



# LEGISLATIVE BUDGET BOARD

## **Cost Drivers and Revenues 10-Year Trend**

**SUBMITTED TO THE 86TH TEXAS LEGISLATURE  
PREPARED BY LEGISLATIVE BUDGET BOARD STAFF**

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**APRIL 2019**

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## COST DRIVERS AND REVENUES – 10-YEAR TREND

The Eighty-fifth Legislature, General Appropriations Act, 2018–19 Biennium, Article X, House of Representatives, Rider 8, requires the Legislative Budget Board staff to deliver a report to the Eighty-sixth Legislature, 2019, regarding long-term revenue and cost drivers for the state budget. This report summarizes the General Revenue Fund impact on specific budget drivers of forecasted state economic and demographic growth for the 10 fiscal years beginning September 1, 2019, and ending August 31, 2029. As required by the rider, Legislative Budget Board staff consulted with the State Demographer and the Comptroller of Public Accounts to produce this report.

### FACTS AND FINDINGS

- ◆ Expenditures from General Revenue Funds and the Property Tax Relief Fund are forecast in a range from \$111.9 billion to \$155.9 billion by the 2028–29 biennium, or from a decrease of 0.1 percent to an increase of 29.2 percent, compared to 2018–19 biennial appropriated amounts.
- ◆ General Revenue Funds and Property Tax Relief Fund revenue scenarios range from \$148.3 billion to \$193.7 billion by the 2028–29 biennium, and growth rates range from 21.2 percent to 58.4 percent from the 2018–19 biennium.
- ◆ The upper limit of forecasted expenditures from General Revenue Funds and the Property Tax Relief Fund is within the lower range of revenue collection scenarios.
- ◆ The balance of the Economic Stabilization Fund is forecast to grow from a projected balance for fiscal year 2019 of \$11.8 billion to the statutory cap of the fund at \$24.1 billion by fiscal year 2029, an increase of 104.2 percent. This projection assumes no appropriations are made from the fund during the forecast period.

### DISCUSSION

State funds appropriated for the 2018–19 biennium total \$147.0 billion, 63.6 percent of all appropriated state funds. The remaining 36.4 percent of the total \$231.1 billion in

appropriated funds are estimated to be Federal Funds. This report analyzes eight large programs that are influenced greatly by economic and demographic factors. Appropriations for the 2018–19 biennium for these programs totaled \$157.5 billion, or 68.2 percent of total state funds. Appropriations for the 2018–19 biennium from General Revenue Funds and the Property Tax Relief Fund for these programs total \$84.0 billion, or 75.0 percent of total appropriations from these sources (see **Figure 1**).

### GENERAL METHODOLOGY

Legislative Budget Board (LBB) staff forecast the budget drivers shown in **Figure 1** through the 2028–29 biennium using modeling techniques specific to each driver. Three forecasts are included: a baseline forecast that represents historical or moderate economic and demographic assumptions, and high-cost and low-cost forecasts based on fluctuations from the baseline forecast. The high-cost and low-cost forecasts establish ranges of possible budgetary outcomes.

The analyses assume that statutes and practices that are in place during the 2018–19 biennium do not change throughout the forecast period. The analyses also assume that the budget priorities established by the Eighty-fifth Legislature, Regular Session, 2017, for the 2018–19 biennium remain in place throughout the forecast period. That is, programs funded for the 2018–19 biennium will continue to be funded in a similar proportion to other current programs. No assumptions of new programs and funding streams are established for this report. Furthermore, the scope of existing programs does not expand except to accommodate increased populations and cost of service delivery. Specific assumptions are described separately for the individual budget drivers in **Appendix A**.

Baseline, optimistic, and pessimistic revenue scenarios were developed by LBB staff based on those developed by the Comptroller of Public Accounts (CPA) and published in CPA's September 2016 report required by House Bill 32, Eighty-fourth Legislature, 2015.



**FIGURE 1  
BUDGET DRIVERS, 2018–19 BIENNIAL APPROPRIATIONS**

(IN MILLIONS) DRIVERS	GENERAL REVENUE FUNDS AND PROPERTY TAX			ALL FUNDS
	RELIEF FUND	STATE FUNDS	FEDERAL FUNDS	
<b>All Appropriations</b>	<b>\$111,996.9</b>	<b>\$147,025.4</b>	<b>\$84,075.6</b>	<b>\$231,101.0</b>
Foundation School Program	\$34,653.5	\$38,085.1	\$0.0	\$38,085.1
Medicaid	\$26,608.6	\$27,332.1	\$38,236.1	\$65,568.2
Construction and Maintenance of Highways	\$0.0	\$16,652.0	\$10,526.3	\$27,178.3
Adult Corrections	\$6,417.4	\$6,599.0	\$18.2	\$6,617.1
Juvenile Corrections	\$605.2	\$642.9	\$21.0	\$663.9
Higher Education Formula Funding	\$7,135.2	\$8,631.9	\$0.0	\$8,631.9
State Employee Benefits	\$4,682.4	\$5,794.6	\$1,039.8	\$6,834.4
Teacher Retirement and Health	\$3,868.4	\$3,962.2	\$0.0	\$3,962.2
<b>Total Major Budget Drivers</b>	<b>\$83,970.6</b>	<b>\$107,699.7</b>	<b>\$49,841.4</b>	<b>\$157,541.1</b>
<b>All Other Programs</b>	<b>\$28,026.3</b>	<b>\$39,325.7</b>	<b>\$34,234.2</b>	<b>\$73,559.9</b>
<b>Share of Total</b>				
Foundation School Program	30.9%	25.9%	0.0%	16.5%
Medicaid	23.8%	18.6%	45.5%	28.4%
Construction and Maintenance of Highways	0.0%	11.3%	12.5%	11.8%
Adult Corrections	5.7%	4.5%	0.0%	2.9%
Juvenile Corrections	0.5%	0.4%	0.0%	0.3%
Higher Education Formula Funding	6.4%	5.9%	0.0%	3.7%
State Employee Retirement and Health	4.2%	3.9%	1.2%	3.0%
Teacher Retirement and Health	3.5%	2.7%	0.0%	1.7%
<b>Total Major Budget Drivers</b>	<b>75.0%</b>	<b>73.3%</b>	<b>59.3%</b>	<b>68.2%</b>
<b>All Other Programs</b>	<b>25.0%</b>	<b>26.7%</b>	<b>40.7%</b>	<b>31.8%</b>

NOTE: State funds include General Revenue Funds, General Revenue–Dedicated Funds, and Other Funds.  
SOURCE: Legislative Budget Board.

**EXPENDITURE FORECAST RESULTS**

The baseline, high-cost, and low-cost General Revenue Fund and Property Tax Relief Fund expenditure forecast results are shown in **Figure 2**. Expenditures shown for the Foundation School Program include those from the General Revenue Fund and the Property Tax Relief Fund. Only expenditures from the General Revenue Fund and Property Tax Relief Fund are shown, because all but one of the selected budget drivers are dependent on General Revenue Funds as their primary source of state funds. Furthermore, General Revenue Fund revenues and balances are used to certify appropriations pursuant to the Texas Constitution, Article III, Section 49a. Note that no General Revenue Funds support the construction and maintenance of highways.

**REVENUE SCENARIOS**

CPA provided three 10-year revenue scenarios in a September 2016 report required by House Bill 32, Eighty-fourth Legislature, 2015. The revenue scenarios in this report are based on these CPA projections. The pessimistic scenario assumes a prolonged period of low oil and natural gas prices combined with a mild U.S. recession followed by anemic growth. The optimistic scenario assumes a significant increase in oil and natural gas prices combined with accelerating growth in the broader U.S. economy. Economic Stabilization Fund (ESF) balance estimates are included in each scenario. The scenarios assume no appropriation from the ESF during the forecast period. **Figure 3** shows the revenue scenarios within this range of economic conditions.

**FIGURE 2**  
**ALL EXPENDITURE FORECASTS FOR GENERAL REVENUE FUNDS AND THE PROPERTY TAX RELIEF FUND**  
**FISCAL YEARS 2020 TO 2029**

<b>(IN MILLIONS)</b>										
<b>DRIVER</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>
<b>Midrange (Baseline)</b>										
Foundation School Program (FSP)	\$19,039.8	\$19,561.0	\$18,231.2	\$18,363.6	\$18,022.3	\$18,102.5	\$17,159.5	\$16,784.2	\$15,824.8	\$15,421.3
Medicaid	\$12,805.7	\$13,045.1	\$13,368.2	\$13,800.1	\$14,284.6	\$14,789.7	\$15,333.2	\$15,887.4	\$16,461.1	\$17,064.3
Highway Funding	-	-	-	-	-	-	-	-	-	-
Adult Corrections	\$3,348.6	\$3,344.8	\$3,348.1	\$3,337.5	\$3,348.1	\$3,334.7	\$3,333.8	\$3,333.1	\$3,340.0	\$3,330.4
Juvenile Corrections	\$302.4	\$309.6	\$310.8	\$311.2	\$313.3	\$314.1	\$315.5	\$315.9	\$318.8	\$318.5
Higher Education Formula Funding	\$3,780.2	\$3,780.1	\$4,006.4	\$4,006.3	\$4,247.1	\$4,247.1	\$4,503.3	\$4,503.3	\$4,776.1	\$4,776.1
State Employee Benefits	\$2,400.7	\$2,435.5	\$2,508.4	\$2,584.2	\$2,663.1	\$2,745.2	\$2,830.6	\$2,919.5	\$3,012.0	\$3,108.3
Teacher Retirement and Health	\$2,111.7	\$2,189.3	\$2,270.0	\$2,354.0	\$2,441.5	\$2,532.5	\$2,627.2	\$2,725.7	\$2,828.2	\$2,934.9
All Other	\$13,608.7	\$14,144.4	\$14,637.4	\$15,146.7	\$15,674.4	\$16,198.5	\$16,722.0	\$17,281.5	\$17,867.1	\$18,474.1
<b>Total Midrange</b>	<b>\$57,397.8</b>	<b>\$58,809.8</b>	<b>\$58,680.5</b>	<b>\$59,903.8</b>	<b>\$60,994.3</b>	<b>\$62,264.2</b>	<b>\$62,824.9</b>	<b>\$63,750.5</b>	<b>\$64,428.0</b>	<b>\$65,427.9</b>
<b>Higher Cost</b>										
FSP	\$19,039.8	\$19,561.0	\$20,424.1	\$21,171.1	\$21,779.7	\$22,673.4	\$23,202.9	\$24,042.4	\$24,666.4	\$25,679.8
Medicaid	\$13,281.9	\$13,775.9	\$14,288.2	\$14,819.6	\$15,370.8	\$15,942.4	\$16,535.3	\$17,150.3	\$17,788.1	\$18,449.6
Highway Funding	-	-	-	-	-	-	-	-	-	-
Adult Corrections	\$3,367.1	\$3,361.9	\$3,362.2	\$3,371.3	\$3,393.9	\$3,392.9	\$3,392.0	\$3,393.6	\$3,412.9	\$3,413.5
Juvenile Corrections	\$305.4	\$312.8	\$314.8	\$315.9	\$317.8	\$318.5	\$319.5	\$319.5	\$321.9	\$321.3
Higher Education Formula Funding	\$3,884.0	\$3,883.9	\$4,229.5	\$4,229.5	\$4,607.1	\$4,607.1	\$5,019.7	\$5,019.7	\$5,470.8	\$5,470.8
State Employee Benefits	\$2,400.7	\$2,435.5	\$2,538.2	\$2,646.5	\$2,760.6	\$2,881.0	\$3,007.8	\$3,141.7	\$3,282.9	\$3,431.8
Teacher Retirement and Health	\$2,165.2	\$2,274.2	\$2,388.8	\$2,509.4	\$2,636.4	\$2,770.0	\$2,910.6	\$3,058.5	\$3,214.3	\$3,378.2
All Other	\$13,657.0	\$14,245.7	\$14,793.7	\$15,361.8	\$15,952.3	\$16,542.3	\$17,135.0	\$17,769.1	\$18,434.2	\$19,125.9
<b>Total Higher Cost</b>	<b>\$58,101.2</b>	<b>\$59,850.9</b>	<b>\$62,339.5</b>	<b>\$64,425.1</b>	<b>\$66,818.6</b>	<b>\$69,127.6</b>	<b>\$71,522.8</b>	<b>\$73,894.7</b>	<b>\$76,591.4</b>	<b>\$79,271.0</b>
<b>Lower Cost</b>										
FSP	\$19,039.8	\$19,561.0	\$17,380.8	\$15,908.4	\$13,749.0	\$11,917.4	\$8,656.6	\$10,472.4	\$8,677.3	\$11,104.5
Medicaid	\$12,454.9	\$12,796.1	\$13,146.6	\$13,506.8	\$13,876.8	\$14,256.9	\$14,647.5	\$15,048.8	\$15,461.0	\$15,884.6
Highway Funding	-	-	-	-	-	-	-	-	-	-
Adult Corrections	\$3,349.5	\$3,338.9	\$3,332.3	\$3,331.9	\$3,339.1	\$3,325.2	\$3,316.9	\$3,311.5	\$3,319.2	\$3,308.1
Juvenile Corrections	\$292.4	\$294.3	\$292.7	\$293.6	\$297.6	\$299.1	\$300.8	\$301.1	\$302.3	\$303.7
Higher Education Formula Funding	\$3,637.4	\$3,637.4	\$3,711.9	\$3,711.9	\$3,791.3	\$3,791.3	\$3,875.7	\$3,875.7	\$3,965.2	\$3,965.3
State Employee Benefits	\$2,400.7	\$2,435.5	\$2,481.0	\$2,527.8	\$2,575.9	\$2,625.5	\$2,676.5	\$2,729.0	\$2,783.1	\$2,838.7
Teacher Retirement and Health	\$2,052.8	\$2,100.2	\$2,149.0	\$2,199.4	\$2,251.3	\$2,304.8	\$2,359.9	\$2,416.7	\$2,475.2	\$2,535.5
All Other	\$13,551.8	\$14,025.6	\$14,454.8	\$14,896.3	\$15,352.0	\$15,800.8	\$16,245.8	\$16,721.4	\$17,218.1	\$17,731.2
<b>Total Lower Cost</b>	<b>\$56,779.3</b>	<b>\$58,188.9</b>	<b>\$56,949.1</b>	<b>\$56,376.0</b>	<b>\$55,233.0</b>	<b>\$54,321.1</b>	<b>\$52,079.7</b>	<b>\$54,876.6</b>	<b>\$54,201.6</b>	<b>\$57,671.6</b>

SOURCE: Legislative Budget Board.

