, 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 other fees associated with administrative and regulatory functions carried out by TxDOT and other agencies. **Figure 336** shows the estimated revenue to the SHF by revenue source for the 2018–19 biennium based on the Comptroller of Public Accounts' October 2017 Certification Revenue Estimate.

TEXAS MOBILITY FUND

The TMF is established by the 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 dedicated to the SHF. Additionally, the constitution authorizes the Legislature to authorize 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, TTC is prohibited from issuing new TMF bond obligations as of January 1, 2015. 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 337** shows the estimated revenue to the TMF by revenue source for the 2018–19 biennium.

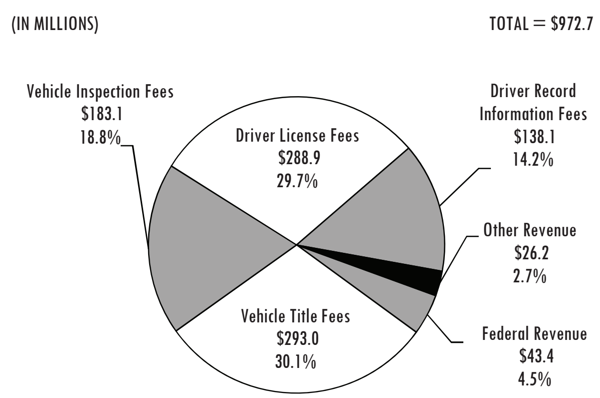
FIGURE 336
STATE HIGHWAY FUND REVENUE SOURCES
2018–19 BIENNIUM



NOTES:
(1) Amounts are estimated.
(2) Proposition 1 (2014) represents estimated oil and natural gas tax-related transfers to the State Highway Fund (SHF).
(3) Proposition 7 (2015) represents estimated sales tax transfers to the SHF.

SOURCES: Legislative Budget Board; Comptroller of Public Accounts.

FIGURE 337
TEXAS MOBILITY FUND REVENUE SOURCES
2018–19 BIENNIUM



NOTE: Amounts are estimated.
SOURCES: Legislative Budget Board; Comptroller of Public Accounts.

FIGURE 338
DEPARTMENT OF TRANSPORTATION BOND PROGRAM SUMMARY, AS OF SEPTEMBER 1, 2017

(IN MILLIONS)

PROGRAM	YEAR AUTHORIZED	TOTAL AUTHORIZED AND ISSUED	PRINCIPAL OUTSTANDING	REMAINING REPAYMENTS (3)
Texas Mobility Fund	2001	$7,390.6	$6,093.2	$10,360.0
Proposition 14	2003	$6,000.0	$4,418.0	$6,000.0
Proposition 12 (2)	2009	$5,000.0	$4,004.4	$6,644.0

NOTES:
(1) Amounts represent total debt authorized and issued, outstanding principal, and repayments remaining as of September 1, 2017.
(2) The Proposition 12 constitutional amendment was approved by voters in 2007. However, the Legislature did not pass enabling legislation authorizing the issuance of Proposition 12 bonds until 2009.
(3) Remaining repayment amounts include repayments of outstanding principal plus estimated interest payments on fixed-rate and variable-rate debt through fiscal year 2046.
SOURCES: Legislative Budget Board; Department of Transportation.

FEDERAL FUNDS

Federal Funds account for 39.4 percent of the agency's total appropriations for the 2018–19 biennium. Of these funds, $9.9 billion, or 94.4 percent of Federal Funds, are for highway planning and construction. 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 completed and payments are made, the state is reimbursed in accordance with the federal–state participation matching ratios established for the federal program categories, typically 80.0 percent federal match for federal aid highway projects.

BOND PROGRAMS

The Texas constitution and state law authorize 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, 2003) bonds; and (3) Highway Improvement GO (Proposition 12, 2007) 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.

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 CPA's certified estimate of revenue dedicated to the fund. As of the end of the 2016–17 biennium, TTC has issued all authorized debt for each of the three bond programs.

Figure 338 shows each bond program, including the amounts of debt authorized and issued, outstanding principal, and total principal and interest repayments remaining as of September 1, 2017.

SIGNIFICANT LEGISLATION

Senate Bill 312 – Continuation and Functions of TxDOT. The legislation, TxDOT's Sunset bill, continues the agency for 12 years until September 1, 2029, and enacts various requirements affecting TxDOT functions, including transportation planning and project development, toll project financing and operations, and operations of the state aircraft fleet.

The legislation requires TxDOT to include clearly defined transportation system strategies, goals and measurable targets, and related performance measures in each of its statewide transportation plans and policy efforts. The legislation requires TxDOT to conduct a comprehensive analysis of the effect of funding allocations and project selection decisions on accomplishing the goals described in the statewide transportation plans and provide the analysis to metropolitan planning organizations, the public, and members of the TTC to inform deliberations on funding decisions for the Unified Transportation Program (UTP). The legislation also requires the TTC to evaluate projects based on strategic need and potential contribution toward meeting statewide transportation goals before prioritizing and approving projects that are included in the UTP.

The legislation makes various changes to TxDOT's authority to develop, finance, and operate toll projects. The legislation prohibits TxDOT from adding a tolling component to an existing high occupancy vehicle lane operating without tolls prior to September 1, 2017, unless the toll project component was included in the state implementation plan for air quality before September 1, 2017. The legislation requires that TxDOT or TTC financial assistance provided to a public or private entity to pay the costs of a toll facility on or after September 1, 2017, must be repaid to TxDOT. Additionally, the legislation changes toll collection and enforcement authority for TxDOT operated toll roads, including new limitations on administrative fees and fines related to unpaid toll invoices.

The legislation requires TxDOT to include additional analyses and recommendations in its state aircraft pool long-range plan, including estimates of the remaining useful life of each aircraft, a proposed schedule for aircraft replacement, an analysis of current state aircraft usage, and an analysis of the costs and benefits of different methods for meeting air transportation services currently provided by TxDOT. Additionally, the legislation authorizes TxDOT to adopt billing rates for interagency aircraft services that are sufficient to recover the direct costs of the services provided and the capital costs of replacing aircraft in the state pool.

House Bill 2646 – Advance Acquisition for Transportation Facilities. The legislation authorizes TTC to acquire property for a transportation facility prior to the issuance of environmental clearance for the facility by the appropriate federal or state authority. This authority aligns with recent changes in federal law that authorize a state to receive Federal Funds for the acquisition of right-of-way prior to final environmental clearance.

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

Senate Bill 1523 – State Safety Oversight Program for Rail Fixed Guideway Public Transportation Systems. The legislation requires TxDOT to implement an oversight program of state safety for rail fixed-guideway public transportation systems that satisfies federal requirements. The legislation requires TxDOT to investigate and enforce applicable federal and state safety laws and audit rail fixed-guideway public transportation systems. The legislation requires TxDOT, in consultation with the Federal Transit Administration, to determine an appropriate staffing level for the state safety oversight program. The TTC is required to adopt rules to implement the program no later than March 1, 2019.

Senate Bill 2006 – Regulation of Certain Outdoor Signs. The legislation revises the Texas Highway Beautification Act to address a 2016 Texas Third Court of Appeals decision that affected TxDOT's authority to regulate outdoor advertising. The legislation replaces the previous outdoor advertising regulation framework with a framework limited to regulation of commercial signs that are leased, or for which payment of any type is received, for the display of any good, service, brand, slogan, message, product, or company.

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

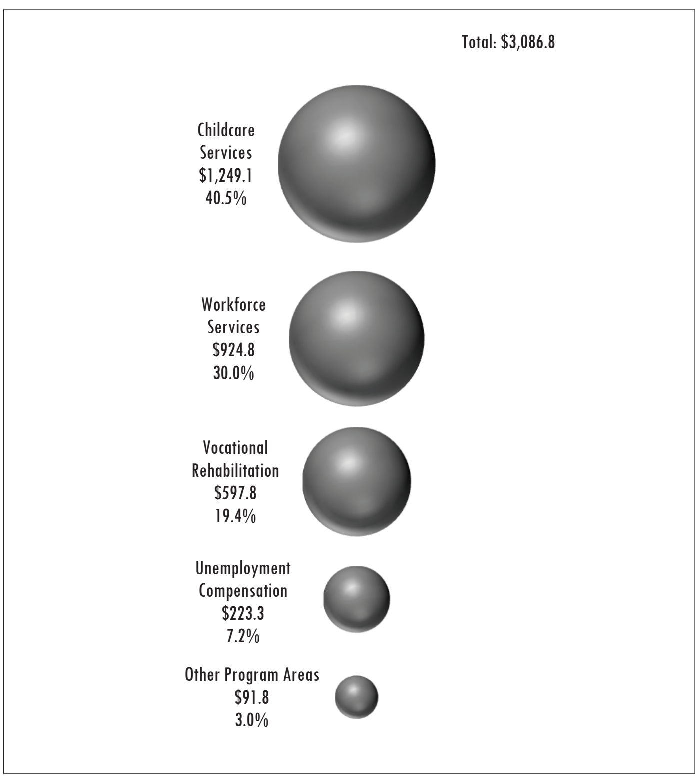
FIGURE 339
TEXAS WORKFORCE COMMISSION BY METHOD OF FINANCE

(IN MILLIONS)

METHOD OF FINANCE	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$339.9	$381.7	$41.8	12.3%
General Revenue–Dedicated Funds	$15.6	$12.5	($3.1)	(20.0%)
Federal Funds	$2,349.9	$2,546.8	$196.9	8.4%
Other Funds	$139.0	$145.7	$6.7	4.8%
Total, All Methods of Finance	**$2,844.5**	**$3,086.8**	**$242.2**	**8.5%**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2018	4,868.5
2019	4,868.5

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

The Texas Workforce Commission (TWC) is appropriated **$311.1 million in All Funds** to biennialize funding for the **Vocational Rehabilitation** program transferred from the Department of Assistive and Rehabilitative Services in fiscal year 2017.

Appropriations include an **increase of $11.6 million** to fund the Department of Family and Protective Services childcare services for **foster care and protective service populations**.

Funding includes a **net decrease of $55.3 million** related to changes in federal grants. Overall, Federal Funds account for **82.5 percent** of the agency's total appropriation.

Appropriations include a **decrease of $3.0 million** for workforce employment and training activities, **$2.7 million** for contract cost containment, and **$1.7 million** for the Skills Development program.

SOURCE: Legislative Budget Board.

MAJOR FUNDING

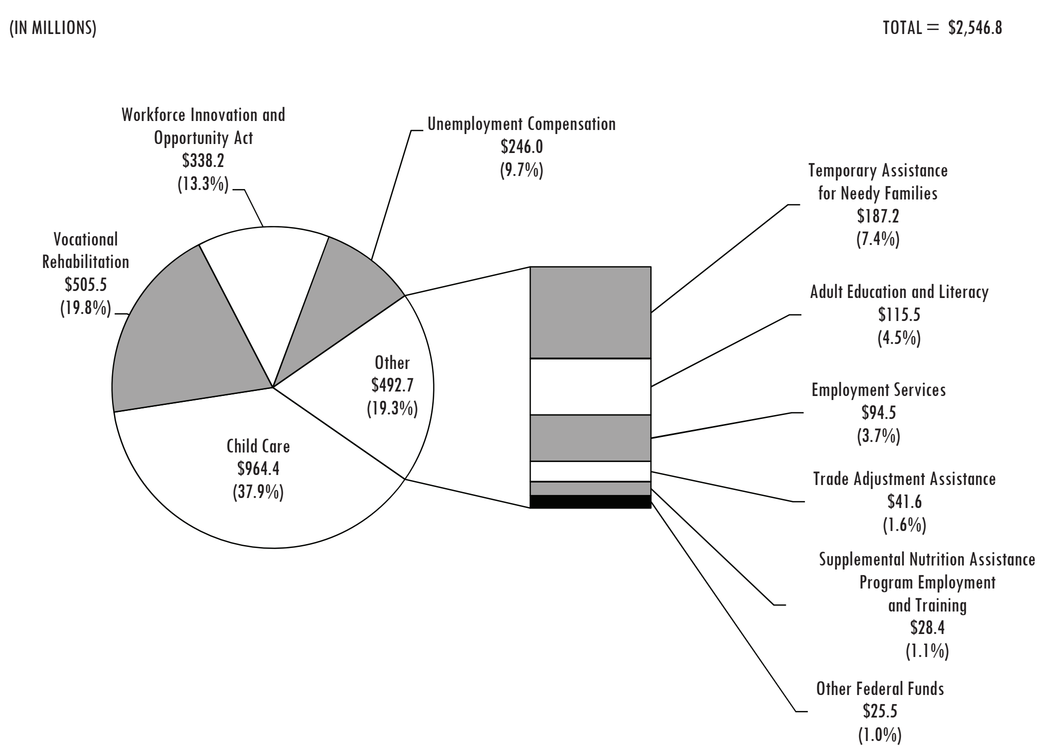
Funding for the Texas Workforce Commission (TWC) includes a net increase of $242.2 million from the 2016–17 funding levels. The increase in funding is primarily related to the transfer of programs from the Department of Assistive and Rehabilitative Services (DARS) to TWC, pursuant to legislation passed by the Eighty-fourth Legislature, 2015. Funding includes an increase of $311.1 million in All Funds to biennialize funding for the Vocational Rehabilitation and Business Enterprises of Texas programs transferred from DARS to TWC in fiscal year 2017. The increase includes $56.7 million in General Revenue Funds, $1.1 million in General Revenue–Dedicated Funds, $252.2 million in Federal Funds, and $1.1 million in Other Funds. Funding also includes an increase of $11.6 million in Interagency Contracts to fund the Department of Family and Protective Services childcare services for foster care and protective service populations.

The increases are offset by a net decrease of $55.3 million in Federal Funds related to changes in federal grants. Decreases are primarily related to funding not anticipated to be available for the Adult Education and Child Care programs in the 2018–19 biennium, offset by anticipated increases in funding for the Unemployment Insurance and Employment Services grants. Overall, Federal Funds account for $2,546.8 million, or 82.5 percent, of the agency's total appropriation. **Figure 340** shows the agency's appropriations of Federal Funds by program.

Funding decreases for TWC also include $3.0 million for workforce employment and training activities, including initiatives for job creation, economic development, and veteran employment programs, and $2.7 million for contract cost containment. Appropriations also include a decrease of $1.7 million for the Skills Development program. This program provides grants to community and technical colleges providing customized job training for businesses to train new workers or improve the skills of their existing workforce.

The agency's functions occur at the statewide level and at 28 designated local Workforce Development Boards (LWDB) that deliver workforce and support services at the local level. Approximately 53.8 percent of TWC All Funds appropriations take the form of block grant allocations to the LWDBs in the 2018–19 biennium.

FIGURE 340
TEXAS WORKFORCE COMMISSION FEDERAL FUNDS BY PROGRAM, 2018–19 BIENNIUM



SOURCE: Texas Workforce Commission.

FIGURE 341
TEXAS WORKFORCE COMMISSION WORKFORCE SERVICES PROGRAMS, 2018–19 BIENNIUM

PROGRAM	APPROPRIATION (IN MILLIONS)	PERCENTAGE OF APPROPRIATION FEDERALLY FUNDED
Workforce Innovation and Opportunity Act	$331.8	100%
TANF Choices	$175.6	90%
SNAP Employment and Training	$36.8	76%
Employment Services	$108.3	91%
Trade Adjustment Assistance	$40.8	100%
Adult Education and Literacy	$150.5	84%
Skills Development	$57.4	0%
TANF Self-Sufficiency	$5.1	100%
Apprenticeship	$8.9	29%
Senior Community Service Employment	$9.6	100%
TOTAL	**$924.8**	**87%**

Note: TANF = Temporary Assistance for Needy Families; SNAP = Supplemental Nutrition Assistance Program.
Source: Legislative Budget Board.

FIGURE 342
TEXAS WORKFORCE COMMISSION SELECTED PERFORMANCE MEASURES, FISCAL YEARS 2013 TO 2019

MEASURE	2013	2014	2015	2016	2017	2018	2019
Entered Employment Rate	64.15%	64.85%	69.28%	70.49%	69.31%	68.50%	69.00%
Employment Retention Rate	83.40%	83.07%	84.69%	84.20%	83.86%	84.00%	84.00%
Percentage of Unemployment Insurance Claimants Paid Timely	95.67%	96.81%	97.74%	96.78%	95.26%	97.00%	97.00%
Average Number of Children Served Per Day, At-Risk and Transitional Services	94,203	94,647	93,900	94,262	89,573	80,884	78,326
Average Number of Children Served Per Day, Temporary Assistance for Needy Families Choices and Other Mandatory Services	8,596	7,358	6,394	6,214	14,032	23,418	25,652

Note: Fiscal years 2018 and 2019 are estimated.
Source: Texas Workforce Commission.

PROGRAMS

The agency carries out its responsibilities through five major program areas: (1) workforce services; (2) childcare 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 Innovation and Opportunity Act (WIOA); (2) Temporary Assistance for Needy Families (TANF) Choices; (3) Supplemental Nutrition Assistance Program (SNAP) employment and training; (4) employment services; (5) trade adjustment assistance; (6) adult education and literacy; (7) skills development; (8) TANF self-sufficiency; (9) apprenticeship; and (10) senior community service employment program. Appropriations for workforce services total $924.8 million in All Funds for the 2018–19 biennium.

Of the workforce services programs, funding for WIOA, TANF Choices, SNAP employment and training, employment services, and trade adjustment assistance programs are provided as allocations to the LWDBs that administer the programs. The remaining five programs, including adult education and literacy, skills development, TANF self-sufficiency, apprenticeship, and senior community service employment program, are administered at the state level. **Figure 341** shows biennial appropriations by program. **Figure 342** shows select performance measures related to these programs.

The goal of the WIOA 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 WIOA funds to LWDBs to contract for training services, workforce services, and maintenance of the Workforce Solutions offices. TWC estimates that approximately 30,450 adults will participate in the WIOA 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 30,000 participants each year. SNAP employment and training assists SNAP recipients in working toward becoming self-sufficient and is expected to serve approximately 34,000 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 600 agency employees administer these services. This program also assists Texans in securing permanent employment through partnerships between community-based organizations and employers. In addition, employment services funding is provided to develop programs for women entering careers in Texas manufacturing and technology.

Pursuant to the federal Trade Adjustment Assistance Act, TWC provides funding to the LWDBs 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 adjustment assistance program.

At the state level, the adult education and literacy program assists adults in becoming literate and obtaining the knowledge and skills necessary for employment and self-sufficiency. The program provides English language, reading, writing, and math instruction to help adults succeed in the workforce, earn a high school equivalency, or enter college or career training. The agency anticipates serving approximately 81,000 students each 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 Jobs and Education for Texans (JET) program transferred from the Comptroller of Public Accounts, pursuant to legislation passed by the Eighty-fourth Legislature, 2015. The TANF self-sufficiency program requires all participating trainees to be current or potential TANF recipients. TANF trainees obtain industry-recognized certificates and credentials that lead to permanent, full-time employment.

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 6,111 students each year. The senior community service employment program funds public or community service jobs for economically disadvantaged citizens age 55 or older to enhance individual economic self-sufficiency.

CHILDCARE SERVICES

The second program area provides childcare services to eligible recipients. These childcare 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. In addition to providing childcare, the agency supports childcare providers participating in early childhood school readiness models and professional development programs for early childhood education professionals.

TWC allocates a portion of total childcare appropriations to each LWDB along with a performance target for the number of children served. In turn, the LWDBs use these parameters to work with local childcare service providers to reimburse services rendered at a rate not to exceed a maximum reimbursement rate set by the LWDB. In addition, the Department of Family and Protective Services (DFPS) reimburses TWC for childcare services provided to children that are determined eligible for protective services by DFPS.

The Child Care Program is primarily funded at the federal level. The federal Child Care and Development Block Grant (CCDBG) Act of 2014 reauthorized the Child Care Program for the first time since 1996 and represents significant changes to the program, including the establishment of a 12-month eligibility redetermination period. Because of this change, the agency is anticipating an increase in participation for the TANF Choices program related to the DFPS population and a corresponding decrease in participation for the At-Risk program, as shown in **Figure 342**.

At the current level of funding, the agency estimates that childcare will be provided to an average of 104,000 children per day each year across the Child Care programs (**Figure 342**). This is the largest single program funded at TWC, and appropriations total $1,249.1 million, or 40.5 percent of the agency's funding in All Funds, for the 2018–19 biennium.

VOCATIONAL REHABILITATION

The vocational rehabilitation program primarily consists of three programs, including: (1) vocational rehabilitation; (2) Business Enterprises of Texas (BET); and (3) BET Trust Fund. These programs transferred to TWC in fiscal year 2017 from DARS due to the enactment of Senate Bill 208, Eighty-fourth Legislature, 2015.

The vocational rehabilitation program is the largest of these programs and appropriations total $592.0 million in All Funds for the 2018–19 biennium. The program assists disabled Texans in achieving employment through individualized services and job placement assistance services. The agency anticipates serving approximately 71,000 customers each year. 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 $5.0 million in All Funds, and the BET Trust Fund is appropriated $0.8 million in General Revenue–Dedicated Funds for the 2018–19 biennium.

UNEMPLOYMENT COMPENSATION

The agency also administers the state's Unemployment Compensation 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. **Figure 342** shows select performance measures related to this program. The unemployment compensation program is appropriated $223.3 million in All Funds for the 2018–19 biennium.

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 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 $91.8 million in All Funds for the 2018–19 biennium.

The labor law program is appropriated $8.0 million n General Revenue–Dedicated Funds 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 $2.2 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 $4.8 million in All Funds 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 $1.3 million in Federal Funds to review and process temporary employment certification forms, the labor market and career information program is appropriated $7.9 million in All Funds to develop and report labor market information, and the work opportunity tax credit program is appropriated $1.4 million in Federal Funds to help provide federal tax credit to employers who hire individuals from specified target populations.

Administrative support functions include $37.5 million in All Funds for central administration, $17.6 million in All Funds for information services, and $11.1 million in All Funds for other support services at the agency.

SIGNIFICANT LEGISLATION

House Bill 2431 – Allows participation of public state colleges in the Jobs and Education for Texans (JET) program. The legislation authorizes public state colleges to be eligible recipients of JET grant funds. The JET program provides grants to cover start-up costs associated with the development of career and technical education programs.

Senate Bill 2105 – Requires additional reporting requirements to the Texas Education Agency (TEA). The legislation requires additional information provided to TEA quarterly on employment information for secondary school students, including career and technical education partnership opportunities, professional development opportunities for teachers, and learning opportunities for students.

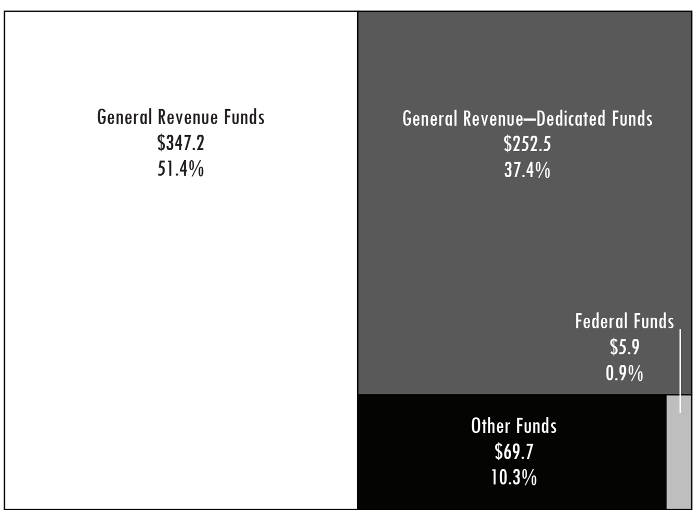
11. REGULATORY

Regulatory agencies are the 23 state agencies charged with the regulation of a wide range of industries and occupations in the state. Regulated industries include insurance, workers' compensation, health-related occupations, nonhealth-related occupations, telecommunications, electric utilities, securities, and pari-mutuel racing. The appropriations and indirect costs for 19 of the regulatory agencies are supported by fees generated from the industries and occupations they regulate. These agencies are subject to a special provision expressing legislative requirements that fee-generated revenues cover the cost of agency appropriations and the other direct and indirect costs appropriated elsewhere in the Eighty-fifth Legislature, General Appropriations Act, 2018–19 Biennium.

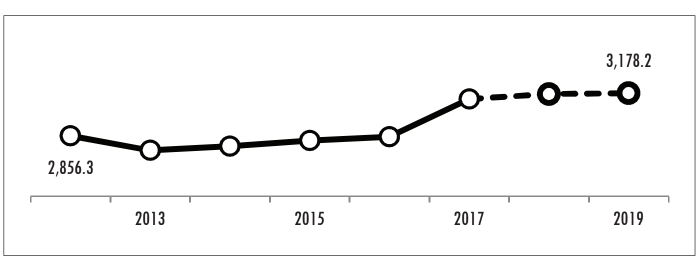
FIGURE 343
ARTICLE VIII – REGULATORY, BY METHOD OF FINANCE

	(IN MILLIONS)			
METHOD OF FINANCE	EXPENDED/BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$337.1	$347.2	$10.1	3.0%
General Revenue–Dedicated Funds	$577.8	$252.5	($325.3)	(56.3%)
Federal Funds	$8.6	$5.9	($2.8)	(32.2%)
Other Funds	$32.8	$69.7	$36.9	112.5%
Total, All Methods of Finance	**$956.4**	**$675.3**	**($281.1)**	**(29.4%)**

SHARE OF FUNDING BY METHOD OF FINANCE (IN MILLIONS)



FULL-TIME-EQUIVALENT POSITIONS



SIGNIFICANT DEVELOPMENTS

Appropriations include a decrease of $333.2 million in General Revenue–Dedicated Funds from Account No. 5100, System Benefit Fund, at the Public Utility Commission **due to the fund's expiration** at the end of the 2016–17 biennium.

Appropriations include **$42.1 million in All Funds** to the Texas Department of Insurance **for the establishment of a Health Insurance Risk Pool** contingent upon federal law, regulation, or executive action.

House Bill 3078, Eighty-fifth Legislature, Regular Session, 2017, **abolished the Board of Podiatric Medical Examiners** and **transferred the regulation of podiatry** to the Texas Department of Licensing and Regulation.

Funding for the Texas Department of Licensing and Regulation includes an increase of $4.5 million for the **licensing and regulation of new occupations and occupations transferred from other state agencies**.

Notes: Excludes Interagency Contracts. Full-time-equivalent positions show actual positions for fiscal years 2012 to 2017 and appropriated positions for fiscal years 2018 and 2019.
Sources: Legislative Budget Board; State Auditor's Office.

FIGURE 344
ARTICLE VIII – REGULATORY APPROPRIATIONS BY AGENCY, ALL FUNDS

(IN MILLIONS)

FUNCTION	EXPENDED/BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE
State Office of Administrative Hearings	$23.5	$23.3	($0.3)	(1.1%)
Board of Chiropractic Examiners	$1.7	$1.6	($0.1)	(4.2%)
Texas State Board of Dental Examiners	$8.8	$9.1	$0.3	3.2%
Funeral Service Commission	$1.7	$1.6	($0.1)	(3.5%)
Board of Professional Geoscientists	$1.2	$1.1	($0.1)	(4.2%)
Health Professions Council	$2.2	$2.2	($0.0)	(1.2%)
Office of Injured Employee Counsel	$17.6	$17.6	($0.0)	(0.0%)
Department of Insurance	$232.6	$269.6	$37.1	15.9%
Office of Public Insurance Counsel	$2.2	$2.1	($0.1)	(3.4%)
Board of Professional Land Surveying	$0.9	$1.0	$0.1	5.6%
Department of Licensing and Regulation	$67.0	$69.1	$2.1	3.1%
Texas Medical Board	$28.3	$27.5	($0.8)	(2.9%)
Texas Board of Nursing	$24.1	$25.5	$1.5	6.1%
Optometry Board	$1.0	$1.0	$0.0	1.0%
Board of Pharmacy	$15.4	$16.5	$1.1	7.3%
Executive Council of Physical Therapy and Occupational Therapy Examiners	$2.9	$2.8	($0.1)	(2.6%)
Board of Plumbing Examiners	$5.4	$5.3	($0.1)	(1.8%)
Board of Podiatric Medical Examiners	$0.6	$0.0	($0.6)	(100.0%)
Board of Examiners of Psychologists	$1.8	$1.8	($0.0)	(0.4%)
Texas Racing Commission	$14.7	$15.6	$0.9	6.3%
Texas State Securities Board	$14.6	$14.0	($0.6)	(4.1%)
Public Utility Commission	$358.3	$32.6	($325.6)	(90.9%)
Office of Public Utility Counsel	$4.5	$4.3	($0.2)	(4.1%)
Board of Veterinary Medical Examiners	$2.6	$2.9	$0.3	10.2%
Subtotal, Regulatory	**$833.5**	**$548.2**	**($285.3)**	**(34.2%)**
Retirement and Group Insurance	$105.2	$112.1	$6.8	6.5%
Social Security and Benefits Replacement Pay	$26.2	$26.2	$0.0	0.1%
Lease Payments	$1.0	$0.3	($0.7)	(68.2%)
Subtotal, Employee Benefits and Debt Service	**$132.4**	**$138.6**	**$6.2**	**4.7%**
Less Interagency Contracts	$9.5	$11.5	$2.0	20.7%
Total, All Functions	**$956.4**	**$675.3**	**($281.1)**	**(29.4%)**

NOTES:
(1) Includes 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

Appropriations for the regulatory agencies, excluding employee benefits and debt service appropriated elsewhere in the Eighty-fifth Legislature, General Appropriations Act (GAA), 2018–19 Biennium, total $548.2 million in All Funds, including $462.6 million in General Revenue Funds and General Revenue–Dedicated Funds, for the biennium. Of the General Revenue Funds and General Revenue–Dedicated Funds amount, $418.4 million (90.4 percent) is generated by fees assessed on the regulated industries and occupations.

Nineteen of the regulatory agencies are subject to a legislative requirement that fee-generated revenues cover the cost of agency appropriations and other direct and indirect costs appropriated elsewhere in the GAA. Seventeen of these agencies generate revenue in excess of these direct and indirect amounts from the regulated occupations and industries. Revenue generated greater than 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 2018–19 Legislative Appropriations Request and estimates from the Comptroller of Public Accounts' 2018–19 Biennial Revenue Estimate, it is estimated that the regulatory agencies will generate approximately $75.0 million in revenue greater than appropriated amounts for the 2018–19 biennium.

The Eighty-fifth Legislature, Regular Session, 2017, evaluated 10 of the health-related licensing regulatory agencies through the Sunset review process. During this process, the Board of Podiatric Medical Examiners was abolished on September 1, 2017, and the regulation of podiatry was transferred to the Texas Department of Licensing and Regulation (TDLR). The Board of Chiropractic Examiners, Texas State Board of Dental Examiners, Texas Board of Nursing, Optometry Board, Board of Pharmacy, and Executive Council of Physical Therapy and Occupational Therapy Examiners were reviewed and continued for 12 years. The Board of Veterinary Medical Examiners was reviewed and continued for four years, and the Sunset Advisory Commission will conduct a special-purpose review of the agency for the Eighty-seventh Legislature, 2021. The Eighty-fifth Legislature, First Called Session, 2017, continued the Texas Medical Board and Board of Examiners of Psychologists for two years, and the agencies will undergo Sunset review during the 2018–19 biennium.

The enactment of the Sunset legislation passed by the Eighty-fifth Legislature, Regular Session, 2017, resulted in certain increases in funding at the regulatory agencies to enact provisions of the legislation. The most significant increases include $0.5 million in General Revenue Funds to the Board of Pharmacy, to implement additional requirements of the Prescription Monitoring Program and tracking of wholesale pharmaceutical companies, and $0.6 million to the Texas State Board of Dental Examiners, primarily for additional inspections on licensees administering anesthesia.

The most significant funding change for the 2018–19 biennium occurred at the Public Utility Commission (PUC). Appropriations to the PUC include a decrease of $333.2 million in General Revenue–Dedicated Funds from Account No. 5100, System Benefit Fund, from the 2016–17 biennial spending level for the low-income discount program ($324.3 million) and agency administration ($8.9 million). Statutory authority for this account expired during the 2016–17 biennium, and no appropriations are provided for the low-income discount program for the 2018–19 biennium.

Funding for the Texas Department of Insurance (TDI) includes an overall increase of $37.1 million from the 2016–17 biennial spending levels. This increase is due primarily to an increase in All Funds of $42.1 million for the establishment of a temporary health insurance risk pool, pursuant to Senate Bill 2087, Eighty-fifth Legislature, Regular Session, 2017, and contingent on action by the federal government or executive action. Additionally, funding for TDI includes an increase of $4.4 million in the agency's contingency regulatory response rider for the agency to respond in the event of a significant change in the insurance regulatory environment. This increase is offset by a decrease of $4.1 million for the Three-Share Premium Assistance program, which enables TDI to award small grants to programs that help provide and subsidize low-cost, health insurance plans for small businesses. Authority to fund grant awards with available fines collected from regulated entities is continued for the agency for the 2018–19 biennium.

Appropriations for TDLR include an increase of $3.5 million and 25.0 full-time-equivalent positions for the final implementation of Senate Bill 202, Eighty-fourth Legislature, 2015, which resulted in the transfer of certain health occupations from the Department of State Health Services to the agency. Appropriations also include an increase of $1.0 million to license and regulate podiatrists, transportation network companies, behavioral analysts, and assistant behavioral analysts during the 2018–19 biennium, pursuant to the passage of House Bill 3078, House Bill 100, and

Senate Bill 589 by the Eighty-fifth Legislature, Regular Session, 2017.

The following is a summary of select funding at regulatory agencies for the 2018–19 biennium:

- funding for the State Office of Administrative Hearings includes a decrease of $2.3 million in General Revenue Funds for onetime expenditures during the 2016–17 biennium and a decrease in requested funding related to an increase of $2.0 million in Other Funds from Interagency Contracts from the use of an increased hourly rate and anticipated workload increases for the 2018–19 biennium;
- appropriations for the Texas State Board of Dental Examiners, Board of Pharmacy, Texas Board of Nursing, and Board of Veterinary Medical Examiners, include an increase of $0.3 million for the Peer Assistance program, which monitors the recovery of impaired licensees for substance abuse or certain mental health diagnoses;
- four health-related regulatory agencies, including the Board of Pharmacy, Optometry Board, Executive Council of Physical Therapy and Occupational Therapy Examiners, and the Texas Medical Board, received an increase of $0.2 million in General Revenue Funds for the implementation of voice over Internet protocol;
- appropriations for the Texas Department of Licensing and Regulation, Executive Council of Physical Therapy and Occupational Therapy Examiners, and Board of Veterinary Medical Examiners include $0.2 million in General Revenue Funds for the implementation of the Centralized Accounting and Payroll/Personnel System; and
- 19 of the 23 regulatory agencies received an increase in salary authority for exempt positions.

SIGNIFICANT LEGISLATION

House Bill 91 – A review of occupational licensing requirements and an applicant's criminal history. The legislation requires each licensing authority to review criminal history requirements for each license or other type of authorization required to engage in a particular occupation, and to make a recommendation regarding whether the requirement should be retained, modified, or repealed.

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

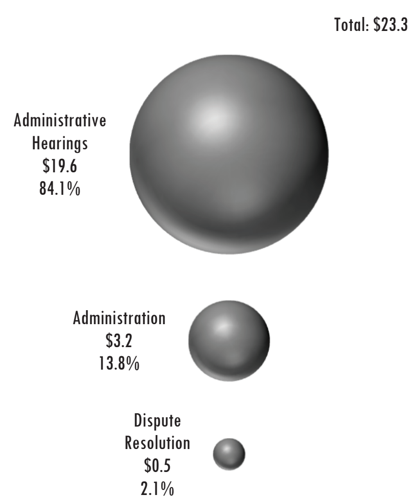
FIGURE 345
STATE OFFICE OF ADMINISTRATIVE HEARINGS BY METHOD OF FINANCE

(IN MILLIONS)

METHOD OF FINANCE	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$16.6	$14.3	($2.3)	(13.8%)
General Revenue–Dedicated Funds	$0.0	$0.0	$0.0	N/A
Federal Funds	$0.0	$0.0	$0.0	N/A
Other Funds	$7.0	$9.0	$2.0	29.0%
Total, All Methods of Finance	**$23.5**	**$23.3**	**($0.3)**	**(1.1%)**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2018	123.0
2019	123.0

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

Appropriations include a **decrease of $1.6 million in General Revenue Funds** for onetime expenditures during the 2016–17 biennium.

The agency anticipates an **increase in workload from the Department of Family and Protective Services, the Texas Education Agency, and the Texas Real Estate Commission.**

The State Office of Administrative Hearings will charge agencies **an hourly rate of $128 per hour** for costs associated with administrative hearings.

MAJOR FUNDING

The State Office of Administrative Hearings (SOAH) is appropriated primarily General Revenue Funds and Interagency Contracts (Other Funds) for the 2018–19 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 Texas Medical Board.

Interagency Contract funding consists of amounts paid to SOAH from other agencies for work relating to administrative hearings at the agency and is provided 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: the 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.

The Interagency Contract funding for the 2018–19 biennium includes an increase of $2.0 million in Other Funds due to an anticipated increase in caseload from three agencies that have lump-sum contracts. These agencies include the Department of Family and Protective Services, Texas Education Agency, and Texas Real Estate Commission. The increased funding also includes a higher hourly rate charged to agencies to cover the cost of conducting cases.

Appropriations for SOAH include a decrease of $2.3 million in General Revenue Funds for onetime expenditures during the 2016–17 biennium, including an integrated case management system and Centralized Accounting and Payroll/Personnel System implementation, and a decrease of requested General Revenue Funds funding due to higher anticipated Interagency Contract amounts from the increased hourly rate. Overall appropriations at SOAH include a net decrease of 1.1 percent, or $0.3 million, from the 2016–17 biennial spending level.

PROGRAMS

SOAH fulfills its responsibility through three main program areas: (1) conducting administrative hearings; (2) conducting alternative dispute resolution (ADR) cases; and (3) administration. **Figure 346** shows certain agency performance measures from fiscal years 2015 to 2019 related to the agency's key functions.

Conducting administrative hearings and preparing proposals for decisions and final orders are SOAH's primary functions. 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 collaborating with the Department of Public Safety, 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 during each fiscal year of the 2018–19 biennium. SOAH is appropriated $19.6 million and 102.0 FTE positions for conducting administrative hearings.