**FIGURE 3  
GENERAL REVENUE FUND AND PROPERTY TAX RELIEF FUND REVENUE SCENARIOS, FISCAL YEARS 2020 TO 2029**

(IN MILLIONS)										
DRIVER	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
<b>Baseline</b>										
Taxes	\$55,060.7	\$57,261.8	\$59,855.4	\$62,649.7	\$65,502.2	\$68,568.0	\$71,705.5	\$75,070.4	\$78,521.9	\$82,216.3
Nontax Revenue	\$7,096.4	\$7,064.5	\$7,313.1	\$7,570.5	\$7,836.9	\$8,112.8	\$8,398.3	\$8,693.8	\$8,999.8	\$9,316.5
<b>Total</b>	<b>\$62,157.1</b>	<b>\$64,326.3</b>	<b>\$67,168.5</b>	<b>\$70,220.2</b>	<b>\$73,339.1</b>	<b>\$76,680.8</b>	<b>\$80,103.8</b>	<b>\$83,764.2</b>	<b>\$87,521.7</b>	<b>\$91,532.8</b>
PTRF	\$1,816.3	\$1,985.5	\$1,941.6	\$2,046.4	\$2,004.3	\$2,110.7	\$2,070.5	\$2,178.7	\$2,140.6	\$2,177.1
<b>Total General Revenue Funds and PTRF</b>	<b>\$63,973.4</b>	<b>\$66,311.8</b>	<b>\$69,110.1</b>	<b>\$72,266.6</b>	<b>\$75,343.4</b>	<b>\$78,791.4</b>	<b>\$82,174.3</b>	<b>\$85,942.9</b>	<b>\$89,662.3</b>	<b>\$93,709.9</b>
ESF/SHF Severance Tax Set Aside	(\$2,912.2)	(\$3,428.0)	(\$3,639.8)	(\$3,863.2)	(\$4,099.0)	(\$4,347.9)	(\$4,610.6)	(\$4,888.2)	(\$5,181.4)	(\$5,491.2)
SHF Proposition 7 Transfer	(\$2,500.0)	(\$2,500.0)	(\$2,572.8)	(\$2,671.3)	(\$2,775.0)	(\$2,884.4)	(\$2,999.6)	(\$3,121.1)	(\$3,249.1)	(\$3,384.1)
ESF Spillover	\$0.0	\$0.0	\$0.0	\$0.0	\$868.4	\$2,478.2	\$1,194.2	\$2,764.7	\$1,400.3	\$3,083.0
<b>Total General Revenue Funds and PTRF for Certification</b>	<b>\$58,561.2</b>	<b>\$60,383.8</b>	<b>\$62,897.5</b>	<b>\$65,732.1</b>	<b>\$69,337.8</b>	<b>\$74,037.4</b>	<b>\$75,758.2</b>	<b>\$80,698.3</b>	<b>\$82,632.1</b>	<b>\$87,917.5</b>
ESF Transfer	\$1,399.6	\$1,456.1	\$1,714.0	\$1,819.9	\$1,931.6	\$2,049.5	\$2,173.9	\$2,305.3	\$2,444.1	\$2,590.7
Interest	\$327.5	\$373.3	\$386.4	\$400.0	\$414.1	\$428.7	\$443.8	\$459.4	\$475.5	\$492.3
ESF Balance	\$13,527.2	\$15,356.6	\$17,457.0	\$19,676.9	\$21,154.2	\$21,154.2	\$22,577.7	\$22,577.7	\$24,097.0	\$24,097.0
<b>Optimistic</b>										
Taxes	\$56,296.8	\$59,616.7	\$63,041.6	\$66,776.5	\$70,643.3	\$74,848.8	\$79,216.9	\$83,956.5	\$88,893.9	\$94,240.3
Nontax Revenue	\$7,777.0	\$8,097.5	\$8,431.3	\$8,778.7	\$9,140.5	\$9,517.2	\$9,909.4	\$10,317.8	\$10,743.0	\$11,185.8
<b>Total</b>	<b>\$64,073.9</b>	<b>\$67,714.2</b>	<b>\$71,472.9</b>	<b>\$75,555.2</b>	<b>\$79,783.8</b>	<b>\$84,366.0</b>	<b>\$89,126.3</b>	<b>\$94,274.3</b>	<b>\$99,636.9</b>	<b>\$105,426.1</b>
PTRF	\$1,780.4	\$1,878.7	\$1,844.9	\$1,945.4	\$1,913.8	\$2,016.5	\$1,987.3	\$2,092.4	\$2,065.7	\$2,173.4
<b>Total General Revenue Funds and PTRF</b>	<b>\$65,854.2</b>	<b>\$69,592.9</b>	<b>\$73,317.8</b>	<b>\$77,500.6</b>	<b>\$81,697.6</b>	<b>\$86,382.5</b>	<b>\$91,113.6</b>	<b>\$96,366.7</b>	<b>\$101,702.6</b>	<b>\$107,599.5</b>
ESF/SHF Severance Tax Set Aside	(\$3,090.2)	(\$3,406.0)	(\$3,749.1)	(\$4,121.8)	(\$4,526.9)	(\$4,967.5)	(\$5,446.8)	(\$5,968.6)	(\$6,536.7)	(\$7,155.6)
SHF Proposition 7 Transfer	(\$2,562.5)	(\$2,678.5)	(\$2,801.9)	(\$2,933.2)	(\$3,073.0)	(\$3,221.6)	(\$3,379.8)	(\$3,548.1)	(\$3,727.2)	(\$3,917.7)
ESF Spillover	\$0.0	\$0.0	\$0.0	\$0.0	\$1,144.6	\$2,702.2	\$1,517.0	\$3,199.0	\$1,960.2	\$3,784.0
<b>Total General Revenue Funds and PTRF for Certification</b>	<b>\$60,201.6</b>	<b>\$63,508.4</b>	<b>\$66,766.8</b>	<b>\$70,445.6</b>	<b>\$75,242.3</b>	<b>\$80,895.5</b>	<b>\$83,804.0</b>	<b>\$90,049.0</b>	<b>\$93,398.9</b>	<b>\$100,310.1</b>
ESF Transfer	\$1,399.6	\$1,545.1	\$1,703.0	\$1,874.5	\$2,060.9	\$2,263.5	\$2,483.8	\$2,723.4	\$2,984.3	\$3,268.4
Interest	\$327.5	\$373.3	\$388.7	\$404.7	\$421.4	\$438.7	\$456.8	\$475.6	\$495.2	\$515.6
ESF Balance	\$13,527.2	\$15,445.6	\$17,537.3	\$19,816.5	\$21,154.2	\$21,154.2	\$22,577.7	\$22,577.7	\$24,097.0	\$24,097.0
<b>Total</b>	<b>\$62,180.0</b>	<b>\$63,770.0</b>	<b>\$65,311.0</b>	<b>\$66,995.4</b>	<b>\$68,633.3</b>	<b>\$70,417.2</b>	<b>\$72,157.7</b>	<b>\$74,046.6</b>	<b>\$75,895.2</b>	<b>\$77,895.0</b>

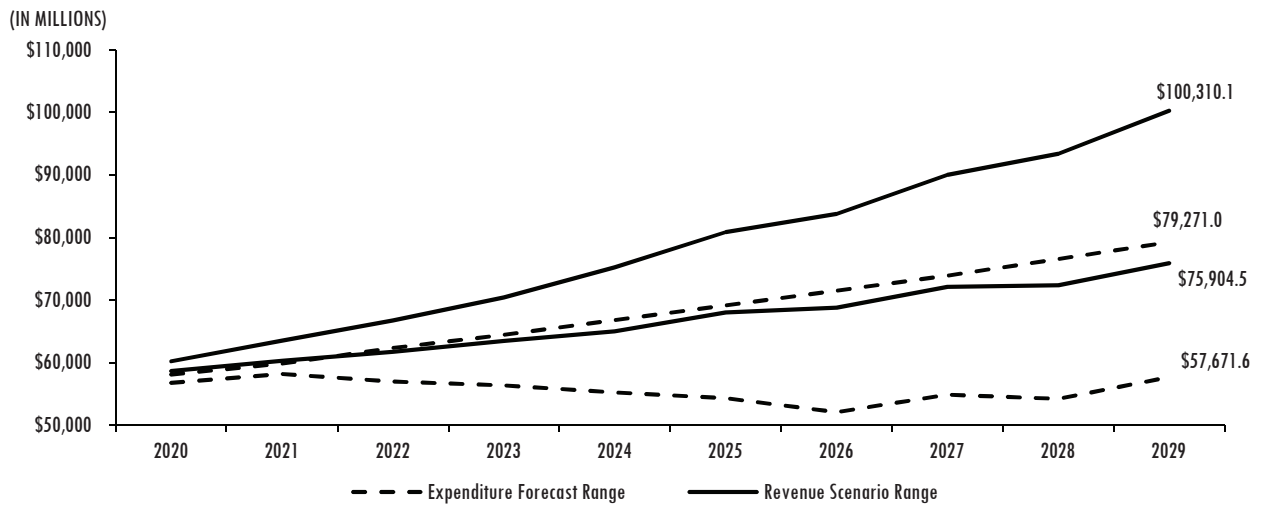
**FIGURE 3 (CONTINUED)**  
**GENERAL REVENUE FUND AND PROPERTY TAX RELIEF FUND REVENUE SCENARIOS, FISCAL YEARS 2020 TO 2029**

(IN MILLIONS)

DRIVER	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
<b>Pessimistic</b>										
Taxes	\$54,544.9	\$55,965.4	\$57,333.0	\$58,840.3	\$60,297.2	\$61,895.9	\$63,447.1	\$65,142.6	\$66,793.5	\$68,591.2
Nontax Revenue	\$7,635.1	\$7,804.6	\$7,977.9	\$8,155.1	\$8,336.2	\$8,521.3	\$8,710.5	\$8,904.0	\$9,101.7	\$9,303.8
PTRF	\$1,765.6	\$1,848.2	\$1,798.4	\$1,881.5	\$1,832.4	\$1,916.1	\$1,867.7	\$1,951.9	\$1,904.3	\$1,989.0
ESF/SHF Severance Tax Set Aside	(\$2,786.0)	(\$2,774.8)	(\$2,765.8)	(\$2,759.0)	(\$2,754.3)	(\$2,751.8)	(\$2,751.5)	(\$2,753.4)	(\$2,757.6)	(\$2,764.1)
SHF Proposition 7 Transfer	(\$2,504.6)	(\$2,557.2)	(\$2,611.4)	(\$2,667.3)	(\$2,724.8)	(\$2,784.0)	(\$2,845.0)	(\$2,907.9)	(\$2,972.6)	(\$3,039.3)
ESF Spillover	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$1,244.1	\$369.0	\$1,801.6	\$292.7	\$1,823.8
<b>Total General Revenue Funds and PTRF</b>	<b>\$58,655.0</b>	<b>\$60,286.3</b>	<b>\$61,732.1</b>	<b>\$63,450.7</b>	<b>\$64,986.7</b>	<b>\$68,041.6</b>	<b>\$68,797.8</b>	<b>\$72,138.8</b>	<b>\$72,362.0</b>	<b>\$75,904.5</b>
ESF Transfer	\$1,399.6	\$1,393.0	\$1,387.4	\$1,382.9	\$1,379.5	\$1,377.1	\$1,375.9	\$1,375.7	\$1,376.7	\$1,378.8
Interest	\$327.5	\$373.3	\$381.6	\$390.0	\$398.7	\$407.6	\$416.6	\$425.9	\$435.3	\$445.0
ESF Balance	\$13,527.2	\$15,293.5	\$17,062.4	\$18,835.4	\$20,613.6	\$21,154.2	\$22,577.7	\$22,577.7	\$24,097.0	\$24,097.0

NOTE: ESF=Economic Stabilization Fund; PTRF=Property Tax Relief Fund; SHF=State Highway Fund; ESF Spillover=amount of reduced General Revenue Funds transfer to ESF due to ESF balance equaling the ESF cap.  
 SOURCE: Comptroller of Public Accounts, House Bill 32 Report, September, 2016.