FIGURE 346
STATE OFFICE OF ADMINISTRATIVE HEARINGS PERFORMANCE MEASURES, FISCAL YEARS 2015 TO 2019

MEASURE	2015	2016	2017	2018	2019
Total Agencies Served	51	51	54	49	49
Total Cases Received (2)	32,819	31,314	27,228	34,125	34,125
Total Cases Disposed	33,852	31,832	29,280	37,000	37,000
Total Administrative License Revocation Cases Disposed	27,883	25,379	23,201	30,000	30,000
Total Alternative Dispute Resolution Cases Requested or Referred	183	149	238	110	110

NOTES:
Amounts for fiscal years 2018 and 2019 are estimated.
Total Cases Received excludes alternative dispute resolution cases.
SOURCE: State Office of 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 rule making. It is estimated that SOAH will receive 110 requested or referred ADR cases during each fiscal year of the 2018–19 biennium 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 training for administering the agency's major programs. SOAH is appropriated $3.2 million and 19.0 FTE positions for this purpose.

OFFICE OF INJURED EMPLOYEE COUNSEL

PURPOSE: Assist, educate, and advocate on behalf of the injured employees of Texas. By statute, the Office of Injured Employee Counsel is administratively attached to the Texas Department of Insurance, Division of Workers' Compensation.

ESTABLISHED: 2005

AUTHORIZING STATUTE: The Texas Labor Code, §404.002

GOVERNANCE: Public Counsel—appointed by the Governor with advice and consent of the Senate

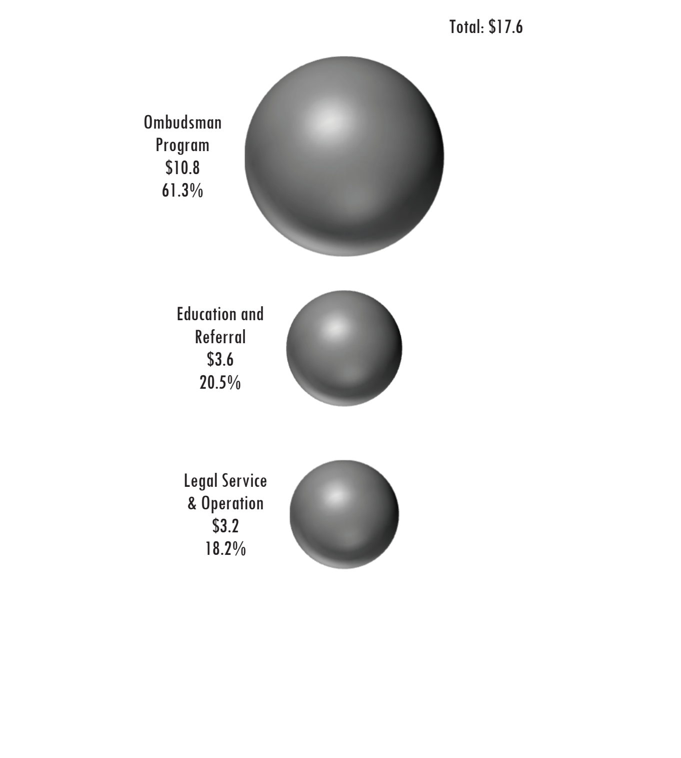
FIGURE 347
OFFICE OF INJURED EMPLOYEE COUNSEL BY METHOD OF FINANCE

(IN MILLIONS)

METHOD OF FINANCE	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$0.0	$0.0	$0.0	N/A
General Revenue–Dedicated Funds	$17.6	$17.6	($0.0)	(0.0%)
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	**$17.6**	**$17.6**	**($0.0)**	**(0.0%)**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2018	175.0
2019	175.0

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

The agency anticipates participating in **13,000 benefit review conferences**, **5,200 contested case hearings**, and **2,000 appeals** to assist injured employees during the 2018–19 biennium.

Administrative attachment appropriations at the Texas Department of Insurance include funding to cover **rent increases of $0.2 million** at the shared workers' compensation field offices with OIEC.

The agency received an **increase in salary authority** for the agency's exempt position, the Public Counsel.

SOURCE: Legislative Budget Board.

MAJOR FUNDING AND PROGRAMS

The Office of Injured Employee Counsel (OIEC) carries out its responsibilities through three major program areas: (1) the Ombudsman Program; (2) education and referral; and (3) legal services and operations.

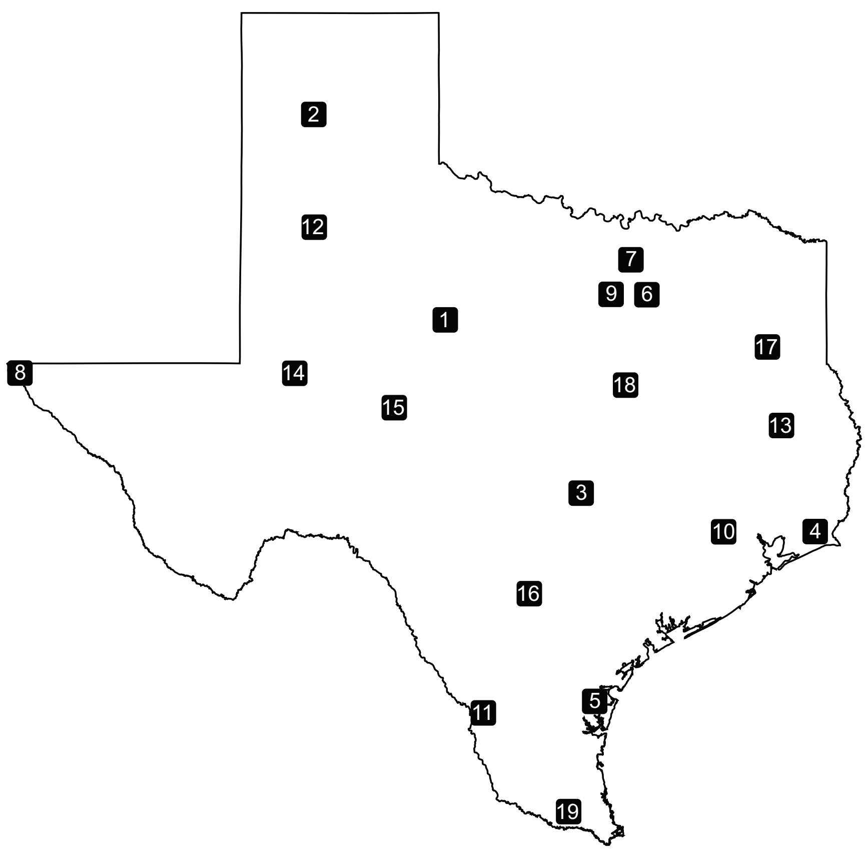
The Ombudsman Program assists injured employees with disputes related to workers' compensation claims. Ombudsmen assist injured employees at benefit review conferences, contested case hearings, and appeals, and conduct preparation appointments with injured employees prior to these proceedings. The Ombudsman Program also assists in helping injured employees resolve disputes through early intervention and case development. Ombudsmen are based in the agency's central office and in 20 field offices located in 19 cities around the state, as shown in **Figure 348**. OIEC is appropriated $10.8 million and 111.0 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 $3.6 million and 45.0 FTE positions for this purpose.

The final program area includes the agency's legal services and administrative and information technology support for the agency. Legal services represents injured employee interests as a class by participating in the legislative process, the Texas Department of Insurance (TDI) rule-making process, and training Ombudsmen on workers' compensation law, dispute resolution, and hearing skills. OIEC is appropriated $3.2 million and 19.0 FTE positions for this purpose.

Pursuant to the Texas Labor Code, OIEC is administratively attached to TDI, which provides administrative assistance

FIGURE 348
OFFICE OF INJURED EMPLOYEE COUNSEL FIELD OFFICES, 2017



FIELD OFFICE LOCATIONS

1 Abilene
2 Amarillo
3 Austin
4 Beaumont
5 Corpus Christi
6 Dallas
7 Denton
8 El Paso
9 Fort Worth
10 Houston (2 locations)
11 Laredo
12 Lubbock
13 Lufkin
14 Midland
15 San Angelo
16 San Antonio
17 Tyler
18 Waco
19 Weslaco

Source: Office of Injured Employee Counsel.

and services, personnel services, and computer equipment and support. Approximately $1.8 million of TDI's appropriations in the 2018–19 biennium are allocated for OIEC's administrative costs, including rental space, equipment, postage, and supplies. The agency may not exceed expenditures of this amount by more than 10.0 percent without prior written approval from the Legislative Budget Board. Additionally, OIEC receives direct funding from the General Revenue–Dedicated TDI Operating Fund and appropriations for the agency include a decrease of $4,500 from the 2016–17 biennial spending levels for contract cost containment.

SIGNIFICANT LEGISLATION

House Bill 2060 – Eligibility requirements for employment as an ombudsman. The legislation removes the requirement that an applicant for an OIEC ombudsman position must have at least one year of demonstrated experience in the field of workers' compensation.

TEXAS DEPARTMENT OF INSURANCE

PURPOSE: Protect insurance consumers in Texas by regulating the insurance industry and promoting a stable and competitive market. The Texas Department of Insurance focuses on access to affordable insurance, promoting insurer financial strength, reducing losses due to fire, and regulating the workers' compensation system.

ESTABLISHED: 1991

AUTHORIZING STATUTE: The Texas Insurance Code, §31.002

GOVERNANCE: Commissioner of Insurance—appointed by the Governor with advice and consent of the Senate

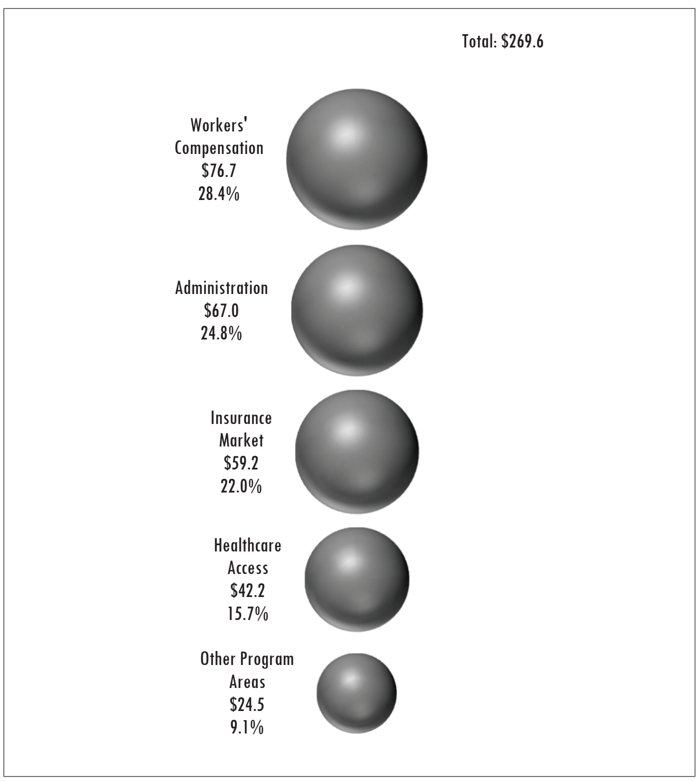
FIGURE 349
TEXAS DEPARTMENT OF INSURANCE BY METHOD OF FINANCE

(IN MILLIONS)

METHOD OF FINANCE	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$82.9	$85.0	$2.1	2.5%
General Revenue–Dedicated Funds	$128.2	$129.1	$1.0	0.7%
Federal Funds	$6.7	$4.4	($2.3)	(34.9%)
Other Funds	$14.8	$51.1	$36.3	245.4%
Total, All Methods of Finance	**$232.6**	**$269.6**	**$37.1**	**15.9%**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2018	1,374.2
2019	1,375.7

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

Funding includes **$42.1 million in contingency funds for the establishment of the Health Insurance Risk Pool** upon federal law, regulation, or executive action.

The agency is appropriated **$4.4 million in contingency funds** to respond in the event of a **significant change in the insurance regulatory environment.**

Appropriations include a **decrease of $2.7 million** for decreases in administrative support, regulatory policy, and data center services.

Funding includes an **increase of $0.7 million for workers' compensation fraud prosecution** to fund 4.0 full-time-equivalent positions in cooperation with the Travis County District Attorney's Office.

MAJOR FUNDING

The Texas Department of Insurance (TDI) is required by statute to adjust taxes and fees to generate revenue equivalent to its General Revenue Funds and General Revenue–Dedicated Funds appropriations and to the appropriations made to the Office of Injured Employee Counsel (OIEC) and certain programs in five other agencies. 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 General Revenue–Dedicated Account No. 36, Texas Department of Insurance Operating Fund. **Figure 350** shows the taxable premiums and maintenance tax rates by line of insurance or entity for calendar year 2016. **Figure 351** shows a comparison of tax rates by health maintenance organization type for fiscal year 2016.

Funding for TDI includes a net increase of $37.1 million in All Funds from the 2016–17 biennial funding levels. The majority of this increase is due to the establishment of the temporary Health Insurance Risk Pool, pursuant to the enactment of Senate Bill 2087, Eighty-fifth Legislature, Regular Session, 2017 (see the Significant Legislation section). TDI is appropriated $40.3 million in Premium Stabilization Funds to provide access to quality healthcare for Texas residents and to conduct public education and outreach. The agency is appropriated $1.8 million in General Revenue–Dedicated Funds to administer the Health Insurance Risk Pool. The funds are contingent on federal law, regulation, or executive action and may not be spent unless the Commissioner of Insurance files a finding of fact with the Office of the Governor and the Legislative Budget Board. Funding also includes an increase of $4.4 million for the agency's contingency regulatory response rider and $0.7 million for workers' compensation fraud prosecution to fund 4.0 full-time-equivalent positions, in cooperation with the Travis County District Attorney's Office.

The increases are offset by a decrease of $4.1 million in All Funds for the Three-Share Premium Assistance program, which enables TDI to award small grants to programs that help provide and subsidize low-cost small business health insurance plans. Authority to fund grant awards with available fines collected from regulated entities is continued for the agency. Funding also includes a decrease of $2.7 million for reductions in administrative support, the production of reports and data calls related to regulatory policy, and ongoing costs for data center services. Additionally, appropriations for TDI include a $2.3 million decrease in Federal Funds for the elimination of a federal Affordable Care Act Health Insurance Premium Review Grant that is not expected during the 2018–19 biennium. Appropriations also include a decrease of $1.0 million for an anticipated decrease in collections of Appropriated Receipts and contract cost containment.

FIGURE 350
TAXABLE INSURANCE PREMIUMS AND TAX RATES
CALENDAR YEAR 2016

COVERAGE OR ENTITY	GROSS PREMIUMS (IN MILLIONS)	TAX RATES
Fire and allied lines	$14,204.3	0.364%
Casualty and fidelity	$6,448.1	0.072%
Motor vehicle	$22,245.1	0.056%
Life, accident, and health	$43,043.5	0.040%
Prepaid legal	$3.8	0.021%
Title	$2,045.5	0.103%
Third-party administrators	$2,546.5	0.010%
Workers' compensation	$2,957.5	1.8%

SOURCE: Texas Department of Insurance.

FIGURE 351
HEALTH MAINTENANCE ORGANIZATION (HMO) ENROLLEES AND TAX RATES
FISCAL YEAR 2016

COVERAGE OR ENTITY	ENROLLEES	TAX RATES
HMO – Multiservice	4,570,440	$0.69
HMO – Single Service	897,763	$0.23
HMO – Limited Service	696,507	$0.23

SOURCE: Texas Department of Insurance.

PROGRAMS

The agency carries out its responsibilities through five major program areas: (1) workers' compensation; (2) oversight for the Texas insurance market; (3) healthcare access; (4) other program areas, including the State Fire Marshal's Office, the TexasSure Program, and the state regulatory response rider; and (5) administration.

WORKERS' COMPENSATION

The Division of Workers' Compensation (DWC) at TDI is overseen by the 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 February 1 of each odd-numbered year. The

FIGURE 352
INSURANCE LICENSES ISSUED, FISCAL YEARS 2015 TO 2019

LICENSE OR CERTIFICATION	2015	2016	2017	2018	2019
Licensed Agents	428,547	462,193	501,663	524,274	586,775
Regulated Companies and Carriers	1,921	1,920	1,928	1,933	1,938

NOTE: Amounts for fiscal years 2017, 2018, and 2019 are estimated.
SOURCE: Texas Department of Insurance.

Commissioner has executive authority of DWC functions, including rule-making authority.

DWC promotes safe and healthy workplaces in Texas and ensures the appropriate delivery of workers' compensation benefits through its 21 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), established in 1947. SIF collects death benefit payments from insurance carriers when no beneficiary is eligible; these funds are used for several purposes, including lifetime income benefits and the overpayment of claims. TDI is appropriated $60.9 million for workers' compensation and $15.8 million for SIF for the 2018–19 biennium.

INSURANCE MARKET OVERSIGHT

To provide oversight of the Texas insurance market, TDI administers three programs: regulatory policy, compliance, and financial solvency. Together, these activities directly support promoting competition, increasing access to affordable insurance products within a fair market, investigating and resolving complaints, and preventing insurer fraud. TDI is appropriated a total of $59.2 million for insurance market oversight for the 2018–19 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 352** shows insurance licensing and certification data for fiscal years 2015 to 2019. 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 $21.6 million for this purpose for the 2018–19 biennium.

To ensure insurance 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 attorneys, or other appropriate agencies or law enforcement authorities for prosecution. The agency estimates resolving 605 investigations of suspected criminal activity related to insurance fraud each fiscal year. TDI is appropriated $19.2 million to enforce compliance in Texas for the 2018–19 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. The agency 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 company facing insolvency, TDI may seek a court order to place the insurer into receivership administered by a special deputy receiver. TDI is appropriated $18.4 million for this purpose in the 2018–19 biennium.

HEALTHCARE ACCESS

The healthcare access program area consists of two programs, including: (1) the health insurance risk pool; and (2) the three-share premium assistance program. Pursuant to the enactment of Senate Bill 2087, Eighty-fifth Legislature, Regular Session, 2017, the agency may establish a temporary health insurance risk pool to assist Texas residents in accessing quality healthcare contingent upon federal law, regulation, or executive action. The health insurance risk pool will provide health insurance coverage, provide funding to insurers for lower enrollee premium rates, or provide a reinsurance program for insurers in exchange for lower enrollee premium rates. The agency may also use pool funds to administer the program and develop and implement public education, outreach, and facilitated enrollment strategies. TDI is appropriated $42.1 million in All Funds for this purpose for the 2018–19 biennium.

TDI is appropriated $0.1 million to oversee the awarding of grants for the research, planning, development, and continuation of the three-share premium assistance program in Texas to improve access to private healthcare coverage for the uninsured. Grants are funded through fines collected from regulated entities up to $1.5 million each fiscal year appropriated through the Eighty-fifth Legislature, General Appropriations Act, 2018–19 Biennium, Article VIII, TDI, Rider 13, Three-Share Premium Assistance Programs.

OTHER PROGRAM AREAS

Other programs at TDI include funding for the State Fire Marshal's Office, the TexasSure program, and the state regulatory response rider. 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. The State Fire Marshal's Office estimates initiating 600 investigations each fiscal year. Additionally, the State Fire Marshal's Office oversees requirements for cigarette manufacturers to certify that their cigarettes meet performance standards and are fire-standard compliant, and that packaging contains markings with this certification. The agency is appropriated $10.0 million in All Funds for this purpose for the 2018–19 biennium.

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 enables 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, the Department of Motor Vehicles, the Department of Public Safety, and the Department of Information Resources. TDI is appropriated $10.1 million for this purpose for the 2018–19 biennium.

TDI's appropriations include 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, a public health crisis, a fire that has been declared as a disaster situation, and nonweather-related disasters. The agency is appropriated $4.4 million in General Revenue Funds for contingency funding in the event that a state regulatory response is needed during the 2018–19 biennium.

ADMINISTRATION

The final program area, administration, includes administrative support to TDI and OIEC. This support includes central administration, information resources, employee ombudsman, and other support services. TDI is appropriated $67.0 million in All Funds for this purpose for the 2018–19 biennium.

SIGNIFICANT LEGISLATION

Senate Bill 2087 – Establishment of a Temporary Health Insurance Risk Pool. The legislation establishes a Health Insurance Risk Pool to provide a temporary mechanism for maximizing available federal funding to assist Texas residents in obtaining access to quality healthcare. The legislation authorizes the Commissioner of Insurance to use pool funds to provide health insurance coverage, provide funding to insurers for lower enrollee premium rates, or provide a reinsurance program for insurers in exchange for lower enrollee premium rates. Funds may also be used to develop and implement public education, outreach, and facilitated enrollment strategies. The legislation requires TDI to submit an annual report regarding pool activities, including information regarding premiums, enrollment, administration expenses, and incurred losses. The mechanism established by the legislation expires at the end of the 2018–19 biennium.

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

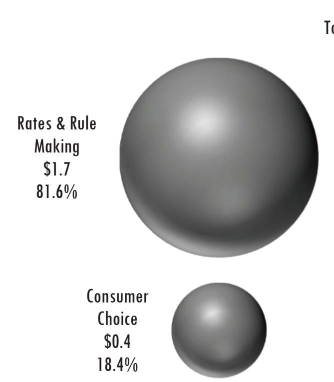
FIGURE 353
OFFICE OF PUBLIC INSURANCE COUNSEL BY METHOD OF FINANCE

(IN MILLIONS)

METHOD OF FINANCE	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$1.8	$1.7	($0.1)	(4.1%)
General Revenue–Dedicated Funds	$0.0	$0.0	$0.0	N/A
Federal Funds	$0.0	$0.0	$0.0	N/A
Other Funds	$0.4	$0.4	$0.0	0.0%
Total, All Methods of Finance	**$2.2**	**$2.1**	**($0.1)**	**(3.4%)**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2018	15.0
2019	15.0

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

Appropriations include a **decrease of $0.1 million in General Revenue Funds** primarily for professional services.

The agency received an **increase in salary authority** for the agency's exempt position, the Public Counsel.

The agency anticipates reviewing approximately **50 rate filings** and completing approximately **2,400 public presentations or communications to enhance consumer choice** during the 2018–19 biennium.

SOURCE: Legislative Budget Board.

MAJOR FUNDING

The Texas Insurance Code provides funding for the Office of Public Insurance Counsel (OPIC) 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 at the end of the calendar year. The Comptroller of Public Accounts (CPA) is statutorily required to collect these assessments annually from insurers, and these amounts are deposited into the General Revenue Fund. The Legislature requires these assessments to cover the agency's appropriations and other direct and indirect costs appropriated in the 2018–19 General Appropriations Act. Assessments collected that are greater than OPIC's appropriations are available for distribution from the General Revenue Fund. Based on CPA's 2018–19 Biennial Revenue Estimate, the assessments are estimated to generate approximately $2.6 million in revenue in addition to OPIC's direct and indirect appropriations.

Additionally, OPIC receives $0.4 million from an Interagency Contract (Other Funds) with the Texas Department of Insurance (TDI) to provide consumers with insurance information to make informed decisions. Appropriations for OPIC decreased 3.4 percent from the 2016–17 biennial spending level. The decrease was due primarily to a reduction of $0.1 million in professional services for actuaries who provide expert testimony at insurance rate proceedings.

PROGRAMS

The agency carries out its responsibilities through two major program areas: (1) participating in rate hearings and rule making; and (2) increasing consumer choice.

OPIC participates as a party in TDI hearings 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 2018–19 biennium. In addition, OPIC may recommend legislation with the intention of positively affecting consumer interests. This program area is appropriated $1.7 million and 13.0 full-time-equivalent (FTE) positions.

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 the agency's website. This program area is appropriated $0.4 million in Other Funds and 2.0 FTE positions.

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

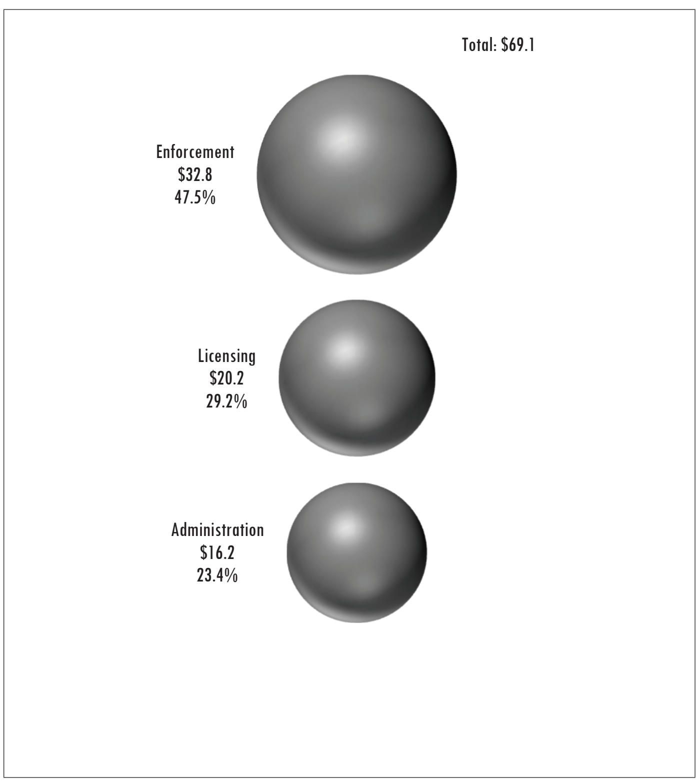
FIGURE 354
DEPARTMENT OF LICENSING AND REGULATION BY METHOD OF FINANCE

(IN MILLIONS)

METHOD OF FINANCE	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$58.2	$60.2	$2.0	3.5%
General Revenue–Dedicated Funds	$0.1	$0.2	$0.1	240.0%
Federal Funds	$0.0	$0.0	$0.0	N/A
Other Funds	$8.8	$8.7	($0.1)	(0.6%)
Total, All Methods of Finance	**$67.0**	**$69.1**	**$2.1**	**3.1%**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2018	465.9
2019	471.2

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

Funding includes an **increase of $3.5 million and 25.0 full-time-equivalent (FTE) positions** for the second phase of regulatory transfers of certain occupations from the Department of State Health Services.

The agency is appropriated **$0.5 million and 4.0 FTE positions** to transfer the regulation of podiatry from the Board of Podiatric Medical Examiners.

The Eighty-fifth Legislature, Regular Session, 2017, passed legislation requiring the regulation of **behavioral analysts and transportation network companies** and includes a corresponding **increase of $0.5 million** at the agency.

Appropriations include an **increase of $0.1 million in General Revenue–Dedicated Funds** to reimburse tuition for students of beauty and barber schools that close before completing instruction.

SOURCE: Legislative Budget Board.

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; athletic trainers; auctioneers; barbers; behavioral analysts; boiler inspections; code enforcement officers; combative sports; cosmetologists; dietitians; driver education and safety; dyslexia therapists and practitioners; electricians, including pool-related electrical maintenance technicians and contractors; elevators, escalators, and related equipment; for-profit legal service contracts; hearing instrument fitters and dispensers; industrialized housing and buildings; laser hair removal; dog and cat breeders; massage therapy; midwives; mold assessors and remediators; offender education programs; orthotists and prosthetists; podiatry; professional employer organizations; property tax consultants and tax professionals; polygraph examiners; sanitarians; service contract providers; speech language pathologists and audiologists; tow trucks and vehicle storage facilities; transportation network companies; used automotive parts recyclers; water-well drillers and pump installers; and weather modification businesses.

Funding for TDLR includes an increase of $2.1 million in All Funds and 23.0 full-time-equivalent (FTE) positions for the 2018–19 biennium. Significant funding increases are primarily due to legislation transferring programs from other agencies to TDLR, adding new regulated populations, or amending regulations for existing licensee populations (see the Significant Legislation section).

Legislation transferring programs to TDLR from other state agencies includes the final implementation of Senate Bill 202, Eighty-fourth Legislature, 2015, which resulted in the transfer of certain healthcare occupational programs from the Department of State Health Services during the 2016–17 and 2018–19 biennia in two phases. Appropriations to TDLR include an increase of $3.5 million in General Revenue Funds and 25.0 FTE positions to implement the second phase of program transfers. Additionally, appropriations include an increase of $0.5 million in General Revenue Funds and 4.0 FTE positions to implement House Bill 3078, Eighty-fifth Legislature, Regular Session, 2017, which transferred the regulation of podiatry from the Board of Podiatric Medical Examiners to TDLR on September 1, 2017.

The Eighty-fifth Legislature also passed legislation requiring new populations to obtain state licenses through TDLR, including behavioral analysts and assistant behavioral analysts (Senate Bill 589, Eighty-fifth Legislature, Regular Session, 2017) and transportation network companies (House Bill 100, Eighty-fifth Legislature, Regular Session, 2017). Appropriations include an increase of $0.5 million in General Revenue Funds and 5.0 FTE positions for the 2018–19 biennium to regulate these populations. Appropriations also include an increase of $0.2 million in General Revenue Funds and 3.0 FTE positions due to legislation amending regulations for existing licensee populations, resulting in changes to licensing, exam, and enforcement processes and updates to rules and materials (House Bill 3029 and Senate Bill 2065, Eighty-fifth Legislature, Regular Session, 2017).

Funding also includes an increase of $0.5 million in General Revenue Funds for ongoing Data Center Services costs and an increase of $0.1 million in General Revenue–Dedicated Funds to reimburse tuition for students of beauty and barber schools that close before completing instruction. These increases are offset by decreases in General Revenue Funds at TDLR of $1.6 million for the elimination of 14.0 FTE positions and $1.6 million for onetime expenses from the 2016–17 biennium.

PROGRAMS

TDLR enforces occupational code and practice standards for certain professions through three major program areas: (1) enforcement; (2) licensing; and (3) administration. **Figure 355** shows key performance measures related to the agency's

FIGURE 355
TEXAS DEPARTMENT OF LICENSING AND REGULATION PERFORMANCE MEASURES
FISCAL YEARS 2015 TO 2019

MEASURES	2015	2016	2017	2018	2019
Licenses Issued	507,928	534,013	598,477	595,341	604,344
Complaints Resolved	13,155	12,316	12,405	12,955	13,430
Jurisdictional Complaints Received	10,511	11,305	12,054	12,199	12,615
Full-time-equivalent Positions	370.7	404.8	448.2	465.9	471.2

NOTE: Amounts for fiscal years 2018 and 2019 are estimated.
SOURCE: Texas Department of Licensing and Regulation.

licensing and enforcement programs and FTE positions from fiscal years 2015 to 2019.

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 agency's standards. The agency also reviews building plans to verify compliance with applicable laws, rules, accessibility standards, building codes, and safety codes. As part of its enforcement function, TDLR performed 134,200 routine inspections and completed approximately 12,400 complaint investigations during fiscal year 2017. It is anticipated that TDLR will conduct approximately 254,000 routine inspections and resolve approximately 26,000 complaints during the 2018–19 biennium. Appropriations for the enforcement program at TDLR total $32.8 million in All Funds for the 2018–19 biennium.

TDLR ensures that licensees meet qualifications and practice standards for regulated professions. Licensing activities include verifying credentials of applicants and facilities, updating licensee databases, and ensuring that licensees adhere to continuing education requirements and ethical standards. The agency estimates that it will issue approximately 600,000 licenses, certifications, and registrations to individuals and businesses during each fiscal year of the 2018–19 biennium. Appropriations for the licensing program at TDLR total $20.2 million in All Funds for the 2018–19 biennium.

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 licensees and consumers about the agency and its operations. TDLR is appropriated $16.2 million in All Funds for this purpose.

SIGNIFICANT LEGISLATION

House Bill 3078 – Sunset review of the Texas Commission of Licensing and Regulation and the Texas Department of Licensing and Regulation and the transfer of the regulation of podiatry to the Texas Department of Licensing and Regulation. The legislation abolishes the Texas State Board of Podiatric Medical Examiners (TSBPE) and transfers the regulation of podiatry from TSBPE to TLDR on September 1, 2017. The legislation also changes the Sunset date for TDLR from September 1, 2019, to September 1, 2021.

Senate Bill 589 – Licensing and regulation of behavior analysts and assistant behavior analysts. The legislation establishes the Behavioral Analyst Advisory Board at TDLR and requires behavioral analysts and assistant behavioral analysts to have a state-issued license to practice starting September 1, 2018. The legislation provides TDLR with licensing and enforcement authority for this purpose.

House Bill 100 – Regulation of transportation network companies. The legislation prohibits most local regulations on transportation network companies (TNC) and establishes a statewide regulatory and licensing procedure through TDLR for TNCs beginning May 29, 2017.

House Bill 3029 – Requirements for air conditioning and refrigeration contracting and the education and certification of air conditioning and refrigeration technicians. The legislation enables air conditioning and refrigeration technicians to have the option of being certified as an alternative to being registered. The bill revises eligibility requirements for an air conditioning and refrigeration contractor license and includes a certified technician and certain students among the individuals whose services a license holder may use to assist in the performance of air conditioning and refrigeration maintenance work.

Senate Bill 2065 – The licensing and regulation of certain occupations and activities. The legislation repeals regulations and licensing requirements for several TDLR programs, including the following: vehicle protection product warrantors, temporary common worker employers, for-profit legal service contracts (effective September 1, 2019), shampoo apprentice permits and shampoo specialty certificates, and boot operators and booting companies (effective September 1, 2018). The legislation also prohibits the Texas Commission of Licensing and Regulation from establishing building or facility standards for barber or private beauty culture schools that are not related to health and safety.

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

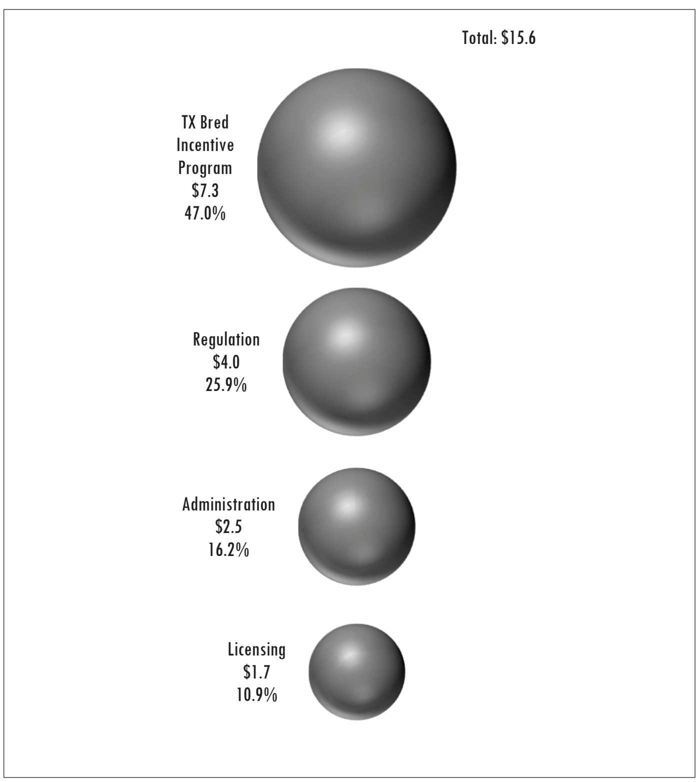
FIGURE 356
RACING COMMISSION BY METHOD OF FINANCE

(IN MILLIONS)

METHOD OF FINANCE	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$0.0	$0.0	$0.0	N/A
General Revenue–Dedicated Funds	$14.7	$15.6	$0.9	6.3%
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	**$14.7**	**$15.6**	**$0.9**	**6.3%**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2018	51.6
2019	51.6

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

Appropriations include **$1.3 million** and **5.2 full-time-equivalent positions** for the Racing Commission contingent on the opening or reopening of a **new horse racetrack** and **increases in the number of live race days** during the 2018–19 biennium.

The Racing Commission anticipates **pari-mutuel wagering revenue will total $603.0 million** in the 2018–19 biennium.

MAJOR FUNDING

The Racing Commission is funded by General Revenue–Dedicated Funds generated primarily by fees assessed on racetracks and occupational licensees. The agency's fee-generated revenue is required to cover the cost of the agency's appropriations and other direct and indirect costs appropriated in the General Appropriations Act. The Eighty-fifth Legislature, Regular Session, 2017, appropriated an additional $1.3 million to the Racing Commission for the 2018–19 biennium and 5.2 full-time-equivalent (FTE) positions for each fiscal year contingent upon the opening or reopening of a new horse racetrack and increases in the number of live race days to the horse race date calendar or greyhound race date calendar during each fiscal year. The agency must collect additional revenue from racetracks to receive these appropriations. The increase in contingent appropriations is offset by a decrease of $0.4 million from the 2016–17 biennial spending level for Texas-bred incentive payments and other administrative costs.

PROGRAMS

Texas has four horse racetracks 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 357** shows select performance measures related to these program areas across active Texas racetracks from fiscal years 2013 to 2019.

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 $7.3 million in General Revenue–Dedicated Funds generated primarily by fees.

The regulation program area incorporates oversight of racing and wagering. The agency regulates greyhound racing and horse racing at racetracks in Texas, including supervising racing conduct and providing health testing and drug testing for horses and greyhounds. Wagering regulation includes investigations into illegal wagering, completion of compliance audits at racetracks, and increasing the testing and pass rates for the computer system, which is called Totalisator, that tallies and calculates the pari-mutuel wagers. Appropriations for these functions total $4.0 million in General Revenue–Dedicated Funds generated primarily by fees.

Racetrack and occupational licensing involves licensing racetracks and their 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 $1.7 million in General Revenue–Dedicated Funds generated primarily by fees.

Administration includes the indirect administrative functions that support the agency. This program area is appropriated $2.5 million in General Revenue–Dedicated Funds generated primarily by fees for the 2018–19 biennium.

SIGNIFICANT LEGISLATION

House Bill 1106 – Membership of the Texas Racing Commission. The legislation changes the membership

FIGURE 357
TEXAS RACING COMMISSION SELECTED PERFORMANCE MEASURES, FISCAL YEARS 2013 TO 2019

MEASURE	2013	2014	2015	2016	2017	2018	2019
Racetrack Inspections	75	94	106	54	50	55	55
Texas-Bred Awards for Horses	7,611	7,269	6,893	7,123	6,940	7,000	7,000
Texas-Bred Awards for Greyhounds	2,889	2,455	2,168	856	1,561	1,920	1,920
New Occupational Licenses Issued	2,150	2,239	2,151	1,918	1,895	2,200	2,200
Pari-mutuel Handle (in millions)	$323.4	$324.1	$301.6	$306.3	$288.2	$303.0	$300.0
Take to State Treasury from Pari-mutuel Wagering on Live and Simulcast Races (in millions)	$3.1	$3.0	$3.0	$2.9	$2.8	$2.9	$2.9
Occupational Licensees Suspended or Revoked	95	114	117	110	161	106	106
Investigations Completed	120	119	139	124	136	141	141

NOTE: Amounts shown for fiscal years 2018 and 2019 are estimated.
SOURCE: Texas Racing Commission.

of the Racing Commission by replacing the Comptroller of Public Accounts or the Comptroller's designee with the Commissioner of Agriculture or the Commissioner's designee to serve as one of two ex officio members of the 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

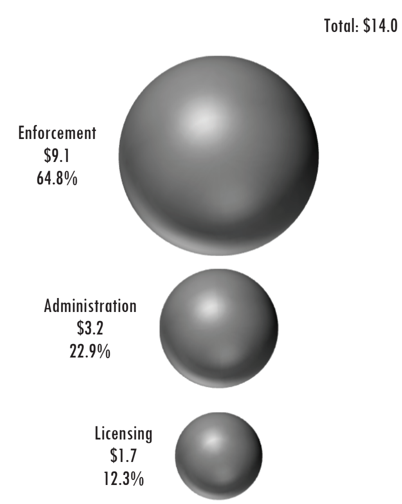
FIGURE 358
STATE SECURITIES BOARD BY METHOD OF FINANCE

(IN MILLIONS)

METHOD OF FINANCE	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$14.6	$14.0	($0.6)	(4.1%)
General Revenue–Dedicated Funds	$0.0	$0.0	$0.0	N/A
Federal Funds	$0.0	$0.0	$0.0	N/A
Other Funds	$0.0	$0.0	($0.0)	(100.0%)
Total, All Methods of Finance	**$14.6**	**$14.0**	**($0.6)**	**(4.1%)**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2018	97.0
2019	97.0

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

Appropriations to the State Securities Board include a decrease of **$0.6 million and 7.0 full-time-equivalent positions** for the projected closure of a field office.