**FIGURE 4**  
**RANGE OF REVENUE SCENARIOS AND EXPENDITURE FORECASTS, FISCAL YEARS 2020 TO 2029**



SOURCE: Legislative Budget Board.

**COMPARISON OF EXPENDITURE FORECASTS AND REVENUE SCENARIOS**

The expenditure and revenue forecasts are not compared to each other. Some expenditure forecasts can be counter-cyclical with the economic conditions that would drive an optimistic or pessimistic

revenue scenario. Therefore, the range of expenditure forecasts is compared to the range of revenue scenarios. **Figure 4** shows a comparison of General Revenue Funds and Property Tax Relief Fund expenditure forecasts to revenue scenarios from fiscal years 2020 to 2029.





## APPENDIX A – BUDGET DRIVER METHODOLOGIES

Appendix A shows summary information for the individual budget drivers that are analyzed in this report. Included for each are a brief description of the program analyzed, the economic and demographic indicators that drive the forecast for the program, and the parameters within which the forecasts are made. Unless otherwise indicated, the parameters that guided the individual forecasts are based on current law as established by the Eighty-fifth Legislature, Regular Session, 2017, and current practice and scope as implemented during the 2018–19 biennium.

### FOUNDATION SCHOOL PROGRAM

The Foundation School Program (FSP) is the primary means of distributing state aid to Texas public schools. FSP entitlement for Texas public schools is funded through a combination of state aid and local property tax revenue, totaling approximately \$97.6 billion for the 2018–19 biennium. The state share for the 2018–19 biennium is supported through an appropriation of \$38.5 billion, excluding estimated biennial recapture payments from school districts. The FSP distributes funding in support of public schools’ ongoing operating costs and provides assistance for the repayment of locally authorized debt issued for the construction of school facilities. FSP entitlement is calculated for each school district and charter school using formulas established by the Legislature in the Texas Education Code and the General Appropriations Act. For school districts with taxing authority, the portion of entitlement that is not covered by local property tax revenue is provided as state aid. For charter schools and districts without taxing authority, entitlement is provided solely as state aid. Wealth-equalizing recapture payments from property-wealthy school districts are estimated to generate \$4.7 billion for the FSP for the 2018–19 biennium. These payments are used to offset state FSP costs. During fiscal year 2018, 1,023 traditional school districts and 176 charter operators provided educational services to more than 5.0 million enrolled students in Texas. Within these 1,199 entities, the size of student population ranged from fewer than 15 students to more than 193,000 students enrolled.

#### DRIVERS

The primary drivers of the state’s cost for FSP entitlement are student average daily attendance (ADA), district property

**FIGURE A–1  
COST SCENARIO ASSUMPTIONS FOR THE FOUNDATION  
SCHOOL PROGRAM, FISCAL YEARS 2020 TO 2029**

SCENARIO	ANNUAL ADA GROWTH	ANNUAL DPV GROWTH	ANNUAL AUSTIN ISD YIELD GROWTH RATE
Higher State Cost	Maintains State Share of 37.8%		
Midrange State Cost	1.6%	4.0%	15.0%
Lower State Cost	1.0%	8.0%	5.0%

NOTE: ADA=average daily attendance; DPV=district property value; ISD=independent school district.

SOURCE: Legislative Budget Board.

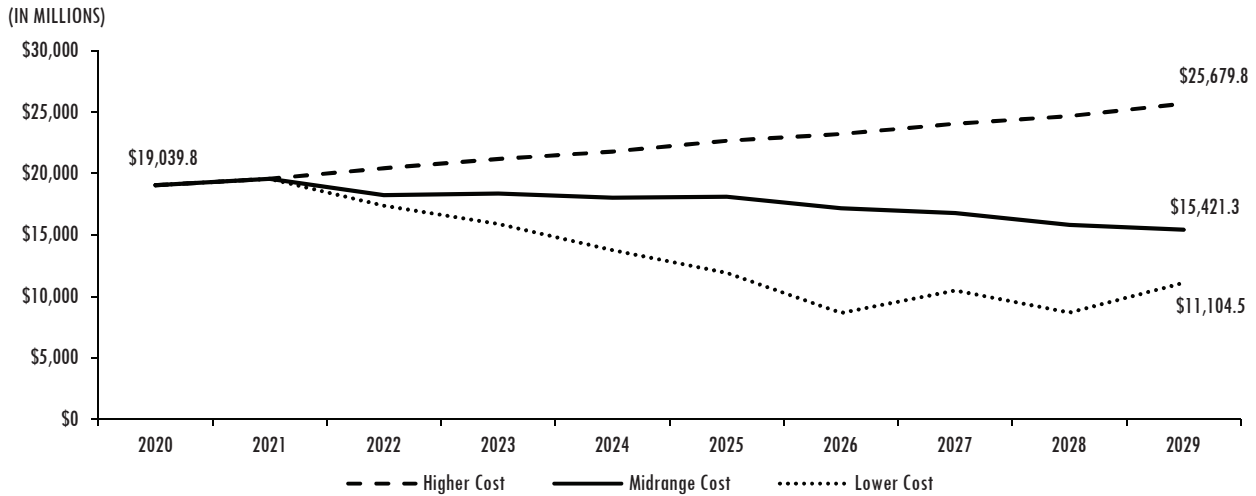
values (DPV), and the guaranteed Tier 2 enrichment yield associated with the Austin Independent School District (Austin ISD). With the current FSP structure, growth in the student population increases state cost for the FSP. By contrast, property value growth decreases state cost by shifting the cost of education to the local school district. The state provides guaranteed enrichment funding to qualifying districts based on the per-penny, per-student maintenance and operations tax rate yield generated by Austin ISD. Growth in Austin ISD yield increases state costs.

From fiscal years 2009 to 2018, overall ADA in Texas increased by approximately 1.3 percent with a standard deviation of 0.3 percent less or more. This analysis assumes that student populations that generate weighted funding remain constant throughout the period at their 2018 proportions to overall ADA. Based on statewide property growth rates in recent years, annual DPV growth was projected to range from 4.0 percent to 8.0 percent. During the last 10 years, Austin ISD yield grew at about 10.0 percent per year, on average, but the growth rate has varied. This analysis assumes an Austin ISD yield annual growth rate from 5.0 percent to 15.0 percent. **Figure A–1** shows the range of cost drivers used for the 10-year forecast.

#### PARAMETERS

Statute establishes most FSP funding elements. The Legislature sets some elements at a higher level through the appropriations process. These funding elements

**FIGURE A-2**  
**STATE FUNDING FOR THE FOUNDATION SCHOOL PROGRAM**  
**FISCAL YEARS 2020 TO 2029**



SOURCE: Legislative Budget Board.

are a primary determinant of the state share of FSP entitlement. In accordance with current law, the state share is projected to be 37.8 percent for fiscal year 2019. The higher state cost scenario in this estimate assumes that the state share remains at 37.8 percent throughout the period.

Additionally, for all scenarios, this analysis assumes that all state revenues that currently are dedicated for FSP purposes would continue to be provided to school districts, even if the sum of those funds exceeds the state share of FSP entitlement. These dedicated state funding sources include the Available School Fund, lottery proceeds, certain occupations taxes, and the Property Tax Relief Fund.

As shown in **Figure A-2**, state costs are projected to increase in the higher state cost scenario. This increase in state costs is attributable to maintaining in subsequent years the proportional state share of FSP entitlement at its fiscal year 2019 level of 37.8 percent as district property values continue to grow. Decreasing state costs in the other two scenarios are attributable to robust property value growth. This growth decreases state costs in accordance with current law, outpacing growth in student enrollment and Austin ISD yield, both of which increase state costs. The change in trajectory for the lower state cost in fiscal years 2026 and 2028 is caused by the sum of dedicated FSP revenue sources surpassing state entitlement costs.

## MEDICAID

Medicaid is a federal–state entitlement program, administered in Texas by the Health and Human Services Commission (HHSC). Medicaid provides health insurance primarily to low-income parents, nondisabled children, pregnant women, the elderly, and people that have disabilities. The program is funded jointly by states and the federal government. Medicaid is delivered primarily through managed care programs. In this model, the state contracts with managed care organizations (MCO) that are intended to assume risk to provide and manage medical care for eligible clients in exchange for a fixed, or capitated, rate. For the 2018–19 biennium, Medicaid expenditures are expected to be \$65.6 billion in All Funds, including \$26.6 billion in General Revenue Funds and \$0.2 billion in General Revenue–Dedicated Funds. These amounts include funding for Medicaid client services (\$61.0 billion in All Funds), programs providing client services supported by Medicaid funding (\$1.7 billion in All Funds), and administration of the Medicaid program and other programs (\$3.0 billion in All Funds).

### DRIVERS

Medicaid client services expenditures, which represent more than 90.0 percent of Medicaid expenditures, are primarily a function of two factors: caseload (number of recipients) and cost per recipient. By fiscal year 2019, the Medicaid caseload is expected to have grown by almost one-third during the preceding 10 years and will have more than doubled since fiscal year 2001. The caseloads trend reversed during fiscal year 2018, decreasing for the first time since fiscal year 2000. Caseloads are expected to decrease during fiscal year 2019 by a projected 1.0 percent. Changes in Medicaid caseloads can be attributed to policy changes regarding program eligibility, economic factors, and population growth. Medicaid expenditures also fluctuate as a result of changes in cost per recipient related to rate changes, medical inflation, utilization, and acuity of clients.

The state share of Medicaid expenditures is based on a range of matching rates that determine the amount of federal funding available. The primary matching rate for client services, which make up the majority of Medicaid expenditures, is the Federal Medical Assistance Percentage (FMAP). FMAP varies by state and is based on a state's per capita personal income relative to the U.S. per capita personal income. The state share of expenditures can increase at a different rate than overall expenditures as FMAP varies.

**FIGURE A–3**  
**COST SCENARIO ASSUMPTIONS FOR MEDICAID**  
**FISCAL YEARS 2020 TO 2029**

SCENARIO	ANNUAL GROWTH
Higher State Cost	3.82%
Midrange State Cost	3.28%
Lower State Cost	2.74%

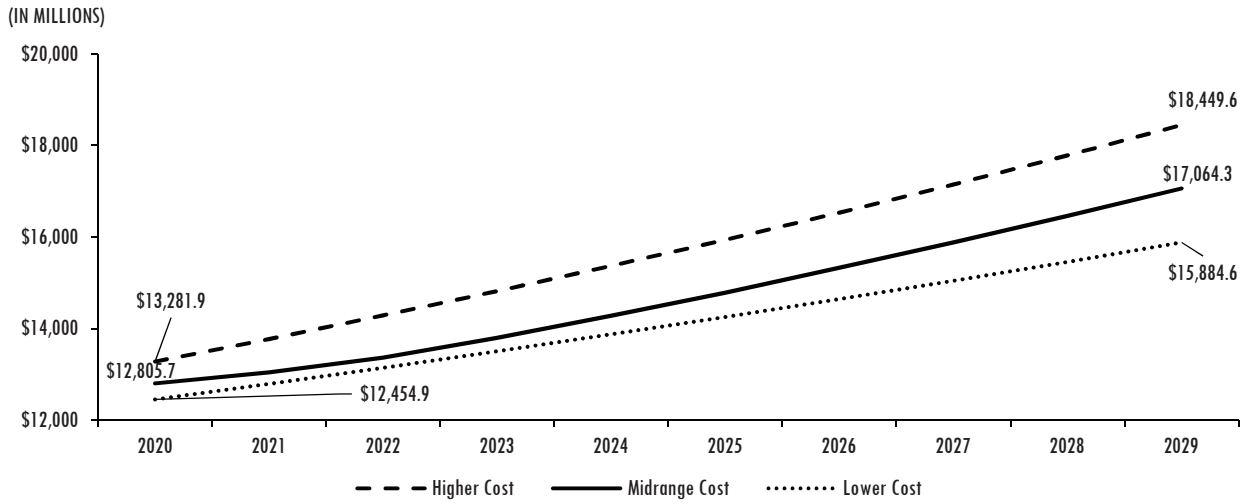
SOURCE: Legislative Budget Board.

Although Medicaid is delivered primarily through a managed care model, some services are delivered through fees for service. The drivers described previously are responsible for the overall cost of the program. However, HHSC has considerable discretion to determine the rates paid to MCOs, which must be actuarially sound in accordance with federal law. Actual expenditures can vary depending on how the rate-setting process is managed. **Figure A–3** shows the range of cost drivers used for the 10-year forecast.

### PARAMETERS

For this estimate, 2020–21 biennial expenditures are estimated based on a comprehensive caseload and cost forecast for Medicaid client services and assessment of funding needs for other programs and administration. Expenditures for fiscal years 2022 to 2029 are estimated based on average annual growth from fiscal years 2012 to 2021 (3.34 percent). Significant onetime expenditures were removed from the historical data to avoid inflating growth for payments that are not expected to continue. The state share of expenditures was estimated based on FMAP projections, the historical share of expenditures that were federally funded relative to FMAP, and the expected end of some enhanced federal funding available from federal fiscal years 2016 to 2020. **Figure A–4** shows the range of forecasts for the 10-year period.

**FIGURE A-4**  
**GENERAL REVENUE FUNDING FOR MEDICAID, FISCAL YEARS 2020 TO 2029**



SOURCE: Legislative Budget Board.

## HIGHWAY PLANNING, CONSTRUCTION, AND MAINTENANCE

The Texas Department of Transportation (TxDOT) is responsible for the planning, construction, and maintenance of the state highway system, public bridges, and other public roadways. Major functions include department-operated and contracted planning and engineering, acquisition of rights-of-way, contracts for construction and preservation of highways and bridges, and routine maintenance performed by TxDOT personnel and contractors. Funding for the costs of highway planning, construction, and maintenance consist mostly of appropriations from transportation-related state revenue sources (e.g., motor fuels taxes and vehicle registration fees) deposited to the State Highway Fund (SHF) and Federal Funds received as reimbursements of state expenditures for federal aid-eligible projects. Recent constitutional amendments have provided additional dedicated highway funding sources. These sources include oil and natural gas tax-related deposits to the SHF (Proposition 1, 2014) beginning in fiscal year 2015, and state sales tax and motor vehicle sales and rental tax deposits to the SHF (Proposition 7, 2015) beginning in fiscal year 2018 (sales tax) and fiscal year 2020 (motor vehicle sales and rental tax). Other funding sources include state revenue that is dedicated to the Texas Mobility Fund (TMF), bond proceeds, and regional toll project revenue that is deposited to the SHF. Appropriations for highway planning, construction, and maintenance exclude funding for indirect administration and support.

### DRIVERS

The primary drivers of the state's costs for highway planning, construction, and maintenance include the following amounts: estimates of the amount available of revenue and balances from dedicated state taxes and fees deposited to the SHF and TMF; federal revenue from reimbursements for state funds expenditures on federal-aid highway projects; and TxDOT's estimates of total contracting authority and progress payments from these state and federal funding sources on multiyear construction and maintenance contracts. **Figure A-5** shows the range of cost drivers used for the 10-year forecast.

### PARAMETERS

This forecast uses a current level of investment consistent with funding authorized by the Eighty-fifth Legislature, Regular Session, 2017, of \$9,490.9 million from dedicated state revenues (excluding Proposition 1 and Proposition 7

**FIGURE A-5**  
COST SCENARIO ASSUMPTIONS FOR HIGHWAY FUNDING  
FISCAL YEARS 2020 TO 2029

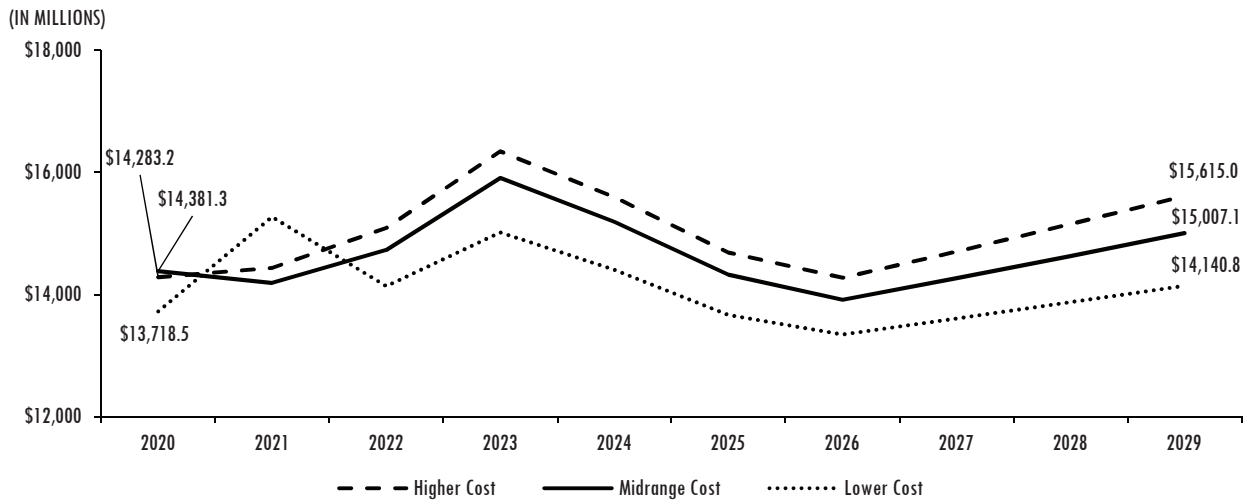
SCENARIO	AVERAGE ANNUAL STATE POPULATION GROWTH	AVERAGE ANNUAL IHS HSCCI	AVERAGE ANNUAL COMBINED POPULATION AND IHS HSCCI
Higher State Cost	1.55%	1.48%	2.30%
Midrange State Cost	1.40%	1.47%	2.05%
Lower State Cost	1.30%	1.45%	1.88%

NOTE: IHS HSCCI=Highway and Street Construction Cost Index.  
SOURCE: Legislative Budget Board.

deposits to the SHF) and federal revenue for fiscal year 2020. The forecast is adjusted for state population growth and the IHS Highway and Street Construction Index (IHS HSCCI) for fiscal years 2020 to 2029, as shown in **Figure A-5**. In addition, all revenue estimated to be available from Proposition 1 and Proposition 7 deposits for each fiscal year is added to establish an estimated total adjusted level of investment for each fiscal year. Proposition 1 allocations end in fiscal year 2025 in accordance with current law. For fiscal year 2020, the estimated amount of Proposition 1 deposits to the SHF is based on CPA's projections to the Select Committee to Determine a Sufficient Balance of the Economic Stabilization Fund in October 2018. **Figure A-6** shows the range of forecasts of state funding for the 10-year period.



**FIGURE A-6**  
**STATE FUNDING FOR THE HIGHWAY PLANNING, CONSTRUCTION, AND MAINTENANCE PROGRAM**  
**FISCAL YEARS 2020 TO 2029**



SOURCE: Legislative Budget Board.

## ADULT CORRECTIONAL POPULATION PROJECTIONS

Adult correctional populations in Texas consist of incarcerated individuals, those released to parole supervision, and those placed on community supervision. Incarceration and parole populations are funded primarily through General Revenue Funds. Appropriations to the Texas Department of Criminal Justice (TDCJ) support adults incarcerated within state correctional institutions, placed onto active parole supervision, on felony direct community supervision, and placed onto misdemeanor community supervision. The All Funds appropriation to the TDCJ for the 2018–19 biennium was \$6.6 billion, including \$6.4 billion in General Revenue Funds. In addition to state funds, local funds and participant fees help to support programs for those on community supervision. Based on the expenditures reported for fiscal year 2017, approximately 64.5 percent of the funds expended by community supervision and corrections departments were state funds.

### DRIVERS

The primary drivers of the state's correctional costs are the size of the incarceration, parole, and community supervision populations, respectively. With the current correctional system structure, growth in the incarcerated, parole, and community supervision populations increase state costs. An increase in the incarceration population increases costs for TDCJ. An increase in the community supervision population indirectly increases costs for the state because it leads to greater demand for grants to community supervision and corrections departments. The primary drivers affecting correctional populations are the number of individuals entering the system and the duration of their stays within the system. The lengths of stay in the system are specified in statute and are based on the date the individual committed the offense and the specific circumstances of the offense.

### POPULATION

The incarceration population consists of those within prisons, state jails, and substance abuse felony punishment facilities (SAFPF). From fiscal years 2014 to 2018, the end-of-year incarceration populations decreased by 3.5 percent, from 150,367 during 2014 to 145,078 during 2018. The average length of stay initially increased from 750 days during fiscal year 2014 and then decreased to 760 days during fiscal year 2018. The number of individuals entering state jail and the amount of time served have decreased during this period. The end-of-year state jail population decreased by 29.4

**FIGURE A-7**  
**COST SCENARIO ASSUMPTIONS FOR ADULT CORRECTIONS, FISCAL YEARS 2020 TO 2029**

SCENARIO	INCARCERATION GROWTH	PAROLE GROWTH	PROBATION GROWTH
Higher State Cost	0.3%	0.1%	(1.3%)
Midrange State Cost	0.0%	0.2%	(1.3%)
Lower State Cost	0.0%	0.2%	(1.6%)

SOURCE: Legislative Budget Board.

percent, from 10,339 during fiscal year 2014 to 7,299 during fiscal year 2018. A slight increase in the average length of stay in the overall incarceration population and the relative stability of the SAFP and prison populations has offset the decrease in state jail admissions, preventing the incarceration population from experiencing major fluctuations.

The active parole supervision population includes the following populations: those released from prison following approval from the Board of Pardons and Paroles; those released from prison through the mandatory supervision process; those whose supervision was transferred from another state; and those whose supervision was transferred from the juvenile justice system. The end-of-year active parole supervision population decreased 3.6 percent from 87,489 during fiscal year 2014 to 84,315 during fiscal year 2018. During these five fiscal years, placements decreased 4.7 percent, from 37,642 to 35,877, and average lengths of supervision increased 6.0 percent, from 1,012 days to 1,073 days.

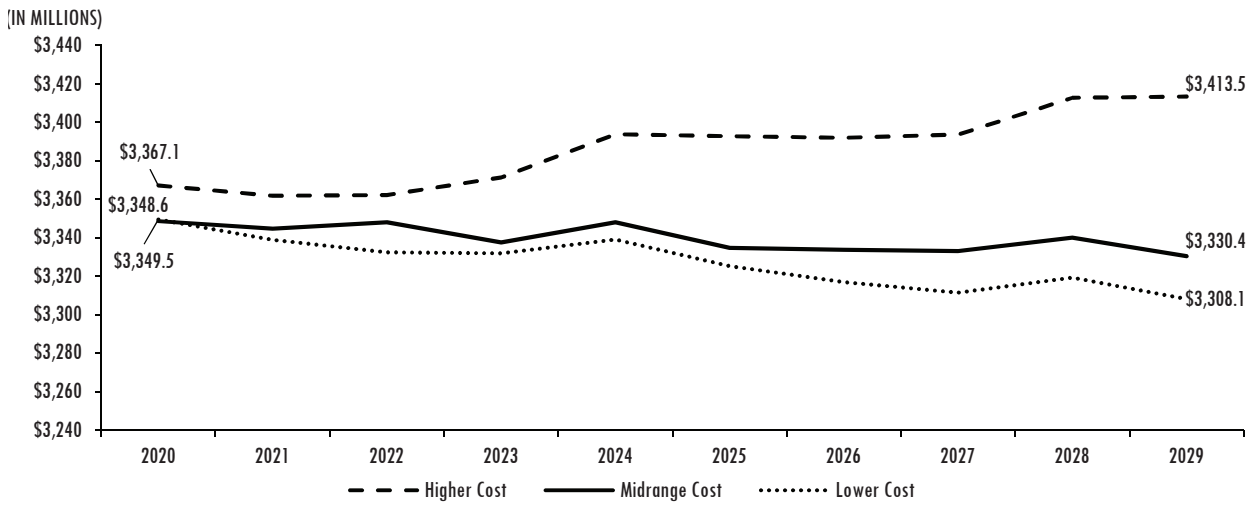
The average monthly felony direct community supervision population has decreased by 4.4 percent, from 160,628 during fiscal year 2014 to 153,539 during fiscal year 2018. The average length of supervision has remained stable during the last five fiscal years and was 3.6 years for fiscal year 2018 releases.

Misdemeanor placements decreased 20.2 percent from 99,645 during fiscal year 2014 to 79,566 during fiscal year 2018. **Figure A-7** shows the range of cost drivers used for the 10-year forecast.

### PARAMETERS

The adult correctional forecast was based on fiscal year 2018 All Funds estimated expenditure levels. These levels were updated to include an assumed supplemental appropriation for fiscal year 2019 using the 10-year higher, midrange, and

**FIGURE A-8**  
**STATE FUNDING FOR ADULT CORRECTIONAL POPULATIONS, FISCAL YEARS 2020 TO 2029**



SOURCE: Legislative Budget Board.

lower population projections. All Funds costs per day were calculated for incarceration, parole, and probation. These calculations include supervision, programming, residential (where applicable), and administrative costs. Parole includes the costs of the Board of Pardons and Paroles. The calculations do not include benefits costs and out-year costs were not adjusted for inflation. **Figure A-8** shows the range of forecasts of state funding for the 10-year period.