Revenue deposited to the state Treasury related to securities and dealer and agent applications for the 2018–19 biennium is estimated to be **$276.2 million.**

MAJOR FUNDING AND PROGRAMS

The agency's work 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 collect and summarize 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 compliance with the Texas Securities Act through periodic inspections of registered dealers and investment advisors. The enforcement program area is appropriated $9.1 million in General Revenue Funds and 63.8 full-time-equivalent (FTE) positions for the 2018–19 biennium.

The agency's licensing responsibilities include registering securities and dealers. For securities registration, the agency reviews all applications for securities 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. For dealer registration, all securities dealers, their sales agents, and investment advisers in Texas must be registered with the Securities Board, unless federal law preempts them or the Texas Securities Act exempts them from registering. The agency examines these applications and maintains an ongoing review process by examining amendments and registrants' renewal submissions. **Figure 359** shows the number of securities applications and securities agents, dealers, advisers, and adviser representatives that the agency registered from fiscal years 2008 to 2019, and the agency's projection of revenues deposited to the state Treasury from securities and dealer or agent applications during the same period. Dealer and agent revenue decreased during fiscal year 2016 due to the removal of a $200 professional fee pursuant to the enactment of House Bill 7, Eighty-fourth Legislature, 2015. The total appropriation to the licensing program area is $1.7 million in General Revenue Funds 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 in General Revenue Funds and 19.2 FTE positions for this purpose for the 2018–19 biennium.

Appropriations to the agency decreased by 4.1 percent, or $0.6 million in General Revenue Funds from 2016–17 biennial spending levels, and 7.0 FTE positions, primarily due to the projected closure of a field office branch.

FIGURE 359
STATE SECURITIES BOARD SELECTED PERFORMANCE MEASURES, FISCAL YEARS 2008 TO 2019

YEAR	APPLICATIONS	TREASURY SECURITIES REVENUE (IN MILLIONS)	REGISTERED DEALERS AND AGENTS	TREASURY DEALER REVENUES (IN MILLIONS)
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	62,265	$129.8	417,681	$8.2
2017	64,230	$149.2	446,272	$8.3
2018	59,925	$129.9	431,436	$8.2
2019	59,925	$129.9	431,436	$8.2

NOTE: Amounts for fiscal years 2018 and 2019 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

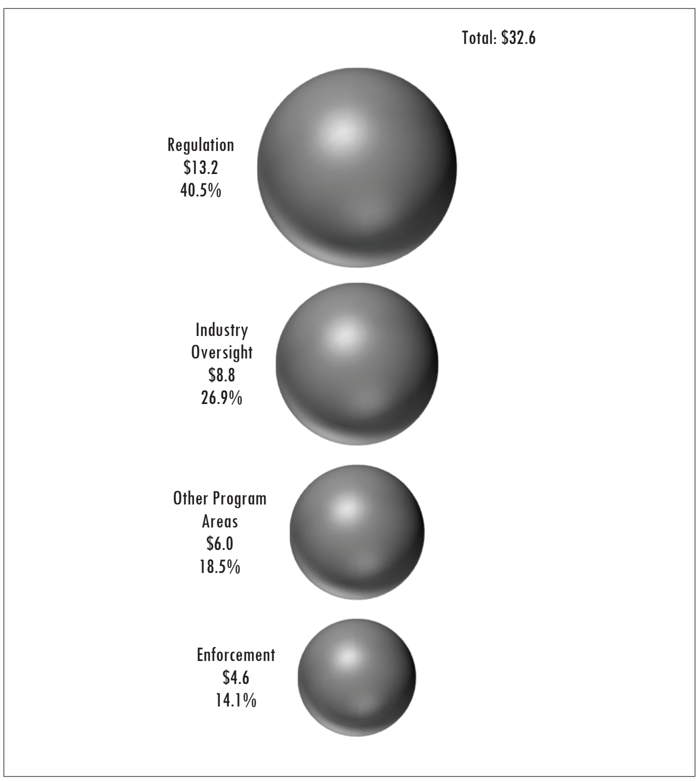
FIGURE 360
PUBLIC UTILITY COMMISSION OF TEXAS BY METHOD OF FINANCE

(IN MILLIONS)

METHOD OF FINANCE	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$18.8	$26.6	$7.8	41.5%
General Revenue–Dedicated Funds	$338.6	$5.1	($333.4)	(98.5%)
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	**$358.3**	**$32.6**	**($325.6)**	**(90.9%)**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2018	215.0
2019	215.0

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

The **System Benefit Fund (SBF), which funded the Low Income Discount Program at $324.3 million in the 2016–17 biennium, expired** at the end of the biennium, and no new appropriations are provided for the program.

Due to the expiration of the SBF, appropriations **include $8.9 million** in General Revenue Funds for administrative functions **previously funded through the SBF.**

Appropriations include **a decrease of $1.0 million** in General Revenue Funds for customer education outreach contracts.

Appropriations to the **Water and Wastewater Regulation Program** include **a decrease of $0.2 million** for 2.0 full-time-equivalent positions.

Source: Legislative Budget Board.

MAJOR FUNDING

Appropriations to the Public Utility Commission (PUC) for the 2018–19 biennium include an All Funds decrease of $325.6 million from the 2016–17 biennial spending levels. The reduction in funding primarily is related to the expiration of the General Revenue–Dedicated Funds Account No. 5100, System Benefit Fund. The System Benefit Fund was established in 1999 to support the agency's Low-income Discount program, which provided a discount for low-income electric customers on their utility bills. The System Benefit Fund expired at the end of fiscal year 2017, and no funding is provided for the program for the 2018–19 biennium, resulting in a decrease of $324.3 million from 2016–17 biennial spending levels. Administrative functions previously funded through the System Benefit Fund are funded with $8.9 million in General Revenue Funds for the 2018–19 biennium.

Appropriations for electric and telecommunication industry awareness include a decrease of $1.0 million in General Revenue Funds for customer education outreach in deregulated areas of the state. This outreach includes items such as promotional materials or customer information on selecting or switching service providers.

Appropriations for the regulation of water and wastewater service include $5.1 million from General Revenue–Dedicated Funds Account No. 153, Water Resource Management Fund, for the 2018–19 biennium. This amount is a decrease of $0.2 million from the 2016–17 biennial spending levels, due to the decrease of 2.0 full-time-equivalent positions.

PROGRAMS

The agency regulates the state's electric, telecommunication, and water and wastewater utility industries through four major program areas: regulation; industry oversight; enforcement; and other program areas.

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 that the agency oversees. The program focuses primarily on providing rate regulation services to ensure that customers receive just and reasonable rates for their utilities. Of the total $13.2 million in appropriations to this program area, $7.3 million in General Revenue Funds is appropriated for electric utilities, $5.1 million in General Revenue–Dedicated Funds is for water and wastewater utilities, and $0.8 million in All Funds is for telecommunication utilities.

Industry oversight promotes awareness about changes and standards in the electric and telecommunication industries. The program encompasses 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 contain 90.0 percent of the state's electric load, as shown in **Figure 361**. **Figure 362** 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 in General Revenue Funds of the total $8.8 million in All Funds appropriated to this program area, with the remaining $0.9 million in All Funds dedicated to telecommunication market oversight.

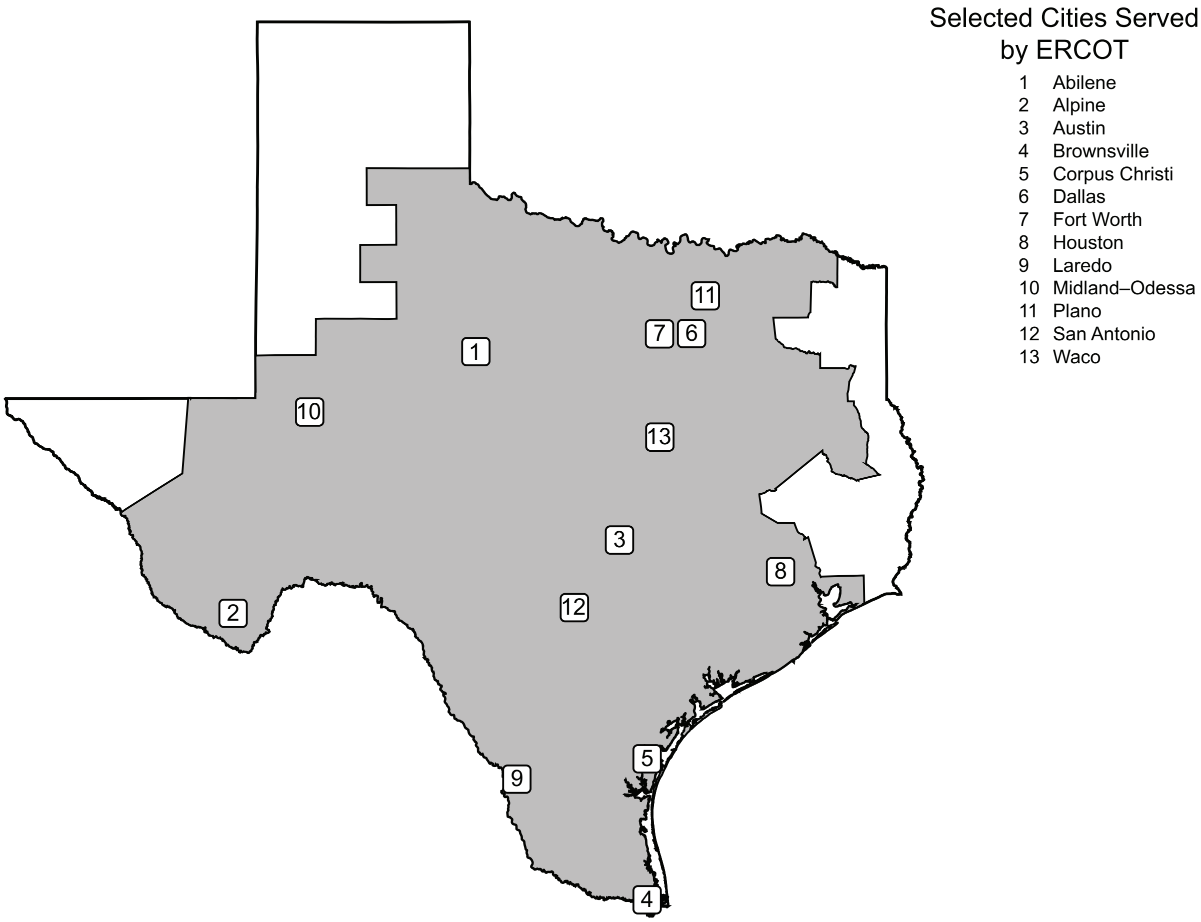
The enforcement program area oversees the investigation and resolution of potential noncompliance with the Texas Utilities Code among electric and telecommunication utilities. This area includes the agency's work related to audit and review, investigations, and notice of violations and administrative penalties. The program is appropriated a total of $4.6 million in All Funds for the 2018–19 biennium.

Other program areas include electric and telecommunication industry awareness, customer dispute resolution, and agency administration programs. Within other program areas, $2.2 million in All Funds is appropriated to promote consumer understanding of electric and telecommunication markets through the industry awareness program; $1.9 million in All Funds is appropriated to assist customers in resolving disputes with electric and telecommunication utilities through the consumer dispute resolution program; and $1.9 million in All Funds is appropriated to help support the administrative functions of the agency.

SIGNIFICANT LEGISLATION

House Bill 2369 – Limitation on water or sewer utility fees charged to public school districts. The legislation prohibits municipally owned water or sewer utilities from charging a public school district a fee based on the number of students or employees in the district in addition to the rates the utility charges the district for the service. The legislation authorizes a public school district to appeal to PUC if a

FIGURE 361
ELECTRIC RELIABILITY COUNCIL OF TEXAS BOUNDARIES, FISCAL YEAR 2017



SOURCE: Electric Reliability Council of Texas (ERCOT).

municipality charges the district a fee for water and sewer service. The legislation requires PUC to fix the fee if it finds that the fee does not align with statute.

Senate Bill 1976 – Provision for low-income assistance for electric and telecommunications customers. The legislation authorizes PUC to request that the Health and Human Services Commission (HHSC) assist in identifying low-income electric and telecommunication customers to enable utilities to provide customer service, discounts, or bill payment assistance to those individuals. The legislation prohibits PUC from requiring a retail electric provider or telecommunications utility to provide this assistance. The legislation authorizes PUC to submit a request to HHSC for low-income electric customers only if a retail electric provider makes the request and agrees to reimburse PUC for the cost of the identification process.

FIGURE 362
AVAILABILITY OF RESIDENTIAL ELECTRIC CHOICE IN MOST POPULOUS TEXAS CITIES, AS OF SEPTEMBER 1, 2017

CITY	POPULATION	COMPETITION
Houston	2,303,482	Yes
San Antonio	1,492,510	No
Dallas	1,317,929	Yes
Austin	947,890	No
Fort Worth	854,113	Yes
El Paso	683,080	No
Arlington	392,772	Yes
Corpus Christi	325,733	Yes
Plano	286,057	Yes
Laredo	257,156	Yes
Lubbock	252,506	No
Irving	238,289	Yes
Garland	234,943	Yes
Amarillo	199,582	No
Grand Prairie	190,682	Yes
Brownsville	183,823	No
McKinney	172,298	Yes
Frisco	163,656	Yes
Pasadena	153,351	Yes
Mesquite	143,736	Yes

NOTE: Population based upon U.S. Census Bureau 2016 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

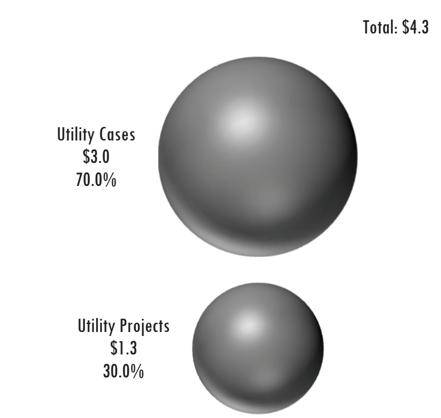
FIGURE 363
OFFICE OF PUBLIC UTILITY COUNSEL BY METHOD OF FINANCE

(IN MILLIONS)

METHOD OF FINANCE	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$3.4	$3.3	($0.1)	(4.1%)
General Revenue–Dedicated Funds	$1.0	$1.0	($0.0)	(4.1%)
Federal Funds	$0.0	$0.0	$0.0	N/A
Other Funds	$0.0	$0.0	$0.0	N/A
Total, All Methods of Finance	**$4.5**	**$4.3**	**($0.2)**	**(4.1%)**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2018	25.5
2019	25.5

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

Appropriations include **a decrease of $0.2 million** for an anticipated decrease in the use of outside experts in utility cases and projects for the 2018–19 biennium.

The Office of Public Utility Counsel anticipates completing **70 cases** and **52 projects** during the 2018–19 biennium.

MAJOR FUNDING AND PROGRAMS

The responsibility of the Office of Public Utility Counsel (OPUC) is to represent residential and small-business utility customers. This responsibility is carried out in two main program areas: (1) utility cases; and (2) utility projects. The agency represents customers of electric, telecommunication, and water and wastewater service utilities.

Participation in utility cases consists of providing representation for consumers in major utility cases for judicial proceedings, lawsuits, and other litigation. The agency completed 46 cases in fiscal year 2017 and anticipates completing 35 cases in each fiscal year of the 2018–19 biennium. This program area is appropriated $3.0 million in General Revenue Funds and General Revenue–Dedicated Funds and 17.9 full-time-equivalent (FTE) positions. Participation in projects consists of the agency's nonlegal representation work in rule-making proceedings. These proceedings include those 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 26 projects in fiscal year 2017 and anticipates completing 26 projects in each fiscal year of the 2018–19 biennium. This program area is appropriated $1.3 million in General Revenue Funds and General Revenue–Dedicated Funds and 7.6 FTE positions.

Appropriations for OPUC decreased 4.1 percent in General Revenue Funds and General Revenue–Dedicated Funds from the 2016–17 biennial spending level. The decrease reflects a reduction in consulting fees from an anticipated decrease in the use of outside experts in utility cases and projects.

HEALTH-RELATED LICENSING AGENCIES

PURPOSE: Health-related licensing boards and commissions regulate certain occupations and industries within the state of Texas. Agencies ensure that licensee qualifications and standards are met and that quality of care is maintained through licensing and enforcement programs.

ESTABLISHED: Varies; 1907–1995

AUTHORIZING STATUTE: Varies; The Texas Occupations Code, Chapters 101, 152, 201, 202, 252, 301, 351, 452, 501, 552, 651, 801

GOVERNANCE: Varies; generally appointed by the Governor with advice and consent of the Senate

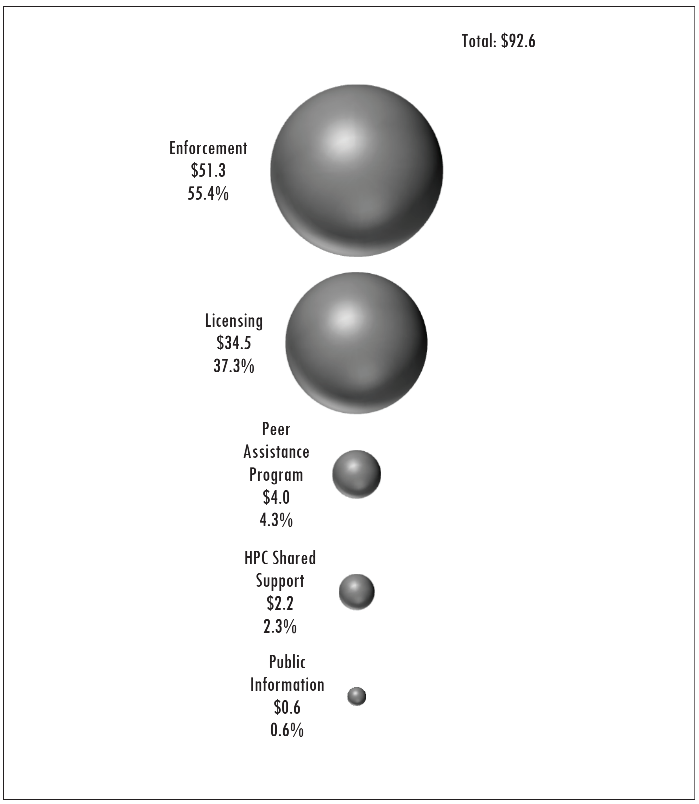
FIGURE 364
HEALTH-RELATED LICENSING AGENCIES BY METHOD OF FINANCE

(IN MILLIONS)

METHOD OF FINANCE	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$75.6	$74.5	($1.1)	(1.5%)
General Revenue–Dedicated Funds	$4.6	$7.1	$2.5	54.9%
Federal Funds	$0.5	$0.0	($0.5)	(100.0%)
Other Funds	$10.3	$10.9	$0.6	5.6%
Total, All Methods of Finance	**$91.1**	**$92.6**	**$1.5**	**1.6%**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2018	585.7
2019	585.7

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SOURCE: Legislative Budget Board.

SIGNIFICANT DEVELOPMENTS

Ten health-related licensing agencies **were reviewed through the Sunset review process,** and nine were continued with an increase of $1.3 million in General Revenue Funds to implement the provisions of the Sunset legislation.

House Bill 3078, Eighty-fifth Legislature, Regular Session, 2017, **abolished the Board of Podiatric Medical Examiners** and transferred the regulation of podiatry to the Texas Department of Licensing and Regulation.

The Board of Nursing received an increase of $0.7 million to implement provisions of House Bill 280, Eighty-fifth Legislature, Regular Session, 2017, with the Department of State Health Services, **to establish a grant program for reducing workplace violence against nurses.**

Four health-related licensing agencies received an increase of $0.3 million in General Revenue Funds for the **Peer Assistance program,** which assists practitioners with mental health diagnoses and substance abuse.

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 Examiners of Psychologists, the Executive Council of Physical Therapy and Occupational Therapy Examiners, and the Board of Veterinary Medical Examiners. House Bill 3078, Eighty-fifth Legislature, Regular Session, 2017, abolished the Board of Podiatric Medical Examiners and transferred the regulation of podiatry to the Texas Department of Licensing and Regulation (TDLR). Therefore, funding for the regulation of podiatry is included at the Board of Podiatric Medical Examiners, a health-related licensing agency, for fiscal years 2016 and 2017 and included at TDLR for fiscal years 2018 and 2019. Additionally, funding for the Health Professions Council (HPC), which coordinates regulatory efforts with the 10 health-related licensing agencies and four nonhealth-related licensing agencies, is included in this section.

The 10 health-related licensing agencies are subject to 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 (GAA). 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 2018–19 biennium increased by $1.5 million and 5.0 full-time-equivalent (FTE) positions. Significant funding changes at health-related licensing agencies primarily are related to the enactment of legislation by the Eighty-fifth Legislature, Regular Session, 2017, which reviewed all of the health-related licensing agencies through the Sunset review process, except for the Funeral Service Commission. All agencies were continued except the Board of Podiatric Medical Examiners. Additionally, Senate Bill 20, Eighty-fifth Legislature, First Called Session, 2017, continued the Texas Medical Board and the Board of Examiners of Psychologists until September 1, 2019. Senate Bill 20 requires the agencies to undergo Sunset review during the 2018–19 biennium (see the Significant Legislation section).

To implement the provisions of Sunset legislation, the health-related licensing agencies were appropriated a net increase of $0.7 million in All Funds and 2.5 FTE positions for the 2018–19 biennium. Appropriations include an increase of $1.3 million in General Revenue Funds for the Board of Pharmacy, State Board of Dental Examiners, Optometry Board, Texas Board of Nursing, and Board of Veterinary Medical Examiners. This increase is offset by a decrease of $0.6 million in General Revenue Funds for the abolishment of the Board of Podiatric Medical Examiners and the deregulation of chiropractic facilities at the Board of Chiropractic Examiners (see the Significant Legislation section). Increases include $0.5 million in General Revenue Funds for the Board of Pharmacy for additional requirements of the Prescription Monitoring Program and tracking wholesale pharmaceutical companies, and $0.6 million for the Board of Dental Examiners, primarily for additional inspections on licensees administering anesthesia.

Other significant funding changes include an increase of $0.7 million in General Revenue Funds for the Texas Board of Nursing for the implementation of House Bill 280, Eighty-fifth Legislature, Regular Session, 2017, which established a grant program to reduce workplace violence against nurses (see the Significant Legislation section). In addition to appropriations for the implementation of legislation, many health-related agencies received funding for peer assistance programs and for the implementation of voice over Internet protocol (VOiP). Four agencies, including the State Board of Dental Examiners, Board of Pharmacy, Board of Veterinary Medical Examiners, and Texas Board of Nursing, received an increase of $0.3 million for the peer assistance program, which monitors the recovery of impaired licensees. Four agencies received an increase of $0.2 million for the implementation of VOiP, including the Board of Pharmacy, Optometry Board, Executive Council of Physical Therapy and Occupational Therapy Examiners, and Texas Medical Board.

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) public information. **Figure 365** shows certain agency performance measures, FTE positions, and funding from fiscal years 2015 to 2019 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

FIGURE 365
HEALTH-RELATED LICENSING AGENCIES ACTIVITIES AND FUNDING, FISCAL YEARS 2015 TO 2019

AGENCY	2015 EXPENDED	2016 ESTIMATED	2017 BUDGETED	2018 APPROPRIATED	2019 APPROPRIATED
Board of Chiropractic Examiners					
Licenses Issued	10,674	11,329	10,210	6,450	6,450
Complaints Resolved	315	333	517	350	350
All Funds Total	$775,848	$828,989	$826,583	$793,251	$793,250
Full-time-equivalent (FTE) Positions	13.5	13.4	14.0	13.0	13.0
Texas State Board of Dental Examiners					
Licenses Issued	11,534	7,405	11,264	12,775	12,775
Complaints Resolved	976	1,152	892	1,100	1,100
All Funds Total	$4,189,791	$4,429,036	$4,388,426	$4,638,819	$4,465,049
FTE Positions	53.7	53.7	58.0	59.0	59.0
Funeral Service Commission					
Licenses Issued	4,242	4,199	4,327	4,300	4,300
Complaints Resolved	203	149	146	135	135
All Funds Total	$841,829	$850,496	$850,445	$820,766	$820,767
FTE Positions	11.8	11.8	12.0	12.0	12.0
Texas Medical Board					
Licenses Issued	58,132	84,936	86,176	88,280	89,680
Complaints Resolved	1,849	2,324	2,098	1,903	1,898
All Funds Total	$11,829,715	$14,395,102	$13,934,233	$13,854,082	$13,655,324
FTE Positions	170.5	190.7	210.5	208.5	208.5
Texas Board of Nursing					
Licenses Issued	206,946	212,238	202,767	216,000	222,000
Complaints Resolved	18,166	16,612	16,227	17,000	17,000
All Funds Total	$11,447,473	$12,005,318	$12,055,548	$12,731,958	$12,793,009
FTE Positions	116.1	113.2	124.7	124.7	124.7
Optometry Board					
Licenses Issued	4,471	4,588	4,666	4,666	4,666
Complaints Resolved	124	136	116	140	140
All Funds Total	$440,842	$489,715	$487,077	$493,995	$492,995
FTE Positions	6.5	6.8	7.0	7.0	7.0
Board of Pharmacy					
Licenses Issued	104,213	107,707	112,512	112,267	113,300
Complaints Resolved	5,922	6,242	5,897	5,360	5,360
All Funds Total	$6,701,662	$7,579,921	$7,806,163	$8,371,680	$8,135,461
FTE Positions	88.3	90.0	99.0	98.0	98.0
Executive Council of Physical Therapy and Occupational Therapy Examiners					
Licenses Issued	19,708	20,948	16,376	19,425	19,725
Complaints Resolved	659	908	677	835	885
All Funds Total	$1,256,898	$1,464,453	$1,442,602	$1,397,818	$1,432,935
FTE Positions	18.6	20.3	21.0	21.0	21.0

FIGURE 365 (CONTINUED)
HEALTH-RELATED LICENSING AGENCIES ACTIVITIES AND FUNDING, FISCAL YEARS 2015 TO 2019

AGENCY	2015 EXPENDED	2016 ESTIMATED	2017 BUDGETED	2018 APPROPRIATED	2019 APPROPRIATED
Board of Podiatric Medical Examiners (1)					
Licenses Issued	1,613	1,644	1,604	N/A	N/A
Complaints Resolved	88	91	81	N/A	N/A
All Funds Total	$289,017	$298,498	$291,197	N/A	N/A
FTE positions	4.0	4.0	4.0	N/A	N/A
Board of Examiners of Psychologists					
Licenses Issued	9,114	9,494	9,489	9,400	9,400
Complaints Resolved	279	274	167	300	300
All Funds Total	$896,436	$893,459	$952,212	$942,113	$896,968
FTE Positions	13.0	13.0	13.5	13.5	13.5
Board of Veterinary Medical Examiners					
Licenses Issued	10,844	7,200	9,855	10,695	10,900
Complaints Resolved	566	361	378	430	430
All Funds Total	$1,150,158	$1,309,269	$1,306,816	$1,443,792	$1,439,791
FTE Positions	17.4	18.5	20.0	22.0	22.0

NOTE: (1) House Bill 3078, Eighty-fifth Legislature, Regular Session, 2017, abolished the Board of Podiatric Medical Examiners and transferred the regulation of podiatry to the Texas Department of Licensing and Regulation.
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.

violators of the agency's practices standards. Appropriations for enforcement programs at the health-related licensing agencies total $51.3 million for the 2018–19 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 that continuing education requirements and ethical standards are met. Appropriations for licensing programs at health-related licensing agencies total $34.5 million for the 2018–19 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 following: the Texas Board of Nursing, Board of Pharmacy, Optometry Board, Texas State Board of Dental Examiners, and Board of Veterinary Medical Examiners. The Texas Medical Board operates the Texas Physician Health program, which is similar in function to other health-related agencies' peer assistance programs but is attached administratively to the Texas Medical Board. Appropriations for peer assistance programs total $4.0 million for the 2018–19 biennium. These appropriations are subject to a provision in the Eighty-fifth Legislature, GAA, 2018–19 Biennium, requiring state agencies with behavioral health appropriations to participate in the Statewide Behavioral Health Coordinating Council, which was established to coordinate the expenditure of funds for behavioral health programs across the state.

HPC provides shared support for participating agencies, including information technology support, accounting, and training. Appropriations for HPC shared support services total $2.2 million for the 2018–19 biennium and are funded through Interagency Contracts with the participating health-related and nonhealth-related licensing agencies.

The Texas Medical Board also oversees the public education program, which assists in establishing continuing education standards and educating the public regarding medical malpractice. Appropriations for the public education program total $0.6 million for the 2018–19 biennium.

SIGNIFICANT LEGISLATION

Senate Bill 304, Regular Session – Continuation and functions of the Texas Board of Chiropractic Examiners. The Board of Chiropractic Examiner's Sunset legislation continues the agency until September 1, 2029. The legislation establishes a process to review a national practitioner database to investigate disciplinary actions against licensees in other states. The legislation also discontinues the regulation of chiropractic facilities.

Senate Bill 313, Regular Session – Continuation and functions of the State Board of Dental Examiners. The Board of Dental Examiners' Sunset legislation continues the agency until September 1, 2029. The legislation establishes a process to review a national practitioner database to investigate disciplinary actions against licensees in other states and requires the inspections of dentists who hold certain anesthesia permits. The legislation modifies the structure of dental assistant licensure by eliminating the four dental assistant certificates and replacing two certifications with new registrations.

House Bill 2950, Regular Session – Continuation and functions of the Texas Board of Nursing (BON). The BON's Sunset legislation continues the agency until September 1, 2029. The legislation requires BON to develop a path to initial licensure for graduates of equivalent out-of-state programs. The legislation prohibits the board from charging a nurse for the administrative costs of conducting a hearing at the State Office for Administrative Hearings. The legislation repeals the Nurse Licensure Compact and replaces it with an updated version. The legislation requires the agency to remove a nurse's disciplinary action from the board's website if the nurse and action meet certain criteria.

House Bill 280, Regular Session – Grant program for reducing workplace violence against nurses. The legislation requires the Texas Center for Nursing Workforce Studies within the Health Professions Resource Center at the Department of State Health Services to establish a grant program to fund innovative approaches to reduce workplace violence against nurses. The legislation authorizes the Board of Nursing to transfer funds to the Department of State Health Services to fund the grants for the program.

Senate Bill 314, Regular Session – Continuation and functions of the Texas Optometry Board. The Optometry Board's Sunset legislation continues the agency until September 1, 2029. The legislation requires the Optometry Board to establish a process to investigate disciplinary actions against licensees in other states and requires the agency to conduct fingerprint-based background checks on all applicants.

House Bill 2561, Regular Session – Continuation and functions of the Texas State Board of Pharmacy and the regulation of certain prescription drugs, prescription drug prescribers and dispensers. The Board of Pharmacy's Sunset legislation continues the agency until September 1, 2029. The legislation authorizes the agency to send electronic notification to prescribers whose prescribing habits could be harmful and requires wholesale pharmaceutical distributors to report certain information to the Board of Pharmacy. The legislation requires regulatory agencies that license individuals with prescribing ability to periodically access and monitor the Texas Prescription Monitoring Program, a tool used to track the prescribing history of patients and practitioners, for prescribing behaviors and dispensing patterns of licensees.

Senate Bill 317, Regular Session – Continuation and functions of the Executive Council of Physical Therapy and Occupational Therapy Examiners. The Executive Council of Physical Therapy and Occupational Therapy Examiner's (ECPTOTE) Sunset legislation continues ECPTOTE, the Board of Physical Therapy Examiners (BPTE), and the Board of Occupational Therapy Examiners (BOTE) until September 1, 2029. The legislation adopts the Physical Therapy Licensure Compact, authorizing physical therapists and physical therapy assistants in states that belong to the compact to provide physical therapy services in other compact states without obtaining separate licenses. The legislation discontinues BPTE's and BOTE's registration of physical and occupational therapy facilities beginning September 1, 2019.

House Bill 3078, Regular Session – Abolishment of the Board of Podiatric Medical Examiners. The Board of Podiatric Medical Examiner's Sunset legislation transfers the regulation of podiatry to TDLR and abolished the agency September 1, 2017. The legislation authorizes the Podiatric Medical Examiners Advisory Board and requires the board to provide advice and recommendations to TDLR regarding technical matters relating to the regulation of podiatry. The legislation modifies the Sunset date for TDLR from September 1, 2019, to September 1, 2021.

Senate Bill 319, Regular Session – Continuation and functions of the State Board of Veterinary Medical Examiners. The Board of Veterinary Medical Examiners' Sunset legislation continues the agency until September 1,

2021. The legislation requires the agency to conduct a risk-based inspection of a veterinarian's practice based on information obtained from a source concerning the veterinarian's prescription of controlled substances. The legislation requires the Sunset Advisory Commission to conduct a special-purpose review of the agency for the Eighty-seventh Legislature, 2021.

Senate Bill 20, First Called Session, and Senate Bill 60, First Called Session – Continuation of the Texas Medical Board and the Board of Examiners of Psychologists. The legislation continues the Texas Medical Board and the Board of Examiners of Psychologists until September 1, 2019, and repeals corresponding riders in the agency's bill patterns in Senate Bill 1, Eighty-fifth Legislature, Regular Session, 2017, that require agency funding to be contingent on the continuation of the agencies during the Eighty-fifth Legislature, Regular Session, 2017.

OTHER REGULATORY AGENCIES

PURPOSE: Other regulatory agencies consist of the Board of Plumbing Examiners, the Board of Professional Land Surveying, and the Board of Professional Geoscientists, who oversee the regulation of certain occupations within Texas. Agencies ensure that licensee qualifications and standards are maintained through licensing and enforcement programs.

ESTABLISHED: Plumbing—1947, Land Surveying—1979, Geoscientists—2001

AUTHORIZING STATUTE: The Texas Occupations Code, §§1301.001, 1071.001, and 1002.001

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

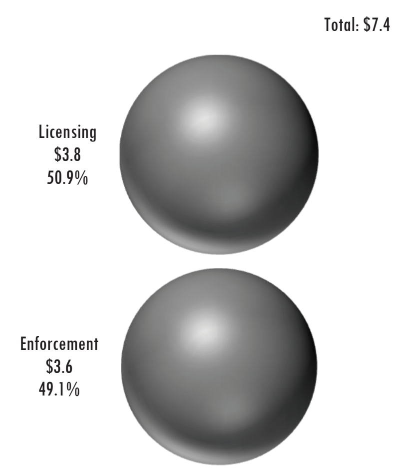
FIGURE 366
OTHER REGULATORY AGENCIES BY METHOD OF FINANCE

(IN MILLIONS)

METHOD OF FINANCE	EXPENDED/ BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$7.4	$7.3	($0.1)	(1.2%)
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	$0.1	($0.0)	(8.5%)
Total, All Methods of Finance	**$7.5**	**$7.4**	**($0.1)**	**(1.3%)**

APPROPRIATED FULL-TIME-EQUIVALENT POSITIONS	
2018	43.5
2019	43.5

AGENCY PROGRAM AREAS BY APPROPRIATION (IN MILLIONS)



SIGNIFICANT DEVELOPMENTS

Funding at the Board of Plumbing Examiners includes an **increase of $0.1 million for investigator salary raises and regulatory database enhancements**.

Appropriations include a **decrease of $0.1 million for the decrease of 1.5 full-time-equivalent positions** at the Board of Professional Geoscientists.

The Board of Professional Land Surveying is appropriated **$0.1 million for a part-time position** to assist with enforcement data.

The Board of Plumbing Examiners, the Board of Professional Land Surveying, and the Board of Professional Geoscientists received an **increase in salary authority for exempt positions**.

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. These three agencies participate in shared services through the Health Professions Council. All Funds appropriations for these agencies for the 2018–19 biennium decreased by $0.1 million and 3.0 full-time-equivalent (FTE) positions.

Appropriations for the Board of Plumbing Examiners include a net decrease of $0.1 million in All Funds and 2.0 FTE positions. This decrease includes a decrease of $0.2 million for 2.0 investigator positions offset by an increase of $0.1 million for salary raises for the remaining investigators and funding for enhancements to the agency's regulatory database. Appropriations for the Board of Professional Geoscientists decreased by $0.1 million in General Revenue Funds for a reduction of 1.5 FTE positions. The appropriations for the Board of Professional Land Surveying increased by $0.1 million in General Revenue Funds and a 0.5 FTE position for a part-time position to assist with enforcement data.

These three regulatory agencies are subject to a legislative requirement that fee-generated revenues cover the cost of agency appropriations and other direct and indirect costs appropriated in the General Appropriations Act. These agencies generate revenue from the regulated occupations and industries in addition to direct and indirect appropriations, 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 367** shows total appropriations and FTE positions for each agency and certain performance measures related to the agency's licensing and enforcement programs.

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 that continuing education requirements and ethical standards are met. Appropriations for licensing programs at these three regulatory agencies total $3.8 million in All Funds for the 2018–19 biennium.

Enforcement activities include routine inspections of facilities, investigating consumer complaints about a licensee or quality of service, and suspending or revoking licenses for violations of the agency's standards. Appropriations for enforcement programs at these agencies total $3.6 million in All Funds for the 2018–19 biennium.

SIGNIFICANT LEGISLATION

House Bill 3049 – Amendment to the number of hours of work experience required of a plumber's apprentice to take an examination for a plumber's license. The legislation authorizes the Texas State Board of Plumbing Examiners to credit an applicant for a license as a journeyman plumber or tradesman plumber limited license holder with up to 250.0 hours of the work experience required before taking a licensing exam. The agency may apply this credit if the applicant has completed a coherent sequence of courses in the construction trade through a career and technical education program approved by the State Board of Education.