## JUVENILE CORRECTIONAL POPULATION PROJECTIONS

Juvenile correctional populations in Texas include juveniles in the custody of state residential facilities (state facilities, contract residential placements, and halfway houses), on parole supervision, and within the supervision of local juvenile probation departments. State residential facilities and parole supervision are funded primarily through General Revenue Funds. The All Funds appropriation to the Juvenile Justice Department (TJJD) for the 2018–19 biennium was \$663.9 million, including \$605.1 million in General Revenue Funds. In addition to state funds, local funds help to support those served by local juvenile probation departments. Based on the expenditures reported for fiscal year 2017, approximately 25.9 percent of the funds expended by local juvenile probation departments are state funds.

### DRIVERS

The primary drivers of the state's juvenile correctional costs are the average daily population of the state residential, parole, and supervision populations. The average daily population is driven by the number of juveniles admitted and the length of stay for each juvenile. With the current correctional system structure, growth in these populations increases state costs by increasing costs for TJJD.

### POPULATION

From fiscal years 2008 to 2014, admissions to state residential facilities decreased each year by an average of 12.4 percent and then increased by 4.8 percent during fiscal year 2015. Admissions decreased slightly during fiscal years 2016 and 2017, by 2.8 percent and 1.9 percent, respectively. Admissions decreased significantly by 9.4 percent during fiscal year 2018. The average length of stay increased from 16.0 months during fiscal year 2015 to 17.3 months during fiscal year 2017, then decreased to 16.6 months during fiscal year 2018.

From fiscal years 2008 to 2016, admissions to parole decreased each year, with an average annual decrease of 8.7 percent from fiscal years 2012 to 2016. However, during fiscal year 2017, admissions to parole increased by 6.2 percent, from 646 during fiscal year 2016 to 686 during fiscal year 2017. Admissions to parole during fiscal year 2018 were stable, increasing from 686 the previous year to 691. The average length of parole supervision decreased during the last two years from 8.6 months during fiscal year 2016 to 6.8 months during fiscal year 2018.

**FIGURE A–9**  
**COST SCENARIO ASSUMPTIONS FOR JUVENILE CORRECTIONS, FISCAL YEARS 2020 TO 2029**

SCENARIO	STATE RESIDENTIAL GROWTH	PAROLE GROWTH	SUPERVISION GROWTH
Higher State Cost	0.9%	(0.1%)	0.2%
Midrange State Cost	1.0%	0.3%	0.2%
Lower State Cost	1.1%	(0.2%)	(0.3%)

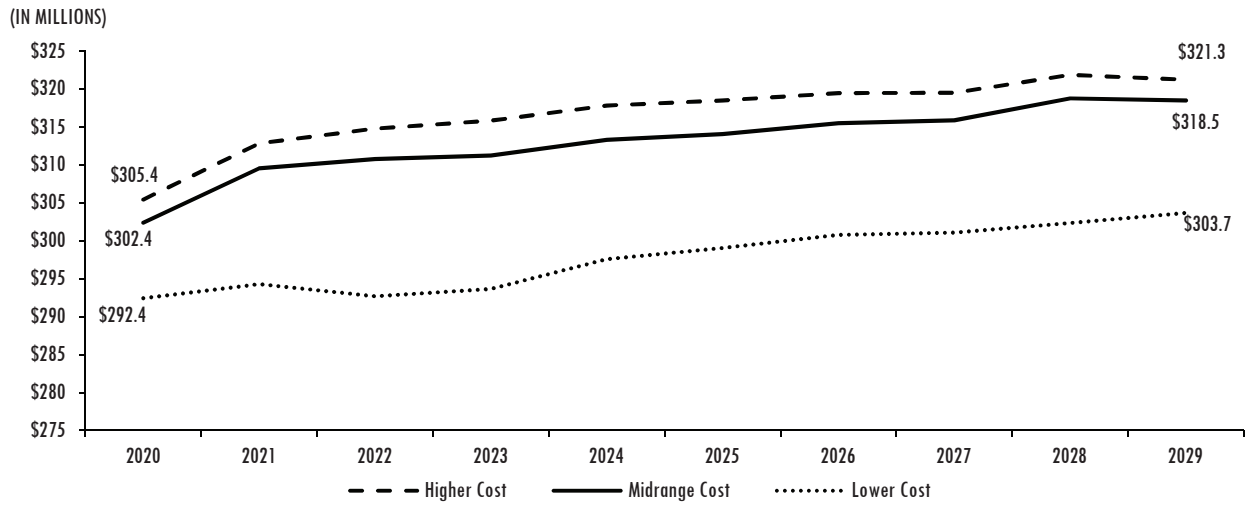
SOURCE: Legislative Budget Board.

Juvenile probation departments received fewer total admissions to supervision from fiscal years 2013 to 2017, decreasing an average of 4.8 percent per year. However, admissions to supervision increased 1.4 percent during fiscal year 2018, the first increase in total supervision admissions since fiscal year 2007. From fiscal years 2014 to 2018, the average length of supervision has remained stable, from 6.7 months to 6.9 months during that time. **Figure A–9** shows the range of cost drivers used for the 10-year forecast.

### PARAMETERS

The juvenile correctional forecast was based on fiscal year 2018 All Funds estimated expenditure levels using the 10-year higher, midrange, and lower population projections. All Funds costs per day were calculated for state residential, parole, and local supervision. These cost per day calculations include supervision, programming, residential (where applicable), and administrative costs. The calculations do not include benefits cost and out-year costs were not adjusted for inflation. **Figure A–10** shows the range of forecasts of state funding for the 10-year period.

**FIGURE A-10**  
**STATE FUNDING FOR JUVENILE CORRECTIONAL POPULATIONS, FISCAL YEARS 2020 TO 2029**



SOURCE: Legislative Budget Board.



## HIGHER EDUCATION FUNDING FORMULAS

The Legislature provides direct appropriations to public institutions of higher education through various funding formulas. These formulas are distribution, or allocation, methods to provide funding to the institutions and are not statutory or constitutional entitlements. Appropriations to the Instruction and Operations (I&O) and Infrastructure Support formulas use an All Funds methodology. This methodology includes General Revenue Funds and General Revenue–Dedicated Funds, and appropriations consist of statutory tuition and certain fee revenue. The I&O formulas are intended to provide funding for faculty salaries, administration, student services, institutional support, libraries, and departmental operating expenses. The Infrastructure Support formulas are intended to provide funding for the institutions' physical plants and utilities. Total 2018–19 biennial appropriations for all higher education funding formulas total \$7.2 billion in General Revenue Funds and \$1.5 billion in General Revenue–Dedicated Funds.

### DRIVERS

#### INSTRUCTION FORMULAS

The primary driver for the general academic institutions' (GAI) Instruction and Operations (I&O) formula are semester credit hours (SCH), which are a measurement of how many classes, and the number of students enrolled in those classes, an institution delivers during a certain period. SCH are weighted by discipline and by level based on a cost-based funding matrix. For the last five biennia, average growth for weighted SCH equaled 4.95 percent. The projected range for weighted SCH annual growth is 3.0 percent to 9.0 percent.

I&O formula funding for the health related institutions (HRI) is based on full-time-student equivalents (FTSE). FTSEs also are weighted by discipline. The average growth in weighted FTSE during the last five biennia has been 8.75 percent, with a projected range of 5.48 percent to 12.03 percent.

Instruction and Administration (I&A) formula funding for the Lamar State Colleges is based on contact hours. The average annual growth for contact hours during the last eight fiscal years has been -3.90 percent. The projected range for contact hour biennial growth is -6.6 percent to 5.9 percent.

The formula for the Texas State Technical Colleges (TSTC) uses average student wages upon completion of 9.0 semester

credit hours or more at a TSTC compared to minimum wage to determine the additional estimated value that an individual generates for the state after attending TSTC. Growth in this formula for the previous three biennia averaged 12.3 percent. Growth of this returned value is projected to remain within a range of -4.0 percent to 15.0 percent each biennium.

The public community and junior colleges' I&A formula includes three funding components: core operations, student success, and contact hours. During the last five biennia, the average growth in contact hours has been 2.94 percent. The projected range for growth in contact hours is -3.28 percent to 7.26 percent. Since their inception, the average biennial growth in success points has been 4.50 percent. The projected range for biennial growth in success points is 2.75 percent to 8.24 percent.

#### INFRASTRUCTURE FORMULAS

The Infrastructure Support formulas for the GAIs, HRIs, Lamar State Colleges, and TSTCs provide funding based on predicted square feet needed for educational and general activities. During the last five biennia, the average growth of predicted square feet has been 5.83 percent for the GAIs, Lamars, and TSTCs. The projected range of annual growth for predicted square feet is 2.77 percent to 8.31 percent. During the last five biennia, the average annual growth of predicted square feet for HRIs has been 6.65 percent, with a range of 4.0 percent to 9.15 percent.

#### HRI-SPECIFIC FORMULAS

The HRI Research Enhancement formula funds medical and clinical research, and appropriations are distributed based on a base amount to each institution plus additional funding based on a percentage of research expenditures. During the last five biennia, the average growth in research expenditures has been 6.82 percent. The projected range of biennial growth for research expenditures is 4.0 percent to 10.54 percent. The HRI Graduate Medical Education formula funds HRIs' residency programs. Funding is distributed based on the number of residents at each HRI and Baylor College of Medicine. During the last five biennia, the average growth in the number of residents has been 6.89 percent, with a projected range of 2.50 percent to 7.00 percent.

Cancer Center Operations formula funding for the University of Texas (UT) M.D. Anderson Cancer Center is based on the number of Texas cancer patients served. During the last four biennia, the average growth in this driver has been 7.83 percent. The projected range of biennial growth for Texas

cancer patients served is 4.0 percent to 10.54 percent. The Chest Disease Center Operations formula appropriations for UT Health Science Center at Tyler is based on the number of chest disease patients served. During the last four biennia, the average growth in this driver has been 7.54 percent. The projected range of biennial growth for the number of chest disease patients served is 4.0 percent to 10.54 percent. Pursuant to the Eighty-fourth Legislature, General Appropriations Act, 2016–17 Biennium, funding increases in each of these formulas may not exceed the average growth in funding for HRIs in the Instruction and Operations Support formula. **Figure A–11** shows the range of cost drivers used for the 10-year forecast.

**PARAMETERS**

These estimates assume that the Legislature will maintain the structure of all of the current funding formulas. It also is assumed that the rates and weights, where applicable, for all of the funding formulas will remain at fiscal year 2019 levels. Additionally, it is assumed that the limitation that the mission-specific formulas’ growth cannot exceed the

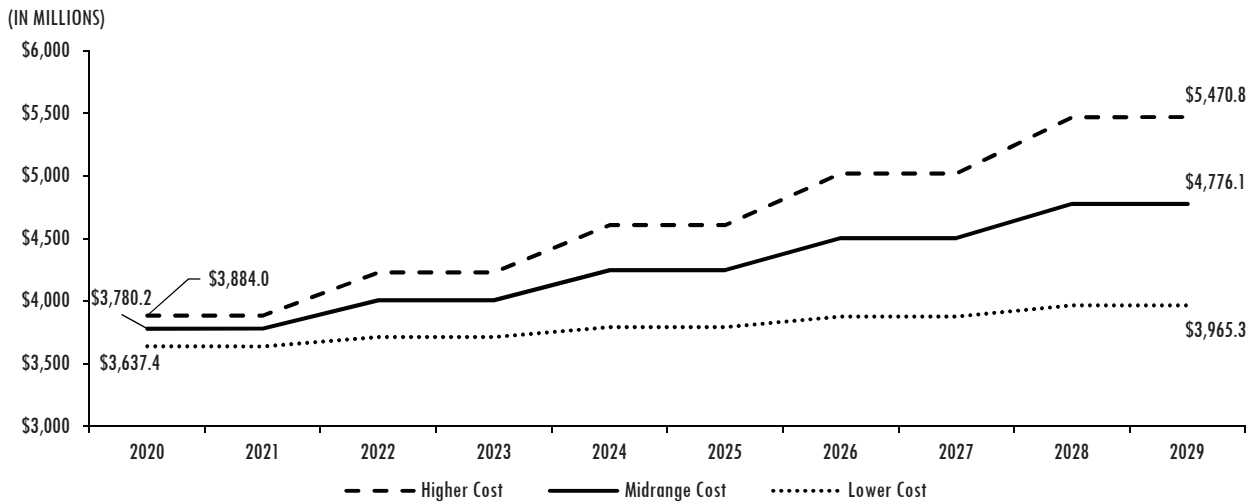
**FIGURE A–11  
COST SCENARIO ASSUMPTIONS FOR HIGHER EDUCATION FORMULAS, FISCAL YEARS 2020 TO 2029**

SCENARIO	ANNUAL STUDENT GROWTH	ANNUAL DPV GROWTH	ANNUAL WEIGHTED AVERAGE M&O RATE GROWTH
Higher State Cost	1.85%	3.8%	0.454%
Midrange State Cost	1.75%	4.9%	0.365%
Lower State Cost	1.65%	6.0%	0.232%

NOTE: DPV=district property values; M&O=maintenance and operations.  
SOURCE: Legislative Budget Board.

average growth in funding for the HRI I&O formula will remain during the forecasted years. These estimates also assume that the amount of General Revenue–Dedicated Funds in the applicable formulas will increase at the same rate as the amount of General Revenue Funds in those formulas. **Figure A–12** shows the range of forecasts for the 10-year period.

**FIGURE A–12  
GENERAL REVENUE FUNDS SUPPORT OF HIGHER EDUCATION FUNDING FORMULAS, FISCAL YEARS 2020 TO 2029**



SOURCE: Legislative Budget Board.

## STATE EMPLOYEE BENEFITS

The state provides benefits to its employees and retirees. The Employees Retirement System of Texas (ERS) manages retirement and health insurance for state agency employees. The Comptroller of Public Accounts manages Social Security benefits for employees of state agencies and higher education institutions.

The state contributes 9.5 percent of a state agency employee's salary to the retirement system, which provides a defined annuity benefit upon eligibility. The state also contributes the full amount for employees to participate in the group insurance program, and half the contribution for spouses and dependents to participate. Additionally, the state contributes 7.65 percent of payroll for the Federal Insurance Contribution Act, including 6.2 percent for Social Security and 1.45 percent for Medicare. For fiscal year 2018, the state expended \$638.6 million in All Funds for ERS Retirement contributions, \$1.873.2 million in All Funds for contributions to the Group Benefits Program, and \$852.7 million in All Funds in contributions for Social Security and Medicare.

### DRIVERS

Several factors affect the growth of employee benefits. These factors include the cost of a benefit, the number of employees earning the benefit, the salary upon which the benefit is calculated, and the contribution structure for the benefit. Primarily, payroll growth affects retirement and Social Security benefits and healthcare cost growth affects health benefits.

Payroll amounts for government employees typically grow at a slower rate than those in the private sector. The lowest assumption is that salaries would remain flat, with no payroll growth, and the higher assumption allows for 1.0 percent annual salary growth for employees of state agencies and 4.80 percent for employees at higher education institutions.

Healthcare trend growth is a function of several factors including utilization and cost growth, which can apply differently to hospital, pharmacy, and other sectors of the healthcare industry. Healthcare cost growth is difficult to predict and can vary, which means that the annual increases to the state's per capita contribution also will vary. Furthermore, the group benefits program also may rely on funding from the contingency reserve fund, depending upon its balances. The fund's balances are affected by the program's administration, member experience, and other factors such as contract structures. As a result, although overall benefit

**FIGURE A-13**  
**ANNUAL GROWTH ASSUMPTIONS FOR STATE EMPLOYEE BENEFIT FUNDING, FISCAL YEARS 2020 TO 2029**

SCENARIO	RETIREMENT	HEALTH INSURANCE	SOCIAL SECURITY
Higher State Cost	0.90%	4.92%	2.07%
Midrange State Cost	0.50%	3.62%	1.36%
Lower State Cost	0.10%	2.48%	0.63%

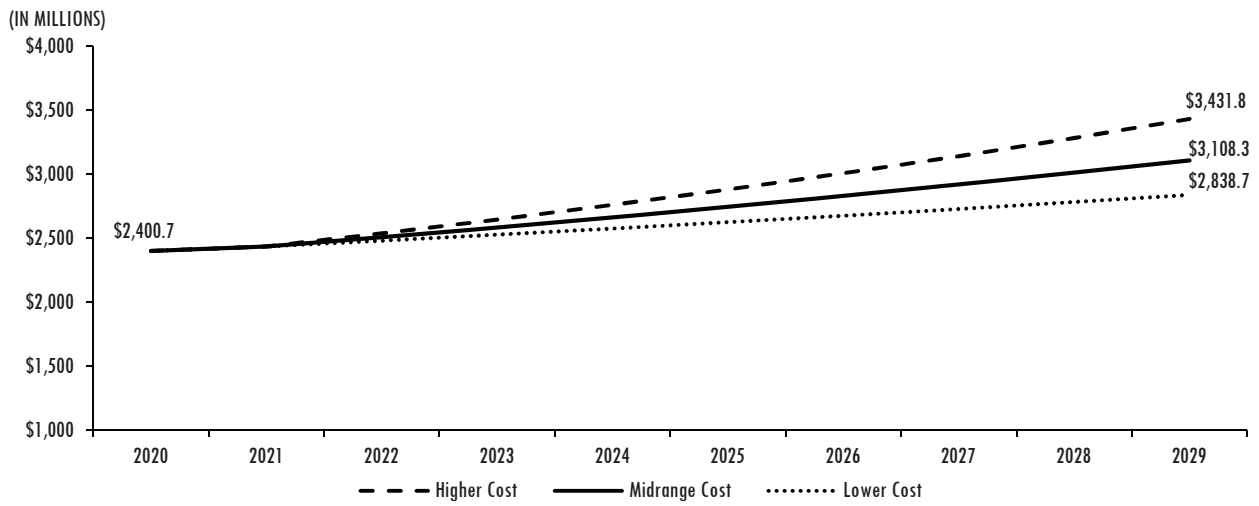
SOURCE: Legislative Budget Board.

cost trends have been as high as 13.0 percent annually, the per capita state contribution rate most recently has remained flat with 0.0 percent growth. Healthcare cost growth rates are based upon data provided by ERS's actuary and indicate varied levels of reliance on the reserve fund. The rates assume that, despite ongoing variance in cost trends and state contribution increases, the overall growth of healthcare expenditures is anticipated to remain steady when averaged across several years. **Figure A-13** shows the range of cost drivers used for the 10-year forecast.

### PARAMETERS

This estimate assumes that the employer costs to participate in Social Security and retirement will remain at 7.65 percent and 9.5 percent, respectively. Therefore, the only variable growth in those benefit expenditures will be the employee salary. This estimate also assumes that the benefit structures for retirement (e.g., defined benefit and eligibility rules) and insurance (e.g., premium and out-of-pocket structure) will remain at their current status. Additionally, this estimate assumes no statewide salary increases and that the number of state employees will remain constant. **Figure A-14** shows the range of forecasts for the 10-year period.

**FIGURE A-14**  
**GENERAL REVENUE FUNDING FOR STATE EMPLOYEE BENEFITS, FISCAL YEARS 2020 TO 2029**



SOURCE: Legislative Budget Board.

**RETIREMENT BENEFITS FOR EDUCATIONAL EMPLOYEES**

The state provides retirement benefits to public education and higher education employees and their beneficiaries through the Teacher Retirement System (TRS) and the Optional Retirement Program (ORP). These benefits cost approximately \$4.1 billion in General Revenue Funds during the 2018–19 biennium. TRS administers a traditional defined-benefit retirement plan with approximately 1.6 million active and retired members in public and higher education. Benefit calculations are determined by statute and are based on a member’s age and years of creditable service. Retirement benefits are financed by contributions from members, the state, and local employers, and by investment earnings of the pension trust fund. Certain eligible employees of institutions of higher education, including full-time faculty, may choose to participate in ORP, a defined-contribution, 403(b) plan (pursuant to the U.S. Code, Title 26, Chapter 1, Section 403(b)) that offers portability of retirement benefits to other institutions outside the state. As of October 2018, ORP had approximately 37,419 participants.

**DRIVERS**

The primary driver of the state’s costs for TRS and ORP retirement benefits is the growth of state-covered educational payroll. Payroll growth is driven by employee headcount, which correlates approximately with increasing student enrollment, and by employee salary levels, which have increased incrementally to offset inflation and increasing costs of living. State costs also are affected by the statutory state contribution rate, although past changes have been minimal. Based on growth trends since fiscal year 2009, General Revenue Funds contributions to public education retirement are expected to increase by an average of 3.8 percent annually, with a deviation of plus or minus 1.3 percent.

For higher education, growth in state costs has been restrained as employee salaries and benefits are covered increasingly by sources of funding other than General Revenue Funds.

Based on growth trends since fiscal year 2009, General Revenue Funds contributions to TRS higher education are expected to increase by an average of 5.6 percent annually, with a range of plus or minus 1.4 percent. General Revenue Funds contributions to ORP are expected to decrease by an average of 0.7 percent annually, plus or minus 2.4 percent.

**Figure A–15** shows the range of cost drivers used for the 10-year forecast.

**FIGURE A–15  
ANNUAL GENERAL REVENUE PAYROLL GROWTH  
ASSUMPTIONS FOR EDUCATIONAL EMPLOYEE  
RETIREMENT, FISCAL YEARS 2020 TO 2029**

SCENARIO	TRS PUBLIC EDUCATION GROWTH	TRS HIGHER EDUCATION GROWTH	OPTIONAL RETIREMENT PROGRAM GROWTH
Higher State Cost	5.1%	7.0%	1.7%
Midrange State Cost	3.8%	5.6%	(0.7%)
Lower State Cost	2.5%	4.2%	(3.0%)

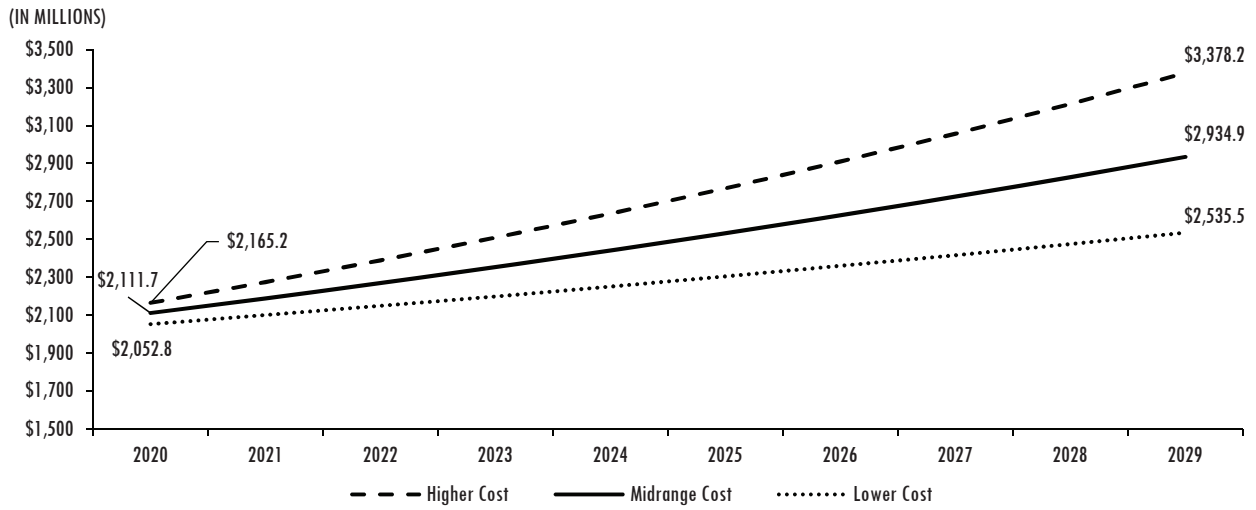
NOTE: TRS=Teacher Retirement System.  
SOURCE: Legislative Budget Board.

**PARAMETERS**

This estimate assumes that state contribution rates are at the fiscal year 2019 statutory levels of 6.8 percent for TRS and 6.6 percent for ORP. Projected payroll growth assumptions are for General Revenue Funds only. Contributions paid by other methods of finance may grow at different rates. **Figure A–16** shows the range of forecasts for the 10-year period.



**FIGURE A-16**  
**GENERAL REVENUE FUNDING FOR EDUCATIONAL EMPLOYEE RETIREMENT BENEFITS, FISCAL YEARS 2020 TO 2029**



SOURCE: Legislative Budget Board.

**ALL OTHER EXPENDITURES**

The remaining amount of state funding includes all other programs not identified separately. Although some of this funding is governed by statute or other limiting factors, the scope of these programs is determined primarily each biennium by the Legislature. These programs include the funding of mental health services, adult and child protective services, state government support functions, all of the judiciary, all natural resources programs, and all state regulatory programs. Programs also include those that are not part of the Foundation School Program at the Texas Education Agency, non-Medicaid funding at the Health and Human Services Commission, and state higher education non-formula funding. State funding for these expenditures totaled \$39.3 billion in All Funds for the 2018–19 biennium, 26.7 percent of total state funds. Appropriations for these expenditures for the 2018–19 biennium totaled \$28.0 billion in General Revenue Funds, 25.0 percent of total General Revenue Funds appropriations.