FIGURE 367
NONHEALTH-RELATED LICENSING AGENCIES' ACTIVITIES AND FUNDING, FISCAL YEARS 2015 TO 2019

AGENCY	2015 EXPENDED	2016 ESTIMATED	2017 BUDGETED	2018 APPROPRIATED	2019 APPROPRIATED
Board of Professional Geoscientists					
Licenses Issued	4,491	4,412	4,501	4,434	4,396
Complaints Resolved	44	54	77	38	38
All Funds Total	$581,394	$599,339	$594,434	$574,212	$569,310
Full-time-equivalent Positions	7.3	7.0	8.0	6.5	6.5
Board of Professional Land Surveying					
Licenses Issued	2,899	2,887	2,914	3,056	3,056
Complaints Resolved	21	47	62	25	25
All Funds Total	$367,094	$432,800	$477,865	$480,608	$480,607
Full-time-equivalent Positions	5.0	5.4	5.5	6.0	6.0
Board of Plumbing Examiners					
Licenses Issued	50,775	53,386	57,765	53,500	53,500
Complaints Resolved	1,070	1,182	1,031	1,250	1,250
All Funds Total	$2,496,866	$2,699,837	$2,683,355	$2,657,080	$2,629,078
Full-time-equivalent Positions	29.1	30.1	33.0	31.0	31.0

SOURCES: Legislative Budget Board; Board of Professional Geoscientists; Board of Professional Land Surveying; Board of Plumbing Examiners.

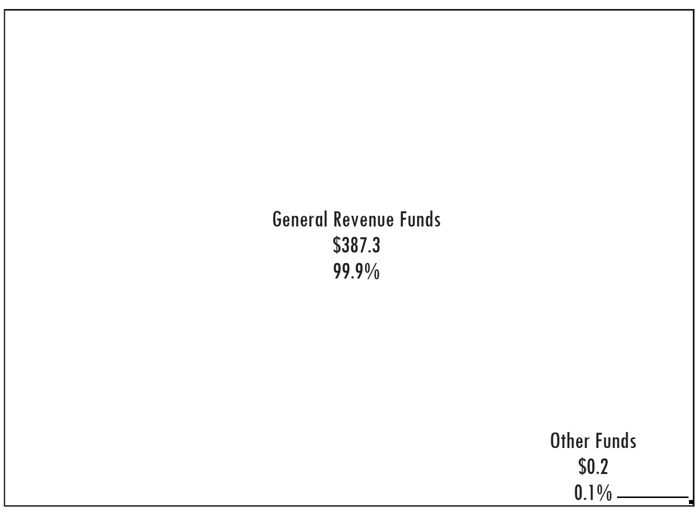
12. LEGISLATURE

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.

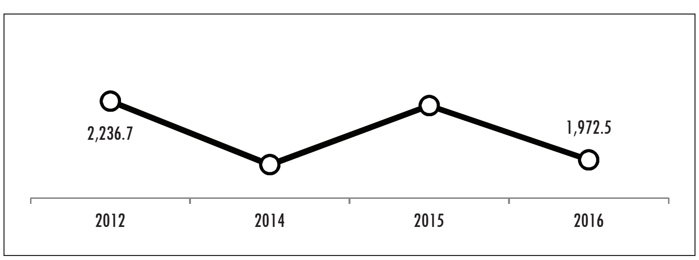
FIGURE 368
ARTICLE X – LEGISLATURE, BY METHOD OF FINANCE

	(IN MILLIONS)			
METHOD OF FINANCE	EXPENDED/BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Revenue Funds	$400.8	$387.3	($13.4)	(3.4%)
General Revenue–Dedicated Funds	$0.0	$0.0	$0.0	N/A
Federal Funds	$0.0	$0.0	$0.0	N/A
Other Funds	$0.1	$0.2	$0.1	97.2%
Total, All Methods of Finance	**$400.9**	**$387.5**	**($13.3)**	**(3.3%)**

SHARE OF FUNDING BY METHOD OF FINANCE (IN MILLIONS)



FULL-TIME-EQUIVALENT POSITIONS



SIGNIFICANT DEVELOPMENTS

The Legislature passed 1,223 of 7,139 filed **bills** and **9 of 221 joint resolutions (JR)** during the Eighty-fifth Legislature, Regular and First Called Sessions. In addition, **99 of 224 concurrent resolutions** and **4,297 of 4,333 resolutions were passed.** The Legislative Council drafted **11,917 bills and JRs** requested by the Legislature.

The Legislative Budget Board completed **7,916 Fiscal Notes and 776 Impact Statements**, conducted **16 Strategic Fiscal Reviews**, and produced a new program-based Legislative Budget Estimate.

The Sunset Advisory Commission's enacted recommendations are expected to generate $1.3 million for the 2018–19 biennium and an additional **$5.8 million** during the subsequent five years.

The State Auditor's Office Audit and Review Team completed 51 audits of and other projects related to state agencies, higher education institutions, and other entities during fiscal year 2017.

NOTES: Excludes Interagency Contracts. Full-time-equivalent positions show actual positions for fiscal years 2012 to 2016.
SOURCES: Legislative Budget Board; State Auditor's Office.

FIGURE 369
ARTICLE X – LEGISLATURE, ALL FUNDS

(IN MILLIONS)

FUNCTION	EXPENDED/BUDGETED 2016–17	APPROPRIATED 2018–19	BIENNIAL CHANGE	PERCENTAGE CHANGE
Senate	$65.4	$68.0	$2.6	3.9%
House of Representatives	$88.4	$84.9	($3.5)	(4.0%)
Legislative Budget Board	$28.5	$23.4	($5.0)	(17.7%)
Legislative Council	$78.7	$75.5	($3.1)	(4.0%)
Commission on Uniform State Laws	$0.3	$0.3	($0.0)	(4.0%)
State Auditor's Office	$50.6	$45.6	($5.0)	(9.8%)
Legislative Reference Library	$3.2	$3.1	($0.1)	(4.0%)
Subtotal, Legislature	**$315.0**	**$300.8**	**($14.3)**	**(4.5%)**
Retirement and Group Insurance	$70.9	$75.2	$4.3	6.1%
Social Security and Benefits Replacement Pay	$17.2	$17.2	($0.1)	(0.4%)
Lease Payments	$10.6	$3.7	($6.9)	(65.0%)
Subtotal, Employee Benefits and Debt Service	**$98.7**	**$96.1**	**($2.6)**	**(2.7%)**
Less Interagency Contracts	$12.9	$9.4	($3.6)	(27.5%)
Total, All Functions	**$400.9**	**$387.5**	**($13.3)**	**(3.3%)**

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.
(3) Amounts only reflect direct appropriations. Appropriation transfers authorized by rider from the House of Representatives and the Senate to the Legislative Budget Board and Sunset Advisory Commission are solely reflected in appropriations to the House and Senate.
SOURCE: Legislative Budget Board.

MAJOR FUNDING

Appropriations made to the Legislature total $387.5 million in All Funds for the 2018–19 biennium, a decrease of $13.3 million, or 3.3 percent, from the 2016–17 biennial spending level. These appropriation changes primarily include the following:

- General Revenue Funds are reduced by 4.0 percent for all Article X entities consistent with the statewide directive for agencies to reduce baseline requests;
- a decrease of $2.6 million in General Revenue Funds for employee benefits and debt service for all legislative agencies;
- a decrease of $3.5 million in Interagency Contract funding at the State Auditor's Office due to a projected decrease in the amount of reimbursed financial statement and federal compliance audit work for entities during the 2018–19 biennium compared to the 2016–17 biennium; and
- 2018–19 biennial appropriations to the House and Senate maintain the 2016–17 biennial appropriation levels, less 4.0 percent, for authorized transfers to the Legislative Budget Board and Sunset Advisory Commission.

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 total $68.0 million in General Revenue Funds, an increase of $2.6 million, or 3.9 percent, from the 2016–17 biennial spending level. The increase maintains 96.0 percent of the 2016–17 biennial appropriation for transfers to other legislative agencies.

The Lieutenant Governor appoints all committee chairs and members of Senate standing and select committees, and refers bills to the committees. Approximately 23 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 370** shows the number of bills and resolutions filed, passed, and vetoed for the Eighty-fifth Legislature, 2017. The Senate passed 523 bills and joint resolutions, or 21.0 percent of the 2,488 bills and joint resolutions filed by the Senate. These amounts exclude 1,151 resolutions, which were passed in honor or acknowledgement of individuals and entities. Fifteen 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 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. Funding for the operations of the House of Representatives totals $84.9 million in General Revenue Funds, a decrease of $3.5 million, which continues funding at 96.0 percent of the 2016–17 biennial spending level, including authorized transfers to other legislative agencies.

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 370** shows the number of bills and resolutions filed, passed, and vetoed for the Eighty-fifth Legislature, 2017. The House passed 709 bills and joint resolutions, or 14.6 percent of the 4,872 bills and joint resolutions filed by the House. These amounts exclude 3,245 resolutions, which are passed in honor or acknowledgement of individuals and entities. Among bills originating in the House, 36 bills were vetoed by the Governor.

FIGURE 370
LEGISLATION FILED, PASSED, AND VETOED FOR THE LEGISLATIVE SESSIONS, 2013 TO 2017

	83RD LEGISLATURE			84TH LEGISLATURE			85TH LEGISLATURE			CHANGE FROM 84TH TO 85TH LEGISLATURES		
CHAMBER	FILED	PASSED	VETOED	FILED	PASSED	VETOED	FILED	PASSED	VETOED	FILED	PASSED	VETOED
Senate												
Bills	2,025	709	11	2,069	504	9	2,420	517	15	351	13	6
Concurrent Resolutions	55	38	0	52	32	0	65	29	0	13	(3)	0
Joint Resolutions	85	5	0	67	5	0	68	6	0	1	1	0
Resolutions	1,358	1,357	0	1,074	1,072	0	1,124	1,122	0	50	50	0
Senate Total	**3,523**	**2,109**	**11**	**3,262**	**1,613**	**9**	**3,677**	**1,674**	**15**	**415**	**61**	**6**
House												
Bills	4,117	734	15	4,207	819	34	4,719	706	36	512	(113)	2
Concurrent Resolutions	237	173	0	122	68	1	159	70	0	37	2	(1)
Joint Resolutions	154	6	0	133	2	0	153	3	0	20	1	0
Resolutions	3,685	3,638	0	3,632	3,581	0	3,209	3,175	0	(423)	(406)	0
House Total	**8,193**	**4,551**	**15**	**8,094**	**4,470**	**35**	**8,240**	**3,954**	**36**	**146**	**(516)**	**1**
Senate and House												
Bills	6,142	1,443	26	6,276	1,323	43	7,139	1,223	51	863	(100)	8
Concurrent Resolutions	292	211	0	174	100	1	224	99	0	50	(1)	(1)
Joint Resolutions	239	11	0	200	7	0	221	9	0	21	2	0
Resolutions	5,043	4,995	0	4,706	4,653	0	4,333	4,297	0	(373)	(356)	0
Total	**11,716**	**6,660**	**26**	**11,356**	**6,083**	**44**	**11,917**	**5,628**	**51**	**561**	**(455)**	**7**

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 agency 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. 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 LBB is provided through General Revenue Funds appropriated to the Texas Senate and House of Representatives that are authorized by rider to be transferred to a special operating account each fiscal year. Appropriated transfers for the 2018–19 biennium total $7.8 million. In addition, the agency receives a direct appropriation of $23.4 million in General Revenue Funds, for a total biennial budget of $31.2 million. The Legislative Budget Board's authority to carry forward unexpended balances from the 2016–17 biennium was vetoed by the Governor.

AGENCY RESPONSIBILITIES

Significant statutory responsibilities for 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;
- reporting findings from performance and efficiency reviews;
- 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, 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), 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.

BUDGET EXECUTION AUTHORITY

The Texas Government Code, Chapter 317, provides 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 should 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 LBB concur.

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. For the Eighty-fifth Legislature, Regular Session, 2017, one LBE provides both historical expenditures and proposed appropriations for each state agency and institution of higher education, and another reflects all agency programs. 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. LBB staff perform a variety of projections and analytical modeling to support this development. As part of this process, LBB staff each interim perform a Strategic Fiscal Review (SFR) on a selected cohort of state agencies. These SFRs provide an exacting, deep review of agency authority, mission, programs, and activities.

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 that LBB staff can monitor progress toward achieving established performance targets. 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-fifth Legislature, 2017, LBB staff completed 7,916 fiscal notes.

In addition to fiscal notes, LBB staff prepare impact statements that provide the Legislature with additional analysis and information about certain bills being considered for passage. 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 371 shows the number of fiscal notes and impact statements that LBB completed during the same period.

PERFORMANCE AUDITS AND EVALUATIONS

LBB is statutorily required to establish a system of performance audits and evaluations intended to provide a comprehensive and continuing review of the programs and operations of each state institution, department, agency, or commission. In addition, it is authorized to conduct performance reviews and evaluations of state agencies, river authorities, public junior colleges, and general academic teaching institutions. The findings from these reviews and related policy analyses provide information and options for statutory and budgetary changes. For the Eighty-fifth Legislature, Regular Session, 2017, at the direction of the Speaker of the House of Representatives, 52 performance reviews and evaluations were provided to the House, 32 of which included options for statutory or budgetary changes. The Legislature acted upon options identified in 16 of the 32 reports that included options.

LBB also is authorized to conduct performance reviews and evaluations of school districts. These comprehensive and targeted reviews of school districts' educational, financial, and operational services and programs result 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 September 2015 to August 2017, the School Performance Review team conducted nine reviews containing almost 450 recommendations for improving school performance.

CONTRACTS AND TECHNOLOGY OVERSIGHT

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 LBB. The Eighty-fifth Legislature, General Appropriations Act (GAA), 2018–19 Biennium, Article IX, Sections 7.04 and 7.12, further articulates and consolidates reporting requirements and responsibilities for contract reporting and oversight 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 also may make budget or policy recommendations to improve the framework and requirements related to procurement or to individual agencies' processes for administration and oversight.

FIGURE 371
LEGISLATION REQUIRING A FISCAL NOTE COMPARED TO FISCAL NOTES AND COMPLETED IMPACT STATEMENTS
EIGHTY-THIRD TO EIGHTY-FIFTH LEGISLATIVE SESSIONS

	LEGISLATURE			CHANGE	
CATEGORY	83RD 2013	84TH 2015	85TH 2017	84TH TO 85TH	84TH TO 85TH PERCENTAGE
Filed Legislation Requiring a Fiscal Note	6,381	6,456	7,230	774	12.0%
Fiscal Notes (FN)	7,959	7,811	7,916	105	1.3%
Completed Impact Statements (CIS)	895	613	776	163	26.6%
FN and CIS Totals	**9,477**	**8,854**	**8,424**	**268**	**27.9%**

NOTE: Includes all Regular and Called sessions.
SOURCES: Legislative Budget Board; Legislative Reference Library.

LBB staff also serve on the Quality Assurance Team (QAT). The Legislature established the QAT to provide ongoing oversight of major information resources projects that receive appropriations from the Legislature. The Eighty-fifth Legislature, 2017, increased QAT oversight to include approval of contracts valued at more than $10.0 million that implement projects QAT monitors. All state agencies are subject to QAT oversight, with the exception of institutions of higher education and self-directed, semi-independent state agencies. QAT members include CPA, the Department of Information Resources, and LBB. The State Auditor's Office serves as an advisor to QAT.

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 chair position rotates between the Senate and the House every two years.

Funds for operating 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 2018–19 biennium total $4.5 million in General Revenue Funds, which continues funding at 96.0 percent of 2016–17 biennial appropriated levels.

Typically, state agencies undergo Sunset review once every 12 years. Approximately 140 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, during the interim before the legislative session in which the agency is set to terminate. SAC will conduct 32 reviews during the interim for consideration by the Eighty-sixth Legislature, 2019, as shown in **Figure 372**. The agency 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 more than 500 reviews of state agencies and programs since its creation in 1977. During that time, the Legislature has abolished 85 agencies, which includes 39 agencies that have been abolished completely and 46 that have been abolished with certain functions transferred to existing or newly established agencies. Changes enacted through the Sunset process to eliminate or improve state services have resulted in an overall positive fiscal impact of $981.0 million. Overall, approximately 80.0 percent of SAC's recommendations typically become law.

The Eighty-fifth Legislature, Regular and First Called Sessions, 2017, passed 17 Sunset bills. These bills contained 80.0 percent of the SAC's 252 recommendations to the Legislature, including 193 statutory changes and 147 management directives to agencies. Changes enacted through these Sunset bills are projected to result in savings and revenue gains of more than $1.3 million during the 2018–19 biennium and approximately $5.8 million during the subsequent five years.

Two Sunset bills that were not passed by the Legislature included bills to continue the Texas Medical Board (TMB) and the four boards licensing and regulating professional counselors, marriage and family therapists, psychologists, and social workers in a single agency. All of these agencies were continued for two years pursuant to Senate Bill 20, Eighty-fifth Legislature, First Called Session, 2017. In addition, the Legislature enacted many recommendations for TMB through other legislation, which included enabling the board to improve its regulation of pain management clinics and authorizing the board to deny renewal applications from applicants that are noncompliant with disciplinary orders.

The Legislature took actions to continue the following entities for 12 years: (1) State Bar of Texas; (2) Texas Board of Chiropractic Examiners; (3) State Board of Dental Examiners; (4) Board of Law Examiners; (5) Texas Board of Nursing; (6) Texas Optometry Board; (7) Texas State Board of Pharmacy; (8) Executive Council of Physical Therapy and Occupational Therapy Examiners; (9) Texas Board of Occupational Therapy Examiners; (10) Texas Board of Physical Therapy Examiners; (11) Railroad Commission of Texas; (12) Texas Department of Transportation; (13) Sulphur River Basin Authority; and (14) the Upper Colorado River Authority. In addition, the State Board of Veterinary Medical Examiners was continued for four years, the Texas State Board of Podiatric Medical Examiners was transferred to the Department of Licensing and Regulation, and the Central Colorado River Authority was abolished. The Legislature also removed the Palo Duro River Authority from Sunset review.

SIGNIFICANT LEGISLATION

Senate Bill 20, First Called Session, 2017 – Sunset review of certain agencies. The legislation extends the following agencies for two years: (1) TMB; (2) Texas State Board of Examiners of Marriage and Family Therapists; (3) Texas State Board of Examiners of Professional Counselors; (4) Texas State Board of Examiners of Psychologists; and (5) Texas State Board of Social Worker Examiners. In addition, the legislation also extends 28 separate chapters of law governing the regulation of medicine, psychology, and marriage and family therapy for two years.

FIGURE 372
SUNSET REVIEW SCHEDULE, 2018–19 BIENNIUM

General Government
- Texas Historical Commission
- Texas State Library and Archives Commission
- Risk Management Board and State Office of Risk Management
- Texas Veterans Commission

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

Agencies of Education
- School Land Board

Public Safety and Criminal Justice
- Texas Alcoholic Beverage Commission
- Texas Military Department
- Texas Department of Public Safety

Natural Resources
- Veterans' Land Board

Business and Economic Development
- Texas Department of Motor Vehicles

Regulatory
- Texas State Board of Public Accountancy
- Texas Appraiser Licensing and Certification Board
- Texas Department of Banking
- Office of Consumer Credit Commissioner
- Finance Commission of Texas
- Texas Funeral Service Commission
- Texas Board of Professional Geoscientists
- Texas Board of Professional Land Surveying
- Texas Medical Board
- Texas State Board of Plumbing Examiners
- Texas State Board of Examiners of Psychologists
- Texas Real Estate Commission
- Office of Commissioner and Department of Savings and Mortgage Lending
- State Securities Board

Other
- Guadalupe–Blanco River Basin Authority
- Lower Colorado River Authority
- Nueces River Authority of Texas
- Red River Authority of Texas
- Texas Windstorm Insurance Association

SOURCE: Sunset Advisory Commission.

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 total $75.5 million in General Revenue Funds, which includes a decrease of $3.1 million and continues funding at 96.0 percent of the 2016–17 biennial spending 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 that 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 the Senate and the House. **Figure 373** shows the number of bills and joint resolutions (JR) requested, filed, and passed by the Legislature during each biennium since fiscal year 2007. The agency drafted 11,219 bills and JRs requested by the Eighty-fifth Legislature, Regular and First Called Sessions, 2017. 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.

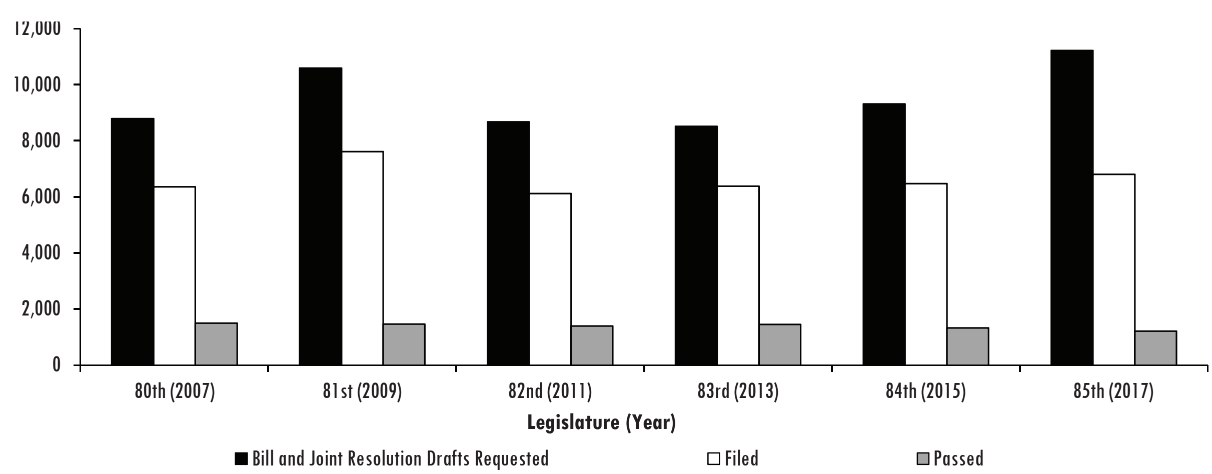
The Texas Legislature is responsible for redistricting state Senate, state House, U.S. congressional, and the State Board of Education districts during the first regular session following publication of each U.S. decennial census, and for making changes to state judicial districts. Redistricting is the 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 the following responsibilities relating to the redistricting process:

- prepare publications about the redistricting process, data, and law to assist those involved or interested in the redistricting process;
- provide technical and legal support to the Legislature, including development and support of district modeling computer systems and development of web information resources; and
- prepare and distribute 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 information technology support to the House, Senate, and other entities. This division develops and operates automated systems that support the legislative process. The division processes the text of draft documents, bills, resolutions, and House and Senate journals and reports on bill status and legislative committee activity. The division also supports automated budget analysis and the production of appropriations bills. In addition, the division provides programming support for the fiscal notes system and tracks membership of boards and commissions. The division also develops accounting, payroll, and personnel systems for use by the Legislature and legislative branch agencies.

FIGURE 373
BILLS AND JOINT RESOLUTIONS REQUESTED, FILED, AND PASSED
EIGHTIETH TO EIGHTY-FIFTH LEGISLATIVE SESSIONS



NOTE: Includes all Regular and Called sessions.
SOURCE: Texas Legislative Council.

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 members appointed by the Governor, 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 for the Commission on Uniform State Laws total $0.3 million in General Revenue Funds, which includes a reduction of $11,840, and continues funding at 96.0 percent of the 2016–17 biennial spending level.

STATE AUDITOR'S OFFICE

The State Auditor's Office (SAO) was established in 1943 and functions as the independent auditor for Texas state government. 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.

The State Auditor is required statutorily 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 SAO may initiate during the state fiscal year. The plan includes statutorily required and discretionary projects, which are developed based on a standardized risk-assessment process.

Appropriations for SAO total $45.6 million in All Funds, which is a decrease of $5.0 million, or 9.8 percent, from the 2016–17 biennial spending level. Total funding includes $36.0 million in General Revenue Funds, Interagency Contract funding of $9.4 million, and Appropriated Receipts of $0.2 million. Funding decreases include $1.5 million in General Revenue Funds, which is equivalent to 4.0 percent of the 2016–17 biennial spending level, and $3.5 million in Interagency Contract funds due to a projected decrease in the amount of reimbursed financial statement and federal compliance audit work for entities for the 2018–19 biennium compared to the 2016–17 biennium.

AUDITS AND INVESTIGATIONS

Audits are performed in accordance with accepted government auditing standards, which include standards issued by the American Institute of Certified Public Accountants. 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 higher education institutions, 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.

SAO's Audit and Review Team completed 51 audits and other projects related to state agencies, higher education institutions, and other entities during fiscal year 2017. **Figure 374** shows the number of audits and other projects that SAO has completed annually since fiscal year 2011. **Figure 374** does not include the reports issued by the State Classification Team within SAO. For fiscal year 2017, the State Classification Team issued eight reports.

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.

FIGURE 374
STATE AUDITOR'S OFFICE AUDITS AND OTHER PROJECTS COMPLETED, FISCAL YEARS 2011 TO 2017

YEAR	TOTAL AUDITS AND OTHER PROJECTS
2011	50
2012	50
2013	47
2014	42
2015	46
2016	41
2017	51

SOURCE: Legislative Budget Board.

STATE CLASSIFICATION OFFICE

The Position Classification Act of 1961 established the State Classification Office (Classification Team) within the State Auditor's Office. The Classification Team is responsible for maintaining and updating the state's Position Classification Plan, which provides the salary structure for classified employees in state agencies. During the biennial budget process, the Classification Team recommends the addition and deletion of job classifications, the changing of job titles, and the reallocation of salary groups assigned to specific job classifications. The classification plan for the 2018–19 biennium adopted by the Eighty-fifth Legislature, Regular Session, 2017, includes 1,091 classification titles covering approximately 152,545 full-time and part-time classified employees at state agencies; the classification titles are grouped into 27 occupational categories and 272 job classification series. The GAA includes three salary schedules for classified positions: Schedule A includes clerical and technical positions; Schedule B includes mainly professional and managerial positions; and Schedule C includes law enforcement positions.

The Classification Team produces reports and guides regarding compensation, classification, turnover, and workforce issues that are available online on SAO's website. For example, a current reference guide summarizing all state human resources management statutes that apply to Texas state employees is also provided, along with nine other guides and resources that address issues related to workforce planning, sick leave, sick leave donation, military pay differential, military occupational codes, job descriptions, full-time-equivalent employee reporting, job classification review, and necessary payroll actions that agencies must make before the start of each biennium. Other significant reports cover the following topics: (1) benefits as a percentage of total compensation; (2) classification compliance reviews and audits; (3) the Position Classification Plan; (4) the state's Law Enforcement Salary Schedule (Salary Schedule C); (5) executive compensation; (6) employee turnover; (7) full-time-equivalent state employee positions; and (8) legislative workforce summaries.

PROFESSIONAL DEVELOPMENT

The Texas Government Code, Chapter 2102, referred to as the Texas Internal Auditing Act, authorizes SAO, subject to approval by the Legislative Audit Committee, to make available and coordinate a program of training and technical assistance to ensure that state agency internal auditors have access to current information regarding internal audit techniques, policies, and procedures. SAO makes training available to SAO staff, internal audit, and other participants. During fiscal year 2017, SAO offered 84 courses that 1,565 participants attended.

LEGISLATIVE REFERENCE LIBRARY

The Legislative Reference Library (LRL) was established by the Sixty-first Legislature, 1969, as an independent agency. 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 total $3.1 million in All Funds, which includes a decrease of $0.1 million, or 4.0 percent from the 2016–17 biennial spending level. Agency funding primarily consists of General Revenue Funds, and all decreases are from this method of financing.

LRL contains Texas legal and public affairs materials and 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. LRL collects from a variety of source materials regarding state government and issues affecting the Texas Legislature.

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. The library also has developed several databases accessible through the Legislature's computer network. The databases contain specialized information regarding Texas state government, including state boards and commissions, facts and statistics regarding the Texas Legislature, an online card catalog, and newspaper articles included in the legislative clipping service. Additional LRL databases provide access to the legislative bill files and indexes regarding 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 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

Teacher Retirement System

Optional Retirement Program

ARTICLE III — AGENCIES OF EDUCATION *(CONTINUED)*

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

Midwestern State University

University of North Texas System Administration

ARTICLE III — AGENCIES OF EDUCATION *(CONTINUED)*

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 – Fort Bend

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

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

ARTICLE III — AGENCIES OF EDUCATION *(CONTINUED)*

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

Support for Military and Veterans Exemptions

ARTICLE IV — 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

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 — 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:

- *Appropriations made by House Bill 2 are subject to the appropriation life stated therein and are not shortened by inclusion in House Bill 1, Eighty-fourth Legislature, 2015, or extended by inclusion in Senate Bill 1, Eighty-fifth Legislature, Regular Session, 2017.*
- *Unless expressly provided in House Bill 2 and House Bill 3849, or other appropriating legislation, by the Eighty-fifth Legislature, 2017, including those of the First Called Session, such appropriations are not subject to General Provisions contained in Article IX of House Bill 1, Eighty-fourth Legislature, 2015, or of Article IX of Senate Bill 1, Eighty-fifth Legislature, Regular Session, 2017.*

An interactive version of these tables can be found at www.lbb.state.tx.us/Interactive_Graphics.aspx

ALL FUNDS

FIGURE B1
ALL FUNDS – STATEWIDE SUMMARY

FUNCTION	EXPENDED 2016	BUDGETED 2017	APPROPRIATED 2018	APPROPRIATED 2019
Article I – General Government	$3,063,785,108	$3,982,242,750	$3,354,275,449	$2,888,815,212
Article II – Health and Human Services	$39,694,385,531	$41,177,895,932	$39,650,748,870	$39,220,908,359
Article III – Agencies of Education	$40,042,300,961	$39,097,781,685	$41,168,621,188	$39,829,404,690
Public Education	*$30,145,683,628*	*$28,750,089,644*	*$30,936,890,632*	*$29,573,558,380*
Higher Education	*$9,896,617,333*	*$10,347,692,041*	*$10,231,730,556*	*$10,255,846,310*
Article IV – Judiciary	$411,126,411	$402,178,588	$420,857,444	$409,736,656
Article V – Public Safety and Criminal Justice	$6,246,465,151	$6,328,983,729	$6,233,999,000	$6,071,655,059
Article VI – Natural Resources	$2,292,257,168	$2,245,396,488	$2,291,973,265	$2,162,868,555
Article VII – Business and Economic Development	$14,958,278,618	$14,691,364,554	$15,068,789,158	$16,772,841,822
Article VIII – Regulatory	$634,263,090	$322,094,963	$330,239,968	$345,012,787
Article IX – General Provisions	$0	$0	$0	$0
Article X – Legislature	$193,095,467	$207,760,400	$189,082,075	$198,434,928
Total, All Functions	**$107,535,957,505**	**$108,455,699,089**	**$108,708,586,417**	**$107,899,678,068**

NOTES:
(1) Budgeted 2017 incorporates certain appropriation adjustments relating to House Bill 2, Eighty-fifth Legislature, 2017; technical and/or reconciling adjustments; and the Governor's vetoes.
(2) Appropriated 2018 and 2019 incorporate certain appropriation adjustments relating to Article IX of Senate Bill 1 (Conference Committee Report), Eighty-fifth Legislature, 2017; House Bill 3849, Eighty-fifth Legislature, 2017; other legislation passed by the Eighty-fifth Legislature, 2017, 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 2016	BUDGETED 2017	APPROPRIATED 2018	APPROPRIATED 2019
Commission on the Arts	$8,302,869	$9,474,718	$6,353,139	$6,358,137
Office of the Attorney General	$548,875,039	$622,701,621	$575,384,885	$579,595,277
Bond Review Board	$800,160	$831,161	$811,160	$815,661
Cancer Prevention and Research Institute of Texas	$299,337,143	$296,955,752	$300,055,000	$300,055,000
Comptroller of Public Accounts	$310,907,860	$297,937,702	$304,758,507	$305,956,385
Fiscal Programs within the Office of the Comptroller of Public Accounts	$562,397,287	$573,204,083	$583,586,961	$613,381,001
Commission on State Emergency Communications	$78,235,400	$67,759,226	$73,310,068	$65,504,754
Texas Emergency Services Retirement System	$2,341,964	$2,342,324	$2,045,710	$2,045,710
Employees Retirement System	$10,079,869	$10,079,869	$10,079,869	$10,079,869
Texas Ethics Commission	$3,036,138	$3,076,424	$2,943,938	$2,983,940
Facilities Commission	$119,151,416	$1,050,901,300	$172,032,593	$54,132,592
Public Finance Authority	$1,366,797	$1,496,409	$1,477,825	$1,527,263
Office of the Governor	$13,557,841	$12,902,726	$12,592,122	$12,592,122
Trusteed Programs within the Office of the Governor	$650,861,866	$537,447,992	$793,998,885	$407,431,773
Historical Commission	$43,047,080	$33,140,954	$32,897,768	$32,349,979
Department of Information Resources	$322,865,382	$347,574,544	$356,138,797	$400,534,949
Library and Archives Commission	$31,566,245	$33,421,337	$35,195,359	$30,815,546
Pension Review Board	$936,088	$936,087	$1,023,769	$933,769
Preservation Board	$24,638,377	$21,764,193	$16,660,039	$11,109,770
State Office of Risk Management	$50,475,621	$51,120,508	$50,798,064	$50,798,065
Secretary of State	$42,068,462	$22,777,013	$39,933,259	$18,898,701
Veterans Commission	$59,600,436	$55,042,305	$41,698,305	$41,907,870
Subtotal, General Government	**$3,184,449,340**	**$4,052,888,248**	**$3,413,776,022**	**$2,949,808,133**
Retirement and Group Insurance	$148,445,820	$157,524,773	$160,304,127	$163,210,893
Social Security and Benefit Replacement Pay	$40,577,344	$40,566,586	$40,389,188	$40,236,625
Subtotal, Employee Benefits	**$189,023,164**	**$198,091,359**	**$200,693,315**	**$203,447,518**
Bond Debt Service Payments	$90,076,166	$166,684,913	$150,504,032	$172,036,428
Lease Payments	$4,544,671	$0	$8,767,880	$25,662,376
Subtotal, Debt Service	**$94,620,837**	**$166,684,913**	**$159,271,912**	**$197,698,804**
Less Interagency Contracts	$404,308,233	$435,421,770	$419,465,800	$462,139,243
Total, Article I – General Government	**$3,063,785,108**	**$3,982,242,750**	**$3,354,275,449**	**$2,888,815,212**

NOTES:
(1) Budgeted 2017 incorporates certain appropriation adjustments relating to House Bill 2, Eighty-fifth Legislature, 2017; technical and/or reconciling adjustments; and the Governor's vetoes.
(2) Appropriated 2018 and 2019 incorporate certain appropriation adjustments relating to Article IX of Senate Bill 1 (Conference Committee Report), Eighty-fifth Legislature, 2017; House Bill 3849, Eighty-fifth Legislature, 2017; other legislation passed by the Eighty-fifth Legislature, 2017, 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 2016	BUDGETED 2017	APPROPRIATED 2018	APPROPRIATED 2019
Department of Family and Protective Services	$1,779,217,560	$1,926,500,566	$2,038,307,668	$2,051,083,713
Department of State Health Services	$3,430,581,141	$2,201,874,147	$779,733,313	$771,571,237
Health and Human Services Commission	$34,114,677,668	$36,585,814,156	$36,108,836,862	$35,647,629,965
Subtotal, Health and Human Services	**$39,324,476,369**	**$40,714,188,869**	**$38,926,877,843**	**$38,470,284,915**
Retirement and Group Insurance	$806,606,708	$862,741,628	$889,255,997	$912,990,968
Social Security and Benefit Replacement Pay	$181,970,914	$181,820,739	$189,796,193	$189,133,989
Subtotal, Employee Benefits	**$988,577,622**	**$1,044,562,367**	**$1,079,052,190**	**$1,102,124,957**
Bond Debt Service Payments	$29,304,617	$26,420,226	$27,037,617	$27,828,659
Lease Payments	$1,921,555	$17,916	$479,566	$70,598
Subtotal, Debt Service	**$31,226,172**	**$26,438,142**	**$27,517,183**	**$27,899,257**
Less Interagency Contracts	$649,894,632	$607,293,446	$382,698,346	$379,400,770
Total, Article II – Health and Human Services	**$39,694,385,531**	**$41,177,895,932**	**$39,650,748,870**	**$39,220,908,359**