**DRIVERS**

This analysis assumes that the state’s cost for these programs increases by a range of population and inflation rate scenarios. The estimated rate of population growth multiplied by the estimated rate of inflation is used to represent program costs that grow in nominal terms with inflation and in real terms as the population grows. According to the State Demographer, average annual population growth from fiscal years 2020 to 2029 is expected to range from 1.58 percent to 1.68 percent per year. Using data from the Comptroller of Public

**FIGURE A–17  
COST SCENARIO ASSUMPTIONS FOR ALL OTHER PROGRAMS, FISCAL YEARS 2020 TO 2029**

SCENARIO	AVERAGE ANNUAL POPULATION GROWTH	AVERAGE ANNUAL INFLATION RATE	AVERAGE ANNUAL POPULATION INFLATION
Higher Cost	1.68%	2.27%	3.84%
Midrange Cost	1.63%	2.12%	3.48%
Lower Cost	1.58%	1.92%	3.06%

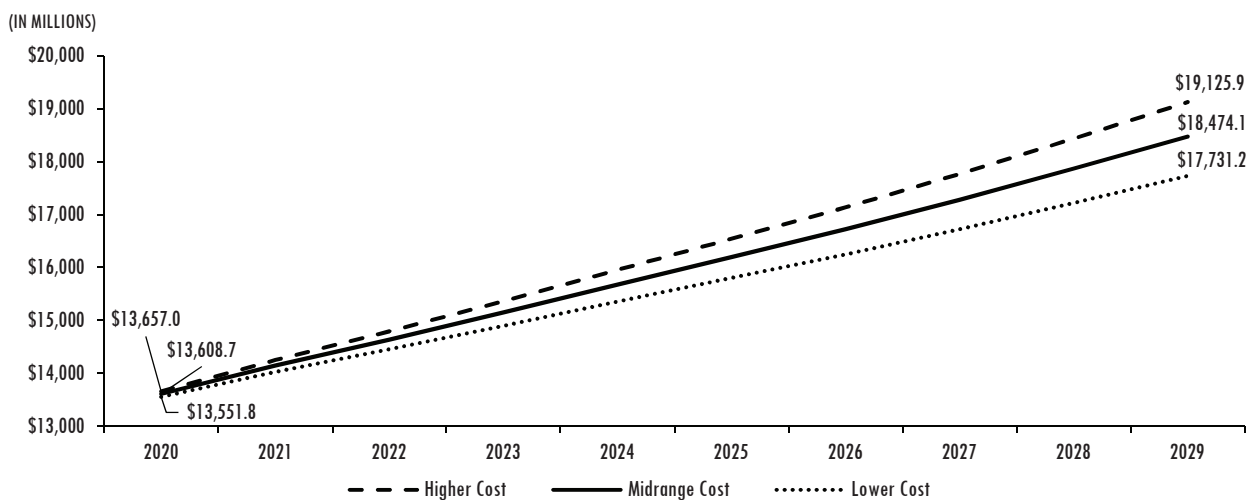
SOURCE: Legislative Budget Board.

Accounts, the LBB estimates that the average annual inflation rate from fiscal years 2020 to 2029 will range from 1.92 percent to 2.27 percent per year. As a result, overall growth from population and inflation is estimated to range from 3.06 percent to 3.84 percent per year. **Figure A–17** shows the range of cost drivers used for the 10-year forecast.

**PARAMETERS**

This estimate assumes that the current relative importance of these programs to each other as budgeted for fiscal year 2019 remains. For example, the ratio of funding of state regulatory programs compared to funding for the judiciary for fiscal 2019 is maintained throughout the forecast period. No shifts in the legislative priority of these programs are modeled throughout the forecast period. **Figure A–18** shows the range of forecasts for the 10-year period. **Figure A–19** shows the General Revenue Funds forecasts for selected programs and growth from fiscal year 2019 appropriated amounts.

**FIGURE A–18  
GENERAL REVENUE FUNDING FOR ALL OTHER PROGRAMS, FISCAL YEARS 2020 TO 2029**



SOURCE: Legislative Budget Board.

**FIGURE A-19  
GENERAL REVENUE FUNDS APPROPRIATIONS FOR SELECTED PROGRAMS  
FISCAL YEARS 2019 AND 2029**

(IN MILLIONS) FUNCTION	2019 APPROPRIATIONS	2029 PROJECTIONS		
		HIGHER COST	MIDRANGE COST	LOWER COST
Judiciary (Article IV) (1)	\$245.4	\$357.7	\$345.5	\$331.6
Natural Resources (Article VI) (1)	\$438.2	\$638.7	\$616.9	\$592.1
Department of Family and Protective Services	\$1,148.8	\$1,674.4	\$1,617.3	\$1,552.3
Behavioral Health and Substance Abuse Services	\$1,451.7	\$2,115.8	\$2,043.7	\$1,961.5
Non-Foundation School Programs at the Texas Education Agency	\$1,012.0 (2)	\$1,475.0	\$1,424.7	\$1,367.4

NOTES:

(1) Article references are to the General Appropriations Act.

(2) Represents two-year average for the biennium.

SOURCE: Legislative Budget Board.

## APPENDIX B – ECONOMIC AND DEMOGRAPHIC INDICATORS

### ECONOMIC AND DEMOGRAPHIC ASSUMPTIONS

Appendix B shows the economic and demographic indicators that influence state revenues and expenditures. Economic forecasts are provided by the Comptroller of Public Accounts, and a demographic forecast is provided by the State Demographer.

### ECONOMIC ASSUMPTIONS AND FORECAST

The Comptroller of Public Accounts provides an economic forecast in the *Biennial Revenue Estimate*. This forecast contains a range of economic conditions for this period. **Figure B-1** shows selected economic indicators.

**FIGURE B-1**  
**BASELINE (CERTIFICATION REVENUE ESTIMATE) FORECAST, FISCAL YEARS 2020 TO 2029**

MEASURE	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Gross State Product (2009, in Billions)	\$1,768.8	\$1,808.8	\$1,850.6	\$1,894.2	\$1,940.5	\$1,987.7	\$2,038.3	\$2,092.9	\$2,152.9	\$2,215.2
Annual Percentage Change	2.8%	2.3%	2.3%	2.4%	2.4%	2.4%	2.5%	2.7%	2.9%	2.9%
Gross State Product (Current, in Billions)	\$1,948.2	\$2,058.9	\$2,156.9	\$2,252.8	\$2,354.3	\$2,463.7	\$2,586.0	\$2,716.0	\$2,859.6	\$3,012.1
Annual Percentage Change	5.9%	5.7%	4.8%	4.4%	4.5%	4.6%	5.0%	5.0%	5.3%	5.3%
Personal Income (Current, in Billions)	\$1,535.8	\$1,611.7	\$1,690.2	\$1,772.1	\$1,855.8	\$1,947.7	\$2,045.8	\$2,145.8	\$2,257.4	\$2,374.0
Annual Percentage Change	5.0%	4.9%	4.9%	4.8%	4.7%	4.9%	5.0%	4.9%	5.2%	5.2%
Nonfarm Employment	13,041.9	13,207.4	13,354.0	13,498.5	13,628.4	13,754.3	13,898.0	14,062.6	14,237.4	14,412.1
Annual Percentage Change	1.9%	1.3%	1.1%	1.1%	1.0%	0.9%	1.0%	1.2%	1.2%	1.2%
Resident Population	29,544.1	29,986.8	30,429.6	30,872.0	31,313.2	31,752.4	32,189.1	32,623.0	33,054.2	33,482.7
Annual Percentage Change	1.5%	1.5%	1.5%	1.5%	1.4%	1.4%	1.4%	1.3%	1.3%	1.3%
Unemployment Rate (Percentage)	3.5%	3.7%	3.9%	4.1%	4.4%	4.5%	4.6%	4.6%	4.6%	4.7%
NYMEX Oil Price (Per Barrel)	\$50.00	\$53.00	\$57.00	\$56.00	\$55.00	\$56.00	\$60.00	\$68.00	\$75.00	\$81.00
NYMEX Nat. Gas Price (Per Million BTU)	\$2.90	\$2.75	\$3.00	\$3.05	\$3.25	\$3.50	\$3.60	\$3.60	\$3.60	\$3.60
<b>U.S. Economy</b>										
Gross Domestic Product (2009, in Billions)	19,371.6	19,677.6	20,018.3	20,366.0	20,707.0	21,072.3	21,473.5	21,894.5	22,333.3	22,785.1
Annual Percentage Change	2.1	1.6	1.7	1.7	1.7	1.8	1.9	2.0	2.0	2.0
Consumer Price Index (1982-4=100)	261.7	267.9	273.6	279.3	285.2	291.1	296.8	302.9	309.3	315.8
Annual Percentage Change	2.2	2.4	2.1	2.1	2.1	2.0	2.0	2.1	2.1	2.1
Prime Interest Rate (Percentage)	6.4	6.5	6.5	6.4	6.2	6.0	5.9	5.7	5.7	5.7

NOTE: NYMEX=New York Mercantile Exchange; BTU=British thermal units.  
SOURCE: Comptroller of Public Accounts, *Biennial Revenue Estimate*, January 2019.

**DEMOGRAPHIC ASSUMPTIONS AND FORECAST**

According to the U.S. Census Bureau, from calendar years 2000 to 2015, the Texas population increased by more than 6.6 million people, an estimated growth rate of 31.7 percent for the period. The numerical change in Texas population was larger than any other state’s. In addition, Texas had the fourth-fastest population growth rate in the nation. The aging of the baby boom generation added approximately 1.2 million individuals age 65 and older to the Texas population, an increase of 55.6 percent. According to the Texas Demographic Center, the state is adding about 1,000 individuals a day to the population, and an estimated one in three individuals added each day is age 65 or older.

Texas is following the population aging trend seen throughout the U.S. However, the Texas population remains one of the youngest in the country due to the in-migration of age 17 and younger persons, young adults, and relatively higher birth rates. **Figure B–2** shows a comparison of the age groups 17 and younger and 65 and older for Texas and the U.S. from calendar years 2000 to 2015.

For details regarding population trends for age groups 17 and younger and 65 and older among Texas counties and how Texas compares to the U.S., go to the LBB’s interactive graphics at [www.lbb.state.tx.us/InteractiveGraphics.aspx](http://www.lbb.state.tx.us/InteractiveGraphics.aspx).

According to the Texas Demographic Center, from calendar years 2019 to 2029, the Texas population is expected to increase by approximately 5.2 million people, an estimated growth rate of 17.6 percent for the period. This amount increased significantly since the 2017 *Cost Drivers and Revenue* report. The Texas population is likely to continue to age while remaining one of the youngest states in the U.S. The migration of large numbers of young adults and their children from other states will keep the Texas population’s median age low compared to the U.S. The Texas population age 65 and older will continue to increase, though at a lower rate than the U.S.

**Figure B–3** shows a comparison of the age groups 17 and younger and 65 and older for Texas and the U.S. projected from calendar years 2019 to 2029 by the Texas Demographic Center and the U.S. Census Bureau. Both of these projected shares are lower than reported in the 2017 *Cost Drivers and Revenue* report.

**FIGURE B–2  
COMPARISON OF POPULATIONS AGE 17 AND YOUNGER AND AGE 65 AND OLDER IN TEXAS AND THE U.S.  
CALENDAR YEARS 2000 TO 2015**

GROUP	2000		2010		2015	
	POPULATION	SHARE	POPULATION	SHARE	POPULATION	SHARE
<b>Texas</b>	<b>20,851,820</b>		<b>25,145,561</b>		<b>27,469,114</b>	
Age 17 and younger	5,886,759	28.2%	6,865,824	27.3%	7,211,771	26.3%
Age 65 and older	2,072,532	9.9%	2,601,886	10.3%	3,225,168	11.7%
<b>U.S.</b>	<b>281,421,906</b>		<b>308,745,538</b>		<b>321,418,820</b>	
Age 17 and younger	72,293,812	25.7%	74,181,467	24.0%	73,645,111	22.9%
Age 65 and older	34,991,753	12.4%	40,267,984	13.0%	47,760,852	14.9%

SOURCE: Legislative Budget Board.

**FIGURE B–3  
COMPARISON OF POPULATIONS AGE 17 AND YOUNGER AND AGE 65 AND OLDER IN TEXAS AND THE U.S.  
CALENDAR YEARS 2019 TO 2029**

GROUP	2019		2024		2029	
	POPULATION	SHARE	POPULATION	SHARE	POPULATION	SHARE
<b>Texas</b>	<b>29,193,378</b>		<b>31,685,217</b>		<b>34,345,084</b>	
Age 17 and younger	7,437,534	25.5%	7,843,359	24.8%	8,336,224	24.3%
Age 65 and older	3,750,944	12.8%	4,576,549	14.4%	5,420,470	15.8%
<b>U.S.</b>	<b>330,268,840</b>		<b>341,963,408</b>		<b>353,008,224</b>	
Age 17 and younger	73,783,093	22.3%	74,562,469	21.8%	75,409,642	21.4%
Age 65 and older	54,225,485	16.4%	63,354,340	18.5%	71,758,961	20.3%

SOURCE: Legislative Budget Board.

## APPENDIX C – HISTORICAL EXPENDITURES

Figures C–1 to C–5 show, for the eight highlighted budget drivers, expenditures from the 2010–11 biennium to the 2016–17 biennium, appropriations for the 2018–19 biennium, and the share of total expenditures for each of these programs, by method of finance. These eight programs accounted for 72.0 percent of General Revenue Funds spent during the 2010–11 biennium, and 75.0 percent of General Revenue Funds appropriations for the 2018–19 biennium.

The eight programs totaled 70.3 percent of spending from state funds during the 2010–11 biennium, and 73.3 percent of appropriations from state funds for the 2018–19 biennium. State funds include General Revenue Funds, General Revenue–Dedicated Funds, and Other Funds. The Foundation School Program and Medicaid account for the majority share for these biennia.

**FIGURE C–1**  
**BUDGET DRIVERS, 2010–11 BIENNIAL EXPENDITURES**

(IN MILLIONS)	GENERAL REVENUE FUNDS AND PROPERTY TAX			
	RELIEF FUND	STATE FUNDS	FEDERAL FUNDS	ALL FUNDS
<b>All Expenditures</b>	<b>\$87,451.4</b>	<b>\$112,298.7</b>	<b>\$72,890.2</b>	<b>\$185,188.9</b>
Foundation School Program	\$28,109.7	\$35,296.0	\$3,246.8	\$38,542.8
Medicaid	\$15,678.8	\$16,031.2	\$33,384.1	\$49,415.3
Construction and Maintenance of Highways	\$1.9	\$5,909.3	\$5,663.6	\$11,572.9
Adult Corrections	\$5,918.6	\$6,144.2	\$22.8	\$6,167.1
Juvenile Corrections	\$667.3	\$716.5	\$36.9	\$753.4
Higher Education Formula Funding	\$6,448.8	\$7,732.0	\$0.0	\$7,732.0
State Employee Benefits	\$2,949.1	\$3,929.3	\$811.3	\$4,740.6
Teacher Retirement	\$3,172.9	\$3,213.8	\$0.0	\$3,213.8
<b>Total Major Budget Drivers</b>	<b>\$62,947.0</b>	<b>\$78,972.3</b>	<b>\$43,165.6</b>	<b>\$122,137.9</b>
<b>All Other Programs</b>	<b>\$24,504.4</b>	<b>\$33,326.4</b>	<b>\$29,724.6</b>	<b>\$63,051.0</b>
<b>Share of Total</b>				
Foundation School Program	32.1%	31.4%	4.5%	20.8%
Medicaid	17.9%	14.3%	45.8%	26.7%
Construction and Maintenance of Highways	0.0%	5.3%	7.8%	6.2%
Adult Corrections	6.8%	5.5%	0.0%	3.3%
Juvenile Corrections	0.8%	0.6%	0.1%	0.4%
Higher Education Formula Funding	7.4%	6.9%	0.0%	4.2%
State Employee Retirement and Health	3.4%	3.5%	1.1%	2.6%
Teacher Retirement	3.6%	2.9%	0.0%	1.7%
<b>Total Major Budget Drivers</b>	<b>72.0%</b>	<b>70.3%</b>	<b>59.2%</b>	<b>66.0%</b>
<b>All Other Programs</b>	<b>28.0%</b>	<b>29.7%</b>	<b>40.8%</b>	<b>34.0%</b>

NOTE: State funds include General Revenue Funds, General Revenue–Dedicated Funds, and Other Funds.  
SOURCE: Legislative Budget Board.



**FIGURE C-2  
BUDGET DRIVERS, 2012-13 BIENNIAL EXPENDITURES**

(IN MILLIONS) DRIVER	GENERAL REVENUE FUNDS AND PROPERTY TAX			
	RELIEF FUND	STATE FUNDS	FEDERAL FUNDS	ALL FUNDS
<b>All Expenditures</b>	<b>\$91,536.9</b>	<b>\$121,937.9</b>	<b>\$63,936.6</b>	<b>\$185,874.6</b>
Foundation School Program	\$28,242.6	\$35,664.1	\$0.0	\$35,664.1
Medicaid	\$21,487.4	\$22,148.0	\$31,544.5	\$53,692.5
Construction and Maintenance of Highways	\$3.4	\$8,322.6	\$5,409.9	\$13,732.5
Adult Corrections	\$5,896.3	\$6,118.3	\$13.8	\$6,132.0
Juvenile Corrections	\$593.7	\$627.3	\$23.0	\$650.2
Higher Education Formula Funding	\$6,225.2	\$7,665.9	\$0.0	\$7,665.9
State Employee Benefits	\$2,970.5	\$3,961.2	\$778.5	\$4,739.7
Teacher Retirement	\$2,838.2	\$2,880.9	\$0.0	\$2,880.9
<b>Total Major Budget Drivers</b>	<b>\$68,257.3</b>	<b>\$87,388.2</b>	<b>\$37,769.6</b>	<b>\$125,157.8</b>
<b>All Other Programs</b>	<b>\$23,279.6</b>	<b>\$34,549.7</b>	<b>\$26,167.1</b>	<b>\$60,716.8</b>
<b>Share of Total</b>				
Foundation School Program	30.9%	29.2%	0.0%	19.2%
Medicaid	23.5%	18.2%	49.3%	28.9%
Construction and Maintenance of Highways	0.0%	6.8%	8.5%	7.4%
Adult Corrections	6.4%	5.0%	0.0%	3.3%
Juvenile Corrections	0.6%	0.5%	0.0%	0.3%
Higher Education Formula Funding	6.8%	6.3%	0.0%	4.1%
State Employee Retirement and Health	3.2%	3.2%	1.2%	2.5%
Teacher Retirement	3.1%	2.4%	0.0%	1.5%
<b>Total Major Budget Drivers</b>	<b>74.6%</b>	<b>71.7%</b>	<b>59.1%</b>	<b>67.3%</b>
<b>All Other Programs</b>	<b>25.4%</b>	<b>28.3%</b>	<b>40.9%</b>	<b>32.7%</b>

NOTE: State funds include General Revenue Funds, General Revenue–Dedicated Funds, and Other Funds.  
SOURCE: Legislative Budget Board.

**FIGURE C-3  
BUDGET DRIVERS, 2014–15 BIENNIAL EXPENDITURES**

(IN MILLIONS) DRIVER	GENERAL REVENUE FUNDS AND PROPERTY TAX			
	RELIEF FUND	STATE FUNDS	FEDERAL FUNDS	ALL FUNDS
<b>All Expenditures</b>	<b>\$109,577.0</b>	<b>\$136,563.3</b>	<b>\$67,194.5</b>	<b>\$203,757.8</b>
Foundation School Program	\$31,686.5	\$37,053.4	\$0.0	\$37,053.4
Medicaid	\$23,113.5	\$23,997.3	\$35,380.0	\$59,377.2
Construction and Maintenance of Highways	\$1.5	\$9,547.7	\$6,839.3	\$16,387.0
Adult Corrections	\$6,180.0	\$6,413.6	\$20.1	\$6,433.7
Juvenile Corrections	\$590.1	\$620.1	\$13.3	\$633.4
Higher Education Formula Funding	\$6,744.6	\$8,047.4	\$0.0	\$8,047.4
State Employee Benefits	\$3,459.6	\$4,614.5	\$862.2	\$5,476.7
Teacher Retirement	\$3,340.1	\$3,394.2	\$0.0	\$3,394.2
<b>Total Major Budget Drivers</b>	<b>\$75,115.8</b>	<b>\$93,688.1</b>	<b>\$43,114.9</b>	<b>\$136,803.0</b>
<b>All Other Programs</b>	<b>\$34,461.2</b>	<b>\$42,875.2</b>	<b>\$24,079.6</b>	<b>\$66,954.8</b>
<b>Share of Total</b>				
Foundation School Program	28.9%	27.1%	0.0%	18.2%
Medicaid	21.1%	17.6%	52.7%	29.1%
Construction and Maintenance of Highways	0.0%	7.0%	10.2%	8.0%
Adult Corrections	5.6%	4.7%	0.0%	3.2%
Juvenile Corrections	0.5%	0.5%	0.0%	0.3%
Higher Education Formula Funding	6.2%	5.9%	0.0%	3.9%
State Employee Retirement and Health	3.2%	3.4%	1.3%	2.7%
Teacher Retirement	3.0%	2.5%	0.0%	1.7%
<b>Total Major Budget Drivers</b>	<b>68.6%</b>	<b>68.6%</b>	<b>64.2%</b>	<b>67.1%</b>
<b>All Other Programs</b>	<b>31.4%</b>	<b>31.4%</b>	<b>35.8%</b>	<b>32.9%</b>

NOTE: State funds include General Revenue Funds, General Revenue–Dedicated Funds, and Other Funds.  
SOURCE: Legislative Budget Board.

**FIGURE C-4  
BUDGET DRIVERS, 2016–17 BIENNIAL EXPENDITURES**

(IN MILLIONS) DRIVER	GENERAL REVENUE FUNDS AND PROPERTY TAX			ALL FUNDS
	RELIEF FUND	STATE FUNDS	FEDERAL FUNDS	
<b>All Expenditures</b>	<b>\$112,374.1</b>	<b>\$139,646.0</b>	<b>\$70,768.8</b>	<b>\$210,414.8</b>
Foundation School Program	\$35,551.9	\$39,258.4	\$0.0	\$39,258.4
Medicaid	\$25,864.6	\$26,700.1	\$36,991.4	\$63,691.5
Construction and Maintenance of Highways	\$0.0	\$10,733.0	\$8,335.5	\$19,068.5
Adult Corrections	\$6,676.2	\$6,901.5	\$18.5	\$6,920.0
Juvenile Corrections	\$596.9	\$629.3	\$19.5	\$648.8
Higher Education Formula Funding	\$7,136.0	\$8,505.7	\$0.0	\$8,505.7
State Employee Benefits	\$4,607.4	\$5,685.8	\$920.5	\$6,606.3
Teacher Retirement	\$3,612.7	\$3,675.8	\$0.0	\$3,675.8
<b>Total Major Budget Drivers</b>	<b>\$84,045.6</b>	<b>\$102,089.5</b>	<b>\$46,285.4</b>	<b>\$148,374.9</b>
<b>All Other Programs</b>	<b>\$28,328.5</b>	<b>\$37,556.5</b>	<b>\$24,483.4</b>	<b>\$62,039.9</b>
<b>Share of Total</b>				
Foundation School Program	31.6%	28.1%	0.0%	18.7%
Medicaid	23.0%	19.1%	52.3%	30.3%
Construction and Maintenance of Highways	0.0%	7.7%	11.8%	9.1%
Adult Corrections	5.9%	4.9%	0.0%	3.3%
Juvenile Corrections	0.5%	0.5%	0.0%	0.3%
Higher Education Formula Funding	6.4%	6.1%	0.0%	4.0%
State Employee Retirement and Health	4.1%	4.1%	1.3%	3.1%
Teacher Retirement	3.2%	2.6%	0.0%	1.7%
<b>Total Major Budget Drivers</b>	<b>74.8%</b>	<b>73.1%</b>	<b>65.4%</b>	<b>70.5%</b>
<b>All Other Programs</b>	<b>25.2%</b>	<b>26.9%</b>	<b>34.6%</b>	<b>29.5%</b>

NOTE: State funds include General Revenue Funds, General Revenue–Dedicated Funds, and Other Funds.  
SOURCE: Legislative Budget Board.

**FIGURE C-5  
BUDGET DRIVERS, 2018–19 BIENNIAL APPROPRIATIONS**

(IN MILLIONS) DRIVER	GENERAL REVENUE FUNDS AND PROPERTY TAX			
	RELIEF FUND	STATE FUNDS	FEDERAL FUNDS	ALL FUNDS
<b>All Expenditures</b>	<b>\$111,996.9</b>	<b>\$147,025.4</b>	<b>\$84,075.6</b>	<b>\$231,101.0</b>
Foundation School Program	\$34,653.5	\$38,085.1	\$0.0	\$38,085.1
Medicaid	\$26,608.6	\$27,332.1	\$38,236.1	\$65,568.2
Construction and Maintenance of Highways	\$0.0	\$16,652.0	\$10,526.3	\$27,178.3
Adult Corrections	\$6,417.4	\$6,599.0	\$18.2	\$6,617.1
Juvenile Corrections	\$605.2	\$642.9	\$21.0	\$663.9
Higher Education Formula Funding	\$7,135.2	\$8,631.9	\$0.0	\$8,631.9
State Employee Benefits	\$4,682.4	\$5,794.6	\$1,039.8	\$6,834.4
Teacher Retirement	\$3,868.4	\$3,962.2	\$0.0	\$3,962.2
<b>Total Major Budget Drivers</b>	<b>\$83,970.6</b>	<b>\$107,699.7</b>	<b>\$49,841.4</b>	<b>\$157,541.1</b>
<b>All Other Programs</b>	<b>\$28,026.3</b>	<b>\$39,325.7</b>	<b>\$34,234.2</b>	<b>\$73,559.9</b>
<b>Share of Total</b>				
Foundation School Program	30.9%	25.9%	0.0%	16.5%
Medicaid	23.8%	18.6%	45.5%	28.4%
Construction and Maintenance of Highways	0.0%	11.3%	12.5%	11.8%
Adult Corrections	5.7%	4.5%	0.0%	2.9%
Juvenile Corrections	0.5%	0.4%	0.0%	0.3%
Higher Education Formula Funding	6.4%	5.9%	0.0%	3.7%
State Employee Retirement and Health	4.2%	3.9%	1.2%	3.0%
Teacher Retirement	3.5%	2.7%	0.0%	1.7%
<b>Total Major Budget Drivers</b>	<b>75.0%</b>	<b>73.3%</b>	<b>59.3%</b>	<b>68.2%</b>
<b>All Other Programs</b>	<b>25.0%</b>	<b>26.7%</b>	<b>40.7%</b>	<b>31.8%</b>

NOTES: State funds include General Revenue Funds, General Revenue–Dedicated Funds, and Other Funds.  
SOURCE: Legislative Budget Board.