NOTES:
(1) Budgeted 2017 incorporates certain appropriation adjustments relating to House Bill 2, Eighty-fifth Legislature, 2017; technical and/or reconciling adjustments; and the Governor's vetoes.
(2) Appropriated 2018 and 2019 incorporate certain appropriation adjustments relating to Article IX of Senate Bill 1 (Conference Committee Report), Eighty-fifth Legislature, 2017; House Bill 3849, Eighty-fifth Legislature, 2017; other legislation passed by the Eighty-fifth Legislature, 2017, 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 2016	BUDGETED 2017	APPROPRIATED 2018	APPROPRIATED 2019
Public Education				
Texas Education Agency	$28,031,583,026	$26,688,698,298	$28,182,057,587	$27,176,504,317
School for the Blind and Visually Impaired	$27,761,696	$24,403,300	$27,744,991	$25,843,749
School for the Deaf	$29,333,630	$30,519,577	$45,307,357	$30,835,565
Subtotal, Public Education	**$28,088,678,352**	**$26,743,621,175**	**$28,255,109,935**	**$27,233,183,631**
Public Higher Education				
Two-Year Institutions				
Public Community/Junior Colleges	$892,785,312	$885,793,094	$899,540,045	$894,979,998
Lamar State Colleges				
Lamar Institute of Technology	$11,477,425	$12,668,539	$12,332,844	$12,194,769
Lamar State College – Orange	$10,123,342	$11,213,282	$10,437,981	$10,209,008
Lamar State College – Port Arthur	$11,196,246	$12,791,975	$11,346,909	$11,153,709
Subtotal, Lamar State Colleges	**$32,797,013**	**$36,673,796**	**$34,117,734**	**$33,557,486**
Texas State Technical Colleges				
Texas State Technical College System Administration	$7,086,087	$5,841,755	$3,837,112	$3,844,437
Texas State Technical College – Harlingen	$27,038,564	$25,342,993	$26,066,715	$26,526,170
Texas State Technical College – West Texas	$13,407,529	$14,525,752	$13,727,941	$13,868,902
Texas State Technical College – Marshall	$9,088,887	$9,449,127	$7,706,676	$7,791,288
Texas State Technical College – Waco	$37,044,586	$41,559,019	$34,839,804	$35,347,338
Texas State Technical College – Fort Bend	$0	$0	$5,738,123	$5,801,956
Texas State Technical College – North Texas	$0	$0	$3,788,456	$3,874,982
Subtotal, Texas State Technical Colleges	**$93,665,653**	**$96,718,646**	**$95,704,827**	**$97,055,073**
Subtotal, Two-Year Institutions	**$1,019,247,978**	**$1,019,185,536**	**$1,029,362,606**	**$1,025,592,557**
General Academic Institutions				
The University of Texas System Administration	$10,280,098	$10,294,298	$10,740,706	$10,094,153
The University of Texas at Arlington	$177,441,812	$183,066,123	$183,450,075	$183,905,648
The University of Texas at Austin	$419,171,759	$405,069,694	$420,546,781	$414,917,575
The University of Texas at Dallas	$163,994,914	$171,413,798	$164,192,637	$164,645,673
The University of Texas at El Paso	$111,207,360	$115,902,920	$114,462,098	$114,744,807
The University of Texas Rio Grande Valley	$164,541,099	$170,286,458	$156,362,166	$156,646,453
The University of Texas of the Permian Basin	$37,120,460	$41,223,248	$39,932,789	$39,974,404
The University of Texas at San Antonio	$135,902,747	$144,937,168	$142,353,846	$142,700,950
The University of Texas at Tyler	$42,910,987	$48,317,844	$47,243,982	$47,335,629
Texas A&M University System Administrative and General Offices	$855,586	$855,586	$770,028	$770,027
Texas A&M University	$412,651,046	$416,365,168	$420,587,596	$421,465,158
Texas A&M University at Galveston	$22,439,991	$27,107,941	$26,343,051	$26,384,333
Prairie View A&M University	$64,345,640	$65,760,416	$65,493,559	$65,598,455
Tarleton State University	$55,216,422	$61,727,745	$61,233,497	$61,345,922
Texas A&M University – Central Texas	$16,801,717	$19,517,433	$18,863,648	$18,875,909
Texas A&M University – Corpus Christi	$61,720,647	$67,683,494	$65,439,352	$65,550,045
Texas A&M University – Kingsville	$57,837,837	$65,371,928	$62,412,902	$62,598,028
Texas A&M University – San Antonio	$28,587,176	$35,354,163	$34,316,106	$34,336,299
Texas A&M International University	$40,459,353	$44,912,151	$40,606,258	$40,667,248
West Texas A&M University	$43,871,168	$47,070,400	$46,084,079	$46,210,345

FIGURE B1 (CONTINUED)
ALL FUNDS – AGENCIES OF EDUCATION

ARTICLE III – AGENCIES OF EDUCATION	EXPENDED 2016	BUDGETED 2017	APPROPRIATED 2018	APPROPRIATED 2019
Texas A&M University – Commerce	$57,907,480	$60,630,765	$61,029,118	$61,195,556
Texas A&M University – Texarkana	$17,656,961	$19,084,497	$20,454,360	$20,353,296
University of Houston System Administration	$24,317,673	$52,553,567	$48,000,504	$47,266,506
University of Houston	$233,807,034	$235,425,083	$243,124,858	$243,615,081
University of Houston – Clear Lake	$46,474,761	$46,499,454	$43,417,986	$43,549,406
University of Houston – Downtown	$42,279,680	$42,250,338	$42,058,695	$42,172,515
University of Houston – Victoria	$20,680,043	$21,441,340	$19,010,853	$19,042,164
Midwestern State University	$25,722,764	$30,821,196	$29,046,001	$29,121,865
University of North Texas System Administration	$1,896,113	$6,227,472	$6,159,752	$6,158,252
University of North Texas	$173,520,737	$181,361,632	$166,215,386	$166,667,920
University of North Texas at Dallas	$23,017,089	$30,304,171	$28,337,709	$28,347,884
Stephen F. Austin State University	$57,950,300	$61,397,724	$56,678,614	$56,827,571
Texas Southern University	$76,570,442	$80,956,603	$79,186,040	$79,363,245
Texas Tech University System Administration	$1,425,000	$1,425,000	$1,368,000	$1,368,000
Texas Tech University	$214,270,630	$221,442,570	$216,044,447	$219,559,534
Angelo State University	$36,540,831	$38,935,252	$40,715,046	$39,312,879
Texas Woman's University	$72,944,526	$71,623,404	$77,098,328	$77,261,548
Texas State University System	$1,425,000	$1,425,000	$1,368,000	$1,368,000
Lamar University	$68,222,764	$73,788,912	$68,404,726	$68,057,073
Sam Houston State University	$84,417,255	$92,238,009	$87,918,586	$87,708,203
Texas State University	$157,079,568	$161,612,442	$161,545,759	$160,524,573
Sul Ross State University	$16,323,929	$16,779,857	$14,565,977	$13,393,702
Sul Ross State University Rio Grande College	$4,755,790	$4,706,627	$5,634,260	$5,638,268
Subtotal, General Academic Institutions	**$3,529,461,951**	**$3,699,059,826**	**$3,640,879,613**	**$3,638,821,340**
Health Related Institutions				
The University of Texas Southwestern Medical Center	$166,792,818	$172,964,802	$172,272,822	$172,304,908
The University of Texas Medical Branch at Galveston	$284,199,930	$291,771,305	$280,177,673	$280,312,482
The University of Texas Health Science Center at Houston	$194,151,437	$201,525,794	$201,721,368	$201,902,586
The University of Texas Health Science Center at San Antonio	$159,067,686	$164,105,777	$160,724,105	$160,806,641
The University of Texas M.D. Anderson Cancer Center	$196,393,954	$202,521,833	$202,452,610	$202,454,671
The University of Texas Health Science Center at Tyler	$49,218,188	$50,416,262	$46,453,707	$46,456,119
Texas A&M University System Health Science Center	$153,506,790	$163,307,890	$163,039,001	$163,091,189
University of North Texas Health Science Center at Fort Worth	$97,554,178	$108,249,132	$102,142,587	$101,894,845
Texas Tech University Health Sciences Center	$142,329,299	$149,421,040	$146,326,415	$146,368,543
Texas Tech University Health Sciences Center at El Paso	$71,954,578	$81,916,645	$71,047,010	$70,983,171
Subtotal, Health Related Institutions	**$1,515,168,858**	**$1,586,200,480**	**$1,546,357,298**	**$1,546,575,155**

FIGURE B1 (CONTINUED)
ALL FUNDS – AGENCIES OF EDUCATION

ARTICLE III – AGENCIES OF EDUCATION	EXPENDED 2016	BUDGETED 2017	APPROPRIATED 2018	APPROPRIATED 2019
Texas A&M University Services				
Texas A&M AgriLife Research	$73,900,152	$73,180,152	$71,533,993	$71,533,993
Texas A&M AgriLife Extension Service	$69,665,990	$69,644,085	$69,705,929	$69,705,929
Texas A&M Engineering Experiment Station	$120,271,790	$124,278,435	$123,999,393	$123,997,686
Texas A&M Transportation Institute	$68,736,128	$70,524,007	$70,479,840	$72,355,799
Texas A&M Engineering Extension Service	$85,357,637	$84,112,482	$84,295,962	$84,295,965
Texas A&M Forest Service	$68,549,230	$68,928,621	$61,505,362	$61,505,364
Texas A&M Veterinary Medical Diagnostic Laboratory	$19,192,689	$20,071,416	$19,034,489	$19,034,739
Subtotal, Texas A&M University Services	**$505,673,616**	**$510,739,198**	**$500,554,968**	**$502,429,475**
Other Higher Education				
Higher Education Coordinating Board	$887,949,449	$818,255,380	$806,145,970	$769,057,315
Higher Education Fund	$262,500,000	$393,750,000	$393,750,000	$393,750,000
Available University Fund	$822,064,733	$891,260,000	$889,729,453	$910,818,520
Available National Research University Fund	$29,413,447	$23,087,402	$23,016,948	$23,309,713
Support for Military and Veterans Exemptions	$11,392,154	$8,660,437	$23,620,829	$23,639,677
Subtotal, Other Higher Education	**$2,013,319,783**	**$2,135,013,219**	**$2,136,263,200**	**$2,120,575,225**
Subtotal, Public Higher Education	**$8,582,872,186**	**$8,950,198,259**	**$8,853,417,685**	**$8,833,993,752**
Employee Benefits				
Teacher Retirement System, Public Education	$2,014,575,285	$1,962,646,078	$2,642,360,856	$2,300,956,031
Teacher Retirement System, Higher Education	$212,614,814	$245,344,008	$226,197,942	$228,833,461
Optional Retirement Program	$171,905,268	$162,499,596	$172,191,724	$172,416,910
Higher Education Employees Group Insurance Contributions	$665,110,413	$712,776,657	$690,375,295	$721,852,872
Retirement and Group Insurance	$41,489,679	$44,489,613	$46,384,726	$47,560,625
Social Security and Benefit Replacement Pay	$304,728,925	$316,452,943	$325,480,564	$334,880,578
Subtotal, Employee Benefits	**$3,410,424,384**	**$3,444,208,895**	**$4,102,991,107**	**$3,806,500,477**
Debt Service				
Bond Debt Service Payments	$11,797,846	$11,169,016	$10,521,314	$10,247,534
Lease Payments	$2,271,245	$2,271,028	$402,420	$0
Subtotal, Debt Service	**$14,069,091**	**$13,440,044**	**$10,923,734**	**$10,247,534**
Less Interagency Contracts	$53,743,052	$53,686,688	$53,821,273	$54,520,704
Total, Article III – Agencies of Education	**$40,042,300,961**	**$39,097,781,685**	**$41,168,621,188**	**$39,829,404,690**

NOTES:
(1) Budgeted 2017 incorporates certain appropriation adjustments relating to House Bill 2, Eighty-fifth Legislature, 2017; technical and/or reconciling adjustments; and the Governor's vetoes.
(2) Appropriated 2018 and 2019 incorporate certain appropriation adjustments relating to Article IX of Senate Bill 1 (Conference Committee Report), Eighty-fifth Legislature, 2017; House Bill 3849, Eighty-fifth Legislature, 2017; other legislation passed by the Eighty-fifth Legislature, 2017, that affects appropriations; technical and/or reconciling adjustments; and the Governor's vetoes.
(3) Article totals exclude Interagency Contracts.
(4) Appropriated fiscal years 2018 and 2019 for The University of Texas at Austin include amounts for the institution's Dell Medical School. In addition, expended fiscal year 2016, budgeted fiscal year 2017, appropriated fiscal years 2018 and 2019 for The University of Texas Rio Grande Valley include amounts for the institution's school of medicine. These amounts for both institutions 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 2016	BUDGETED 2017	APPROPRIATED 2018	APPROPRIATED 2019
Supreme Court of Texas	$48,038,283	$34,555,267	$52,708,306	$43,120,306
Court of Criminal Appeals	$16,003,343	$16,398,529	$20,101,756	$19,775,592
First Court of Appeals District, Houston	$4,725,351	$4,700,985	$4,704,977	$4,704,977
Second Court of Appeals District, Fort Worth	$3,641,648	$3,636,647	$3,640,640	$3,640,639
Third Court of Appeals District, Austin	$3,056,362	$3,056,362	$3,060,354	$3,060,354
Fourth Court of Appeals District, San Antonio	$3,602,938	$3,651,387	$3,630,029	$3,630,029
Fifth Court of Appeals District, Dallas	$6,433,749	$6,433,749	$6,465,599	$6,465,599
Sixth Court of Appeals District, Texarkana	$1,619,962	$1,704,961	$1,660,312	$1,660,311
Seventh Court of Appeals District, Amarillo	$1,898,353	$2,247,944	$2,071,456	$2,071,456
Eighth Court of Appeals District, El Paso	$1,634,128	$1,734,363	$1,687,316	$1,687,318
Ninth Court of Appeals District, Beaumont	$2,075,299	$2,075,298	$2,074,649	$2,074,648
Tenth Court of Appeals District, Waco	$1,537,653	$1,891,557	$1,713,955	$1,713,955
Eleventh Court of Appeals District, Eastland	$1,663,975	$1,663,975	$1,663,325	$1,663,325
Twelfth Court of Appeals District, Tyler	$1,526,183	$1,607,970	$1,657,427	$1,657,426
Thirteenth Court of Appeals District, Corpus Christi–Edinburg	$3,040,920	$3,040,919	$3,044,911	$3,044,912
Fourteenth Court of Appeals District, Houston	$4,860,131	$4,834,130	$4,838,122	$4,838,122
Office of Court Administration, Texas Judicial Council	$80,291,142	$81,899,360	$80,936,899	$75,950,304
Office of Capital and Forensic Writs	$1,438,501	$1,353,083	$1,337,585	$1,337,586
Office of the State Prosecuting Attorney	$427,871	$428,633	$428,127	$428,127
State Law Library	$1,025,557	$1,090,865	$1,005,462	$1,005,461
State Commission on Judicial Conduct	$1,081,686	$1,181,186	$1,134,311	$1,134,311
Judiciary Section, Comptroller's Department	$156,560,536	$156,891,990	$157,436,475	$157,845,096
Subtotal, Judiciary	**$346,183,571**	**$336,079,160**	**$357,001,993**	**$342,509,854**
Retirement and Group Insurance	$63,988,964	$64,966,353	$65,545,622	$66,152,494
Social Security and Benefit Replacement Pay	$11,571,577	$11,589,669	$11,556,651	$11,528,256
Subtotal, Employee Benefits	**$75,560,541**	**$76,556,022**	**$77,102,273**	**$77,680,750**
Lease Payments	$82	$0	$0	$0
Subtotal, Debt Service	**$82**	**$0**	**$0**	**$0**
Article IV, Special Provisions	$0	$0	$0	$0
Less Interagency Contracts	$10,617,783	$10,456,594	$13,246,822	$10,453,948
Total, Article IV – Judiciary	**$411,126,411**	**$402,178,588**	**$420,857,444**	**$409,736,656**

NOTES:
((1) Budgeted 2017 incorporates certain appropriation adjustments relating to House Bill 2, Eighty-fifth Legislature, 2017; technical and/or reconciling adjustments; and the Governor's vetoes.
(2) Appropriated 2018 and 2019 incorporate certain appropriation adjustments relating to Article IX of Senate Bill 1 (Conference Committee Report), Eighty-fifth Legislature, 2017; House Bill 3849, Eighty-fifth Legislature, 2017; other legislation passed by the Eighty-fifth Legislature, 2017, 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 2016	BUDGETED 2017	APPROPRIATED 2018	APPROPRIATED 2019
Alcoholic Beverage Commission	$50,108,145	$51,278,247	$48,640,622	$49,106,590
Department of Criminal Justice	$3,395,976,657	$3,506,532,375	$3,323,032,859	$3,294,116,057
Commission on Fire Protection	$2,066,183	$2,039,326	$1,960,652	$1,955,902
Commission on Jail Standards	$968,328	$976,829	$2,377,578	$1,371,679
Juvenile Justice Department	$321,665,292	$332,412,729	$342,111,687	$321,806,304
Commission on Law Enforcement	$3,784,064	$4,010,988	$3,699,908	$3,705,317
Texas Military Department	$98,379,945	$128,944,330	$89,446,811	$89,825,922
Department of Public Safety	$1,333,243,314	$1,248,966,308	$1,273,016,379	$1,137,786,403
Subtotal, Public Safety and Criminal Justice	**$5,206,191,928**	**$5,275,161,132**	**$5,084,286,496**	**$4,899,674,174**
Retirement and Group Insurance	$801,473,542	$847,005,673	$932,037,274	$955,515,214
Social Security and Benefit Replacement Pay	$191,780,197	$192,495,009	$194,835,422	$195,301,372
Subtotal, Employee Benefits	**$993,253,739**	**$1,039,500,682**	**$1,126,872,696**	**$1,150,816,586**
Bond Debt Service Payments	$138,510,630	$85,497,137	$89,701,194	$87,983,278
Lease Payments	$243,891	$223,373	$57,063	$25,647
Subtotal, Debt Service	**$138,754,521**	**$85,720,510**	**$89,758,257**	**$88,008,925**
Less Interagency Contracts	$91,735,037	$71,398,595	$66,918,449	$66,844,626
Total, Article V – Public Safety and Criminal Justice	**$6,246,465,151**	**$6,328,983,729**	**$6,233,999,000**	**$6,071,655,059**

NOTES:
(1) Budgeted 2017 incorporates certain appropriation adjustments relating to House Bill 2, Eighty-fifth Legislature, 2017; technical and/or reconciling adjustments; and the Governor's vetoes.
(2) Appropriated 2018 and 2019 incorporate certain appropriation adjustments relating to Article IX of Senate Bill 1 (Conference Committee Report), Eighty-fifth Legislature, 2017; House Bill 3849, Eighty-fifth Legislature, 2017; other legislation passed by the Eighty-fifth Legislature, 2017, 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 2016	BUDGETED 2017	APPROPRIATED 2018	APPROPRIATED 2019
Department of Agriculture	$649,729,695	$686,566,250	$717,121,974	$764,957,197
Animal Health Commission	$14,147,032	$13,320,088	$16,889,565	$15,107,774
Commission on Environmental Quality	$446,726,817	$462,621,284	$373,008,549	$371,107,392
General Land Office and Veterans' Land Board	$212,210,523	$192,846,886	$216,264,787	$125,348,246
Low-level Radioactive Waste Disposal Compact Commission	$299,258	$583,289	$577,164	$577,164
Parks and Wildlife Department	$452,538,990	$376,627,127	$394,712,513	$344,500,169
Railroad Commission	$88,060,739	$88,321,401	$148,141,671	$107,934,513
Soil and Water Conservation Board	$37,136,357	$40,577,041	$40,232,879	$34,793,844
Water Development Board	$204,680,805	$190,055,079	$181,703,049	$186,875,296
Subtotal, Natural Resources	**$2,105,530,216**	**$2,051,518,445**	**$2,088,652,151**	**$1,951,201,595**
Retirement and Group Insurance	$149,190,457	$158,816,682	$161,885,010	$165,096,806
Social Security and Benefit Replacement Pay	$36,576,408	$36,558,114	$36,391,066	$36,247,405
Subtotal, Employee Benefits	**$185,766,865**	**$195,374,796**	**$198,276,076**	**$201,344,211**
Bond Debt Service Payments	$16,184,728	$13,105,166	$16,387,884	$17,071,166
Lease Payments	$2,261,632	$2,240,817	$1,723,377	$844,965
Subtotal, Debt Service	**$18,446,360**	**$15,345,983**	**$18,111,261**	**$17,916,131**
Less Interagency Contracts	$17,486,273	$16,842,736	$13,066,223	$7,593,382
Total, Article VI – Natural Resources	**$2,292,257,168**	**$2,245,396,488**	**$2,291,973,265**	**$2,162,868,555**

NOTES:
(1) Budgeted 2017 incorporates certain appropriation adjustments relating to House Bill 2, Eighty-fifth Legislature, 2017; technical and/or reconciling adjustments; and the Governor's vetoes.
(2) Appropriated 2018 and 2019 incorporate certain appropriation adjustments relating to Article IX of Senate Bill 1 (Conference Committee Report), Eighty-fifth Legislature, 2017; House Bill 3849, Eighty-fifth Legislature, 2017; other legislation passed by the Eighty-fifth Legislature, 2017, 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 2016	BUDGETED 2017	APPROPRIATED 2018	APPROPRIATED 2019
Department of Housing and Community Affairs	$244,494,305	$232,564,054	$237,045,054	$237,199,630
Texas Lottery Commission	$248,009,056	$248,686,926	$247,598,005	$244,996,436
Department of Motor Vehicles	$158,419,136	$191,627,774	$168,869,792	$163,991,784
Department of Transportation	$12,698,939,552	$12,032,996,539	$12,444,438,493	$14,182,601,254
Texas Workforce Commission	$1,259,805,424	$1,584,701,470	$1,560,217,270	$1,526,533,978
Reimbursements to the Unemployment Compensation Benefit Account	$19,911,588	$18,848,216	$18,196,295	$17,947,260
Subtotal, Business and Economic Development	**$14,629,579,061**	**$14,309,424,979**	**$14,676,364,909**	**$16,373,270,342**
Retirement and Group Insurance	$329,690,963	$378,559,667	$391,723,345	$401,173,517
Social Security and Benefit Replacement Pay	$66,832,374	$74,576,647	$75,329,895	$74,924,069
Subtotal, Employee Benefits	**$396,523,337**	**$453,136,314**	**$467,053,240**	**$476,097,586**
Bond Debt Service Payments	$15,649,830	$15,058,600	$13,232,727	$13,362,951
Lease Payments	$1,193,723	$1,466,457	$614,831	$0
Subtotal, Debt Service	**$16,843,553**	**$16,525,057**	**$13,847,558**	**$13,362,951**
Less Interagency Contracts	$84,667,333	$87,721,796	$88,476,549	$89,889,057
Total, Article VII – Business and Economic Development	**$14,958,278,618**	**$14,691,364,554**	**$15,068,789,158**	**$16,772,841,822**

NOTES:
(1) Budgeted 2017 incorporates certain appropriation adjustments relating to House Bill 2, Eighty-fifth Legislature, 2017; technical and/or reconciling adjustments; and the Governor's vetoes.
(2) Appropriated 2018 and 2019 incorporate certain appropriation adjustments relating to Article IX of Senate Bill 1 (Conference Committee Report), Eighty-fifth Legislature, 2017; House Bill 3849, Eighty-fifth Legislature, 2017; other legislation passed by the Eighty-fifth Legislature, 2017, 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 2016	BUDGETED 2017	APPROPRIATED 2018	APPROPRIATED 2019
State Office of Administrative Hearings	$10,632,859	$12,897,430	$11,632,498	$11,632,498
Board of Chiropractic Examiners	$828,989	$826,583	$793,251	$793,250
Texas State Board of Dental Examiners	$4,429,036	$4,388,426	$4,638,819	$4,465,049
Funeral Service Commission	$850,496	$850,445	$820,766	$820,767
Board of Professional Geoscientists	$599,339	$594,434	$574,212	$569,310
Health Professions Council	$1,097,704	$1,094,756	$1,083,230	$1,083,230
Office of Injured Employee Counsel	$8,598,423	$9,038,299	$8,816,111	$8,816,111
Department of Insurance	$112,816,788	$119,745,774	$127,271,770	$142,341,500
Office of Public Insurance Counsel	$1,078,694	$1,078,510	$1,042,249	$1,042,250
Board of Professional Land Surveying	$432,800	$477,865	$480,608	$480,607
Department of Licensing and Regulation	$34,016,137	$33,014,183	$34,752,469	$34,360,642
Texas Medical Board	$14,395,102	$13,934,233	$13,854,082	$13,655,324
Texas Board of Nursing	$12,005,318	$12,055,548	$12,731,958	$12,793,009
Optometry Board	$489,715	$487,077	$493,995	$492,995
Board of Pharmacy	$7,579,921	$7,806,163	$8,371,680	$8,135,461
Executive Council of Physical Therapy and Occupational Therapy Examiners	$1,464,453	$1,442,602	$1,397,818	$1,432,935
Board of Plumbing Examiners	$2,699,837	$2,683,355	$2,657,080	$2,629,078
Board of Podiatric Medical Examiners	$298,498	$291,197	$0	$0
Board of Examiners of Psychologists	$893,459	$952,212	$942,113	$896,968
Racing Commission	$7,245,866	$7,420,903	$7,798,466	$7,798,466
Securities Board	$7,322,595	$7,302,014	$7,014,450	$7,014,451
Public Utility Commission of Texas	$341,193,041	$17,081,146	$16,316,150	$16,316,150
Office of Public Utility Counsel	$2,230,070	$2,225,429	$2,135,764	$2,135,765
Board of Veterinary Medical Examiners	$1,309,269	$1,306,816	$1,443,792	$1,439,791
Subtotal, Regulatory	**$574,508,409**	**$258,995,400**	**$267,063,331**	**$281,145,607**
Retirement and Group Insurance	$50,734,918	$54,492,076	$55,502,684	$56,560,263
Social Security and Benefit Replacement Pay	$12,983,365	$13,175,018	$13,115,478	$13,064,273
Subtotal, Employee Benefits	**$63,718,283**	**$67,667,094**	**$68,618,162**	**$69,624,536**
Lease Payments	$516,371	$499,898	$319,663	$3,832
Subtotal, Debt Service	**$516,371**	**$499,898**	**$319,663**	**$3,832**
Less Interagency Contracts	$4,479,973	$5,067,429	$5,761,188	$5,761,188
Total, Article VIII – Regulatory	**$634,263,090**	**$322,094,963**	**$330,239,968**	**$345,012,787**

NOTES:
(1) Budgeted 2017 incorporates certain appropriation adjustments relating to House Bill 2, Eighty-fifth Legislature, 2017; technical and/or reconciling adjustments; and the Governor's vetoes.
(2) Appropriated 2018 and 2019 incorporate certain appropriation adjustments relating to Article IX of Senate Bill 1 (Conference Committee Report), Eighty-fifth Legislature, 2017; House Bill 3849, Eighty-fifth Legislature, 2017; other legislation passed by the Eighty-fifth Legislature, 2017, 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 2016	BUDGETED 2017	APPROPRIATED 2018	APPROPRIATED 2019
Senate	$30,768,274	$34,627,848	$32,624,389	$35,343,088
House of Representatives	$38,191,848	$50,196,421	$39,880,786	$44,971,950
Legislative Budget Board	$13,976,903	$14,514,224	$11,722,920	$11,722,919
Legislative Council	$39,075,356	$39,595,767	$36,251,653	$39,272,625
Commission on Uniform State Laws	$147,909	$148,100	$142,085	$142,084
Sunset Advisory Commission	$0	$0	$0	$0
State Auditor's Office	$25,512,704	$25,040,382	$22,799,905	$22,799,905
Legislative Reference Library	$1,541,653	$1,680,123	$1,546,550	$1,546,549
Subtotal, Legislature	**$149,214,647**	**$165,802,865**	**$144,968,288**	**$155,799,120**
Retirement and Group Insurance	$34,370,213	$36,549,232	$37,248,068	$37,979,716
Social Security and Benefit Replacement Pay	$8,607,099	$8,618,934	$8,593,027	$8,570,747
Subtotal, Employee Benefits	**$42,977,312**	**$45,168,166**	**$45,841,095**	**$46,550,463**
Lease Payments	$7,243,209	$3,352,869	$2,948,692	$761,345
Subtotal, Debt Service	**$7,243,209**	**$3,352,869**	**$2,948,692**	**$761,345**
Less Interagency Contracts	$6,339,701	$6,563,500	$4,676,000	$4,676,000
Total, Article X – Legislature	**$193,095,467**	**$207,760,400**	**$189,082,075**	**$198,434,928**

NOTES:
(1) Budgeted 2017 incorporates certain appropriation adjustments relating to House Bill 2, Eighty-fifth Legislature, 2017; technical and/or reconciling adjustments; and the Governor's vetoes.
(2) Appropriated 2018 and 2019 incorporate certain appropriation adjustments relating to Article IX of Senate Bill 1 (Conference Committee Report), Eighty-fifth Legislature, 2017; House Bill 3849, Eighty-fifth Legislature, 2017; other legislation passed by the Eighty-fifth Legislature, 2017, 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 2016	BUDGETED 2017	APPROPRIATED 2018	APPROPRIATED 2019
Article I – General Government	$1,712,091,762	$1,605,610,012	$1,633,275,753	$1,640,481,069
Article II – Health and Human Services	$16,209,561,505	$17,359,589,343	$16,754,256,216	$16,134,147,188
Article III – Agencies of Education	$28,663,659,890	$27,619,467,059	$29,202,145,511	$27,257,651,438
Public Education	*$21,517,270,897*	*$20,076,267,703*	*$21,736,139,457*	*$19,787,089,575*
Higher Education	*$7,146,388,993*	*$7,543,199,356*	*$7,466,006,054*	*$7,470,561,863*
Article IV – Judiciary	$249,009,166	$254,272,795	$245,986,939	$245,443,419
Article V – Public Safety and Criminal Justice	$5,700,966,477	$5,905,651,265	$5,701,516,402	$5,709,841,698
Article VI – Natural Resources	$423,489,840	$403,491,914	$452,124,070	$438,216,832
Article VII – Business and Economic Development	$582,262,529	$580,342,881	$256,800,689	$256,805,179
Article VIII – Regulatory	$160,743,326	$176,384,342	$173,926,131	$173,303,639
Article IX – General Provisions	$0	$0	$0	$0
Article X – Legislature	$193,044,042	$207,708,975	$188,980,650	$198,333,503
Total, All Functions	**$53,894,828,537**	**$54,112,518,586**	**$54,609,012,361**	**$52,054,223,965**

NOTES:
(1) Budgeted 2017 incorporates certain appropriation adjustments relating to House Bill 2, Eighty-fifth Legislature, 2017; technical and/or reconciling adjustments; and the Governor's vetoes.
(2) Appropriated 2018 and 2019 incorporate certain appropriation adjustments relating to Article IX of Senate Bill 1 (Conference Committee Report), Eighty-fifth Legislature, 2017; House Bill 3849, Eighty-fifth Legislature, 2017; other legislation passed by the Eighty-fifth Legislature, 2017, 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 2016	BUDGETED 2017	APPROPRIATED 2018	APPROPRIATED 2019
Commission on the Arts	$6,419,408	$7,906,244	$4,972,333	$4,977,331
Office of the Attorney General	$236,838,899	$234,885,937	$220,056,253	$225,603,213
Bond Review Board	$800,160	$831,161	$811,160	$815,661
Cancer Prevention and Research Institute of Texas	$0	$0	$0	$0
Comptroller of Public Accounts	$289,249,515	$280,108,047	$288,612,594	$289,810,472
Fiscal Programs within the Office of the Comptroller of Public Accounts	$527,587,605	$533,887,318	$545,579,885	$575,396,662
Commission on State Emergency Communications	$0	$0	$0	$0
Texas Emergency Services Retirement System	$758,139	$758,499	$716,486	$716,486
Employees Retirement System	$10,079,869	$10,079,869	$10,079,869	$10,079,869
Texas Ethics Commission	$3,027,948	$3,068,234	$2,935,748	$2,975,750
Facilities Commission	$64,159,671	$63,751,878	$42,826,453	$33,326,452
Public Finance Authority	$1,356,830	$1,496,409	$829,957	$879,395
Office of the Governor	$13,287,841	$12,632,726	$12,432,122	$12,432,122
Trusteed Programs within the Office of the Governor	$236,031,541	$164,853,164	$195,423,008	$57,166,771
Historical Commission	$31,426,162	$30,023,128	$18,576,275	$18,028,486
Department of Information Resources	$0	$0	$1,700,000	$1,700,000
Library and Archives Commission	$15,267,563	$16,517,554	$15,115,798	$15,111,341
Pension Review Board	$936,088	$936,087	$1,023,769	$933,769
Preservation Board	$24,600,468	$21,672,332	$16,638,663	$11,088,394
State Office of Risk Management	$0	$0	$0	$0
Secretary of State	$32,700,561	$11,609,889	$30,984,551	$10,247,842
Veterans Commission	$27,727,476	$27,678,880	$13,332,197	$13,359,077
Subtotal, General Government	**$1,522,255,744**	**$1,422,697,356**	**$1,422,647,121**	**$1,284,649,093**
Retirement and Group Insurance	$117,675,607	$124,440,911	$126,368,826	$128,592,192
Social Security and Benefit Replacement Pay	$32,829,672	$32,718,950	$32,364,663	$32,086,479
Subtotal, Employee Benefits	**$150,505,279**	**$157,159,861**	**$158,733,489**	**$160,678,671**
Bond Debt Service Payments	$34,786,068	$25,752,795	$43,127,263	$169,490,929
Lease Payments	$4,544,671	$0	$8,767,880	$25,662,376
Subtotal, Debt Service	**$39,330,739**	**$25,752,795**	**$51,895,143**	**$195,153,305**
Total, Article I – General Government	**$1,712,091,762**	**$1,605,610,012**	**$1,633,275,753**	**$1,640,481,069**

NOTES:
(1) Budgeted 2017 incorporates certain appropriation adjustments relating to House Bill 2, Eighty-fifth Legislature, 2017; technical and/or reconciling adjustments; and the Governor's vetoes.
(2) Appropriated 2018 and 2019 incorporate certain appropriation adjustments relating to Article IX of Senate Bill 1 (Conference Committee Report), Eighty-fifth Legislature, 2017; House Bill 3849, Eighty-fifth Legislature, 2017; other legislation passed by the Eighty-fifth Legislature, 2017, 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 2016	BUDGETED 2017	APPROPRIATED 2018	APPROPRIATED 2019
Department of Family and Protective Services	$952,697,926	$1,096,989,488	$1,154,413,370	$1,148,838,191
Department of State Health Services	$1,360,857,818	$641,418,537	$240,300,195	$238,999,596
Health and Human Services Commission	$13,205,362,925	$14,869,128,999	$14,565,828,777	$13,930,552,774
Subtotal, Health and Human Services	**$15,518,918,669**	**$16,607,537,024**	**$15,960,542,342**	**$15,318,390,561**
Retirement and Group Insurance	$543,753,571	$605,109,205	$634,904,825	$657,672,072
Social Security and Benefit Replacement Pay	$119,617,324	$124,456,090	$135,247,153	$134,140,585
Subtotal, Employee Benefits	**$663,370,895**	**$729,565,295**	**$770,151,978**	**$791,812,657**
Bond Debt Service Payments	$25,350,386	$22,469,108	$23,082,330	$23,873,372
Lease Payments	$1,921,555	$17,916	$479,566	$70,598
Subtotal, Debt Service	**$27,271,941**	**$22,487,024**	**$23,561,896**	**$23,943,970**
Total, Article II – Health and Human Services	**$16,209,561,505**	**$17,359,589,343**	**$16,754,256,216**	**$16,134,147,188**

NOTES:
(1) Budgeted 2017 incorporates certain appropriation adjustments relating to House Bill 2, Eighty-fifth Legislature, 2017; technical and/or reconciling adjustments; and the Governor's vetoes.
(2) Appropriated 2018 and 2019 incorporate certain appropriation adjustments relating to Article IX of Senate Bill 1 (Conference Committee Report), Eighty-fifth Legislature, 2017; House Bill 3849, Eighty-fifth Legislature, 2017; other legislation passed by the Eighty-fifth Legislature, 2017, 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 2016	BUDGETED 2017	APPROPRIATED 2018	APPROPRIATED 2019
Public Education				
Texas Education Agency	$19,517,337,461	$18,132,409,275	$19,121,701,027	$17,493,445,466
School for the Blind and Visually Impaired	$15,273,609	$15,100,426	$15,593,250	$15,692,008
School for the Deaf	$18,381,858	$18,260,713	$18,569,327	$18,710,036
Subtotal, Public Education	**$19,550,992,928**	**$18,165,770,414**	**$19,155,863,604**	**$17,527,847,510**
Public Higher Education				
Two-Year Institutions				
Public Community/Junior Colleges	$892,785,312	$885,793,094	$899,540,045	$894,979,998
Lamar State Colleges				
Lamar Institute of Technology	$8,817,280	$9,789,472	$9,829,225	$9,686,743
Lamar State College – Orange	$8,436,289	$9,048,749	$8,293,981	$8,056,076
Lamar State College – Port Arthur	$9,559,246	$10,184,715	$9,293,644	$9,096,512
Subtotal, Lamar State Colleges	**$26,812,815**	**$29,022,936**	**$27,416,850**	**$26,839,331**
Texas State Technical Colleges				
Texas State Technical College System Administration	$5,430,720	$4,456,311	$3,110,562	$3,108,744
Texas State Technical College – Harlingen	$17,920,259	$17,050,139	$16,803,134	$16,761,444
Texas State Technical College – West Texas	$10,700,764	$11,934,159	$10,907,415	$10,895,927
Texas State Technical College – Marshall	$7,290,038	$7,471,863	$5,865,725	$5,857,633
Texas State Technical College – Waco	$27,741,921	$31,321,557	$24,060,819	$23,991,730
Texas State Technical College – Fort Bend	$0	$0	$5,475,362	$5,467,450
Texas State Technical College – North Texas	$0	$0	$3,423,807	$3,411,018
Subtotal, Texas State Technical Colleges	**$69,083,702**	**$72,234,029**	**$69,646,824**	**$69,493,946**
Subtotal, Two–Year Institutions	**$988,681,829**	**$987,050,059**	**$996,603,719**	**$991,313,275**
General Academic Institutions				
The University of Texas System Administration	$9,034,563	$9,036,763	$9,516,706	$8,870,153
The University of Texas at Arlington	$105,032,456	$110,852,833	$106,793,419	$107,170,649
The University of Texas at Austin	$299,883,840	$288,811,447	$301,705,311	$294,766,246
The University of Texas at Dallas	$86,393,413	$91,301,127	$89,546,708	$88,858,840
The University of Texas at El Paso	$80,551,320	$86,129,906	$82,960,548	$83,055,003
The University of Texas Rio Grande Valley	$125,938,293	$131,453,622	$118,915,596	$119,121,526
The University of Texas of the Permian Basin	$30,034,131	$33,747,696	$31,560,326	$31,557,322
The University of Texas at San Antonio	$93,604,955	$100,733,157	$100,068,772	$100,141,845
The University of Texas at Tyler	$32,329,219	$37,001,225	$35,662,360	$35,671,551
Texas A&M University System Administrative and General Offices	$855,586	$855,586	$770,028	$770,027
Texas A&M University	$283,577,112	$289,411,235	$296,154,502	$295,990,725
Texas A&M University at Galveston	$18,226,547	$22,873,259	$21,898,030	$21,906,357
Prairie View A&M University	$47,199,035	$49,427,491	$48,386,805	$48,364,594
Tarleton State University	$38,059,655	$45,389,851	$45,955,374	$46,030,599
Texas A&M University – Central Texas	$14,869,946	$17,658,669	$16,439,746	$16,441,596
Texas A&M University – Corpus Christi	$47,091,960	$50,719,872	$47,984,409	$48,065,037
Texas A&M University – Kingsville	$38,046,193	$42,063,685	$38,756,260	$38,509,310
Texas A&M University – San Antonio	$25,134,820	$30,030,787	$27,955,866	$27,964,402
Texas A&M International University	$31,330,800	$35,674,037	$31,334,601	$31,362,470

FIGURE B2 (CONTINUED)
GENERAL REVENUE FUNDS – AGENCIES OF EDUCATION

ARTICLE III – AGENCIES OF EDUCATION	EXPENDED 2016	BUDGETED 2017	APPROPRIATED 2018	APPROPRIATED 2019
West Texas A&M University	$31,314,973	$34,489,854	$33,102,887	$33,133,215
Texas A&M University – Commerce	$37,990,228	$41,807,716	$41,548,778	$41,556,331
Texas A&M University – Texarkana	$18,118,195	$20,445,392	$19,935,318	$19,930,568
University of Houston System Administration	$24,306,435	$52,542,329	$47,989,266	$47,255,268
University of Houston	$155,572,273	$155,655,428	$160,246,694	$160,050,973
University of Houston – Clear Lake	$29,037,109	$28,977,616	$26,165,241	$26,042,477
University of Houston – Downtown	$23,988,982	$24,025,035	$24,748,399	$24,775,208
University of Houston – Victoria	$15,363,462	$15,381,525	$13,830,018	$13,842,840
Midwestern State University	$18,432,884	$23,011,018	$21,836,476	$21,855,599
University of North Texas System Administration	$1,896,113	$6,227,472	$6,159,752	$6,158,252
University of North Texas	$108,978,512	$114,641,628	$105,542,145	$105,488,342
University of North Texas at Dallas	$17,876,525	$23,502,406	$22,160,337	$22,166,741
Stephen F. Austin State University	$39,613,693	$43,321,032	$40,145,767	$40,201,343
Texas Southern University	$51,962,959	$56,243,788	$55,516,210	$55,474,393
Texas Tech University System Administration	$1,425,000	$1,425,000	$1,368,000	$1,368,000
Texas Tech University	$153,673,492	$159,237,579	$153,715,909	$156,712,855
Angelo State University	$25,569,133	$27,327,156	$27,306,691	$25,798,016
Texas Woman's University	$48,544,875	$51,614,656	$55,390,753	$55,465,180
Texas State University System	$1,425,000	$1,425,000	$1,368,000	$1,368,000
Lamar University	$48,617,011	$53,704,553	$48,703,537	$48,176,966
Sam Houston State University	$52,437,410	$57,328,524	$56,949,583	$56,608,700
Texas State University	$101,496,974	$110,683,573	$110,234,948	$109,079,130
Sul Ross State University	$13,820,270	$14,369,909	$11,895,228	$10,715,176
Sul Ross State University Rio Grande College	$3,835,888	$3,792,509	$4,665,709	$4,668,714
Subtotal, General Academic Institutions	**$2,432,491,240**	**$2,594,352,946**	**$2,542,891,013**	**$2,532,510,539**
Health Related Institutions				
The University of Texas Southwestern Medical Center	$153,084,715	$159,327,346	$159,283,274	$159,315,359
The University of Texas Medical Branch at Galveston	$262,499,846	$267,886,848	$262,832,204	$262,967,016
The University of Texas Health Science Center at Houston	$166,678,689	$173,114,520	$174,212,964	$174,394,183
The University of Texas Health Science Center at San Antonio	$130,622,183	$138,497,784	$135,724,051	$135,806,587
The University of Texas M.D. Anderson Cancer Center	$185,159,472	$190,579,332	$192,891,958	$192,894,019
The University of Texas Health Science Center at Tyler	$45,882,979	$47,029,573	$43,090,444	$43,092,856
Texas A&M University System Health Science Center	$132,456,608	$143,386,905	$143,972,983	$144,025,170
University of North Texas Health Science Center at Fort Worth	$83,282,949	$89,240,187	$88,550,583	$88,302,840
Texas Tech University Health Sciences Center	$121,146,107	$127,446,349	$128,968,094	$129,010,222
Texas Tech University Health Sciences Center at El Paso	$63,086,161	$68,938,586	$65,415,424	$65,351,585
Subtotal, Health Related Institutions	**$1,343,899,709**	**$1,405,447,430**	**$1,394,941,979**	**$1,395,159,837**

FIGURE B2 (CONTINUED)
GENERAL REVENUE FUNDS – AGENCIES OF EDUCATION

ARTICLE III – AGENCIES OF EDUCATION	EXPENDED 2016	BUDGETED 2017	APPROPRIATED 2018	APPROPRIATED 2019
Texas A&M University Services				
Texas A&M AgriLife Research	$56,672,679	$56,672,679	$55,045,508	$55,045,508
Texas A&M AgriLife Extension Service	$44,521,407	$44,521,410	$44,054,523	$44,054,523
Texas A&M Engineering Experiment Station	$17,274,273	$21,273,815	$21,596,989	$21,595,283
Texas A&M Transportation Institute	$9,363,410	$9,363,409	$7,567,469	$7,567,470
Texas A&M Engineering Extension Service	$7,897,670	$7,897,672	$8,793,983	$8,793,985
Texas A&M Forest Service	$32,197,745	$32,197,743	$32,785,590	$32,785,591
Texas A&M Veterinary Medical Diagnostic Laboratory	$8,974,420	$8,974,422	$8,692,936	$8,693,186
Subtotal, Texas A&M University Services	**$176,901,604**	**$180,901,150**	**$178,536,998**	**$178,535,546**
Other Higher Education				
Higher Education Coordinating Board	$749,602,268	$707,160,935	$708,341,805	$688,540,827
Higher Education Fund	$262,500,000	$393,750,000	$393,750,000	$393,750,000
Available University Fund	$0	$0	$0	$0
Available National Research University Fund	$0	$0	$0	$0
Support for Military and Veterans Exemptions	$0	$0	$15,000,000	$15,000,000
Subtotal, Other Higher Education	**$1,012,102,268**	**$1,100,910,935**	**$1,117,091,805**	**$1,097,290,827**
Subtotal, Public Higher Education	**$5,954,076,650**	**$6,268,662,520**	**$6,230,065,514**	**$6,194,810,024**
Employee Benefits				
Teacher Retirement System, Public Education	$1,922,904,482	$1,866,162,119	$2,537,363,354	$2,216,458,571
Teacher Retirement System, Higher Education	$158,086,053	$180,292,667	$161,263,583	$162,876,219
Optional Retirement Program	$126,021,969	$128,087,008	$123,514,132	$122,278,990
Higher Education Employees Group Insurance Contributions	$665,110,413	$712,776,657	$690,375,295	$721,852,872
Retirement and Group Insurance	$34,118,939	$36,696,638	$38,101,378	$39,135,826
Social Security and Benefit Replacement Pay	$238,435,527	$247,734,549	$254,831,145	$262,300,120
Subtotal, Employee Benefits	**$3,144,677,383**	**$3,171,749,638**	**$3,805,448,887**	**$3,524,902,598**
Debt Service				
Bond Debt Service Payments	$11,641,684	$11,013,459	$10,365,086	$10,091,306
Lease Payments	$2,271,245	$2,271,028	$402,420	$0
Subtotal, Debt Service	**$13,912,929**	**$13,284,487**	**$10,767,506**	**$10,091,306**
Total, Article III – Agencies of Education	**$28,663,659,890**	**$27,619,467,059**	**$29,202,145,511**	**$27,257,651,438**

NOTES:
(1) Budgeted 2017 incorporates certain appropriation adjustments relating to House Bill 2, Eighty-fifth Legislature, 2017; technical and/or reconciling adjustments; and the Governor's vetoes.
(2) Appropriated 2018 and 2019 incorporate certain appropriation adjustments relating to Article IX of Senate Bill 1 (Conference Committee Report), Eighty-fifth Legislature, 2017; House Bill 3849, Eighty-fifth Legislature, 2017; other legislation passed by the Eighty-fifth Legislature, 2017, that affects appropriations; technical and/or reconciling adjustments; and the Governor's vetoes.
(3) Appropriated fiscal years 2018 and 2019 for The University of Texas at Austin include amounts for the institution's Dell Medical School. In addition, expended fiscal year 2016, budgeted fiscal year 2017, appropriated fiscal years 2018 and 2019 for The University of Texas Rio Grande Valley include amounts for the institution's school of medicine. These amounts for both institutions 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 2016	BUDGETED 2017	APPROPRIATED 2018	APPROPRIATED 2019
Supreme Court of Texas	$15,952,308	$16,205,409	$8,794,950	$8,906,950
Court of Criminal Appeals	$6,001,950	$6,098,411	$6,535,680	$6,285,681
First Court of Appeals District, Houston	$4,381,077	$4,381,077	$4,380,427	$4,380,427
Second Court of Appeals District, Fort Worth	$3,366,240	$3,366,239	$3,365,590	$3,365,589
Third Court of Appeals District, Austin	$2,831,104	$2,831,104	$2,830,454	$2,830,454
Fourth Court of Appeals District, San Antonio	$3,339,279	$3,389,979	$3,363,979	$3,363,979
Fifth Court of Appeals District, Dallas	$6,007,799	$6,007,799	$6,007,149	$6,007,149
Sixth Court of Appeals District, Texarkana	$1,520,512	$1,608,511	$1,563,862	$1,563,861
Seventh Court of Appeals District, Amarillo	$1,767,168	$2,118,844	$1,942,356	$1,942,356
Eighth Court of Appeals District, El Paso	$1,511,479	$1,613,555	$1,561,866	$1,561,868
Ninth Court of Appeals District, Beaumont	$1,944,699	$1,944,698	$1,944,049	$1,944,048
Tenth Court of Appeals District, Waco	$1,437,203	$1,791,107	$1,613,505	$1,613,505
Eleventh Court of Appeals District, Eastland	$1,563,525	$1,563,525	$1,562,875	$1,562,875
Twelfth Court of Appeals District, Tyler	$1,428,733	$1,510,520	$1,560,977	$1,560,976
Thirteenth Court of Appeals District, Corpus Christi–Edinburg	$2,816,662	$2,816,661	$2,816,011	$2,816,012
Fourteenth Court of Appeals District, Houston	$4,386,879	$4,386,879	$4,386,229	$4,386,229
Office of Court Administration, Texas Judicial Council	$18,929,823	$21,336,618	$19,721,370	$18,327,878
Office of Capital and Forensic Writs	$0	$0	$0	$0
Office of the State Prosecuting Attorney	$405,371	$406,133	$405,627	$405,627
State Law Library	$1,002,263	$1,071,615	$992,462	$992,461
State Commission on Judicial Conduct	$1,081,686	$1,181,186	$1,134,311	$1,134,311
Judiciary Section, Comptroller's Department	$99,593,680	$99,924,514	$100,236,099	$100,644,101
Subtotal, Judiciary	**$181,269,440**	**$185,554,384**	**$176,719,828**	**$175,596,337**
Retirement and Group Insurance	$58,864,546	$59,830,043	$60,405,769	$61,008,982
Social Security and Benefit Replacement Pay	$8,875,098	$8,888,368	$8,861,342	$8,838,100
Subtotal, Employee Benefits	**$67,739,644**	**$68,718,411**	**$69,267,111**	**$69,847,082**
Lease Payments	$82	$0	$0	$0
Subtotal, Debt Service	**$82**	**$0**	**$0**	**$0**
Total, Article IV – Judiciary	**$249,009,166**	**$254,272,795**	**$245,986,939**	**$245,443,419**

NOTES:
(1) Budgeted 2017 incorporates certain appropriation adjustments relating to House Bill 2, Eighty-fifth Legislature, 2017; technical and/or reconciling adjustments; and the Governor's vetoes.
(2) Appropriated 2018 and 2019 incorporate certain appropriation adjustments relating to Article IX of Senate Bill 1 (Conference Committee Report), Eighty-fifth Legislature, 2017; House Bill 3849, Eighty-fifth Legislature, 2017; other legislation passed by the Eighty-fifth Legislature, 2017, 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 2016	BUDGETED 2017	APPROPRIATED 2018	APPROPRIATED 2019
Alcoholic Beverage Commission	$49,198,813	$50,819,247	$47,887,926	$48,353,894
Department of Criminal Justice	$3,278,250,167	$3,405,138,462	$3,196,584,072	$3,220,854,057
Commission on Fire Protection	$1,966,826	$1,966,826	$1,888,152	$1,883,402
Commission on Jail Standards	$967,166	$974,579	$1,376,078	$1,370,179
Juvenile Justice Department	$294,475,775	$305,555,309	$306,679,469	$298,472,356
Commission on Law Enforcement	$0	$0	$0	$0
Texas Military Department	$17,319,658	$17,162,252	$14,983,977	$15,363,088
Department of Public Safety	$950,036,361	$1,021,414,609	$937,112,823	$906,203,652
Subtotal, Public Safety and Criminal Justice	**$4,592,214,766**	**$4,803,031,284**	**$4,506,512,497**	**$4,492,500,628**
Retirement and Group Insurance	$783,114,066	$829,472,749	$915,304,515	$938,863,775
Social Security and Benefit Replacement Pay	$188,324,680	$188,862,473	$191,383,079	$191,910,316
Subtotal, Employee Benefits	**$971,438,746**	**$1,018,335,222**	**$1,106,687,594**	**$1,130,774,091**
Bond Debt Service Payments	$137,069,074	$84,061,386	$88,259,248	$86,541,332
Lease Payments	$243,891	$223,373	$57,063	$25,647
Subtotal, Debt Service	**$137,312,965**	**$84,284,759**	**$88,316,311**	**$86,566,979**
Total, Article V – Public Safety and Criminal Justice	**$5,700,966,477**	**$5,905,651,265**	**$5,701,516,402**	**$5,709,841,698**

NOTES:
(1) Budgeted 2017 incorporates certain appropriation adjustments relating to House Bill 2, Eighty-fifth Legislature, 2017; technical and/or reconciling adjustments; and the Governor’s vetoes.
(2) Appropriated 2018 and 2019 incorporate certain appropriation adjustments relating to Article IX of Senate Bill 1 (Conference Committee Report), Eighty-fifth Legislature, 2017; House Bill 3849, Eighty-fifth Legislature, 2017; other legislation passed by the Eighty-fifth Legislature, 2017, 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 2016	BUDGETED 2017	APPROPRIATED 2018	APPROPRIATED 2019
Department of Agriculture	$59,681,081	$53,430,743	$52,747,695	$53,468,006
Animal Health Commission	$11,603,492	$11,381,464	$15,059,554	$13,277,763
Commission on Environmental Quality	$12,982,530	$11,427,657	$16,882,164	$16,158,442
General Land Office and Veterans' Land Board	$31,478,793	$32,708,845	$15,406,896	$12,892,117
Low-level Radioactive Waste Disposal Compact Commission	$0	$0	$0	$0
Parks and Wildlife Department	$105,391,482	$93,342,582	$134,807,875	$126,372,197
Railroad Commission	$11,221,881	$11,230,837	$30,550,662	$30,550,661
Soil and Water Conservation Board	$20,457,032	$22,457,032	$24,912,001	$19,507,176
Water Development Board	$78,117,877	$73,607,847	$63,559,269	$66,482,506
Subtotal, Natural Resources	**$330,934,168**	**$309,587,007**	**$353,926,116**	**$338,708,868**
Retirement and Group Insurance	$68,980,060	$73,419,379	$74,957,498	$76,489,147
Social Security and Benefit Replacement Pay	$5,974,393	$5,984,016	$5,974,126	$5,947,617
Subtotal, Employee Benefits	**$74,954,453**	**$79,403,395**	**$80,931,624**	**$82,436,764**
Bond Debt Service Payments	$15,339,587	$12,260,695	$15,542,953	$16,226,235
Lease Payments	$2,261,632	$2,240,817	$1,723,377	$844,965
Subtotal, Debt Service	**$17,601,219**	**$14,501,512**	**$17,266,330**	**$17,071,200**
Total, Article VI – Natural Resources	**$423,489,840**	**$403,491,914**	**$452,124,070**	**$438,216,832**

NOTES:
(1) Budgeted 2017 incorporates certain appropriation adjustments relating to House Bill 2, Eighty-fifth Legislature, 2017; technical and/or reconciling adjustments; and the Governor's vetoes.
(2) Appropriated 2018 and 2019 incorporate certain appropriation adjustments relating to Article IX of Senate Bill 1 (Conference Committee Report), Eighty-fifth Legislature, 2017; House Bill 3849, Eighty-fifth Legislature, 2017; other legislation passed by the Eighty-fifth Legislature, 2017, 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 2016	BUDGETED 2017	APPROPRIATED 2018	APPROPRIATED 2019
Department of Housing and Community Affairs	$13,255,415	$13,315,907	$12,122,660	$12,231,310
Texas Lottery Commission	$15,463,176	$15,446,501	$0	$0
Department of Motor Vehicles	$146,098,641	$38,594,639	$12,835,851	$12,835,851
Department of Transportation	$226,365,508	$273,609,066	$1,938,277	$1,938,277
Texas Workforce Commission	$141,628,212	$198,266,250	$190,941,171	$190,767,814
Reimbursements to the Unemployment Compensation Benefit Account	$0	$0	$0	$0
Subtotal, Business and Economic Development	**$542,810,952**	**$539,232,363**	**$217,837,959**	**$217,773,252**
Retirement and Group Insurance	$18,565,308	$19,988,725	$20,537,423	$21,108,056
Social Security and Benefit Replacement Pay	$4,368,229	$4,921,117	$4,903,530	$4,886,701
Subtotal, Employee Benefits	**$22,933,537**	**$24,909,842**	**$25,440,953**	**$25,994,757**
Bond Debt Service Payments	$15,324,317	$14,734,219	$12,906,946	$13,037,170
Lease Payments	$1,193,723	$1,466,457	$614,831	$0
Subtotal, Debt Service	**$16,518,040**	**$16,200,676**	**$13,521,777**	**$13,037,170**
Total, Article VII – Business and Economic Development	**$582,262,529**	**$580,342,881**	**$256,800,689**	**$256,805,179**

NOTES:
(1) Budgeted 2017 incorporates certain appropriation adjustments relating to House Bill 2, Eighty-fifth Legislature, 2017; technical and/or reconciling adjustments; and the Governor's vetoes.
(2) Appropriated 2018 and 2019 incorporate certain appropriation adjustments relating to Article IX of Senate Bill 1 (Conference Committee Report), Eighty-fifth Legislature, 2017; House Bill 3849, Eighty-fifth Legislature, 2017; other legislation passed by the Eighty-fifth Legislature, 2017, 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 2016	BUDGETED 2017	APPROPRIATED 2018	APPROPRIATED 2019
State Office of Administrative Hearings	$7,451,292	$9,115,863	$7,141,646	$7,141,646
Board of Chiropractic Examiners	$781,489	$779,083	$745,751	$745,750
Texas State Board of Dental Examiners	$4,130,536	$4,129,926	$4,380,319	$4,206,549
Funeral Service Commission	$776,996	$776,945	$747,266	$747,267
Board of Professional Geoscientists	$599,339	$594,434	$574,212	$569,310
Health Professions Council	$0	$0	$0	$0
Office of Injured Employee Counsel	$0	$0	$0	$0
Department of Insurance	$39,609,892	$43,266,147	$42,452,483	$42,529,038
Office of Public Insurance Counsel	$887,024	$886,840	$850,579	$850,580
Board of Professional Land Surveying	$414,900	$464,465	$468,108	$468,107
Department of Licensing and Regulation	$29,566,259	$28,618,301	$30,296,587	$29,904,760
Texas Medical Board	$12,027,342	$11,559,407	$10,178,520	$10,080,667
Texas Board of Nursing	$8,647,093	$8,748,084	$9,029,682	$9,090,733
Optometry Board	$444,394	$441,756	$448,674	$447,674
Board of Pharmacy	$7,065,906	$7,792,148	$8,357,665	$8,121,446
Executive Council of Physical Therapy and Occupational Therapy Examiners	$1,368,453	$1,356,602	$1,341,818	$1,376,935
Board of Plumbing Examiners	$2,657,957	$2,644,655	$2,618,380	$2,590,378
Board of Podiatric Medical Examiners	$293,128	$287,997	$0	$0
Board of Examiners of Psychologists	$798,661	$832,214	$834,715	$789,570
Racing Commission	$0	$0	$0	$0
Securities Board	$7,321,320	$7,302,014	$7,014,450	$7,014,451
Public Utility Commission of Texas	$4,926,587	$13,833,049	$13,275,752	$13,275,752
Office of Public Utility Counsel	$1,713,239	$1,709,488	$1,640,709	$1,640,709
Board of Veterinary Medical Examiners	$1,302,514	$1,302,516	$1,438,264	$1,434,264
Subtotal, Regulatory	**$132,784,321**	**$146,441,934**	**$143,835,580**	**$143,025,586**
Retirement and Group Insurance	$21,770,491	$23,568,073	$23,910,474	$24,267,565
Social Security and Benefit Replacement Pay	$5,837,209	$6,041,971	$6,022,984	$6,006,656
Subtotal, Employee Benefits	**$27,607,700**	**$29,610,044**	**$29,933,458**	**$30,274,221**
Lease Payments	$351,305	$332,364	$157,093	$3,832
Subtotal, Debt Service	**$351,305**	**$332,364**	**$157,093**	**$3,832**
Total, Article VIII – Regulatory	**$160,743,326**	**$176,384,342**	**$173,926,131**	**$173,303,639**

NOTES:
(1) Budgeted 2017 incorporates certain appropriation adjustments relating to House Bill 2, Eighty-fifth Legislature, 2017; technical and/or reconciling adjustments; and the Governor's vetoes.
(2) Appropriated 2018 and 2019 incorporate certain appropriation adjustments relating to Article IX of Senate Bill 1 (Conference Committee Report), Eighty-fifth Legislature, 2017; House Bill 3849, Eighty-fifth Legislature, 2017; other legislation passed by the Eighty-fifth Legislature, 2017, 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 2016	BUDGETED 2017	APPROPRIATED 2018	APPROPRIATED 2019
Senate	$30,768,274	$34,627,848	$32,624,389	$35,343,088
House of Representatives	$38,191,848	$50,196,421	$39,880,786	$44,971,950
Legislative Budget Board	$13,976,903	$14,514,224	$11,722,920	$11,722,919
Legislative Council	$39,075,356	$39,595,767	$36,251,653	$39,272,625
Commission on Uniform State Laws	$147,909	$148,100	$142,085	$142,084
Sunset Advisory Commission	$0	$0	$0	$0
State Auditor's Office	$19,124,003	$18,427,882	$18,024,905	$18,024,905
Legislative Reference Library	$1,539,228	$1,677,698	$1,544,125	$1,544,124
Subtotal, Legislature	**$142,823,521**	**$159,187,940**	**$140,190,863**	**$151,021,695**
Retirement and Group Insurance	$34,370,213	$36,549,232	$37,248,068	$37,979,716
Social Security and Benefit Replacement Pay	$8,607,099	$8,618,934	$8,593,027	$8,570,747
Subtotal, Employee Benefits	**$42,977,312**	**$45,168,166**	**$45,841,095**	**$46,550,463**
Lease Payments	$7,243,209	$3,352,869	$2,948,692	$761,345
Subtotal, Debt Service	**$7,243,209**	**$3,352,869**	**$2,948,692**	**$761,345**
Total, Article X – Legislature	**$193,044,042**	**$207,708,975**	**$188,980,650**	**$198,333,503**

NOTES:
(1) Budgeted 2017 incorporates certain appropriation adjustments relating to House Bill 2, Eighty-fifth Legislature, 2017; technical and/or reconciling adjustments; and the Governor's vetoes.
(2) Appropriated 2018 and 2019 incorporate certain appropriation adjustments relating to Article IX of Senate Bill 1 (Conference Committee Report), Eighty-fifth Legislature, 2017; House Bill 3849, Eighty-fifth Legislature, 2017; other legislation passed by the Eighty-fifth Legislature, 2017, 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 2016	BUDGETED 2017	APPROPRIATED 2018	APPROPRIATED 2019
Article I – General Government	$436,931,298	$619,047,674	$422,416,415	$207,292,074
Article II – Health And Human Services	$588,293,469	$584,069,414	$290,548,471	$281,413,052
Article III– Agencies Of Education	$1,460,190,760	$1,452,852,846	$1,431,988,802	$1,437,256,758
Public Education	*$0*	*$0*	*$0*	*$0*
Higher Education	*$1,460,190,760*	*$1,452,852,846*	*$1,431,988,802*	*$1,437,256,758*
Article IV – Judiciary	$76,725,509	$66,490,152	$77,114,306	$66,358,772
Article V – Public Safety and Criminal Justice	$66,143,529	$66,028,218	$18,353,003	$14,596,848
Article VI – Natural Resources	$712,380,089	$789,969,432	$641,269,848	$625,311,696
Article VII – Business and Economic Development	$251,923,107	$253,929,558	$265,909,869	$263,058,643
Article VIII – Regulatory	$453,409,941	$124,392,369	$126,703,741	$125,775,173
Article IX – General Provisions	$0	$0	$0	$0
Article X – Legislature	$0	$0	$0	$0
Total, All Functions	**$4,045,997,702**	**$3,956,779,663**	**$3,274,304,455**	**$3,021,063,016**

NOTES:
(1) Budgeted 2017 incorporates certain appropriation adjustments relating to House Bill 2, Eighty-fifth Legislature, 2017; technical and/or reconciling adjustments; and the Governor's vetoes.
(2) Appropriated 2018 and 2019 incorporate certain appropriation adjustments relating to Article IX of Senate Bill 1 (Conference Committee Report), Eighty-fifth Legislature, 2017; House Bill 3849, Eighty-fifth Legislature, 2017; other legislation passed by the Eighty-fifth Legislature, 2017, 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 2016	BUDGETED 2017	APPROPRIATED 2018	APPROPRIATED 2019
Commission on the Arts	$453,561	$302,374	$64,706	$64,706
Office of the Attorney General	$72,197,461	$83,276,665	$76,323,233	$67,430,377
Bond Review Board	$0	$0	$0	$0
Cancer Prevention and Research Institute of Texas	$0	$0	$0	$0
Comptroller of Public Accounts	$125,000	$125,000	$125,000	$125,000
Fiscal Programs within the Office of the Comptroller of Public Accounts	$17,572,274	$17,521,983	$16,847,216	$16,797,216
Commission on State Emergency Communications	$78,235,400	$67,759,226	$73,310,068	$65,504,754
Texas Emergency Services Retirement System	$1,583,825	$1,583,825	$1,329,224	$1,329,224
Employees Retirement System	$0	$0	$0	$0
Texas Ethics Commission	$0	$0	$0	$0
Facilities Commission	$19,571,278	$203,017,408	$2,634,700	$2,634,700
Public Finance Authority	$0	$0	$0	$0
Office of the Governor	$0	$0	$0	$0
Trusteed Programs within the Office of the Governor	$188,160,409	$100,094,887	$140,230,877	$46,645,002
Historical Commission	$0	$530,000	$248,625	$248,625
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	$46,870	$28,140	$8,140	$3,140
Veterans Commission	$0	$0	$0	$0
Subtotal, General Government	**$377,946,078**	**$474,239,508**	**$311,121,789**	**$200,782,744**
Retirement and Group Insurance	$3,192,686	$3,370,718	$3,417,581	$3,466,405
Social Security and Benefit Replacement Pay	$908,191	$908,741	$905,428	$902,578
Subtotal, Employee Benefits	**$4,100,877**	**$4,279,459**	**$4,323,009**	**$4,368,983**
Bond Debt Service Payments	$54,884,343	$140,528,707	$106,971,617	$2,140,347
Subtotal, Debt Service	**$54,884,343**	**$140,528,707**	**$106,971,617**	**$2,140,347**
Total, Article I – General Government	**$436,931,298**	**$619,047,674**	**$422,416,415**	**$207,292,074**

NOTES:
(1) Budgeted 2017 incorporates certain appropriation adjustments relating to House Bill 2, Eighty-fifth Legislature, 2017; technical and/or reconciling adjustments; and the Governor’s vetoes.
(2) Appropriated 2018 and 2019 incorporate certain appropriation adjustments relating to Article IX of Senate Bill 1 (Conference Committee Report), Eighty-fifth Legislature, 2017; House Bill 3849, Eighty-fifth Legislature, 2017; other legislation passed by the Eighty-fifth Legislature, 2017, 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 2016	BUDGETED 2017	APPROPRIATED 2018	APPROPRIATED 2019
Department of Family and Protective Services	$5,685,702	$5,685,701	$5,685,702	$5,685,701
Department of State Health Services	$441,781,173	$433,756,793	$165,144,577	$162,691,239
Health and Human Services Commission	$126,165,091	$129,877,427	$111,025,530	$105,720,940
Subtotal, Health and Human Services	**$573,631,966**	**$569,319,921**	**$281,855,809**	**$274,097,880**
Retirement and Group Insurance	$12,042,953	$12,308,620	$8,041,461	$6,666,456
Social Security and Benefit Replacement Pay	$2,618,550	$2,440,873	$651,201	$648,716
Subtotal, Employee Benefits	**$14,661,503**	**$14,749,493**	**$8,692,662**	**$7,315,172**
Total, Article II – Health and Human Services	**$588,293,469**	**$584,069,414**	**$290,548,471**	**$281,413,052**

NOTES:
(1) Budgeted 2017 incorporates certain appropriation adjustments relating to House Bill 2, Eighty-fifth Legislature, 2017; technical and/or reconciling adjustments; and the Governor's vetoes.
(2) Appropriated 2018 and 2019 incorporate certain appropriation adjustments relating to Article IX of Senate Bill 1 (Conference Committee Report), Eighty-fifth Legislature, 2017; House Bill 3849, Eighty-fifth Legislature, 2017; other legislation passed by the Eighty-fifth Legislature, 2017, 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 2016	BUDGETED 2017	APPROPRIATED 2018	APPROPRIATED 2019
Public Education				
Texas Education Agency	$0	$0	$0	$0
School for the Blind and Visually Impaired	$0	$0	$0	$0
School for the Deaf	$0	$0	$0	$0
Subtotal, Public Education	**$0**	**$0**	**$0**	**$0**
Public Higher Education				
Two–Year Institutions				
Public Community/Junior Colleges	$0	$0	$0	$0
Lamar State Colleges				
Lamar Institute of Technology	$2,660,145	$2,879,067	$2,503,619	$2,508,026
Lamar State College – Orange	$1,687,053	$2,164,533	$2,144,000	$2,152,932
Lamar State College – Port Arthur	$1,637,000	$2,607,260	$2,053,265	$2,057,197
Subtotal, Lamar State Colleges	**$5,984,198**	**$7,650,860**	**$6,700,884**	**$6,718,155**
Texas State Technical Colleges				
Texas State Technical College System Administration	$1,655,367	$1,385,444	$726,550	$735,693
Texas State Technical College – Harlingen	$9,118,305	$8,292,854	$9,263,581	$9,764,726
Texas State Technical College – West Texas	$2,706,765	$2,591,593	$2,820,526	$2,972,975
Texas State Technical College – Marshall	$1,798,849	$1,977,264	$1,840,951	$1,933,655
Texas State Technical College – Waco	$9,302,665	$10,237,462	$10,778,985	$11,355,608
Texas State Technical College – Fort Bend	$0	$0	$262,761	$334,506
Texas State Technical College – North Texas	$0	$0	$364,649	$463,964
Subtotal, Texas State Technical Colleges	**$24,581,951**	**$24,484,617**	**$26,058,003**	**$27,561,127**
Subtotal, Two–Year Institutions	**$30,566,149**	**$32,135,477**	**$32,758,887**	**$34,279,282**
General Academic Institutions				
The University of Texas System Administration	$0	$0	$0	$0
The University of Texas at Arlington	$72,405,812	$72,209,217	$76,652,583	$76,730,926
The University of Texas at Austin	$119,167,919	$116,138,247	$118,732,761	$120,042,620
The University of Texas at Dallas	$77,601,501	$80,112,671	$74,645,929	$75,786,833
The University of Texas at El Paso	$29,140,908	$28,242,882	$29,971,418	$30,159,672
The University of Texas Rio Grande Valley	$37,136,843	$37,354,623	$36,044,823	$36,123,180
The University of Texas of the Permian Basin	$7,086,329	$7,475,552	$8,372,463	$8,417,082
The University of Texas at San Antonio	$42,297,748	$44,203,967	$42,285,030	$42,559,061
The University of Texas at Tyler	$10,581,768	$11,316,619	$11,581,622	$11,664,078
Texas A&M University System Administrative and General Offices	$0	$0	$0	$0
Texas A&M University	$123,716,238	$121,347,214	$124,268,094	$125,309,433
Texas A&M University at Galveston	$4,213,444	$4,234,682	$4,445,021	$4,477,976
Prairie View A&M University	$17,116,886	$16,322,815	$17,106,754	$17,233,861
Tarleton State University	$17,156,745	$16,337,839	$15,278,098	$15,315,298
Texas A&M University – Central Texas	$1,931,771	$1,858,764	$2,423,902	$2,434,313
Texas A&M University – Corpus Christi	$14,628,687	$16,963,622	$17,454,943	$17,485,008
Texas A&M University – Kingsville	$19,788,644	$23,305,243	$23,656,642	$24,088,718
Texas A&M University – San Antonio	$3,452,356	$5,323,376	$6,360,240	$6,371,897
Texas A&M International University	$8,990,666	$9,100,227	$9,179,870	$9,212,991

FIGURE B3 (CONTINUED)
GENERAL REVENUE–DEDICATED FUNDS – AGENCIES OF EDUCATION

ARTICLE III – AGENCIES OF EDUCATION	EXPENDED 2016	BUDGETED 2017	APPROPRIATED 2018	APPROPRIATED 2019
West Texas A&M University	$12,554,070	$12,578,421	$12,981,192	$13,077,130
Texas A&M University – Commerce	$19,916,055	$18,821,852	$19,480,340	$19,639,225
Texas A&M University – Texarkana	$2,436,528	$2,530,040	$2,580,494	$2,603,966
University of Houston System Administration	$0	$0	$0	$0
University of Houston	$78,231,412	$79,766,306	$82,874,815	$83,560,759
University of Houston – Clear Lake	$17,435,135	$17,519,321	$17,250,228	$17,504,412
University of Houston – Downtown	$18,282,512	$18,217,117	$17,302,110	$17,389,121
University of Houston – Victoria	$5,315,682	$6,058,916	$5,179,936	$5,198,425
Midwestern State University	$7,289,880	$7,810,178	$7,209,525	$7,266,266
University of North Texas System Administration	$0	$0	$0	$0
University of North Texas	$64,515,443	$66,712,058	$60,665,420	$61,171,757
University of North Texas at Dallas	$5,140,564	$6,801,765	$6,177,372	$6,181,143
Stephen F. Austin State University	$18,328,661	$18,068,746	$16,524,901	$16,618,282
Texas Southern University	$24,603,947	$24,709,279	$23,666,294	$23,885,316
Texas Tech University System Administration	$0	$0	$0	$0
Texas Tech University	$60,532,815	$62,140,668	$62,264,215	$62,782,356
Angelo State University	$10,971,698	$11,608,096	$13,408,355	$13,514,863
Texas Woman's University	$24,399,651	$20,008,748	$21,707,575	$21,796,368
Texas State University System	$0	$0	$0	$0
Lamar University	$19,605,753	$20,084,359	$19,701,189	$19,880,107
Sam Houston State University	$31,978,590	$34,905,730	$30,966,003	$31,096,503
Texas State University	$55,572,326	$50,920,923	$51,302,865	$51,437,497
Sul Ross State University	$2,495,713	$2,402,002	$2,662,803	$2,670,580
Sul Ross State University Rio Grande College	$919,902	$914,118	$968,551	$969,554
Subtotal, General Academic Institutions	**$1,086,940,602**	**$1,094,426,203**	**$1,093,334,376**	**$1,101,656,577**
Health Related Institutions				
The University of Texas Southwestern Medical Center	$7,244,576	$7,633,746	$7,244,576	$7,244,577
The University of Texas Medical Branch at Galveston	$13,424,583	$12,354,547	$13,424,583	$13,424,582
The University of Texas Health Science Center at Houston	$23,927,156	$24,830,026	$23,927,156	$23,927,155
The University of Texas Health Science Center at San Antonio	$11,063,999	$10,880,341	$11,063,999	$11,063,999
The University of Texas M.D. Anderson Cancer Center	$918,810	$940,459	$918,810	$918,810
The University of Texas Health Science Center at Tyler	$467,207	$490,633	$467,207	$467,207
Texas A&M University System Health Science Center	$18,245,438	$17,131,792	$16,376,825	$16,376,826
University of North Texas Health Science Center at Fort Worth	$10,597,392	$11,370,950	$10,597,391	$10,597,392
Texas Tech University Health Sciences Center	$14,276,371	$14,594,691	$14,278,321	$14,278,321
Texas Tech University Health Sciences Center at El Paso	$2,640,634	$2,768,264	$2,640,633	$2,640,633
Subtotal, Health Related Institutions	**$102,806,166**	**$102,995,449**	**$100,939,501**	**$100,939,502**

FIGURE B3 (CONTINUED)
GENERAL REVENUE–DEDICATED FUNDS – AGENCIES OF EDUCATION

ARTICLE III – AGENCIES OF EDUCATION	EXPENDED 2016	BUDGETED 2017	APPROPRIATED 2018	APPROPRIATED 2019
Texas A&M University Services				
Texas A&M AgriLife Research	$474,700	$474,700	$455,712	$455,712
Texas A&M AgriLife Extension Service	$0	$0	$0	$0
Texas A&M Engineering Experiment Station	$462,043	$462,043	$443,562	$443,561
Texas A&M Transportation Institute	$0	$0	$0	$0
Texas A&M Engineering Extension Service	$0	$0	$0	$0
Texas A&M Forest Service	$32,527,654	$32,527,654	$24,516,548	$24,516,549
Texas A&M Veterinary Medical Diagnostic Laboratory	$0	$0	$0	$0
Subtotal, Texas A&M University Services	**$33,464,397**	**$33,464,397**	**$25,415,822**	**$25,415,822**
Other Higher Education				
Higher Education Coordinating Board	$70,188,268	$53,324,040	$28,829,566	$16,479,040
Higher Education Fund	$0	$0	$0	$0
Available University Fund	$0	$0	$0	$0
Available National Research University Fund	$0	$0	$0	$0
Support for Military and Veterans Exemptions	$0	$0	$0	$0
Subtotal, Other Higher Education	**$70,188,268**	**$53,324,040**	**$28,829,566**	**$16,479,040**
Subtotal, Public Higher Education	**$1,323,965,582**	**$1,316,345,566**	**$1,281,278,152**	**$1,278,770,223**
Employee Benefits				
Teacher Retirement System, Public Education	$0	$0	$0	$0
Teacher Retirement System, Higher Education	$38,351,560	$48,024,760	$46,405,388	$51,045,926
Optional Retirement Program	$45,883,299	$34,412,588	$48,677,592	$50,137,920
Higher Education Employees Group Insurance Contributions	$0	$0	$0	$0
Retirement and Group Insurance	$0	$0	$0	$0
Social Security and Benefit Replacement Pay	$51,990,319	$54,069,932	$55,627,670	$57,302,689
Subtotal, Employee Benefits	**$136,225,178**	**$136,507,280**	**$150,710,650**	**$158,486,535**
Total, Article III – Agencies of Education	**$1,460,190,760**	**$1,452,852,846**	**$1,431,988,802**	**$1,437,256,758**

NOTES:
(1) Budgeted 2017 incorporates certain appropriation adjustments relating to House Bill 2, Eighty-fifth Legislature, 2017; technical and/or reconciling adjustments; and the Governor's vetoes.
(2) Appropriated 2018 and 2019 incorporate certain appropriation adjustments relating to Article IX of Senate Bill 1 (Conference Committee Report), Eighty-fifth Legislature, 2017; House Bill 3849, Eighty-fifth Legislature, 2017; other legislation passed by the Eighty-fifth Legislature, 2017, that affects appropriations; technical and/or reconciling adjustments; and the Governor's vetoes.
(3) Appropriated fiscal years 2018 and 2019 for The University of Texas at Austin include amounts for the institution's Dell Medical School. In addition, expended fiscal year 2016, budgeted fiscal year 2017, appropriated fiscal years 2018 and 2019 for The University of Texas Rio Grande Valley include amounts for the institution's school of medicine. These amounts for both institutions 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 B3 (CONTINUED)
GENERAL REVENUE–DEDICATED FUNDS – JUDICIARY

ARTICLE IV – JUDICIARY	EXPENDED 2016	BUDGETED 2017	APPROPRIATED 2018	APPROPRIATED 2019
Supreme Court of Texas	$10,000,000	$0	$9,600,000	$0
Court of Criminal Appeals	$9,633,642	$9,932,367	$13,198,325	$13,122,160
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	$55,103,243	$54,636,211	$52,406,609	$51,323,793
Office of Capital and Forensic Writs	$1,438,501	$1,353,083	$1,337,585	$1,337,586
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	**$76,175,386**	**$65,921,661**	**$76,542,519**	**$65,783,539**
Retirement and Group Insurance	$400,326	$418,243	$421,786	$425,445
Social Security and Benefit Replacement Pay	$149,797	$150,248	$150,001	$149,788
Subtotal, Employee Benefits	**$550,123**	**$568,491**	**$571,787**	**$575,233**
Total, Article IV – Judiciary	**$76,725,509**	**$66,490,152**	**$77,114,306**	**$66,358,772**

NOTES:
(1) Budgeted 2017 incorporates certain appropriation adjustments relating to House Bill 2, Eighty-fifth Legislature, 2017; technical and/or reconciling adjustments; and the Governor's vetoes.
(2) Appropriated 2018 and 2019 incorporate certain appropriation adjustments relating to Article IX of Senate Bill 1 (Conference Committee Report), Eighty-fifth Legislature, 2017; House Bill 3849, Eighty-fifth Legislature, 2017; other legislation passed by the Eighty-fifth Legislature, 2017, 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 2016	BUDGETED 2017	APPROPRIATED 2018	APPROPRIATED 2019
Alcoholic Beverage Commission	$0	$0	$0	$0
Department of Criminal Justice	$29,309,395	$31,064,953	$187,174	$187,174
Commission on Fire Protection	$0	$0	$0	$0
Commission on Jail Standards	$0	$0	$1,000,000	$0
Juvenile Justice Department	$0	$0	$0	$0
Commission on Law Enforcement	$3,122,064	$3,487,988	$3,204,908	$3,210,317
Texas Military Department	$9,781,250	$9,781,250	$0	$0
Department of Public Safety	$17,201,971	$17,201,971	$9,445,955	$6,661,516
Subtotal, Public Safety and Criminal Justice	**$59,414,680**	**$61,536,162**	**$13,838,037**	**$10,059,007**
Retirement and Group Insurance	$6,525,844	$4,288,421	$4,311,305	$4,334,368
Social Security and Benefit Replacement Pay	$203,005	$203,635	$203,661	$203,473
Subtotal, Employee Benefits	**$6,728,849**	**$4,492,056**	**$4,514,966**	**$4,537,841**
Total, Article V – Public Safety and Criminal Justice	**$66,143,529**	**$66,028,218**	**$18,353,003**	**$14,596,848**

NOTES:
(1) Budgeted 2017 incorporates certain appropriation adjustments relating to House Bill 2, Eighty-fifth Legislature, 2017; technical and/or reconciling adjustments; and the Governor's vetoes.
(2) Appropriated 2018 and 2019 incorporate certain appropriation adjustments relating to Article IX of Senate Bill 1 (Conference Committee Report), Eighty-fifth Legislature, 2017; House Bill 3849, Eighty-fifth Legislature, 2017; other legislation passed by the Eighty-fifth Legislature, 2017, 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 2016	BUDGETED 2017	APPROPRIATED 2018	APPROPRIATED 2019
Department of Agriculture	$2,418,433	$2,303,549	$2,303,549	$2,303,549
Animal Health Commission	$0	$0	$0	$0
Commission on Environmental Quality	$379,727,648	$399,639,216	$310,800,371	$309,622,936
General Land Office and Veterans' Land Board	$13,852,241	$16,065,754	$15,449,205	$14,913,439
Low-level Radioactive Waste Disposal Compact Commission	$299,258	$583,289	$577,164	$577,164
Parks and Wildlife Department	$170,475,988	$221,632,794	$160,409,818	$146,333,618
Railroad Commission	$67,170,354	$67,526,339	$68,241,247	$66,888,051
Soil and Water Conservation Board	$0	$0	$0	$0
Water Development Board	$0	$0	$0	$0
Subtotal, Natural Resources	**$633,943,922**	**$707,750,941**	**$557,781,354**	**$540,638,757**
Retirement and Group Insurance	$55,966,978	$59,752,472	$61,094,873	$62,364,330
Social Security and Benefit Replacement Pay	$22,469,189	$22,466,019	$22,393,621	$22,308,609
Subtotal, Employee Benefits	**$78,436,167**	**$82,218,491**	**$83,488,494**	**$84,672,939**
Total, Article VI – Natural Resources	**$712,380,089**	**$789,969,432**	**$641,269,848**	**$625,311,696**

NOTES:
(1) Budgeted 2017 incorporates certain appropriation adjustments relating to House Bill 2, Eighty-fifth Legislature, 2017; technical and/or reconciling adjustments; and the Governor's vetoes.
(2) Appropriated 2018 and 2019 incorporate certain appropriation adjustments relating to Article IX of Senate Bill 1 (Conference Committee Report), Eighty-fifth Legislature, 2017; House Bill 3849, Eighty-fifth Legislature, 2017; other legislation passed by the Eighty-fifth Legislature, 2017, 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 2016	BUDGETED 2017	APPROPRIATED 2018	APPROPRIATED 2019
Department of Housing and Community Affairs	$0	$0	$0	$0
Texas Lottery Commission	$232,545,880	$233,240,425	$247,598,005	$244,996,436
Department of Motor Vehicles	$0	$0	$0	$0
Department of Transportation	$0	$0	$0	$0
Texas Workforce Commission	$7,267,754	$8,364,646	$6,380,705	$6,120,878
Reimbursements to the Unemployment Compensation Benefit Account	$5,376,129	$5,089,018	$4,607,193	$4,522,989
Subtotal, Business and Economic Development	**$245,189,763**	**$246,694,089**	**$258,585,903**	**$255,640,303**
Retirement and Group Insurance	$5,045,304	$5,354,557	$5,452,397	$5,554,805
Social Security and Benefit Replacement Pay	$1,688,040	$1,880,912	$1,871,569	$1,863,535
Subtotal, Employee Benefits	**$6,733,344**	**$7,235,469**	**$7,323,966**	**$7,418,340**
Total, Article VII – Business and Economic Development	**$251,923,107**	**$253,929,558**	**$265,909,869**	**$263,058,643**

NOTES:
(1) Budgeted 2017 incorporates certain appropriation adjustments relating to House Bill 2, Eighty-fifth Legislature, 2017; technical and/or reconciling adjustments; and the Governor's vetoes.
(2) Appropriated 2018 and 2019 incorporate certain appropriation adjustments relating to Article IX of Senate Bill 1 (Conference Committee Report), Eighty-fifth Legislature, 2017; House Bill 3849, Eighty-fifth Legislature, 2017; other legislation passed by the Eighty-fifth Legislature, 2017, 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 2016	BUDGETED 2017	APPROPRIATED 2018	APPROPRIATED 2019
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	$8,598,423	$9,038,299	$8,816,111	$8,816,111
Department of Insurance	$63,333,919	$64,816,947	$65,212,245	$63,893,299
Office of Public Insurance Counsel	$0	$0	$0	$0
Board of Professional Land Surveying	$0	$0	$0	$0
Department of Licensing and Regulation	$25,000	$25,000	$85,000	$85,000
Texas Medical Board	$2,305,454	$2,295,573	$3,613,256	$3,512,351
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	$7,245,866	$7,420,903	$7,798,466	$7,798,466
Securities Board	$0	$0	$0	$0
Public Utility Commission of Texas	$335,791,454	$2,773,097	$2,565,398	$2,565,398
Office of Public Utility Counsel	$516,831	$515,941	$495,055	$495,056
Board of Veterinary Medical Examiners	$0	$0	$0	$0
Subtotal, Regulatory	**$417,816,947**	**$86,885,760**	**$88,585,531**	**$87,165,681**
Retirement and Group Insurance	$28,425,504	$30,349,569	$31,005,932	$31,694,011
Social Security and Benefit Replacement Pay	$7,002,424	$6,989,506	$6,949,708	$6,915,481
Subtotal, Employee Benefits	**$35,427,928**	**$37,339,075**	**$37,955,640**	**$38,609,492**
Lease Payments	$165,066	$167,534	$162,570	$0
Subtotal, Debt Service	**$165,066**	**$167,534**	**$162,570**	**$0**
Total, Article VIII – Regulatory	**$453,409,941**	**$124,392,369**	**$126,703,741**	**$125,775,173**

NOTES:
(1) Budgeted 2017 incorporates certain appropriation adjustments relating to House Bill 2, Eighty-fifth Legislature, 2017; technical and/or reconciling adjustments; and the Governor's vetoes.
(2) Appropriated 2018 and 2019 incorporate certain appropriation adjustments relating to Article IX of Senate Bill 1 (Conference Committee Report), Eighty-fifth Legislature, 2017; House Bill 3849, Eighty-fifth Legislature, 2017; other legislation passed by the Eighty-fifth Legislature, 2017, 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 2016	BUDGETED 2017	APPROPRIATED 2018	APPROPRIATED 2019
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 2017 incorporates certain appropriation adjustments relating to House Bill 2, Eighty-fifth Legislature, 2017; technical and/or reconciling adjustments; and the Governor's vetoes.
(2) Appropriated 2018 and 2019 incorporate certain appropriation adjustments relating to Article IX of Senate Bill 1 (Conference Committee Report), Eighty-fifth Legislature, 2017; House Bill 3849, Eighty-fifth Legislature, 2017; other legislation passed by the Eighty-fifth Legislature, 2017, 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 2016	BUDGETED 2017	APPROPRIATED 2018	APPROPRIATED 2019
Article I – General Government	$455,782,656	$549,505,569	$590,697,341	$598,471,992
Article II – Health and Human Services	$22,537,605,882	$22,899,219,495	$21,797,903,691	$21,999,549,963
Article III – Agencies of Education	$5,152,164,882	$5,345,041,995	$5,352,344,454	$5,414,893,445
Public Education	*$5,012,822,011*	*$5,205,061,126*	*$5,212,315,878*	*$5,279,236,871*
Higher Education	*$139,342,871*	*$139,980,869*	*$140,028,576*	*$135,656,574*
Article IV – Judiciary	$1,706,218	$1,596,969	$705,498	$988,424
Article V – Public Safety and Criminal Justice	$390,194,320	$256,832,124	$336,613,566	$261,681,622
Article VI – Natural Resources	$976,729,188	$883,982,889	$912,123,854	$945,914,557
Article VIIi – Business and Economic Development	$6,147,552,966	$6,178,566,935	$6,927,899,205	$6,709,020,281
Article VIII – Regulatory	$3,469,308	$5,160,580	$2,919,323	$2,931,082
Article IX – General Provisions	$0	$0	$0	$0
Article X – Legislature	$0	$0	$0	$0
Total, All Functions	**$35,665,205,420**	**$36,119,906,556**	**$35,921,206,932**	**$35,933,451,366**

NOTES:
(1) Budgeted 2017 incorporates certain appropriation adjustments relating to House Bill 2, Eighty-fifth Legislature, 2017; technical and/or reconciling adjustments; and the Governor's vetoes.
(2) Appropriated 2018 and 2019 incorporate certain appropriation adjustments relating to Article IX of Senate Bill 1 (Conference Committee Report), Eighty-fifth Legislature, 2017; House Bill 3849, Eighty-fifth Legislature, 2017; other legislation passed by the Eighty-fifth Legislature, 2017, 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 2016	BUDGETED 2017	APPROPRIATED 2018	APPROPRIATED 2019
Commission on the Arts	$921,900	$964,100	$964,100	$964,100
Office of the Attorney General	$188,300,332	$231,107,466	$213,366,403	$220,889,946
Bond Review Board	$0	$0	$0	$0
Cancer Prevention and Research Institute of Texas	$0	$0	$0	$0
Comptroller of Public Accounts	$64,075	$0	$0	$0
Fiscal Programs within the Office of the Comptroller of Public Accounts	$6,288,274	$14,494,782	$13,859,860	$13,887,123
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	$201,824,067	$242,658,767	$301,693,000	$301,968,000
Historical Commission	$1,146,235	$1,090,235	$1,090,235	$1,090,235
Department of Information Resources	$0	$0	$0	$0
Library and Archives Commission	$9,937,091	$10,727,500	$10,412,359	$10,347,896
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	$2,623,720	$1,971,860	$1,840,568	$1,097,719
Veterans Commission	$11,424,914	$11,048,916	$11,048,916	$11,048,916
Subtotal, General Government	**$422,530,608**	**$514,063,626**	**$554,275,441**	**$561,293,935**
Retirement and Group Insurance	$26,513,672	$28,606,738	$29,403,897	$30,030,847
Social Security and Benefit Replacement Pay	$6,333,878	$6,431,794	$6,612,851	$6,742,058
Subtotal, Employee Benefits	**$32,847,550**	**$35,038,532**	**$36,016,748**	**$36,772,905**
Bond Debt Service Payments	$404,498	$403,411	$405,152	$405,152
Lease Payments	$0	$0	$0	$0
Subtotal, Debt Service	**$404,498**	**$403,411**	**$405,152**	**$405,152**
Total, Article I – General Government	**$455,782,656**	**$549,505,569**	**$590,697,341**	**$598,471,992**

NOTES:
(1) Budgeted 2017 incorporates certain appropriation adjustments relating to House Bill 2, Eighty-fifth Legislature, 2017; technical and/or reconciling adjustments; and the Governor's vetoes.
(2) Appropriated 2018 and 2019 incorporate certain appropriation adjustments relating to Article IX of Senate Bill 1 (Conference Committee Report), Eighty-fifth Legislature, 2017; House Bill 3849, Eighty-fifth Legislature, 2017; other legislation passed by the Eighty-fifth Legislature, 2017, 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 2016	BUDGETED 2017	APPROPRIATED 2018	APPROPRIATED 2019
Department of Family and Protective Services	$809,805,985	$815,813,816	$870,448,008	$888,799,233
Department of State Health Services	$1,275,681,278	$887,549,499	$264,890,106	$264,897,402
Health and Human Services Commission	$20,138,804,858	$20,892,855,983	$20,359,386,073	$20,539,809,270
Subtotal, Health and Human Services	**$22,224,292,121**	**$22,596,219,298**	**$21,494,724,187**	**$21,693,505,905**
Retirement and Group Insurance	$250,358,964	$244,854,902	$245,979,709	$248,397,284
Social Security and Benefit Replacement Pay	$59,624,876	$54,817,980	$53,868,311	$54,315,290
Subtotal, Employee Benefits	**$309,983,840**	**$299,672,882**	**$299,848,020**	**$302,712,574**
Bond Debt Service Payments	$3,329,921	$3,327,315	$3,331,484	$3,331,484
Lease Payments	$0	$0	$0	$0
Subtotal, Debt Service	**$3,329,921**	**$3,327,315**	**$3,331,484**	**$3,331,484**
Total, Article II – Health and Human Services	**$22,537,605,882**	**$22,899,219,495**	**$21,797,903,691**	**$21,999,549,963**

NOTES:
(1) Budgeted 2017 incorporates certain appropriation adjustments relating to House Bill 2, Eighty-fifth Legislature, 2017; technical and/or reconciling adjustments; and the Governor’s vetoes.
(2) Appropriated 2018 and 2019 incorporate certain appropriation adjustments relating to Article IX of Senate Bill 1 (Conference Committee Report), Eighty-fifth Legislature, 2017; House Bill 3849, Eighty-fifth Legislature, 2017; other legislation passed by the Eighty-fifth Legislature, 2017, 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 2016	BUDGETED 2017	APPROPRIATED 2018	APPROPRIATED 2019
Public Education				
Texas Education Agency	$4,997,083,227	$5,190,145,374	$5,200,203,566	$5,267,005,858
School for the Blind and Visually Impaired	$5,985,286	$4,789,974	$2,268,212	$2,268,212
School for the Deaf	$2,136,637	$2,154,637	$1,391,593	$1,391,593
Subtotal, Public Education	**$5,005,205,150**	**$5,197,089,985**	**$5,203,863,371**	**$5,270,665,663**
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
Texas State Technical College – Fort Bend	$0	$0	$0	$0
Texas State Technical College – North Texas	$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

FIGURE B4 (CONTINUED)
FEDERAL FUNDS – AGENCIES OF EDUCATION

ARTICLE III – AGENCIES OF EDUCATION	EXPENDED 2016	BUDGETED 2017	APPROPRIATED 2018	APPROPRIATED 2019
West Texas A&M University	$0	$0	$0	$0
Texas A&M University – Commerce	$0	$0	$0	$0
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 at Fort Worth	$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**

FIGURE B4 (CONTINUED)
FEDERAL FUNDS – AGENCIES OF EDUCATION

ARTICLE III – AGENCIES OF EDUCATION	EXPENDED 2016	BUDGETED 2017	APPROPRIATED 2018	APPROPRIATED 2019
Texas A&M University Services				
Texas A&M AgriLife Research	$9,156,520	$9,156,520	$9,156,520	$9,156,520
Texas A&M AgriLife Extension Service	$13,417,980	$13,417,980	$13,417,980	$13,417,980
Texas A&M Engineering Experiment Station	$44,977,328	$44,977,328	$44,977,328	$44,977,328
Texas A&M Transportation Institute	$14,014,086	$14,504,579	$15,064,747	$15,595,212
Texas A&M Engineering Extension Service	$21,337,725	$20,795,000	$20,792,528	$20,792,528
Texas A&M Forest Service	$3,073,092	$3,444,533	$3,444,533	$3,444,533
Texas A&M Veterinary Medical Diagnostic Laboratory	$202,000	$326,000	$326,000	$326,000
Subtotal, Texas A&M University Services	**$106,178,731**	**$106,621,940**	**$107,179,636**	**$107,710,101**
Other Higher Education				
Higher Education Coordinating Board	$33,151,194	$33,345,465	$32,835,088	$27,932,204
Higher Education Fund	$0	$0	$0	$0
Available University Fund	$0	$0	$0	$0
Available National Research University Fund	$0	$0	$0	$0
Support for Military and Veterans Exemptions	$0	$0	$0	$0
Subtotal, Other Higher Education	**$33,151,194**	**$33,345,465**	**$32,835,088**	**$27,932,204**
Subtotal, Public Higher Education	**$139,329,925**	**$139,967,405**	**$140,014,724**	**$135,642,305**
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	$5,755,530	$6,107,243	$6,490,424	$6,613,081
Social Security and Benefit Replacement Pay	$1,718,300	$1,721,805	$1,819,707	$1,816,168
Subtotal, Employee Benefits	**$7,473,830**	**$7,829,048**	**$8,310,131**	**$8,429,249**
Debt Service				
Bond Debt Service Payments	$155,977	$155,557	$156,228	$156,228
Lease Payments	$0	$0	$0	$0
Subtotal, Debt Service	**$155,977**	**$155,557**	**$156,228**	**$156,228**
Total, Article III – Agencies of Education	**$5,152,164,882**	**$5,345,041,995**	**$5,352,344,454**	**$5,414,893,445**

NOTES:
(1) Budgeted 2017 incorporates certain appropriation adjustments relating to House Bill 2, Eighty-fifth Legislature, 2017; technical and/or reconciling adjustments; and the Governor's vetoes.
(2) Appropriated 2018 and 2019 incorporate certain appropriation adjustments relating to Article IX of Senate Bill 1 (Conference Committee Report), Eighty-fifth Legislature, 2017; House Bill 3849, Eighty-fifth Legislature, 2017; other legislation passed by the Eighty-fifth Legislature, 2017, 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 2016	BUDGETED 2017	APPROPRIATED 2018	APPROPRIATED 2019
Supreme Court of Texas	$1,634,921	$1,596,969	$596,969	$596,969
Court of Criminal Appeals	$0	$0	$0	$0
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	$63,836	$0	$108,529	$391,455
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	**$1,698,757**	**$1,596,969**	**$705,498**	**$988,424**
Retirement and Group Insurance	$6,025	$0	$0	$0
Social Security and Benefit Replacement Pay	$1,436	$0	$0	$0
Subtotal, Employee Benefits	**$7,461**	**$0**	**$0**	**$0**
Total, Article IV – Judiciary	**$1,706,218**	**$1,596,969**	**$705,498**	**$988,424**

NOTES:
(1) Budgeted 2017 incorporates certain appropriation adjustments relating to House Bill 2, Eighty-fifth Legislature, 2017; technical and/or reconciling adjustments; and the Governor's vetoes.
(2) Appropriated 2018 and 2019 incorporate certain appropriation adjustments relating to Article IX of Senate Bill 1 (Conference Committee Report), Eighty-fifth Legislature, 2017; House Bill 3849, Eighty-fifth Legislature, 2017; other legislation passed by the Eighty-fifth Legislature, 2017, 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 2016	BUDGETED 2017	APPROPRIATED 2018	APPROPRIATED 2019
Alcoholic Beverage Commission	$511,625	$300,000	$500,000	$500,000
Department of Criminal Justice	$8,956,425	$9,856,895	$9,134,570	$9,021,608
Commission on Fire Protection	$0	$0	$0	$0
Commission on Jail Standards	$0	$0	$0	$0
Juvenile Justice Department	$12,180,396	$9,587,541	$10,515,671	$10,517,401
Commission on Law Enforcement	$0	$0	$0	$0
Texas Military Department	$43,888,001	$86,630,685	$59,148,834	$59,148,834
Department of Public Safety	$308,262,920	$132,482,992	$240,345,802	$165,693,559
Subtotal, Public Safety and Criminal Justice	**$373,799,367**	**$238,858,113**	**$319,644,877**	**$244,881,402**
Retirement and Group Insurance	$11,702,818	$13,109,359	$12,278,061	$12,170,691
Social Security and Benefit Replacement Pay	$3,252,512	$3,428,901	$3,248,682	$3,187,583
Subtotal, Employee Benefits	**$14,955,330**	**$16,538,260**	**$15,526,743**	**$15,358,274**
Bond Debt Service Payments	$1,439,623	$1,435,751	$1,441,946	$1,441,946
Lease Payments	$0	$0	$0	$0
Subtotal, Debt Service	**$1,439,623**	**$1,435,751**	**$1,441,946**	**$1,441,946**
Total, Article V – Public Safety and Criminal Justice	**$390,194,320**	**$256,832,124**	**$336,613,566**	**$261,681,622**

NOTES:
(1) Budgeted 2017 incorporates certain appropriation adjustments relating to House Bill 2, Eighty-fifth Legislature, 2017; technical and/or reconciling adjustments; and the Governor's vetoes.
(2) Appropriated 2018 and 2019 incorporate certain appropriation adjustments relating to Article IX of Senate Bill 1 (Conference Committee Report), Eighty-fifth Legislature, 2017; House Bill 3849, Eighty-fifth Legislature, 2017; other legislation passed by the Eighty-fifth Legislature, 2017, 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 2016	BUDGETED 2017	APPROPRIATED 2018	APPROPRIATED 2019
Department of Agriculture	$575,507,401	$614,504,176	$650,682,228	$697,808,484
Animal Health Commission	$2,540,173	$1,938,624	$1,830,011	$1,830,011
Commission on Environmental Quality	$41,793,704	$40,078,552	$37,406,958	$37,406,958
General Land Office and Veterans' Land Board	$118,863,340	$91,465,131	$58,914,672	$46,430,744
Low-level Radioactive Waste Disposal Compact Commission	$0	$0	$0	$0
Parks and Wildlife Department	$131,866,511	$39,125,338	$67,548,872	$67,139,165
Railroad Commission	$7,219,516	$7,115,237	$8,755,774	$8,101,813
Soil and Water Conservation Board	$16,629,314	$18,070,009	$15,320,878	$15,286,668
Water Development Board	$59,227,308	$47,652,930	$47,652,930	$47,652,930
Subtotal, Natural Resources	**$953,647,267**	**$859,949,997**	**$888,112,323**	**$921,656,773**
Retirement and Group Insurance	$17,091,195	$18,068,049	$18,122,357	$18,393,327
Social Security and Benefit Replacement Pay	$5,883,968	$5,858,372	$5,782,243	$5,757,526
Subtotal, Employee Benefits	**$22,975,163**	**$23,926,421**	**$23,904,600**	**$24,150,853**
Bond Debt Service Payments	$106,758	$106,471	$106,931	$106,931
Lease Payments	$0	$0	$0	$0
Subtotal, Debt Service	**$106,758**	**$106,471**	**$106,931**	**$106,931**
Total, Article VI – Natural Resources	**$976,729,188**	**$883,982,889**	**$912,123,854**	**$945,914,557**

NOTES:
(1) Budgeted 2017 incorporates certain appropriation adjustments relating to House Bill 2, Eighty-fifth Legislature, 2017; technical and/or reconciling adjustments; and the Governor's vetoes.
(2) Appropriated 2018 and 2019 incorporate certain appropriation adjustments relating to Article IX of Senate Bill 1 (Conference Committee Report), Eighty-fifth Legislature, 2017; House Bill 3849, Eighty-fifth Legislature, 2017; other legislation passed by the Eighty-fifth Legislature, 2017, 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 2016	BUDGETED 2017	APPROPRIATED 2018	APPROPRIATED 2019
Department of Housing and Community Affairs	$211,412,756	$198,942,756	$203,721,120	$203,721,120
Texas Lottery Commission	$0	$0	$0	$0
Department of Motor Vehicles	$264,025	$217,500	$743,750	$743,750
Department of Transportation	$4,832,019,425	$4,578,049,812	$5,336,259,827	$5,150,363,200
Texas Workforce Commission	$1,043,881,254	$1,306,055,548	$1,290,588,867	$1,256,232,393
Reimbursements to the Unemployment Compensation Benefit Account	$0	$0	$0	$0
Subtotal, Business and Economic Development	**$6,087,577,460**	**$6,083,265,616**	**$6,831,313,564**	**$6,611,060,463**
Retirement and Group Insurance	$49,970,562	$78,233,123	$79,692,404	$81,218,250
Social Security and Benefit Replacement Pay	$9,679,688	$16,743,815	$16,567,456	$16,415,787
Subtotal, Employee Benefits	**$59,650,250**	**$94,976,938**	**$96,259,860**	**$97,634,037**
Bond Debt Service Payments	$325,256	$324,381	$325,781	$325,781
Lease Payments	$0	$0	$0	$0
Subtotal, Debt Service	**$325,256**	**$324,381**	**$325,781**	**$325,781**
Total, Article VII – Business and Economic Development	**$6,147,552,966**	**$6,178,566,935**	**$6,927,899,205**	**$6,709,020,281**

NOTES:
(1) Budgeted 2017 incorporates certain appropriation adjustments relating to House Bill 2, Eighty-fifth Legislature, 2017; technical and/or reconciling adjustments; and the Governor's vetoes.
(2) Appropriated 2018 and 2019 incorporate certain appropriation adjustments relating to Article IX of Senate Bill 1 (Conference Committee Report), Eighty-fifth Legislature, 2017; House Bill 3849, Eighty-fifth Legislature, 2017; other legislation passed by the Eighty-fifth Legislature, 2017, 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 2016	BUDGETED 2017	APPROPRIATED 2018	APPROPRIATED 2019
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	$2,286,653	$4,442,605	$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	$500,000	$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	**$2,786,653**	**$4,442,605**	**$2,190,259**	**$2,190,259**
Retirement and Group Insurance	$538,923	$574,434	$586,278	$598,687
Social Security and Benefit Replacement Pay	$143,732	$143,541	$142,786	$142,136
Subtotal, Employee Benefits	**$682,655**	**$717,975**	**$729,064**	**$740,823**
Total, Article VIII – Regulatory	**$3,469,308**	**$5,160,580**	**$2,919,323**	**$2,931,082**

NOTES:
(1) Budgeted 2017 incorporates certain appropriation adjustments relating to House Bill 2, Eighty-fifth Legislature, 2017; technical and/or reconciling adjustments; and the Governor's vetoes.
(2) Appropriated 2018 and 2019 incorporate certain appropriation adjustments relating to Article IX of Senate Bill 1 (Conference Committee Report), Eighty-fifth Legislature, 2017; House Bill 3849, Eighty-fifth Legislature, 2017; other legislation passed by the Eighty-fifth Legislature, 2017, 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 2016	BUDGETED 2017	APPROPRIATED 2018	APPROPRIATED 2019
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 2017 incorporates certain appropriation adjustments relating to House Bill 2, Eighty-fifth Legislature, 2017; technical and/or reconciling adjustments; and the Governor's vetoes.
(2) Appropriated 2018 and 2019 incorporate certain appropriation adjustments relating to Article IX of Senate Bill 1 (Conference Committee Report), Eighty-fifth Legislature, 2017; House Bill 3849, Eighty-fifth Legislature, 2017; other legislation passed by the Eighty-fifth Legislature, 2017, 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 2016	BUDGETED 2017	APPROPRIATED 2018	APPROPRIATED 2019
Article I – General Government	$458,979,392	$1,208,079,495	$707,885,940	$442,570,077
Article II – Health and Human Services	$358,924,675	$335,017,680	$808,040,492	$805,798,156
Article III – Agencies of Education	$4,766,285,429	$4,680,419,785	$5,182,142,421	$5,719,603,049
Public Education	*$3,615,590,720*	*$3,468,760,815*	*$3,988,435,297*	*$4,507,231,934*
Higher Education	*$1,150,694,709*	*$1,211,658,970*	*$1,193,707,124*	*$1,212,371,115*
Article IV – Judiciary	$83,685,518	$79,818,672	$97,050,701	$96,946,041
Article V – Public Safety and Criminal Justice	$89,160,825	$100,472,122	$177,516,029	$85,534,891
Article VI – Natural Resources	$179,658,051	$167,952,253	$286,455,493	$153,425,470
Article VII – Business and Economic Development	$7,976,540,016	$7,678,525,180	$7,618,179,395	$9,543,957,719
Article VIII – Regulatory	$16,640,515	$16,157,672	$26,690,773	$43,002,893
Article IX – General Provisions	$0	$0	$0	$0
Article X – Legislature	$51,425	$51,425	$101,425	$101,425
Total, All Functions	**$13,929,925,846**	**$14,266,494,284**	**$14,904,062,669**	**$16,890,939,721**

NOTES:
(1) Budgeted 2017 incorporates certain appropriation adjustments relating to House Bill 2, Eighty-fifth Legislature, 2017; technical and/or reconciling adjustments; and the Governor's vetoes.
(2) Appropriated 2018 and 2019 incorporate certain appropriation adjustments relating to Article IX of Senate Bill 1 (Conference Committee Report), Eighty-fifth Legislature, 2017; House Bill 3849, Eighty-fifth Legislature, 2017; other legislation passed by the Eighty-fifth Legislature, 2017, 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 2016	BUDGETED 2017	APPROPRIATED 2018	APPROPRIATED 2019
Commission on the Arts	$508,000	$302,000	$352,000	$352,000
Office of the Attorney General	$51,538,347	$73,431,553	$65,638,996	$65,671,741
Bond Review Board	$0	$0	$0	$0
Cancer Prevention and Research Institute of Texas	$299,337,143	$296,955,752	$300,055,000	$300,055,000
Comptroller of Public Accounts	$21,469,270	$17,704,655	$16,020,913	$16,020,913
Fiscal Programs within the Office of the Comptroller of Public Accounts	$10,949,134	$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	$8,190	$8,190	$8,190	$8,190
Facilities Commission	$35,420,467	$784,132,014	$126,571,440	$18,171,440
Public Finance Authority	$9,967	$0	$647,868	$647,868
Office of the Governor	$270,000	$270,000	$160,000	$160,000
Trusteed Programs within the Office of the Governor	$24,845,849	$29,841,174	$156,652,000	$1,652,000
Historical Commission	$10,474,683	$1,497,591	$12,982,633	$12,982,633
Department of Information Resources	$322,865,382	$347,574,544	$354,438,797	$398,834,949
Library and Archives Commission	$6,361,591	$6,176,283	$9,667,202	$5,356,309
Pension Review Board	$0	$0	$0	$0
Preservation Board	$37,909	$91,861	$21,376	$21,376
State Office of Risk Management	$50,475,621	$51,120,508	$50,798,064	$50,798,065
Secretary of State	$6,697,311	$9,167,124	$7,100,000	$7,550,000
Veterans Commission	$20,448,046	$16,314,509	$17,317,192	$17,499,877
Subtotal, General Government	**$861,716,910**	**$1,641,887,758**	**$1,125,731,671**	**$903,082,361**
Retirement and Group Insurance	$1,063,855	$1,106,406	$1,113,823	$1,121,449
Social Security and Benefit Replacement Pay	$505,603	$507,101	$506,246	$505,510
Subtotal, Employee Benefits	**$1,569,458**	**$1,613,507**	**$1,620,069**	**$1,626,959**
Bond Debt Service Payments	$1,257	$0	$0	$0
Lease Payments	$0	$0	$0	$0
Subtotal, Debt Service	**$1,257**	**$0**	**$0**	**$0**
Less Interagency Contracts	$404,308,233	$435,421,770	$419,465,800	$462,139,243
Total, Article I – General Government	**$458,979,392**	**$1,208,079,495**	**$707,885,940**	**$442,570,077**

NOTES:
(1) Budgeted 2017 incorporates certain appropriation adjustments relating to House Bill 2, Eighty-fifth Legislature, 2017; technical and/or reconciling adjustments; and the Governor's vetoes.
(2) Appropriated 2018 and 2019 incorporate certain appropriation adjustments relating to Article IX of Senate Bill 1 (Conference Committee Report), Eighty-fifth Legislature, 2017; House Bill 3849, Eighty-fifth Legislature, 2017; other legislation passed by the Eighty-fifth Legislature, 2017, 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 2016	BUDGETED 2017	APPROPRIATED 2018	APPROPRIATED 2019
Department of Family and Protective Services	$11,027,947	$8,011,561	$7,760,588	$7,760,588
Department of State Health Services	$352,260,872	$239,149,318	$109,398,435	$104,983,000
Health and Human Services Commission	$644,344,794	$693,951,747	$1,072,596,482	$1,071,546,981
Subtotal, Health and Human Services	**$1,007,633,613**	**$941,112,626**	**$1,189,755,505**	**$1,184,290,569**
Retirement and Group Insurance	$451,220	$468,901	$330,002	$255,156
Social Security and Benefit Replacement Pay	$110,164	$105,796	$29,528	$29,398
Subtotal, Employee Benefits	**$561,384**	**$574,697**	**$359,530**	**$284,554**
Bond Debt Service Payments	$624,310	$623,803	$623,803	$623,803
Lease Payments	$0	$0	$0	$0
Subtotal, Debt Service	**$624,310**	**$623,803**	**$623,803**	**$623,803**
Less Interagency Contracts	$649,894,632	$607,293,446	$382,698,346	$379,400,770
Total, Article II – Health and Human Services	**$358,924,675**	**$335,017,680**	**$808,040,492**	**$805,798,156**

NOTES:
(1) Budgeted 2017 incorporates certain appropriation adjustments relating to House Bill 2, Eighty-fifth Legislature, 2017; technical and/or reconciling adjustments; and the Governor's vetoes.
(2) Appropriated 2018 and 2019 incorporate certain appropriation adjustments relating to Article IX of Senate Bill 1 (Conference Committee Report), Eighty-fifth Legislature, 2017; House Bill 3849, Eighty-fifth Legislature, 2017; other legislation passed by the Eighty-fifth Legislature, 2017, 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 2016	BUDGETED 2017	APPROPRIATED 2018	APPROPRIATED 2019
Public Education				
Texas Education Agency	$3,517,162,338	$3,366,143,649	$3,860,152,994	$4,416,052,993
School for the Blind and Visually Impaired	$6,502,801	$4,512,900	$9,883,529	$7,883,529
School for the Deaf	$8,815,135	$10,104,227	$25,346,437	$10,733,936
Subtotal, Public Education	**$3,532,480,274**	**$3,380,760,776**	**$3,895,382,960**	**$4,434,670,458**
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
Texas State Technical College – Fort Bend	$0	$0	$0	$0
Texas State Technical College – North Texas	$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	$1,245,535	$1,257,535	$1,224,000	$1,224,000
The University of Texas at Arlington	$3,544	$4,073	$4,073	$4,073
The University of Texas at Austin	$120,000	$120,000	$108,709	$108,709
The University of Texas at Dallas	$0	$0	$0	$0
The University of Texas at El Paso	$1,515,132	$1,530,132	$1,530,132	$1,530,132
The University of Texas Rio Grande Valley	$1,465,963	$1,478,213	$1,401,747	$1,401,747
The University of Texas of the Permian Basin	$0	$0	$0	$0
The University of Texas at San Antonio	$44	$44	$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	$5,357,696	$5,606,719	$165,000	$165,000
Texas A&M University at Galveston	$0	$0	$0	$0
Prairie View A&M University	$29,719	$10,110	$0	$0
Tarleton State University	$22	$55	$25	$25
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	$0	$0
Texas A&M University – San Antonio	$0	$0	$0	$0
Texas A&M International University	$137,887	$137,887	$91,787	$91,787

FIGURE B5 (CONTINUED)
OTHER FUNDS – AGENCIES OF EDUCATION

ARTICLE III – AGENCIES OF EDUCATION	EXPENDED 2016	BUDGETED 2017	APPROPRIATED 2018	APPROPRIATED 2019
West Texas A&M University	$2,125	$2,125	$0	$0
Texas A&M University – Commerce	$1,197	$1,197	$0	$0
Texas A&M University – Texarkana	$0	$0	$0	$0
University of Houston System Administration	$11,238	$11,238	$11,238	$11,238
University of Houston	$3,349	$3,349	$3,349	$3,349
University of Houston – Clear Lake	$2,517	$2,517	$2,517	$2,517
University of Houston – Downtown	$8,186	$8,186	$8,186	$8,186
University of Houston – Victoria	$899	$899	$899	$899
Midwestern State University	$0	$0	$0	$0
University of North Texas System Administration	$0	$0	$0	$0
University of North Texas	$26,782	$7,946	$7,821	$7,821
University of North Texas at Dallas	$0	$0	$0	$0
Stephen F. Austin State University	$7,946	$7,946	$7,946	$7,946
Texas Southern University	$3,536	$3,536	$3,536	$3,536
Texas Tech University System Administration	$0	$0	$0	$0
Texas Tech University	$64,323	$64,323	$64,323	$64,323
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	$1,255	$3,755	$3,000	$3,000
Texas State University	$10,268	$7,946	$7,946	$7,946
Sul Ross State University	$7,946	$7,946	$7,946	$7,946
Sul Ross State University Rio Grande College	$0	$0	$0	$0
Subtotal, General Academic Institutions	**$10,030,109**	**$10,280,677**	**$4,654,224**	**$4,654,224**
Health Related Institutions				
The University of Texas Southwestern Medical Center	$6,463,527	$6,003,710	$5,744,972	$5,744,972
The University of Texas Medical Branch at Galveston	$8,275,501	$11,529,910	$3,920,886	$3,920,884
The University of Texas Health Science Center at Houston	$3,545,592	$3,581,248	$3,581,248	$3,581,248
The University of Texas Health Science Center at San Antonio	$17,381,504	$14,727,652	$13,936,055	$13,936,055
The University of Texas M.D. Anderson Cancer Center	$10,315,672	$11,002,042	$8,641,842	$8,641,842
The University of Texas Health Science Center at Tyler	$2,868,002	$2,896,056	$2,896,056	$2,896,056
Texas A&M University System Health Science Center	$2,804,744	$2,789,193	$2,689,193	$2,689,193
University of North Texas Health Science Center at Fort Worth	$3,673,837	$7,637,995	$2,994,613	$2,994,613
Texas Tech University Health Sciences Center	$6,906,821	$7,380,000	$3,080,000	$3,080,000
Texas Tech University Health Sciences Center at El Paso	$6,227,783	$10,209,795	$2,990,953	$2,990,953
Subtotal, Health Related Institutions	**$68,462,983**	**$77,757,601**	**$50,475,818**	**$50,475,816**

FIGURE B5 (CONTINUED)
OTHER FUNDS – AGENCIES OF EDUCATION

ARTICLE III – AGENCIES OF EDUCATION	EXPENDED 2016	BUDGETED 2017	APPROPRIATED 2018	APPROPRIATED 2019
Texas A&M University Services				
Texas A&M AgriLife Research	$7,596,253	$6,876,253	$6,876,253	$6,876,253
Texas A&M AgriLife Extension Service	$11,726,603	$11,704,695	$12,233,426	$12,233,426
Texas A&M Engineering Experiment Station	$57,558,146	$57,565,249	$56,981,514	$56,981,514
Texas A&M Transportation Institute	$45,358,632	$46,656,019	$47,847,624	$49,193,117
Texas A&M Engineering Extension Service	$56,122,242	$55,419,810	$54,709,451	$54,709,452
Texas A&M Forest Service	$750,739	$758,691	$758,691	$758,691
Texas A&M Veterinary Medical Diagnostic Laboratory	$10,016,269	$10,770,994	$10,015,553	$10,015,553
Subtotal, Texas A&M University Services	**$189,128,884**	**$189,751,711**	**$189,422,512**	**$190,768,006**
Other Higher Education				
Higher Education Coordinating Board	$35,007,719	$24,424,940	$36,139,511	$36,105,244
Higher Education Fund	$0	$0	$0	$0
Available University Fund	$822,064,733	$891,260,000	$889,729,453	$910,818,520
Available National Research University Fund	$29,413,447	$23,087,402	$23,016,948	$23,309,713
Support for Military and Veterans Exemptions	$11,392,154	$8,660,437	$8,620,829	$8,639,677
Subtotal, Other Higher Education	**$897,878,053**	**$947,432,779**	**$957,506,741**	**$978,873,154**
Subtotal, Public Higher Education	**$1,165,500,029**	**$1,225,222,768**	**$1,202,059,295**	**$1,224,771,200**
Employee Benefits				
Teacher Retirement System, Public Education	$91,670,803	$96,483,959	$104,997,502	$84,497,460
Teacher Retirement System, Higher Education	$16,177,201	$17,026,581	$18,528,971	$14,911,316
Optional Retirement Program	$0	$0	$0	$0
Higher Education Employees Group Insurance Contributions	$0	$0	$0	$0
Retirement and Group Insurance	$1,615,210	$1,685,732	$1,792,924	$1,811,718
Social Security and Benefit Replacement Pay	$12,584,779	$12,926,657	$13,202,042	$13,461,601
Subtotal, Employee Benefits	**$122,047,993**	**$128,122,929**	**$138,521,439**	**$114,682,095**
Debt Service				
Bond Debt Service Payments	$185	$0	$0	$0
Lease Payments	$0	$0	$0	$0
Subtotal, Debt Service	**$185**	**$0**	**$0**	**$0**
Less Interagency Contracts	$53,743,052	$53,686,688	$53,821,273	$54,520,704
Total, Article III – Agencies of Education	**$4,766,285,429**	**$4,680,419,785**	**$5,182,142,421**	**$5,719,603,049**

NOTES:
(1) Budgeted 2017 incorporates certain appropriation adjustments relating to House Bill 2, Eighty-fifth Legislature, 2017; technical and/or reconciling adjustments; and the Governor’s vetoes.
(2) Appropriated 2018 and 2019 incorporate certain appropriation adjustments relating to Article IX of Senate Bill 1 (Conference Committee Report), Eighty-fifth Legislature, 2017; House Bill 3849, Eighty-fifth Legislature, 2017; other legislation passed by the Eighty-fifth Legislature, 2017, that affects appropriations; technical and/or reconciling adjustments; and the Governor’s vetoes.
(3) Article totals exclude Interagency Contracts.
(4) Expended fiscal year 2016, budgeted fiscal year 2017, appropriated fiscal years 2018 and 2019 for The University of Texas Rio Grande Valley include 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 2016	BUDGETED 2017	APPROPRIATED 2018	APPROPRIATED 2019
Supreme Court of Texas	$20,451,054	$16,752,889	$33,716,387	$33,616,387
Court of Criminal Appeals	$367,751	$367,751	$367,751	$367,751
First Court of Appeals District, Houston	$344,274	$319,908	$324,550	$324,550
Second Court of Appeals District, Fort Worth	$275,408	$270,408	$275,050	$275,050
Third Court of Appeals District, Austin	$225,258	$225,258	$229,900	$229,900
Fourth Court of Appeals District, San Antonio	$263,659	$261,408	$266,050	$266,050
Fifth Court of Appeals District, Dallas	$425,950	$425,950	$458,450	$458,450
Sixth Court of Appeals District, Texarkana	$99,450	$96,450	$96,450	$96,450
Seventh Court of Appeals District, Amarillo	$131,185	$129,100	$129,100	$129,100
Eighth Court of Appeals District, El Paso	$122,649	$120,808	$125,450	$125,450
Ninth Court of Appeals District, Beaumont	$130,600	$130,600	$130,600	$130,600
Tenth Court of Appeals District, Waco	$100,450	$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	$97,450	$97,450	$96,450	$96,450
Thirteenth Court of Appeals District, Corpus Christi-Edinburg	$224,258	$224,258	$228,900	$228,900
Fourteenth Court of Appeals District, Houston	$473,252	$447,251	$451,893	$451,893
Office of Court Administration, Texas Judicial Council	$6,194,240	$5,926,531	$8,700,391	$5,907,178
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	$23,294	$19,250	$13,000	$13,000
State Commission on Judicial Conduct	$0	$0	$0	$0
Judiciary Section, Comptroller's Department	$56,966,856	$56,967,476	$57,200,376	$57,200,995
Subtotal, Judiciary	**$87,039,988**	**$83,006,146**	**$103,034,148**	**$100,141,554**
Retirement and Group Insurance	$4,718,067	$4,718,067	$4,718,067	$4,718,067
Social Security and Benefit Replacement Pay	$2,545,246	$2,551,053	$2,545,308	$2,540,368
Subtotal, Employee Benefits	**$7,263,313**	**$7,269,120**	**$7,263,375**	**$7,258,435**
Less Interagency Contracts	$10,617,783	$10,456,594	$13,246,822	$10,453,948
Total, Article IV – Judiciary	**$83,685,518**	**$79,818,672**	**$97,050,701**	**$96,946,041**

NOTES:
(1) Budgeted 2017 incorporates certain appropriation adjustments relating to House Bill 2, Eighty-fifth Legislature, 2017; technical and/or reconciling adjustments; and the Governor's vetoes.
(2) Appropriated 2018 and 2019 incorporate certain appropriation adjustments relating to Article IX of Senate Bill 1 (Conference Committee Report), Eighty-fifth Legislature, 2017; House Bill 3849, Eighty-fifth Legislature, 2017; other legislation passed by the Eighty-fifth Legislature, 2017, 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 2016	BUDGETED 2017	APPROPRIATED 2018	APPROPRIATED 2019
Alcoholic Beverage Commission	$397,707	$159,000	$252,696	$252,696
Department of Criminal Justice	$79,460,670	$60,472,065	$117,127,043	$64,053,218
Commission on Fire Protection	$99,357	$72,500	$72,500	$72,500
Commission on Jail Standards	$1,162	$2,250	$1,500	$1,500
Juvenile Justice Department	$15,009,121	$17,269,879	$24,916,547	$12,816,547
Commission on Law Enforcement	$662,000	$523,000	$495,000	$495,000
Texas Military Department	$27,391,036	$15,370,143	$15,314,000	$15,314,000
Department of Public Safety	$57,742,062	$77,866,736	$86,111,799	$59,227,676
Subtotal, Public Safety and Criminal Justice	**$180,763,115**	**$171,735,573**	**$244,291,085**	**$152,233,137**
Retirement and Group Insurance	$130,814	$135,144	$143,393	$146,380
Social Security and Benefit Replacement Pay	$0	$0	$0	$0
Subtotal, Employee Benefits	$130,814	$135,144	$143,393	$146,380
Bond Debt Service Payments	$1,933	$0	$0	$0
Lease Payments	$0	$0	$0	$0
Subtotal, Debt Service	**$1,933**	**$0**	**$0**	**$0**
Less Interagency Contracts	$91,735,037	$71,398,595	$66,918,449	$66,844,626
Total, Article V – Public Safety and Criminal Justice	**$89,160,825**	**$100,472,122**	**$177,516,029**	**$85,534,891**

NOTES:
(1) Budgeted 2017 incorporates certain appropriation adjustments relating to House Bill 2, Eighty-fifth Legislature, 2017; technical and/or reconciling adjustments; and the Governor's vetoes.
(2) Appropriated 2018 and 2019 incorporate certain appropriation adjustments relating to Article IX of Senate Bill 1 (Conference Committee Report), Eighty-fifth Legislature, 2017; House Bill 3849, Eighty-fifth Legislature, 2017; other legislation passed by the Eighty-fifth Legislature, 2017, 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 2016	BUDGETED 2017	APPROPRIATED 2018	APPROPRIATED 2019
Department of Agriculture	$12,122,780	$16,327,782	$11,388,502	$11,377,158
Animal Health Commission	$3,367	$0	$0	$0
Commission on Environmental Quality	$12,222,935	$11,475,859	$7,919,056	$7,919,056
General Land Office and Veterans' Land Board	$48,016,149	$52,607,156	$126,494,014	$51,111,946
Low-level Radioactive Waste Disposal Compact Commission	$0	$0	$0	$0
Parks and Wildlife Department	$44,805,009	$22,526,413	$31,945,948	$4,655,189
Railroad Commission	$2,448,988	$2,448,988	$40,593,988	$2,393,988
Soil and Water Conservation Board	$50,011	$50,000	$0	$0
Water Development Board	$67,335,620	$68,794,302	$70,490,850	$72,739,860
Subtotal, Natural Resources	**$187,004,859**	**$174,230,500**	**$288,832,358**	**$150,197,197**
Retirement and Group Insurance	$7,152,224	$7,576,782	$7,710,282	$7,850,002
Social Security and Benefit Replacement Pay	$2,248,858	$2,249,707	$2,241,076	$2,233,653
Subtotal, Employee Benefits	**$9,401,082**	**$9,826,489**	**$9,951,358**	**$10,083,655**
Bond Debt Service Payments	$738,383	$738,000	$738,000	$738,000
Lease Payments	$0	$0	$0	$0
Subtotal, Debt Service	**$738,383**	**$738,000**	**$738,000**	**$738,000**
Less Interagency Contracts	$17,486,273	$16,842,736	$13,066,223	$7,593,382
Total, Article VI – Natural Resources	**$179,658,051**	**$167,952,253**	**$286,455,493**	**$153,425,470**

NOTES:
(1) Budgeted 2017 incorporates certain appropriation adjustments relating to House Bill 2, Eighty-fifth Legislature, 2017; technical and/or reconciling adjustments; and the Governor's vetoes.
(2) Appropriated 2018 and 2019 incorporate certain appropriation adjustments relating to Article IX of Senate Bill 1 (Conference Committee Report), Eighty-fifth Legislature, 2017; House Bill 3849, Eighty-fifth Legislature, 2017; other legislation passed by the Eighty-fifth Legislature, 2017, 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 2016	BUDGETED 2017	APPROPRIATED 2018	APPROPRIATED 2019
Department of Housing and Community Affairs	$19,826,134	$20,305,391	$21,201,274	$21,247,200
Texas Lottery Commission	$0	$0	$0	$0
Department of Motor Vehicles	$12,056,470	$152,815,635	$155,290,191	$150,412,183
Department of Transportation	$7,640,554,619	$7,181,337,661	$7,106,240,389	$9,030,299,777
Texas Workforce Commission	$67,028,204	$72,015,026	$72,306,527	$73,412,893
Reimbursements to the Unemployment Compensation Benefit Account	$14,535,459	$13,759,198	$13,589,102	$13,424,271
Subtotal, Business and Economic Development	**$7,754,000,886**	**$7,440,232,911**	**$7,368,627,483**	**$9,288,796,324**
Retirement and Group Insurance	$256,109,789	$274,983,262	$286,041,121	$293,292,406
Social Security and Benefit Replacement Pay	$51,096,417	$51,030,803	$51,987,340	$51,758,046
Subtotal, Employee Benefits	**$307,206,206**	**$326,014,065**	**$338,028,461**	**$345,050,452**
Bond Debt Service Payments	$257	$0	$0	$0
Lease Payments	$0	$0	$0	$0
Subtotal, Debt Service	**$257**	**$0**	**$0**	**$0**
Less Interagency Contracts	$84,667,333	$87,721,796	$88,476,549	$89,889,057
Total, Article VII – Business and Economic Development	**$7,976,540,016**	**$7,678,525,180**	**$7,618,179,395**	**$9,543,957,719**

NOTES:
(1) Budgeted 2017 incorporates certain appropriation adjustments relating to House Bill 2, Eighty-fifth Legislature, 2017; technical and/or reconciling adjustments; and the Governor's vetoes.
(2) Appropriated 2018 and 2019 incorporate certain appropriation adjustments relating to Article IX of Senate Bill 1 (Conference Committee Report), Eighty-fifth Legislature, 2017; House Bill 3849, Eighty-fifth Legislature, 2017; other legislation passed by the Eighty-fifth Legislature, 2017, 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 2016	BUDGETED 2017	APPROPRIATED 2018	APPROPRIATED 2019
State Office of Administrative Hearings	$3,181,567	$3,781,567	$4,490,852	$4,490,852
Board of Chiropractic Examiners	$47,500	$47,500	$47,500	$47,500
Texas State Board of Dental Examiners	$298,500	$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	$1,097,704	$1,094,756	$1,083,230	$1,083,230
Office of Injured Employee Counsel	$0	$0	$0	$0
Department of Insurance	$7,586,324	$7,220,075	$17,416,783	$33,728,904
Office of Public Insurance Counsel	$191,670	$191,670	$191,670	$191,670
Board of Professional Land Surveying	$17,900	$13,400	$12,500	$12,500
Department of Licensing and Regulation	$4,424,878	$4,370,882	$4,370,882	$4,370,882
Texas Medical Board	$62,306	$79,253	$62,306	$62,306
Texas Board of Nursing	$3,358,225	$3,307,464	$3,702,276	$3,702,276
Optometry Board	$45,321	$45,321	$45,321	$45,321
Board of Pharmacy	$14,015	$14,015	$14,015	$14,015
Executive Council of Physical Therapy and Occupational Therapy Examiners	$96,000	$86,000	$56,000	$56,000
Board of Plumbing Examiners	$41,880	$38,700	$38,700	$38,700
Board of Podiatric Medical Examiners	$5,370	$3,200	$0	$0
Board of Examiners of Psychologists	$94,798	$119,998	$107,398	$107,398
Racing Commission	$0	$0	$0	$0
Securities Board	$1,275	$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	$6,755	$4,300	$5,528	$5,527
Subtotal, Regulatory	**$21,120,488**	**$21,225,101**	**$32,451,961**	**$48,764,081**
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	$4,479,973	$5,067,429	$5,761,188	$5,761,188
Total, Article VIII – Regulatory	**$16,640,515**	**$16,157,672**	**$26,690,773**	**$43,002,893**

NOTES:
(1) Budgeted 2017 incorporates certain appropriation adjustments relating to House Bill 2, Eighty-fifth Legislature, 2017; technical and/or reconciling adjustments; and the Governor's vetoes.
(2) Appropriated 2018 and 2019 incorporate certain appropriation adjustments relating to Article IX of Senate Bill 1 (Conference Committee Report), Eighty-fifth Legislature, 2017; House Bill 3849, Eighty-fifth Legislature, 2017; other legislation passed by the Eighty-fifth Legislature, 2017, 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 2016	BUDGETED 2017	APPROPRIATED 2018	APPROPRIATED 2019
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	$6,388,701	$6,612,500	$4,775,000	$4,775,000
Legislative Reference Library	$2,425	$2,425	$2,425	$2,425
Subtotal, Legislature	**$6,391,126**	**$6,614,925**	**$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				
Subtotal, Debt Service	**$0**	**$0**	**$0**	**$0**
Less Interagency Contracts	$6,339,701	$6,563,500	$4,676,000	$4,676,000
Total, Article X – Legislature	**$51,425**	**$51,425**	**$101,425**	**$101,425**

NOTES:
(1) Budgeted 2017 incorporates certain appropriation adjustments relating to House Bill 2, Eighty-fifth Legislature, 2017; technical and/or reconciling adjustments; and the Governor's vetoes.
(2) Appropriated 2018 and 2019 incorporate certain appropriation adjustments relating to Article IX of Senate Bill 1 (Conference Committee Report), Eighty-fifth Legislature, 2017; House Bill 3849, Eighty-fifth Legislature, 2017; other legislation passed by the Eighty-fifth Legislature, 2017, 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-FIFTH LEGISLATURE,
2018–19 BIENNIUM

JOHN ZERWAS, CHAIR, Representative District 28, Richmond

OSCAR LONGORIA, VICE CHAIR, Representative District 35, Mission

Trent Ashby, Representative District 57, Lufkin

Greg Bonnen, Representative District 24, Friendswood

Giovanni Capriglione, Representative District 98, Southlake

Scott Cosper, Representative District 54, Killeen

Sarah Davis, Representative District 134, West University Place

Jay Dean, Representative District 7, Longview

Dawnna Dukes, Representative District 46, Austin

Helen Giddings, Representative District 109, Dallas

Mary E. González, Representative District 75, El Paso

Donna Howard, Representative District 48, Austin

Linda Koop, Representative District 102, Dallas

Rick Miller, Representative District 26, Sugar Land

Sergio Muñoz, Jr., Representative District 36, Palmview

Mary Ann Perez, Representative District 144, Houston

Dade Phelan, Representative District 21, Beaumont

John Raney, Representative District 14, Bryan

Kevin Roberts, Representative District 126, Houston

Justin Rodriguez, Representative District 125, San Antonio

Toni Rose, Representative District 110, Dallas

J.D. Sheffield, Representative District 59, Gatesville

Ron Simmons, Representative District 65, Carrollton

Gary VanDeaver, Representative District 1, New Boston

Armando Walle, Representative District 140, Houston

Gene Wu, Representative District 137, Houston

APPENDIX D – SENATE COMMITTEE ON FINANCE

EIGHTY-FIFTH LEGISLATURE
2018–19 BIENNIUM

JANE NELSON, CHAIR, Senatorial District 12, Flower Mound

JUAN "CHUY" HINOJOSA, VICE-CHAIR, Senatorial District 20, McAllen

Paul Bettencourt, Senatorial District 7, Houston

Brian Birdwell, Senatorial District 22, Granbury

Donna Campbell, Senatorial District 25, New Braunfels

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

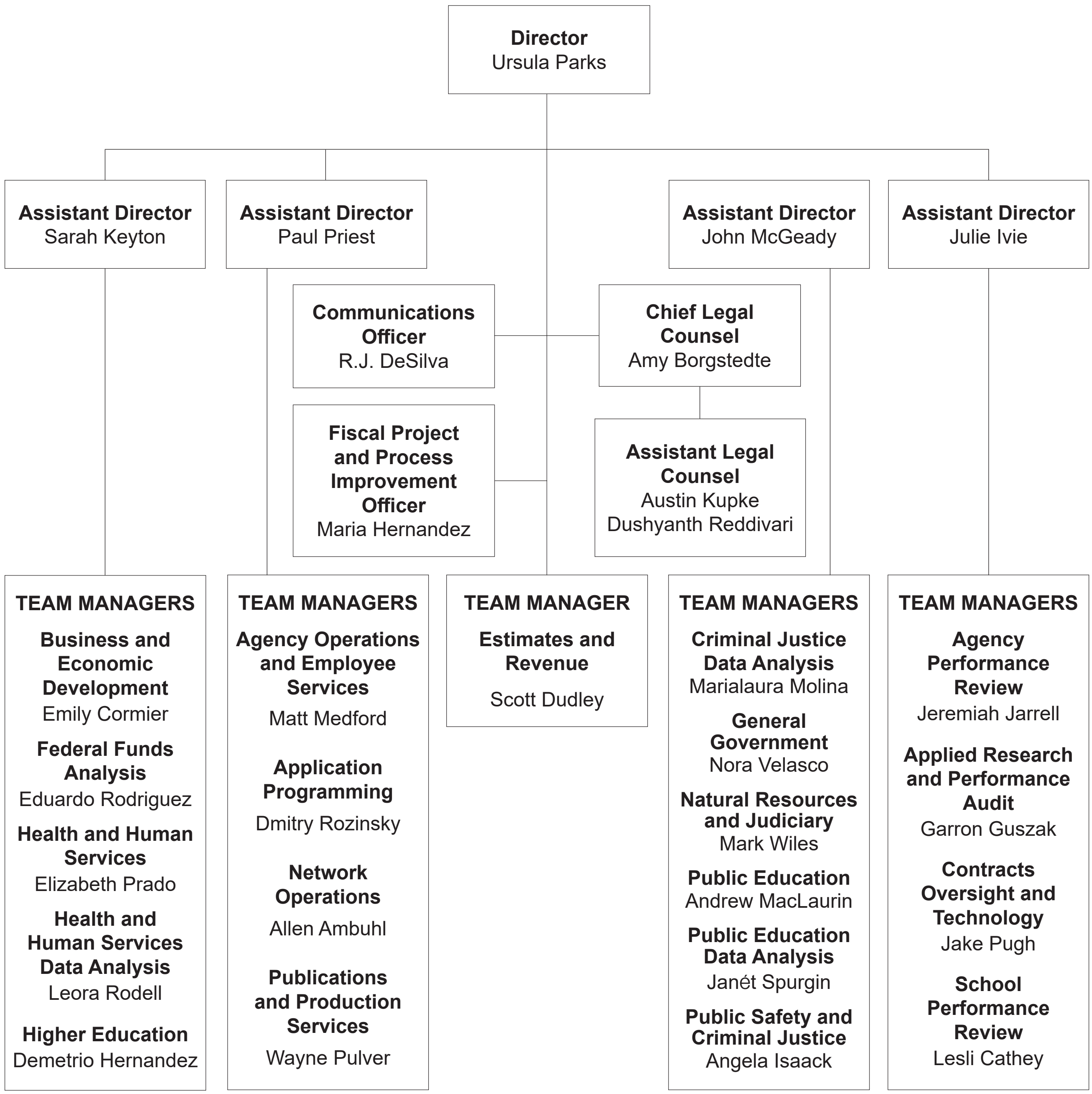
Larry Taylor, Senatorial District 11, Friendswood

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

BAB—Build America Bond

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

CPI—consumer price index

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

DBMD—Deaf Blind with Multiple Disabilities (program)

DCS—Data Center Services

DDS—Disability Determination Services

DEAAG—Defense Economic Adjustment Assistance Grant

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)

GR—General Revenue Funds

GR–D—General Revenue–Dedicated Funds

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

LMHA—local mental health authority

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

M&O—maintenance and operations

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)

STI—sexually transmitted infection

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

TESTIF—Texas Economic Stabilization Investment Fund

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

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

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

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 Funds (GR), General Revenue–Dedicated Funds (GR-D), Federal Funds, and Other Funds. Each of these four contains subcategories.

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

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

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

F The left footer shows the version of the appropriations bill. This example shows the Fiscal Size-up version.

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

A **COMPTROLLER OF PUBLIC ACCOUNTS**

	For the Years Ending August 31, 2018	August 31, 2019
B **Method of Financing:** O		
General Revenue Fund[1, 2]	$ 288,612,594	$ 289,810,472
GR Dedicated - Sexual Assault Program Account No. 5010	125,000	125,000
Other Funds		
Appropriated Receipts	13,220,800	13,220,800
Interagency Contracts	2,800,113	2,800,113
Subtotal, Other Funds	$ 16,020,913	$ 16,020,913
Total, Method of Financing	$ 304,758,507	$ 305,956,385
This bill pattern represents an estimated 100% of this agency's estimated total available funds for the biennium.		
C **Number of Full-Time-Equivalents (FTE):**[1, 2]	2,882.3	2,932.3
D **Schedule of Exempt Positions:**		
Comptroller of Public Accounts, Group 6	$153,750	$153,750
E **Items of Appropriation:**		
A. Goal: COMPLIANCE WITH TAX LAWS		
To Improve Voluntary Compliance with Tax Laws.		
A.1.1. Strategy: ONGOING AUDIT ACTIVITIES Maintain an Ongoing Program of Audit and Verification Activities.	$ 99,540,037	$ 100,918,437
A.2.1. Strategy: TAX LAWS COMPLIANCE Improve Compliance with Tax Laws through Contact & Collection Program.	$ 43,737,625	$ 43,591,170
A.3.1. Strategy: TAXPAYER INFORMATION Provide Information to Taxpayers, Government Officials and the Public.	$ 16,600,891	$ 16,625,098
A.4.1. Strategy: TAX HEARINGS Provide Tax Hearings/Represent the Agency/Provide Legal Counsel.	$ 9,722,021	$ 9,730,363
Total, Goal A: COMPLIANCE WITH TAX LAWS	$ 169,600,574	$ 170,865,068
B. Goal: MANAGE FISCAL AFFAIRS		
To Efficiently Manage the State's Fiscal Affairs.		
B.1.1. Strategy: ACCOUNTING/REPORTING[1] Proj Receipts/Disbursements; Complete Accounting/Reporting Resps.	$ 25,745,946	$ 25,603,337
B.1.2. Strategy: CAPPS IMPLEMENTATION Implement a Statewide Enterprise Resource Planning System.	$ 47,942,669	$ 47,942,669
B.2.1. Strategy: PROPERTY TAX PROGRAM Conduct Property Value Study; Provide Assistance; Review Methods.	$ 9,628,300	$ 9,641,811
B.3.1. Strategy: TREASURY OPERATIONS Ensure State's Assets, Cash Receipts, and Warrants are Prop Secured.	$ 5,216,893	$ 5,224,450

F A542-FSize-up-1-A G I-16 August 30, 2017

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 on this page.

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

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

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.

COMPTROLLER OF PUBLIC ACCOUNTS
(Continued)

B.4.1. Strategy: PROCUREMENT AND SUPPORT SERVICES[2] Provide Statewide Procurement and Support Services.	$ 5,618,633	$ 5,618,633
Total, Goal B: MANAGE FISCAL AFFAIRS	$ 94,152,441	$ 94,030,900
C. Goal: MANAGE STATE REVENUE Manage the Receipt and Disbursement of State Revenue.		
C.1.1. Strategy: REVENUE & TAX PROCESSING Improve Tax/Voucher Data Processing, Tax Collection & Disbursements.	$ 41,005,492	$ 41,060,417
H **Grand Total,** COMPTROLLER OF PUBLIC ACCOUNTS	$ 304,758,507	$ 305,956,385
I **Object-of-Expense Informational Listing:**		
Salaries and Wages	$ 189,109,374	$ 191,740,789
Other Personnel Costs	6,908,226	7,149,954
Professional Fees and Services	52,125,902	51,945,902
Fuels and Lubricants	26,500	26,500
Consumable Supplies	1,239,617	1,230,235
Utilities	2,588,461	2,633,183
Travel	6,063,376	6,268,626
Rent - Building	4,483,780	4,743,602
Rent - Machine and Other	10,149,182	10,544,153
Other Operating Expense	32,064,089	29,673,441
Total, Object-of-Expense Informational Listing	$ 304,758,507	$ 305,956,385
J **Estimated Allocations for Employee Benefits and Debt Service Appropriations Made Elsewhere in this Act:**		
Employee Benefits		
Retirement	$ 16,152,816	$ 16,152,816
Group Insurance	40,010,536	41,183,625
Social Security	13,513,514	13,513,514
Benefits Replacement	441,025	379,282
Subtotal, Employee Benefits	$ 70,117,891	$ 71,229,237
Debt Service		
Lease Payments	$ 421,660	$ 0
Total, Estimated Allocations for Employee Benefits and Debt Service Appropriations Made Elsewhere in this Act	$ 70,539,551	$ 71,229,237

K **1. Performance Measure Targets.** The following is a listing of the key performance target levels for the Comptroller of Public Accounts. 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 Comptroller of Public Accounts. In order to achieve the objectives and service standards established by this Act, the Comptroller of Public Accounts shall make every effort to attain the following designated key performance target levels associated with each item of appropriation.

	2018	2019
A. Goal: COMPLIANCE WITH TAX LAWS		
Outcome (Results/Impact):		
Percent Accuracy Rate of Reported Amounts on Original Audits	97%	97%
Average Monthly Delinquent and Other Account Closure Rate per Enforcement Collector	290	290
A.1.1. Strategy: ONGOING AUDIT ACTIVITIES		
Output (Volume):		
Number of Audits and Verifications Conducted	14,563	15,082
Efficiencies:		
Average Dollars Assessed to Dollar Cost	33	33
A.2.1. Strategy: TAX LAWS COMPLIANCE		
Efficiencies:		
Delinquent Taxes Collected Per Collection-related Dollar Expended	53	53

A304-FSize-up-1-A I-17 August 30, 2017

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.

COMPTROLLER OF PUBLIC ACCOUNTS
(Continued)

A.3.1. Strategy: TAXPAYER INFORMATION		
Output (Volume):		
Total Number of Responses Issued by Tax Policy	6,000	5,700
Efficiencies:		
Percent of Responses Issued by Tax Policy within 7 Working Days	95%	95%
B. Goal: MANAGE FISCAL AFFAIRS		
Outcome (Results/Impact):		
Percentage of Scheduled Independent School Districts' Total Value in Which PTAD Met the Target Margin of Error	95%	95%
Percentage of Funds Processed Electronically	99%	99%
B.2.1. Strategy: PROPERTY TAX PROGRAM		
Output (Volume):		
Number of Properties Included in the Property Value Study	95,000	85,000
B.3.1. Strategy: TREASURY OPERATIONS		
Output (Volume):		
Number of State Depository Bank Account Reconciliations Performed	10,000	10,000
B.4.1. Strategy: PROCUREMENT AND SUPPORT SERVICES		
Output (Volume):		
Number of Historically Underutilized Business Field Audits Conducted	700	700
Number of Historically Underutilized Business Desk Audits Conducted	2,700	2,700
C. Goal: MANAGE STATE REVENUE		
Outcome (Results/Impact):		
Time Taken to Return Tax Allocations to Local Jurisdictions (Days)	21	21
C.1.1. Strategy: REVENUE & TAX PROCESSING		
Output (Volume):		
Number of Tax Returns Processed	5,600,000	5,750,000
Efficiencies:		
Average Number of Hours to Deposit Receipts	10	10

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 expended on other capital expenditures, subject to the aggregate dollar restrictions on capital budget expenditures provided in the general provisions of this Act.

	2018	2019
a. Acquisition of Information Resource Technologies		
(1) Daily Operations	$ 10,114,111	$ 11,105,408
(2) Desktop, Laptop and Tablet Purchases and Leases	664,169	UB
Total, Acquisition of Information Resource Technologies	$ 10,778,280	$ 11,105,408
b. Centralized Accounting and Payroll/Personnel System (CAPPS)		
(1) ProjectONE/Centralized Accounting and Payroll/Personnel System (CAPPS)	47,942,669	47,942,669
Total, Capital Budget	$ 58,720,949	$ 59,048,077

M

Method of Financing (Capital Budget):		
General Revenue Fund	$ 44,587,946	$ 44,915,074
Other Funds		
Appropriated Receipts	12,000,000	12,000,000
Interagency Contracts	2,133,003	2,133,003
Subtotal, Other Funds	$ 14,133,003	$ 14,133,003
Total, Method of Financing	$ 58,720,949	$ 59,048,077

A304-FSize-up-1-A I-18 August 30, 2017

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 appropriations or may provide direction relating to a specific strategy.

COMPTROLLER OF PUBLIC ACCOUNTS
(Continued)

N

3. **Appropriation of Receipts.** The Comptroller is hereby authorized to transfer appropriated funds and cash from the state agencies' funds and accounts to the Comptroller's Office to reimburse for the cost of mailing warrants and consolidating payments across agency and fund lines, making electronic transfers and data transmissions to financial institutions, vendors, and associated activities. These, and all sums received in refund of postage, insurance, and shipping costs for the cigarette stamp program, are hereby appropriated to the Comptroller's Office.

4. **Employee Incentive Rider.** In addition to the existing authority and amounts related to employee compensation and benefits, the Comptroller of Public Accounts may expend amounts necessary from funds appropriated for the 2018-19 biennium for the purposes of enhancing compensation, providing incentives, or paying associated expenses for high performing employees within the Comptroller's Office.

5. **Capital Expenditures Authorized.** Notwithstanding the limitations placed on the expenditure of funds for capital budget items contained in this Act, the Comptroller of Public Accounts is hereby authorized to expend funds appropriated to the Comptroller of Public Accounts for the acquisition of capital budget items.

6. **Transfer Authority.** Notwithstanding limitations on appropriation transfers contained in the General Provisions of this Act, the Comptroller of Public Accounts is hereby authorized to direct agency resources and transfer such amounts appropriated above between appropriation line items.

7. **Unexpended Balances Carried Forward Between Biennia.** All unobligated and unexpended balances appropriated and/or allocated to the Comptroller of Public Accounts from the 2016-17 biennium due to efficiencies or other cost savings of the Comptroller are hereby appropriated for the 2018-19 biennium. The appropriations herein are for ensuring the continuation of high priority programs within the Comptroller's Office.

8. **Appropriation of Unclaimed Property Handling Fees.** Included in the amounts appropriated above to the Comptroller of Public Accounts in Strategy C.1.1, Revenue and Tax Processing, is an estimated $1,000,000 out of the General Revenue Fund in each fiscal year of the biennium from Unclaimed Property handling fees, collected pursuant to Property Code §74.509, to perform statutory obligations under §§74.201, 74.203, 74.601, and 74.602 of the Texas Property Code and to respond to public inquiries generated by the advertising program including, but not limited to, the hiring of temporary employees. Such amounts shall not exceed the amount of money credited to Unclaimed Property Receipts from unclaimed property proceeds.

   In the event that actual and/or projected revenue collections are below estimates provided herein, the Legislative Budget Board may direct the Comptroller of Public Accounts to reduce the appropriation authority provided above to be within the amount of revenue expected to be available.

9. **Uniform Statewide Accounting and Payroll Services and Technology.** There is hereby appropriated to the Comptroller of Public Accounts all revenues received as a result of cost sharing arrangements with other state agencies, other governmental units, or non-government entities for software, technology, licensing arrangements, royalty receipts, or other charges or receipts from the sharing of technological or other information, expertise, services, or cooperative agreements of any kind. Such revenues shall be available to the Comptroller for the use of further enhancement of automation and technology services, computer services, and computer time.

10. **Unexpended Balances Between Fiscal Years Within the Biennium.** Any unexpended balances as of August 31, 2018, in the appropriations made herein to the Comptroller of Public Accounts are hereby appropriated for the same purpose for the fiscal year beginning September 1, 2018.

11. **Reimbursement for Treasury Operations.** In accordance with §404.071, Government Code, the Comptroller of Public Accounts shall determine the costs incurred in receiving, paying, accounting for, and investing money in funds and accounts which are entitled to receive temporary interest. An amount equal to these costs shall be deducted from the interest earned on such funds and accounts and is hereby appropriated for deposit into the General Revenue Fund.

12. **Vehicle Fuel Efficiency Standard.** The Comptroller of Public Accounts shall report to the Legislature once per biennium on the number of vehicles procured by each state agency that comply with state agency vehicle fuel standard described in §2158.009, Government Code, and the number of vehicles procured by each state agency that do not comply with the standard.

A304-FSize-up-1-A I-19 August 30, 2017

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, gubernatorial vetoes of appropriation authority, and other legislation affecting appropriations.

COMPTROLLER OF PUBLIC ACCOUNTS
(Continued)

O

[1] Incorporates Article IX, §18.38, of this Act, due to enactment of SB 625, 85th Legislature, Regular Session, relating to public access to financial and tax rate information of certain special purpose districts, resulting in increases of $242,060 in FY 2018 and $62,060 in FY 2019 out of General Revenue Funds and increases of 1.0 FTE in FY 2018 and 1.0 FTE in FY 2019.
[2] Incorporates Article IX, §18.36, of this Act, due to enactment of SB 533, 85th Legislature, Regular Session, decreasing the minimum value of solicitations and contracts requiring Contract Advisory Team review from $10,000,000 to $5,000,000, resulting in increases of $216,404 out of General Revenue Funds and 3.0 FTEs each fiscal year of the biennium.
[3] SB 669, 85th Legislature, Regular Session, did not pass, resulting in decreases to Supplemental Appropriations Made in Riders of $150,000 in each year of the 2018–19 biennium out of General Revenue Funds, and decreases of 2.0 FTEs in FY 2018 and 2.0 FTEs in FY 2019.

A304-FSize-up-1-A I-21 August 30, 2017